

CITIZEN

**Earning Presentation
for Three months ended June 30, 2021**

CITIZEN WATCH CO., LTD.

August 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.

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Financial Results for 1Q of FY 2021

My name is Toshiyuki Furukawa, in charge of the Public & Investor Relations Department.

I will outline the results for the first quarter (Q1) of FY2021.

Financial Results for 1Q of FY 2021

- Sales and profit increased, exceeding the initial forecast, mainly in the mainstay Watches and Machine Tools segments.
- All businesses achieved to operating profitability due to the recovery of net sales following the resumption of economic activity.

FY 2021 Forecasts

- Based on actual results for Q1 of FY2021, the forecast for the financial results for H1 has been revised upward.
- Net Sales 268.0 billion yen(Change from previous forecast: +8.0 billion yen)
Operating profit 13.8 billion yen(Change from the forecast made last year: +3.8 billion yen)

Dividends Forecasts

- (Change from previous forecast: +4.0 yen) (Interim +2.0 yen, year-end +2.0 yen)
Increased dividend 18.0 yen (Interim 9.0 yen, year-end 9.0 yen)

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Let me begin the presentation by explaining the key points of our financial results for the fiscal year ended March 31, 2022.

Although the COVID-19 pandemic continues to impact the Company, consumption has recovered mainly in North America and other overseas markets. Regarding Q1 results, both sales and profit increased due to improved business performance mainly in the mainstay businesses of Watches and Machine Tools.

We returned to profitability following the loss posted in the first quarter of the previous year, and achieved profitability in all business segments, with the operating profit margin recovering to 6.4%.

In addition, we have revised our full-year forecasts due to the significant upturn in Q1 results.

We forecast net sales of JPY 268.0 billion, up JPY 8.0 billion from the previous forecast, and operating profit of JPY 13.8 billion, up JPY 3.8 billion from the previous forecast.

Moreover, in line with the upward revision of the earnings forecast, we have also raised the dividend forecast.

The forecast annual dividend per share is 18.0 yen, an increase of 4.0 yen from the previous forecast.

Financial Results for 1Q of FY 2020

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(Unit : billion yen)	FY2020	FY2021	YoY Change	
	Q1 Result	Q1 Result	Amount	%
Net sales	36.8	65.7	+28.9	+0.8
Operating profit	▲ 5.6	4.2	+9.8	-
Operating margin	▲15.3%	6.4%	-	-
Ordinary Profit	▲ 4.9	5.0	+9.9	-
Profit attributable to owners of parent	▲ 6.7	4.3	+11.1	-
Exchange rate	¥108/USD ¥118/EUR	¥109/USD ¥131/EUR	-	-

■ Posted a gain on sales of land and buildings : 0.8 billion yen (Extraordinary profit)

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Next, let me share the consolidated financial results for Q1 of FY2021.

Net sales totaled JPY 65.7 billion, an increase of JPY 28.9 billion, or 78%, from the previous fiscal year.

Operating profit was JPY 4.2 billion, an increase of JPY 9.8 billion year on year, and ordinary profit was JPY 5.0 billion, an increase of JPY 9.9 billion year on year.

Profit attributable to owners of parent was JPY 4.3 billion, an increase of JPY 11.1 billion year on year, due in part to an extraordinary income of JPY 0.8 billion from the sale of land and buildings.

1Q21 Result by Business Segments

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	Net sales (Unit: billion yen)	FY2020 Q1 Result	FY2021 Q1 Result	YoY change	
				Amount	%
■ Watches		12.0	29.0	+16.9	+141.0%
■ Machine Tools		10.0	18.6	+8.5	+85.2%
■ Devices and Components		10.4	13.1	+2.6	+25.7%
■ Electronic and Other Products		4.2	4.9	+0.6	+15.0%
Consolidated Total		36.8	65.7	+28.9	+78.4%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		▲ 3.8 (▲31.8%)	1.4 (5.2%)	+5.3	-
■ Machine Tools		0.3 (3.7%)	2.6 (14.3%)	+2.3	+618.6%
■ Devices and Components		▲ 0.7 (▲7.3%)	0.9 (7.1%)	+1.6	-
■ Electronic and Other Products		▲ 0.3 (▲7.2%)	0.3 (7.4%)	+0.6	-
Eliminations or general corporate		▲ 1.1	▲ 1.2	▲ 0.1	-
Consolidated Total		▲ 5.6 (▲15.3%)	4.2 (6.4%)	+9.8	-

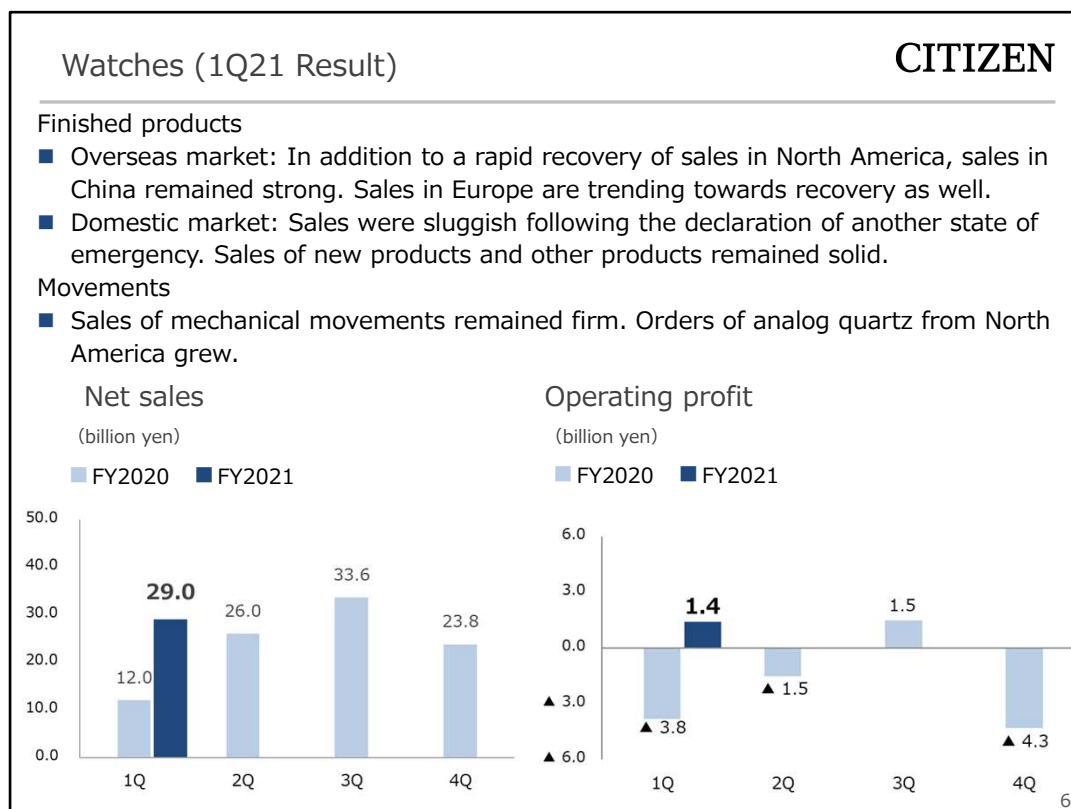
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Results for Q1 by segment are as shown.

The Watches segment posted a 141% increase in sales and a JPY 5.3 billion increase in operating profit.

The Machine Tools segment posted a 85% increase in sales and a JPY 2.3 billion increase in operating profit.

The Devices segment posted a 25% increase in sales and a JPY 1.6 billion increase in operating profit, and all businesses, including other businesses, posted an operating profit.



I will now give an overview of business results by business segment. Page 6 shows results in the Watches Business.

Net sales in the first quarter increased JPY 16.9 billion year on year, to JPY 29.0 billion.

Sales of finished products increased mainly in North America, where consumption is picking up, and sales in China were also strong in both e-commerce and store sales. In Europe, although there are differences between countries, the market recovered significantly from the previous year and remained strong.

In Japan, there was only a moderate recovery as consumption was sluggish due to the declaration of another state of emergency, although sales of cross-brand planned products such as the CITIZEN YELL COLLECTION and mainstay brands such as xC and ATTESA were strong and performed well.

In sales of movements, sales of mechanical movements continued to remain firm. In addition, regarding analog quartz, sales of multi-functional products increased in North America and other markets.

Operating profit was JPY 1.4 billion, an increase of JPY 5.3 billion year on year, reflecting the improvement of profitability on the manufacturing side

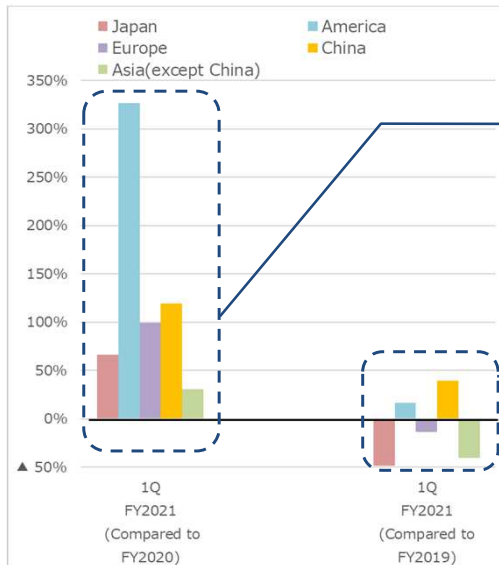
due to a greater-than-expected recovery in consumption in North America, which led to a significant increase in sales of finished products, and an increase in the sales ratio of high value-added products in movement sales.

Watches Net sales growth rate by region

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- Rate of change year on year and from the same period the year before last

Rate of change year on year (Q1 of FY2020)



Rate of change grew sharply reflecting the large decline in net sales due to the COVID-19 pandemic in Q1 of FY2020.

- America: A robust recovery exceeding 300% was seen.
- China/Europe: A strong recovery due to the resumption of economic activity was seen.
- Japan: Although it is weak, it is moving toward recovery.

Rate of change from the same period the year before last (Q1 of FY2019)

Compared with both the rate of change from Q1 of FY2021 and from the same period the year before the previous year (Q1 of FY2019), which was before the COVID-19 pandemic

- Recovery was seen in North America and China, where a level exceeding the pre-COVID-19 level was achieved.

* 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.

* Other Asian regions are the Asian regions excluding China.

* Rate of change based on local currency

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Next, let me describe sales growth rate by region.

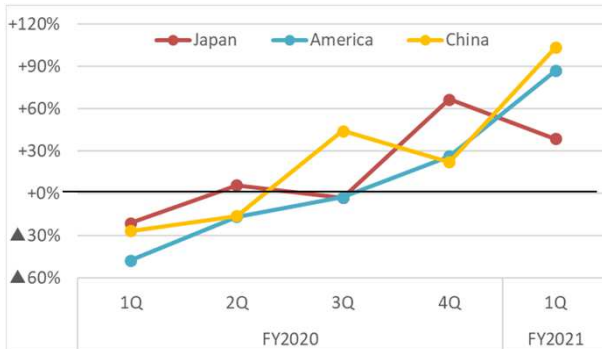
The bar graph on the left shows year-on-year percentage change by region. The largest increase was in the North America region (light blue), where sales increased, exceeding 300% of the previous year. E-commerce continued to grow, but a significant recovery in store sales at department stores and jewelry chains also contributed to this growth. Sales in Europe (light purple) and China (orange) doubled from the previous year, while sales in Japan and Asia (excluding China) recovered relatively slowly due to the COVID-19 pandemic.

The bar graph on the right shows the percentage change from the same month of the year before last, to enable a comparison with the pre-COVID-19 level. While North America and China are above their pre-COVID-19 FY2019 levels and Europe has recovered to about 90%, Japan and other Asian countries are experiencing a slow recovery.

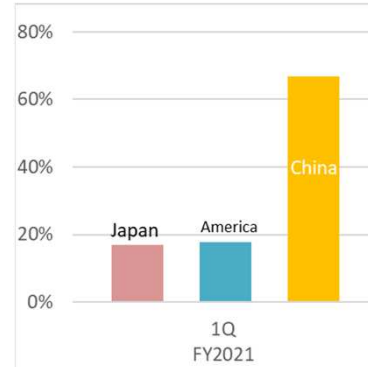
Watches Online sales

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■ Online sales Rate of change year on year



■ Percentage of sales from online sales



	1Q	
● Japan	+39%	Strengthening digital advertising contributed to solid sales from online events. Sales of main products including ATTESA, etc. remained steady.
● America	+87%	Limited edition products grew in direct online sales. Existing online sales also sharply grew including an increase in sales from live commerce events.
● China	+103%	Sales of new products remained steady during the 618 Sale. Net sales of high unit price products grew in online sales as well.

* Change is of the CITIZEN brand only in Japan and China Regarding North America, the change is of the CITIZEN brand and the BULOVA brand combined

* Both change and percentage of sales from online sales are on a local-currency basis.

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This line graph shows the year-on-year growth rate of e-commerce sales in the three major regions we have been focusing on since last year.

Domestic e-commerce sales in the first quarter were up 39%, while North American sales were up 87%.

Sales in China increased 103%, partly due to increased sales of new products mainly in the 618 Sale, an e-commerce event.

Mechanical The CITIZEN Caliber 0200

Launched three high precision models of mechanical The CITIZEN equipped with the beautiful Caliber 0200 movement designed in collaboration with La Joux-Perret (Switzerland).
(Price including tax: 605,000 yen, 825,000 yen)



CITIZEN Series 8 Mechanical Watch Brand

Launched eight models of CITIZEN Series 8 watches in three types. CITIZEN Series 8 is a brand of mechanical watch featuring modern, sporty designs that combines function and practicality. (Price including tax: 132,000 yen - 220,000 yen)



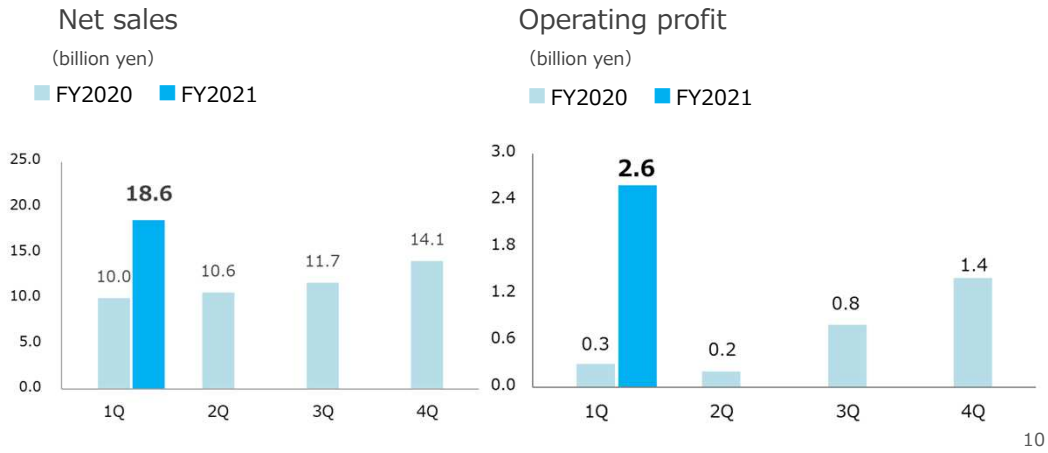
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As for topics related to the Watch business, we are expanding our mechanical watch product line as demand for mechanical watches is steadily growing.

The top-of-the-line The CITIZEN brand will release a new model on August 26, equipped with the Caliber 0200 movement, the first new mechanical movement developed in 11 years.

Additionally, on August 3, we released eight models that combine design and functionality under the CITIZEN Series 8 brand of mechanical watches. The products will be gradually rolled out in Asia including Japan, North America, and Europe.

- Domestic market : Orders are recovering in a wide range of industries, but sales are down due to a slow recovery in the automotive sector.
- Overseas market : Sales continued to be strong in China. Sales also increased in Europe due to robust demand for capital investment, which drove orders.



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

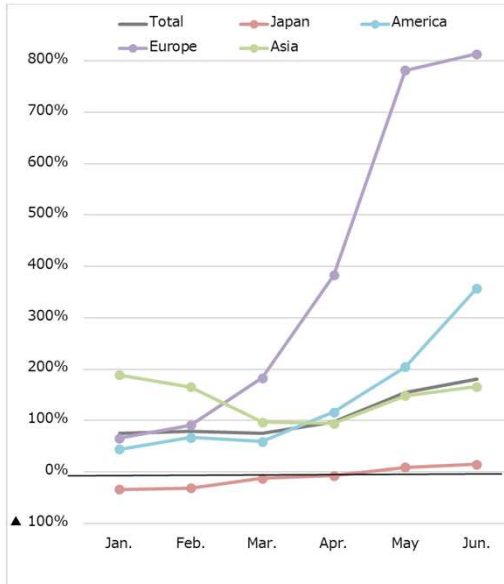
Net sales in the first quarter increased JPY 8.5 billion year on year, to JPY 18.6 billion. Operating profit also rose to JPY2.6 billion, up JPY2.3 billion year on year.

Amidst the continued high level of orders, sales increased mainly in Asia including China, and Europe.

Machine Tools Changes in monthly orders received (units)

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



■ Rate of change year on year (Quarterly number of units in orders received)

	1Q	
● Total	+180%	Both sales and units have reached the highest-ever level during the Q1.
● Japan	+15%	Orders from semiconductors, housing equipment, construction machinery related businesses were trending upward. Orders from the automobile-related business slowly recovered as well.
● America	+357%	Active orders from a wide range of industries, particularly medical-related industries, are on the rise.
● Europe	+813%	Strong orders obtained from a wide range of industries, including the automotive sector, as a result of the resumption of economic activity.
● Asia	+166%	In addition to orders from IT and smartphone-related businesses, those from medical-related and automobile-related businesses remained strong, as well.

Next, let me describe orders received by region.

The line graph shows the three-month moving average of orders received and the percentage change year on year. The table on the right shows the growth rate of orders in the first quarter compared to the same period of the previous year.

Orders in the first quarter reached a record high in both value and units.

The light purple line is Europe, where orders increased over 800% in the first quarter due to strong orders from a wide range of industries, including automobiles.

The light blue line is America, where orders from various industries, especially medical-related industries, expanded, and the number of orders received in the first quarter increased more than 300%.

The green line shows orders in Asia, including China. Orders remain strong, and in addition to IT and smartphone-related orders, we are also seeing an increase in medical and automobile-related orders.

The red line is Japan, where orders for semiconductor-related products and construction machinery are picking up, and orders for automotive-related products, which had been slow to recover, are also increasing.

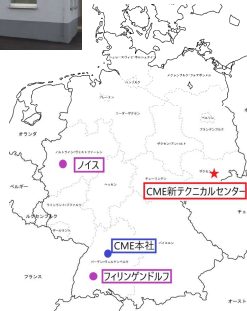
In the current fiscal year, it seems that the key to achieving business results will be to respond to the increased order backlog in production, including the procurement of materials.

New technical centers were opened at machine tools sales companies in Germany and Italy.

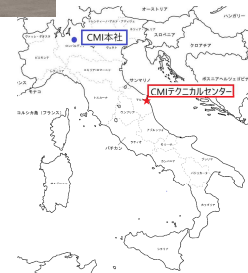
Technical centers were opened in Germany and Italy in July to strengthen our sales network in Europe, one of our key sales regions, and to provide more attentive services.



Citizen Machinery
Europe GmbH
Technical Center
East



CITIZEN
MACCHINE ITALIA
s.r.l. Ancona
Technical Center



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Next, let me touch upon important topics in the Machine Tools business.

In July of this year, we opened new technical centers in Germany and Italy. In addition to the sales support provided by the sales companies, the technical centers will strengthen its before- and after-sales services, such as using the showroom to support processing technology, to build a system that can respond to customers more quickly.

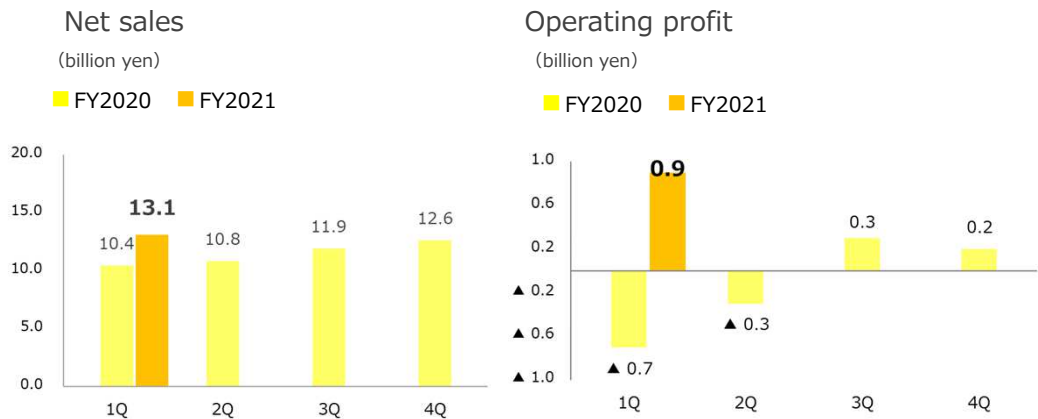
The eastern part of Germany and the central part of Italy are home to many manufacturers of automobiles and precision instruments, and the regions are expected to grow in the future.

We will further expand our sales in the European market by strengthening our organizational structure now.

Devices and Components (1Q21 Result)

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- Precision machining components: Automobile components remained solid with the recovery of the automotive market. Sales of switches increased as well.
- Opto-devices: Orders of LEDs for lighting equipment from Europe and America recovered. Orders of In-vehicle LEDs and LEDs for gaming also recovered.



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

Net sales in the first quarter increased JPY 2.6 billion year on year, to JPY 13.1 billion. Operating profit returned to profitability, reaching JPY 0.9 billion.

Regarding precision machining components, both sales and operating profit increased as sales of auto parts remained strong in association with the recovery in new car sales. Sales of switches increased, but orders are currently slowing down due to inventory adjustments by customers for smartphones.

In opto-devices, sales of LEDs for lighting equipment increased due to a recovery in orders from China and Europe, and sales of general LEDs also increased due to a recovery in orders for in-vehicle LEDs.

In other components, sales of crystal devices increased due to increased demand for communication-related applications, and small motors also continued to perform well.

FY 2021 Forecasts		CITIZEN					
(Unit: billion yen)	FY2021 Forecast (5/13)		FY2021 Forecast (8/13)		Change		
	1H	Full Year	1H	Full Year	1H	Full Year	
	Net sales	122.0	260.0	130.0	268.0	+8.0	+8.0
Operating profit	3.5	10.0	7.3	13.8	+3.8	+3.8	
Operating margin	2.9%	3.8%	+5.6%	+5.1%	–	–	
Ordinary Profit	4.0	11.0	8.0	15.0	+4.0	+4.0	
Profit attributable to owners of parent	4.0	9.0	6.5	11.5	+2.5	+2.5	
Exchange rate	¥105/USD ¥125/EUR	¥105/USD ¥125/EUR	¥105/USD ¥125/EUR	¥105/USD ¥125/EUR	–	–	

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Finally, let me explain our results forecasts for FY2021.

Net sales have been revised upward to JPY 268 billion, an increase of JPY 8 billion from the previous forecast, and operating profit to JPY 13.8 billion, an increase of JPY 3.8 billion.

We forecast ordinary profit and profit attributable to owners of parent of JPY 15.0 billion and JPY 11.5 billion, respectively.

The forecast for the first half has been raised due to the recovery of overseas consumption mainly in the North American market in the Watch business and the rapid recovery of orders in the Machine Tools business.

This is mainly a correction following the better-than-expected results in the first quarter.

In the second quarter forecast, although the Watch business is expected to remain strong, we have factored in a weaker-than-expected recovery in domestic consumption and the impact of the suspension of operations at one of our watch factories in Thailand for several weeks in July due to COVID-19.

Regarding the second half, the previous forecast has been left unchanged due to many uncertainties, including potential new COVID-19 waves.

There is no change in the assumed exchange rate.

FY2021 Forecast by Business Segment

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Net sales (Unit: billion yen)	FY2021 Forecast (5/13E)		FY2021 Forecast (8/13E)		Change	
	1H	Full Year	1H	Full Year	1H	Full Year
■ Watches	57.0	124.0	58.0	125.0	+1	+1
■ Machine Tools	31.0	67.0	37.0	73.0	+6	+6
■ Devices and Components	25.0	51.0	25.5	51.5	+1	+1
■ Electronic Products and Others	9.0	18.0	9.5	18.5	+1	+1
Consolidated Total	122.0	260.0	130.0	268.0	+8	+8
■ Watches	1.2 (2.1%)	4.0 (3.2%)	2.7 (4.7%)	5.5 (4.4%)	+2	+2
■ Machine Tools	4.0 (12.9%)	9.0 (13.4%)	5.3 (14.3%)	10.3 (14.1%)	+1	+1
■ Devices and Components	0.5 (2.0%)	1.5 (2.9%)	1.4 (5.5%)	2.4 (4.7%)	+1	+1
■ Electronic Products and Others	0.2 (2.2%)	0.5 (2.8%)	0.5 (5.3%)	0.8 (4.3%)	+0	+0
Eliminations or general corporate	▲ 2.4	▲ 5.0	▲ 2.6	▲ 5.2	▲ 0	▲ 0
Consolidated Total	3.5 (2.9%)	10.0 (3.8%)	7.3 (5.6%)	13.8 (5.1%)	+4	+4

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This is a breakdown of the full-year forecast by business segment.

For the Watches segment, the Company has revised its forecast of net sales upward by JPY 1.0 billion to JPY 125.0 billion and revised operating profit up JPY 1.5 billion to JPY 5.5 billion from the previous forecast. In the Machine Tools segment, the Company has raised its forecast of net sales by JPY 6.0 billion to JPY 73.0 billion and raised its forecast of operating profit by JPY 1.3 billion to JPY 10.3 billion from the previous forecast.

This concludes my presentation. Thank you for your time.

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Operating performance by segment for Q1 of FY2021(Compared to FY2019)

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Net sales (Unit: billion yen)	FY2019 Q1 Result	FY2021 Q1 Result	YoY change	
			Amount	%
■ Watches	33.5	29.0	▲ 4.4	▲13.4%
■ Machine Tools	15.7	18.6	+2.9	+18.5%
■ Devices and Components	14.5	13.1	▲ 1.4	▲9.7%
■ Electronic and Other Products	6.0	4.9	▲ 1.1	▲19.3%
Consolidated Total	69.9	65.7	▲ 4.1	▲5.9%
Operating Profit (Unit: billion yen, %:operating margin)				
■ Watches	0.6 (2.0%)	1.4 (5.2%)	+0.8	+119.6%
■ Machine Tools	2.6 (16.7%)	2.6 (14.3%)	+0.0	+2.0%
■ Devices and Components	0.3 (2.4%)	0.9 (7.1%)	+0.5	+172.2%
■ Electronic and Other Products	0.0 (1.2%)	0.3 (7.4%)	+0.2	+405.0%
Eliminations or general corporate	▲ 1.9	▲ 1.2	+0.6	-
Consolidated Total	1.8 (2.6%)	4.2 (6.4%)	+2.4	+133.1%