

**CITIZEN**

**Earning Presentation**  
**for the Year ended March 31, 2021**

---

**CITIZEN WATCH CO., LTD.**

May 13, 2021

This presentation contains forward looking statements that are based on current expectations and assumptions. Actual results could differ materially due to risks and uncertainties, which includes, but not limited to, currency fluctuation and competitive activity.

CITIZEN

## Financial Results for FY 2020

---

My name is Toshiyuki Furukawa, in charge of the Public & Investor Relations Department.  
I will be describing an outline of results in FY2020.

## Full-year financial results for FY2020

- Recorded a significant sales and profit decline due to the impact of the COVID-19 pandemic.
- Recorded a net loss of 25.1 billion yen, reflecting the posting of an extraordinary loss due to the reversal of deferred tax assets and implementation of structural reform, among other factors.

## Financial Results for 4Q(Jun.-Mar.) of FY 2020

- Achieved an increase in sales and a decrease in the deficit because the Machine Tools segment and the Devices and Components segment exceeded expectations.

## FY 2021 Forecasts

- Results are expected to recover for the Machine Tools segment and the Watches segment.
- Net Sales 260.0 billion yen(YoY change: +53.3 billion yen)  
Operating profit 10.0 billion yen(YoY change: +19.5 billion yen)

## Dividends Forecasts

- Annual dividend per share: 14.00 yen

Let me begin the presentation by explaining the key points of our financial results for the fiscal year ended March 31, 2021.

In FY2020, results, particularly in the Watches Business, declined due to the spread of COVID-19. Both sales and profits were down. We recorded a net loss of JPY25.1 billion, reflecting extraordinary losses, including a reversal of deferred tax assets in the second quarter and structural reform.

In the fourth quarter, sales rose and the loss was reduced due to results in the Machine Tools Business and the Devices and Components Business, which exceeded the forecast.

In FY2021, we forecast that the Company will return to profitability due to an expected significant increase in sales in the Machine Tools Business given the expansion of orders and a recovery in the Watches Business. We forecast that net sales will increase JPY53.3 billion YoY, to JPY260.0 billion, and operating profit will rise JPY19.5 billion YoY, to JPY10.0 billion.

We plan to pay an annual dividend of 14 yen per share, comprehensively considering the balance between dividends linked to results and stable dividends.

## Financial Results for FY 2020

CITIZEN

(Unit : billion yen)	FY2019 Result	FY2020 Result	YoY Change Amount	FY2020 2/10E
Net sales	278.5	206.6	▲ 71.8	204.0
Operating profit	6.1	▲ 9.5	▲ 15.6	▲ 10.5
Operating margin	2.2%	▲ 4.6%	-	▲ 5.1%
Ordinary Profit	7.5	▲ 4.1	▲ 11.6	▲ 6.5
Profit attributable to owners of parent	▲ 16.6	▲ 25.1	▲ 8.5	▲ 30.0
Exchange rate	¥109/USD ¥121/EUR	¥106/USD ¥123/EUR	-	¥106/USD ¥122/EUR

- Non-operating income: Posted a foreign exchange gain of 0.8 billion yen
- Extraordinary profit: 2.7 billion yen (Gain on sales of investment securities, gain on sales of non-current assets, etc.)
- Extraordinary loss: 12.3 billion yen (Structural reform expenses, losses due to the COVID-19 pandemic, impairment losses, etc.)
- Posted 10.7 billion yen in income taxes - deferred due to the reversal of deferred tax assets.

4

Next, let me describe full-year consolidated results.

Net sales decreased JPY71.8 billion YoY, to JPY206.6 billion.

The Company reduced costs, cutting selling, general and administrative expenses by JPY19.5 billion, but nonetheless posted an operating loss of JPY9.5 billion due to the significant decrease in sales.

The Company posted an ordinary loss of JPY4.1 billion, reflecting foreign exchange gains of JPY0.8 billion.

We posted extraordinary income of JPY2.7 billion, including proceeds from the sale of investment securities and proceeds from the sale of intangible assets, but recorded a loss attributable to owners of parent of JPY25.1 billion chiefly due to a reversal of deferred tax assets posted in the second quarter and extraordinary losses.

## Financial results by Business Segments

CITIZEN

Net sales (Unit: billion yen)	FY2018 Result	FY2019 Result	YoY change Amount	FY2020 2/10E
■ Watches	141.6	95.6	▲ 45.9	95.5
■ Machine Tools	58.5	46.7	▲ 11.8	45.5
■ Devices and Components	55.9	45.9	▲ 10.0	45.0
■ Electronic and Other Products	22.4	18.3	▲ 4.0	18.0
Consolidated Total	278.5	206.6	▲ 71.8	204.0
Operating Profit (Unit: billion yen, %:operating margin)				
■ Watches	3.9 (2.8%)	▲ 8.1 (▲8.6%)	▲ 12.1	▲ 8.0 (▲8.4%)
■ Machine Tools	7.2 (12.4%)	2.9 (6.3%)	▲ 4.3	2.5 (5.5%)
■ Devices and Components	0.9 (1.7%)	▲ 0.4 (▲1.1%)	▲ 1.4	▲ 1.0 (▲2.2%)
■ Electronic and Other Products	▲ 0.2 (▲1.0%)	0.3 (2.1%)	+0.6	0.2 (1.1%)
Eliminations or general corporate	▲ 5.7	▲ 4.1	+1.5	▲ 4.2
Consolidated Total	6.1 (2.2%)	▲ 9.5 (▲4.6%)	▲ 15.6	▲ 10.5 (▲5.1%)

5

Results for the full year by segment are as shown in page 5.

I will not read out the results. Compared with the forecasts, net sales in the Watches Business were on a par with the forecast. Net sales and operating profit in the Machine Tools Business and Devices and Components Business exceeded the forecasts.

## Watches (Operating Performance)

CITIZEN

### 4 Q

#### Watch sales

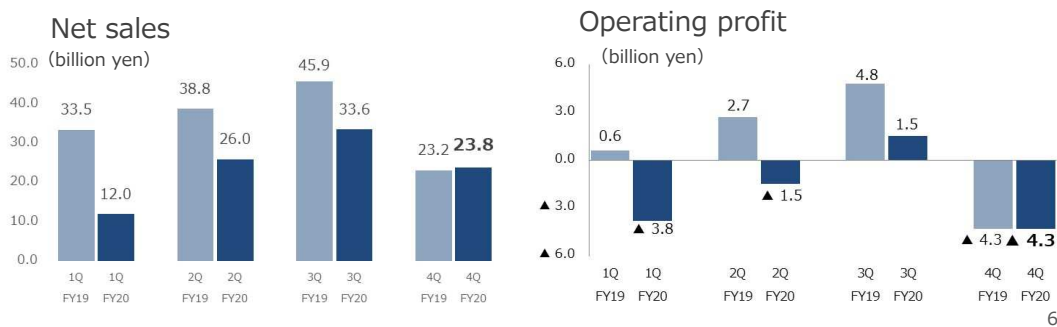
- Overseas market: Sales continued to be strong in China. Online sales growth in North America. Europe remained sluggish due to restrictions on activities and other factors.
- Domestic market: Sales of new products, among other products, remained solid despite a decline in overall consumer interest.

#### Movement sales

- Sales of mechanical movements remained firm. Analog quartz maintained the recovery trend.

### Full year

- Sales of finished products decreased sharply due to a significant fall in demand in the mainstay domestic and North American markets. Implemented structural reform for the movement business.



I will now give an overview of each segment, primarily in the fourth quarter.

Page 6 shows results in the Watches Business.

Net sales in the fourth quarter increased JPY0.5 billion YoY, to JPY23.8 billion.

Sales of finished products remained strong in China, with e-commerce sales increasing significantly. In North America, sales were favorable, reflecting rising consumption. In Europe, activities were restricted as COVID-19 cases increased again, and a recovery in consumption was weak.

In Japan, despite weak consumption due to the spread of COVID-19, sales were solid. Sales of special multi-brand models, including Cosmic Blue Collection, increased successfully, and sales of watches of core brands, xC and ATTESA, recovered.

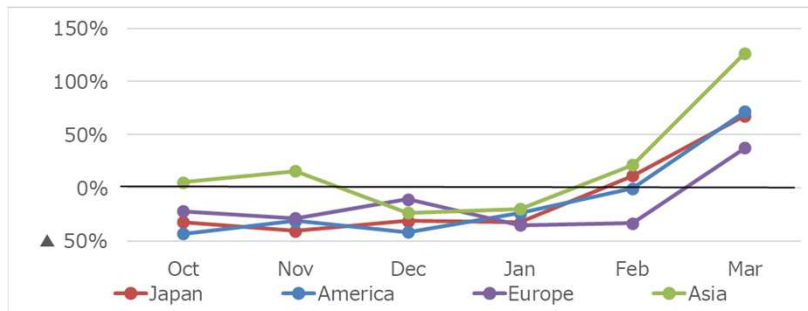
In sales of movements, sales of mechanical movements continued to remain firm. Demand for analog quartz movements was recovering. The market is gradually gaining momentum.

We recorded an operating loss of JPY4.3 billion, on a par with the year-ago level, reflecting non-recurring costs (disposal and write-downs of long-held inventory) of about JPY1.5 billion.

## Watches Sales Conditions by Region

CITIZEN

### ■ Rate of change year on year (on a local-currency basis)



### ■ Rate of change year on year (on a local-currency basis)

	4Q	
■ Japan	+9%	Sales were sluggish as COVID-19 started to spread again. Even so, domestic demand remained on a recovery path.
■ America	+1%	Sales remained at the year-ago level, helped by strong online sales
■ Europe	▲20%	Faced difficulties due to the suspension of operations in many areas. Results in Italy and Spain were better than the previous year in which lockdowns were implemented.
■ Asia	+22%	In addition to strong online sales, real store sales were also on an upward trend in China. Other Asian regions including Hong Kong and Taiwan also showed a recovery trend.

• The rate of change in total sales of CITIZEN brand watches and BULOVA brand watches only for North America. For other regions, the rate of change only in sales of CITIZEN brand watches.

7

Page 7 shows year-on-year changes in sales of finished products by region.

Domestic sales, which are shown by the red line, exceeded the year-ago level from February, but since late April, the recovery in consumption has been slowing. We need to carefully monitor trends.

Sales in North America are shown in the blue line. Purchases are becoming active overall except in distribution targeting tourists.

The purple line shows sales in Europe. The recovery in sales is slow, chiefly due to the suspension of operations, but sales are improving.

The green line shows sales in Asia, including China. Sales in China remained strong. The sales growth rate is largest partly due to a significant decline in the previous fiscal year.

Overseas sales in April exceeded the FY2019 level. In the United States, consumption is rising sharply, and we made a favorable start in the new fiscal year.

## Machine Tools (Operating Performance)

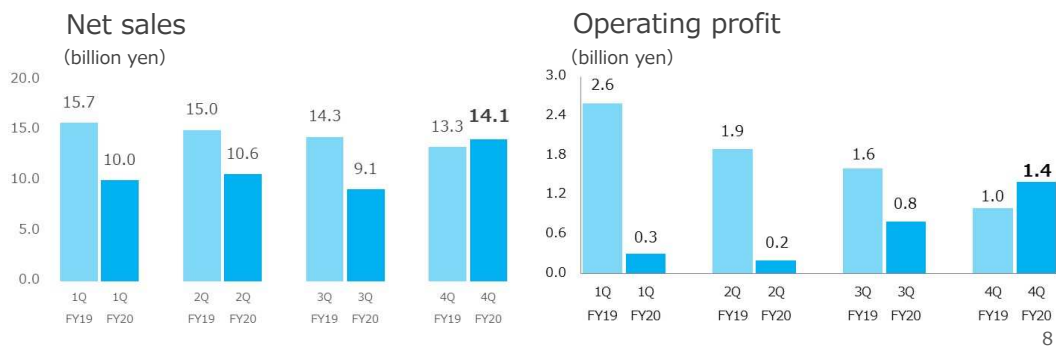
CITIZEN

### 4Q

- Domestic market: Sales remained slow due to a cautious stance on capital investment. Even so, orders were on a recovery trend.
- Overseas market: Asian regions, mainly China, remained strong. Results were also on an upward trend in Europe and the Americas.

### Full year

- Both net sales and operating profit decreased due to weak demand for capital investment in the first half. However, overseas markets, particularly China, recovered quickly.



Now, I will provide an overview of results in the Machine Tools Business.

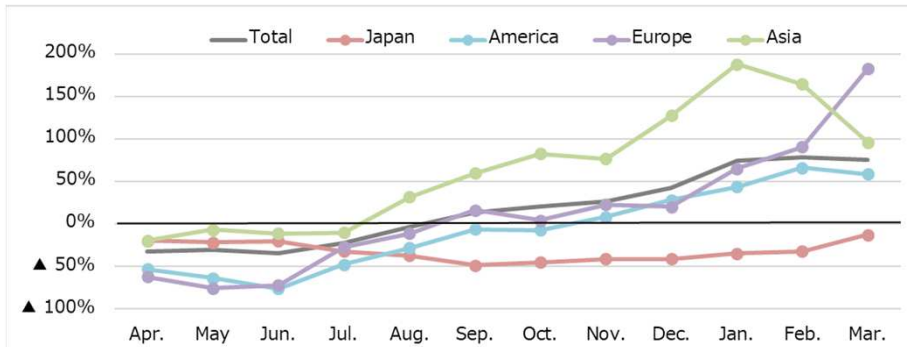
Net sales in the fourth quarter increased JPY0.8 billion YoY, to JPY14.1 billion. Operating profit rose JPY0.4 billion YoY, to JPY1.4 billion. In 2021, the level of orders has been high. As a result, the order backlog increased and sales exceeded the forecast.

I will describe orders by region in the next page.



## Machine tools Changes in monthly orders received (units) CITIZEN

■ Year-on-year percent change (three-month moving average of the numbers of units in orders received)



■ Year-on-year percent change (Quarterly number of units in orders received)

	4Q	
● Total	+76%	
● Japan	▲12%	Orders were on a modest upward trend, although the recovery was slow due to a cautious stance on capital investment.
● America	+59%	Orders, particularly those related to medical demand, recovered quickly. Orders for job shops applications also increased significantly.
● Europe	+183%	Orders from the automobile-related business increased significantly. Orders from other businesses such as machinery and equipment also remained strong.
● Asia	+97%	Order were recovering, mainly reflecting the restart of equipment installation that had been postponed. China also continued to perform strongly.

9

Page 9 shows year-on-year changes in orders by region. Orders received recovered rapidly, especially overseas.

Domestic orders, which are shown by the red line, are increasing gradually. Although customers continued to take a wait-and-see attitude about investment, inquiries were on an upward trend. The light blue line shows orders received in the Americas. Medical-related capital investment resumed in early autumn. Orders from job shops are increasing. The purple line shows orders received in Europe. From the beginning of this year, automobile-related investments started to rise belatedly and orders are increasing across a wide range of industries. The green line shows orders in Asia, including China. In addition to IT- and smartphone-related orders, medical- and automobile-related orders are increasing.

In FY2021, the keys to achieving forecasts are how to respond, in production, to the increased order backlog and how to handle orders in short delivery time.

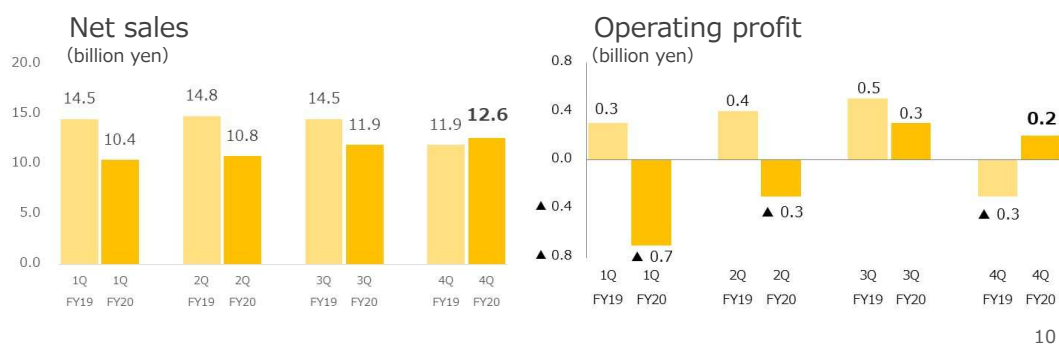
## Devices and Components (Operating Performance) CITIZEN

### 4Q

- Precision machining components:  
Automobile components grew, reflecting an increase in the number of new cars sold. Switches also showed a recovery trend.
- Opto-devices: LED for lighting equipment recovered in terms of orders. In-vehicle LED, among other devices, contributed to an increase in sales.

### Full year

- LED for lighting equipment performed poorly although precision machining components remained firm in the second half.



Finally, I will explain the results of the Devices and Components Business.

Net sales in the fourth quarter increased JPY0.6 billion YoY, to JPY12.6 billion. Operating profit returned to positive territory, to JPY0.2 billion.

Of precision machining components, both sales and operating profit of auto parts remained strong and increased YoY associated with a recovery in new car sales. Sales of switches rose due to a recovery in sales of those for smartphones.

Of opt-devices, sales of LED for lighting products declined due to a decline in demand in the European and U.S. markets. Orders were on an upward trend, particularly in China and Japan. Sales of LED for vehicle use and for game machines contributed to overall sales.

Sales of other products, including quartz devices and ceramics, were firm.

## FY 2021 Forecasts

CITIZEN

(Unit: billion yen)	FY2020	FY2021	YoY Change	
	Result	Forecast	%	Amount
Net sales	206.6	260.0	+25.8%	+53.4
Operating profit	▲ 9.5	10.0	-	+19.5
Operating margin	▲4.6%	3.8%	-	-
Ordinary Profit	▲ 4.1	11.0	-	+15.1
Profit attributable to owners of parent	▲ 25.1	9.0	-	+34.1
Exchange rate	¥106/USD ¥123/EUR	¥105/USD ¥125/EUR	-	-

11

Next, let me explain our results forecasts for FY2021.

We forecast that both sales and profits will increase in major businesses from FY2020, when sales and profits declined significantly due to the COVID-19 pandemic.

Net sales and operating profit are forecast to be JPY260.0 billion and JPY10.0 billion, respectively.

Sales and profits are forecast to rise because sales in the Machine Tools Business is expected to increase due to a sharp recovery in orders and consumption is likely to recover in the Watches Business.

We forecast ordinary profit and profit attributable to owners of parent of JPY11.0 billion and JPY9.0 billion, respectively.

Our assumption for foreign exchange rates is JPY105 against the U.S. dollar and JPY125 against the euro.

## FY2021 Forecast by Business Segment

CITIZEN

Net sales		FY2020 Result	FY2021 Forecast	YoY Change	
(Unit: billion yen)				%	Amount
■	Watches	95.6	124.0	+29.7%	28.4
■	Machine Tools	46.7	67.0	+43.4%	20.3
■	Devices and Components	45.9	51.0	+11.1%	5.1
■	Electronic and Other Products	18.3	18.0	▲2.1%	▲0.3
Consolidated Total		206.6	260.0	+25.8%	53.4
Operating Profit		FY2020 Result	FY2021 Forecast	YoY Change	
(Unit: billion yen, %:operating margin)				%	Amount
■	Watches	▲8.1 (▲8.6%)	4.0 (3.2%)	-	12.1
■	Machine Tools	2.9 (6.3%)	9.0 (13.4%)	+206.6%	6.1
■	Devices and Components	▲0.4 (▲1.1%)	1.5 (2.9%)	-	1.9
■	Electronic and Other Products	0.3 (2.1%)	0.5 (2.8%)	+26.8%	0.2
Eliminations or general corporate		▲4.1	▲5.0	-	▲0.9
Consolidated Total		▲9.5 (▲4.6%)	10.0 (3.8%)	-	19.5

12

Page 12 shows our full-year consolidated earnings forecasts by segment.

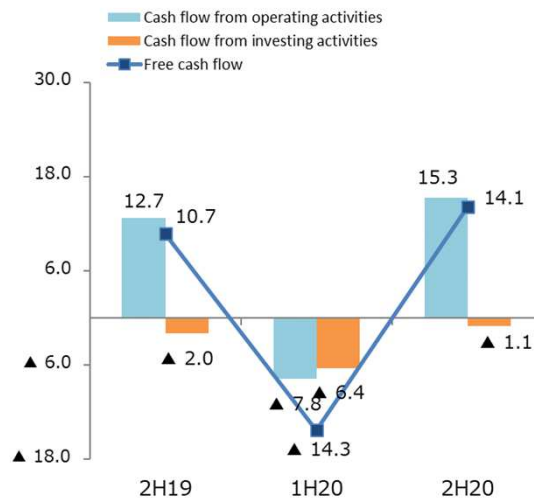
We anticipate a significant recovery in the Watches Business, where sales are expected to increase 30%, and in the Machine Tools Business, where sales are likely to rise 43%.

Sales in the Devices and Components Business are expected to climb 11%. Sales in the Electronic and Other Products Business are set to fall slightly because special demand for thermometers will end.

## Statement of Cash Flow

CITIZEN

(Unit: billion yen)	1H20	2H20	YoY Change
<b>Cash flow from operating activities</b>	▲ 7.8	15.3	+23.2
<b>Cash flow from investing activities</b>	▲ 6.4	▲ 1.1	+5.2
<b>Free cash flow</b>	▲ 14.3	14.1	+28.4
<b>Cash flow from financial activities</b>	33.3	▲ 15.0	▲ 48.4
<b>Balance of cash and cash equivalents</b>	97.6	99.5	+1.9



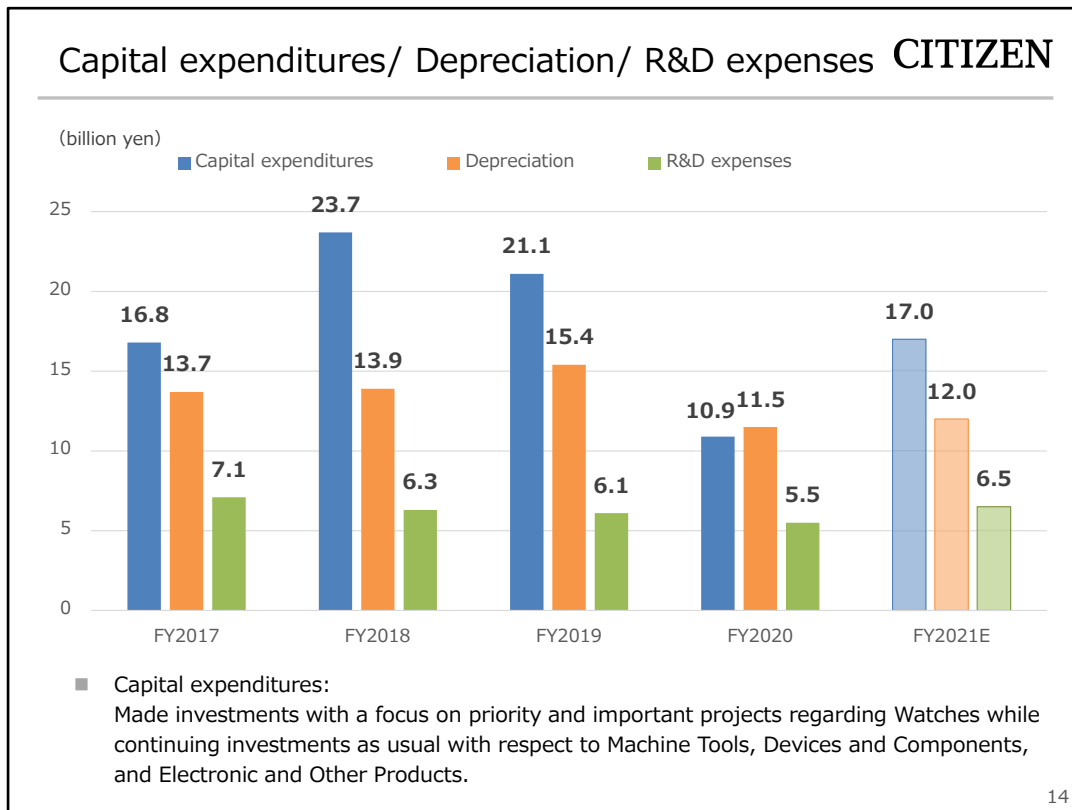
- Cash flow from operating activities: Increased due to improved profitability and inventory reductions in a range of businesses centered on the Watches segment.
- Cash flow from investing activities: Increased due to sale of part of cross-share holdings and fixed asset.

13

Next, I would like to describe the statement of cash flows.

In the second half, cash provided by operating activities stood at JPY15.3 billion, reflecting an improvement in profitability and a reduction in inventories, particularly in the Watches Business.

The cash outflow in investing activities was only JPY1.1 billion, partly due to the sale of cross-shareholdings. Free cash flow stood at JPY14.1 billion. Cash used in financing activities was JPY15.0 billion, reflecting repayments of borrowings, among other factors.



Capital expenditures were limited to investment in important items in FY2020 and were JPY10.9 billion.  
Depreciation decreased, reflecting an impairment loss posted in FY2019.

Capital expenditures are forecast to be JPY17.0 billion in FY2021. We plan to expand investment particularly investment for increasing capacity in the Machine Tools Business.

That concludes my presentation.

## Medium-Term Management Plan

CITIZEN

	Medium-Term Management Plan (FY2021)	Forecast for Financial Results (FY2021)
Net sales	370.0 billion yen	260.0 billion yen
Operating profit	30.0 billion yen	10.0 billion yen
ROE	8.0%	4.0%

\*ROE = Annual net profit/Net worth

- Market conditions changed significantly compared with those assumed in the Medium-Term Management Plan 2021. In particular, the market environment deteriorated for the Watches segment.
  - Global reductions in operations at physical stores, coupled with store closings
  - Disappearance of demand for inbound tourism in Japan
- The market environment of the Watches segment is improving gradually in fiscal 2021. Even so, with the impact of the COVID-19 pandemic expected to continue, net sales, operating profit and ROE set forth in the Medium-Term Management Plan will fall short of the targets.

15

My name is Toshihiko Sato. I am the President and CEO. Thank you for taking the time out of your busy schedules to participate in the financial results briefing for the fiscal year ended March 31, 2021. Let me extend a few words.

We started to execute the Medium-Term Management Plan in FY2019. This fiscal year, FY2021, is the final year of the plan. The market environment that we assumed when we prepared the Medium-Term Management Plan has changed drastically given the COVID-19 pandemic. The results in the Watches Business, our core business, have been far below our initial forecast.

The results in FY2020 were very disappointing. The forecast for FY2021 disclosed today predicts a recovery in results. Unfortunately, however, we are far below the targets in the Medium-Term Management Plan. We have made steady progress in the initiatives that we set out in the Medium-Term Management Plan.

## Initiatives in Watches Segment

CITIZEN

### Strengthening of EC sales

- America: The ratio of online sales rose and direct online sales expanded.
- Japan: Launched direct online sales, the AI-based watch recommendation service and the FTS service.
- China: Sales increased year on year due to strengthened product lines for main online sales seasons. Cross-border online sales remained solid as well.

### Rebuilding of the movements business

- Optimized the production scale due to a fall in demand for analog quartz movements.
- Cut the cost of mechanical movements by facilitating the rationalization and automation of production

### Enhancement of the business of mechanical

- Developed a new mechanical Caliber 0200 movement by leveraging the technology of Switzerland-based La Joux-Perret.
- Worked on a global launch of the CITIZEN watch equipped with the new mechanical Caliber 0200 movement.
- Worked on a global launch of Series 8, a new mechanical watch brand.



16

First, in the Watches Business, we accelerated the strengthening of e-commerce sales primarily in the United States and China, and in the second half, e-commerce sales offset a significant decline in sales at physical stores. We believe our initiatives produced results to a certain extent amid the pandemic.

In the movement business, sales declined due to the contraction of the market for affordable watches. To address the issue, we proceeded with structural reforms and established a production system suitable for the market size. Demand is improving, and we expect a recovery in results.

We have developed a new strategy. We will launch new series of mechanical watches, including The CITIZEN and Series 8. We will seek to gain new customers by adding a new option, mechanical watches, to the Citizen brands, which have been primarily analog quartz Eco-Drive watches.



### Online-based initiatives

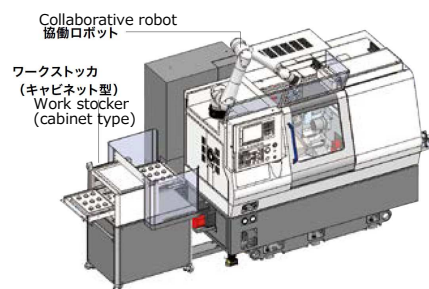
- Held online-based private exhibitions and showed new products, processing technologies, etc.
- Provided online-based operation monitoring system and programming training.

### Strengthening of production capacity in China

- Working on the relocation and expansion of the existing factory in China in 2021 summer in response to higher demand in the Chinese market.

### Further automation and labor-saving in products

- Developed products in which a collaborative robot (FA-friendly) system is adopted.
- Developed an original automatic tool changer (ATC) with the capability to handle complicated processing quickly and efficiently.  
(Received the Machinery Industrial Design Award (IDEA) of the Nikkan Kogyo Shimbun)



17

In the Machine Tools Business, orders have been recovering rapidly since the latter half of the previous fiscal year, primarily in China. We expect that in the current fiscal year, the business will enter a full-scale recovery phase also in advanced countries.

Amid the COVID-19 pandemic, we held online trade shows in Japan and overseas for the first time in the last fiscal year. They were well received by customers and we received strong orders.

We relocated and expanded our plant in China, anticipating an upward trend. The plant will commence operation in summer.

Although our initiatives in the past two years have yet to produce results, we believe that we have laid the foundation for a steady recovery in results from this fiscal year.

It is unclear when the COVID-19 pandemic will end, but we are determined to achieve a recovery in results.

We hope we can count on your continued support.

**CITIZEN**

## Balance Sheet

CITIZEN

(Unit: billion yen)	March 31, 2020	March 31, 2021	Change from end of previous fiscal year	(Unit: billion yen)	March 31, 2020	March 31, 2021	Change from end of previous fiscal year
Current assets	235.6	244.4	+8.7	Liabilities	138.7	152.9	+14.1
Cash and deposits	80.1	101.8	+21.6	Interest-bearing debt	55.1	74.8	+19.7 ②
① inventories	101.1	90.2	▲ 10.9				
Non-current assets	133.9	121.3	▲ 12.5	Net assets	230.7	212.8	▲ 17.9
Property, plant and equipment	78.5	75.9	▲ 2.5	Shareholders' equity	220.1	193.7	▲ 26.4
Investment securities	33.4	33.3	▲ 0.1	Foreign currency translation adjustment	▲ 1.0	4.8	+5.9
Total assets	369.5	365.8	▲ 3.7	Total liabilities and net assets	369.5	365.8	▲ 3.7

① Decline in inventories, mainly those in the Watches and Machine Tools segments

② Increase in interest-bearing debt due to long-term borrowings

## Financial Results for 4Q(Jan.-Mar.) of FY 2020

CITIZEN

(Unit : billion yen)	4Q 2019 Result	4Q 2020 Result	YoY Change Amount	4Q 2019 2/10E
Net sales	53.5	55.5	+1.9	52.8
Operating profit	▲ 5.0	▲ 3.4	+1.6	▲ 4.4
Operating margin	▲9.5%	▲6.3%	-	▲8.4%
Ordinary Profit	▲ 4.8	▲ 1.4	+3.3	▲ 3.8
Profit attributable to owners of parent	▲ 23.6	▲ 3.2	+20.4	▲ 8.0
Exchange rate	¥109/USD ¥120/EUR	¥104/USD ¥127/EUR		¥105/USD ¥125/EUR

## 4Q(Jan.-Mar.) 20 Result by Business Segments

CITIZEN

Net sales (Unit: billion yen)	FY2019	FY2020	YoY Change	FY2020
	4Q Result	4Q Result	Amount	4Q 2/10E
■ Watches	23.2	23.8	+0.5	23.7
■ Machine Tools	13.3	14.1	+0.8	12.9
■ Devices and Components	11.9	12.6	+0.6	11.7
■ Electronic and Other Products	4.9	4.7	▲ 0.1	4.4
Consolidated Total	53.5	55.5	+1.9	52.8
Operating Profit (Unit: billion yen, %:operating margin)	FY2019	FY2020	YoY Change	FY2020
	4Q Result	4Q Result	Amount	4Q 2/10E
■ Watches	▲ 4.3 (▲18.7%)	▲ 4.3 (▲18.3%)	+0.0	▲ 4.1 (▲17.6%)
■ Machine Tools	1.0 (7.8%)	1.4 (10.2%)	+0.4	1.0 (7.8%)
■ Devices and Components	▲ 0.3 (▲3.0%)	0.2 (2.1%)	+0.6	▲ 0.2 (▲2.1%)
■ Electronic and Other Products	▲ 0.2 (▲4.6%)	+0.2 (5.1%)	+0.4	0.0 (1.1%)
Eliminations or general corporate	▲ 1.1	▲ 1.0	+0.0	▲ 1.0
Consolidated Total	▲ 5.0 (▲9.5%)	▲ 3.4 (▲6.3%)	+1.6	▲ 4.4 (▲8.4%)