

CITIZEN

Earning Presentation

for Six months ended September 30, 2021

CITIZEN WATCH CO., LTD.

November 11, 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.

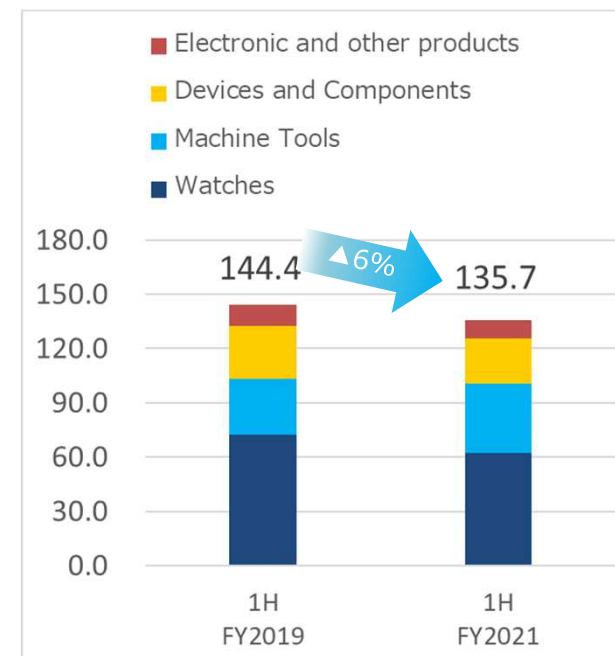
Comparison with Financial Results before COVID-19 (FY2019)

Comparison with Results for the First Half of FY2019

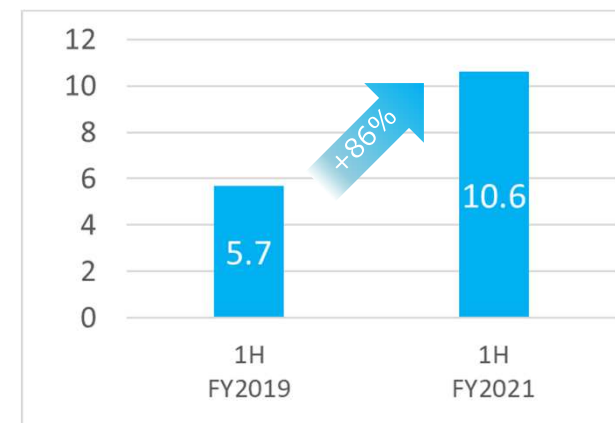
(billion yen)	1H FY2019	1H FY2021	Change
Net sales	144.4	135.7	▲ 6.0%
Operating profit	5.7	10.6	+86.6%
Operating margin	4.0%	7.9%	

- Operating profit increased substantially despite a fall in net sales below the pre-COVID-19 level.
- Profitability improved, most notably thanks to the effect of structural reforms implemented to date.
- Will increase profitability further and aim to achieve sustainable growth despite the uncertainties caused by COVID-19 and the shortages of semiconductors and other materials.

Net sales (billion yen)

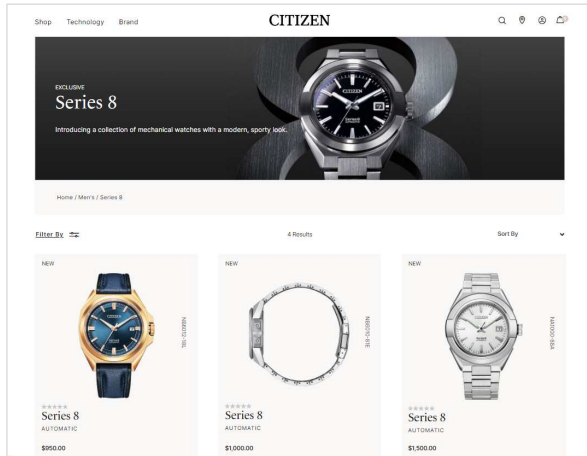


Operating profit (billion yen)



Initiatives in Watches Segment

North American market



North American direct sales website (official Citizen Watch America website)



* Local currency-denominated sales (CITIZEN and Bulova brands)

- In the North American market, sales both on the internet and at physical stores continued to recover.
- Enhancing the direct sales website among online shopping channels in particular contributed to financial recovery.
- Sales during the fiscal year under review have been at a level exceeding the pre-Covid-19 level (FY2019).

Domestic market



Mechanical model of 「The CITIZEN」 Caliber 0200



「CITIZEN Series 8」 Mechanical Watch Brand

- Released a mechanical model of 「The CITIZEN」 equipped with Caliber 0200 and the mechanical watch brand, 「CITIZEN Series 8」, in August.
- Released products priced higher than the median price range of 「The CITIZEN」 brand in the past to create new demand.
- Will further strengthen mechanical watches in the medium to long term.

Increase in Production Capacity of Thai Factory

- Received a record level of orders recently. The Company also decided to increase the production capacity of the Thai factory to ensure a strong business base for further growth.
- Raised the monthly production to 350 units, up 50% from the past capacity of the Thai factory.
- Enhanced both manufacturing and sales by building a new showroom.



Entire view of the Thai factory in the Machine Tools segment (the front side on the right is a showroom building and the back side on the left is an extension)



New showroom building scheduled for construction

- Overview of factory extension
Extended floor area: 4,275 sq. meters, total floor area: 4,475 sq. meters (total floor area after extension: 27,488 sq. meters), construction starts: December 2021, completion: November 2022
- Showroom building
Building area: 1,000 sq. meters, total floor area: 1,848 sq. meters, construction starts: May 2021, completion: December 2021

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Financial Results for 2Q of FY 2021

Financial results for 1H of FY2021

- The mainstay Watches segment and Machine Tools segment have remained strong from the first quarter.
- The recovery in markets and measures to raise profit contributed to a significant increase in operating profit.

FY2021 Forecast

- Full-year forecasts were revised upward based on the results for the first half of FY2021.
- Net sales: 273.0 billion yen (up 5.0 billion yen from previous forecast)
Operating profit: 17.2 billion yen (up 3.4 billion yen from previous forecast)

Financial Results for 1H of FY 2021

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(Unit : billion yen)	FY2020	FY2021	YoY Change	
	1H Result	1H Result	Amount	%
Net sales	88.9	135.7	+46.7	+52.5%
Operating profit	▲ 8.2	10.6	+18.9	-
Operating margin	▲9.3%	7.9%	-	-
Ordinary Profit	▲ 6.1	12.0	+18.2	-
Profit attributable to owners of parent	▲ 21.5	9.8	+31.3	-
Exchange rate	¥107/USD ¥121/EUR	¥110/USD ¥131/EUR	-	-

- Profit attributable to owners of parent
 Increased 31.3 billion yen as a result of reversal of deferred tax assets in the second quarter of FY2020.

1H21 Result by Business Segments

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	Net sales (Unit: billion yen)	FY2020 1H Result	FY2021 1H Result	YoY change	
				Amount	%
■ Watches		38.1	62.0	+23.9	+62.8%
■ Machine Tools		20.7	38.3	+17.5	+84.7%
■ Devices and Components		21.3	25.5	+4.2	+19.7%
■ Electronic and Other Products		8.8	9.8	+1.0	+11.4%
Consolidated Total		88.9	135.7	+46.7	+52.5%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		▲ 5.3 (▲14.1%)	4.8 (7.8%)	+10.2	-
■ Machine Tools		0.5 (2.9%)	5.8 (15.4%)	+5.2	+894.5%
■ Devices and Components		▲ 1.0 (▲5.1%)	1.5 (6.0%)	+2.6	-
■ Electronic and Other Products		▲ 0.1 (▲2.1%)	0.7 (7.6%)	+0.9	-
Eliminations or general corporate		▲ 2.1	▲ 2.3	▲ 0.1	-
Consolidated Total		▲ 8.2 (▲9.3%)	10.6 (7.9%)	+18.9	-

Financial Results for 2Q of FY 2021

CITIZEN

(Unit : billion yen)	FY2020 2Q Result	FY2021 2Q Result	YoY Change	
			Amount	%
Net sales	52.1	69.9	+17.8	+34.2%
Operating profit	▲ 2.6	6.4	+9.0	-
Operating margin	▲5.0%	9.2%	-	-
Ordinary Profit	▲ 1.2	7.0	+8.2	-
Profit attributable to owners of parent	▲ 14.7	5.4	+20.2	-
Exchange rate	¥106/USD ¥123/EUR	¥110/USD ¥130/EUR	-	-

2Q Result by Business Segments

CITIZEN

	Net sales (Unit: billion yen)	FY2020 2Q Result	FY2021 2Q Result	YoY change	
				Amount	%
■ Watches		26.0	33.0	+6.9	+26.7%
■ Machine Tools		10.6	19.6	+8.9	+84.3%
■ Devices and Components		10.8	12.4	+1.5	+14.0%
■ Electronic and Other Products		4.5	4.9	+0.3	+8.0%
Consolidated Total		52.1	69.9	+17.8	+34.2%
Operating Profit (Unit: billion yen, %: operating margin)					
■ Watches		▲ 1.5 (▲6.0%)	3.3 (10.1%)	+4.9	-
■ Machine Tools		0.2 (2.1%)	3.2 (16.3%)	+2.9	+1364.0%
■ Devices and Components		▲ 0.3 (▲3.0%)	0.5 (4.8%)	+0.9	-
■ Electronic and Other Products		0.1 (2.7%)	0.3 (7.8%)	+0.2	+213.9%
Eliminations or general corporate		▲ 1.0	▲ 1.0	▲ 0.0	-
Consolidated Total		▲ 2.6 (▲5.0%)	6.4 (9.2%)	+9.0	-

Watches (2Q21 Result)

Finished products

- Overseas market : Strong results in North America led growth, and European business remained steady. There was a sense of a lull in China.
- Domestic market : Consumption remained sluggish in response to the extension of the state of emergency and sales decreased.

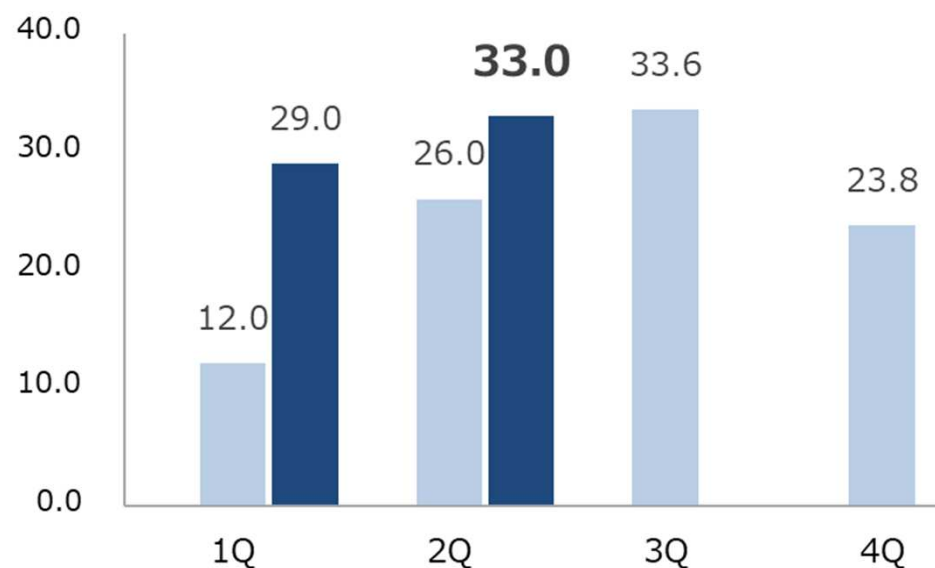
Movements

- Sales of mechanical movements remained strong. Sales of multi-hand watches among analog quartz watches increased.

Net sales

(billion yen)

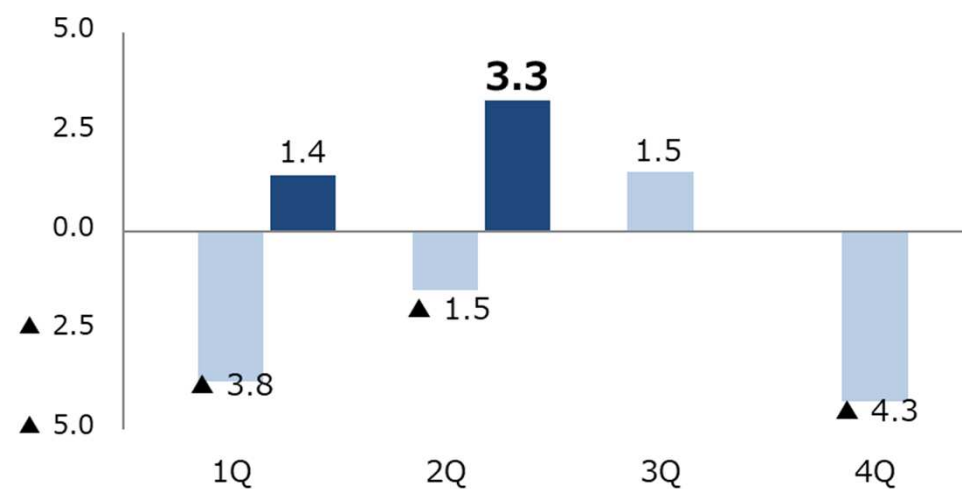
■ FY2020 ■ FY2021



Operating profit

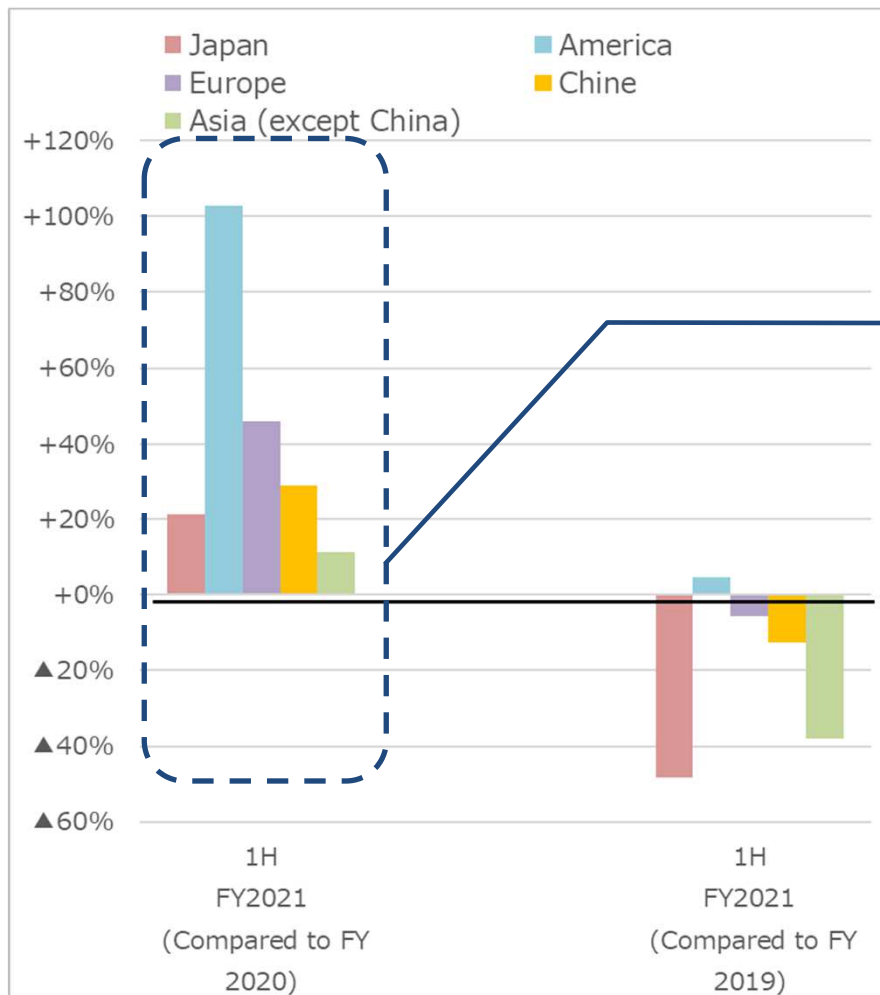
(billion yen)

■ FY2020 ■ FY2021



Watches Net sales growth rate by region

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



Rate of change year on year (1H of FY2020)

The recovery trend is maintained despite differences among regions due to economic resumption.

- North America: Steady sales growth is maintained thanks to a recovery in sales on the internet and at physical stores.
- Europe: Sales recovered in major regions as economic activities resumed.
- China: The growth rate decreased due to a fall in business confidence.
- Japan: A moderate recovery was maintained.

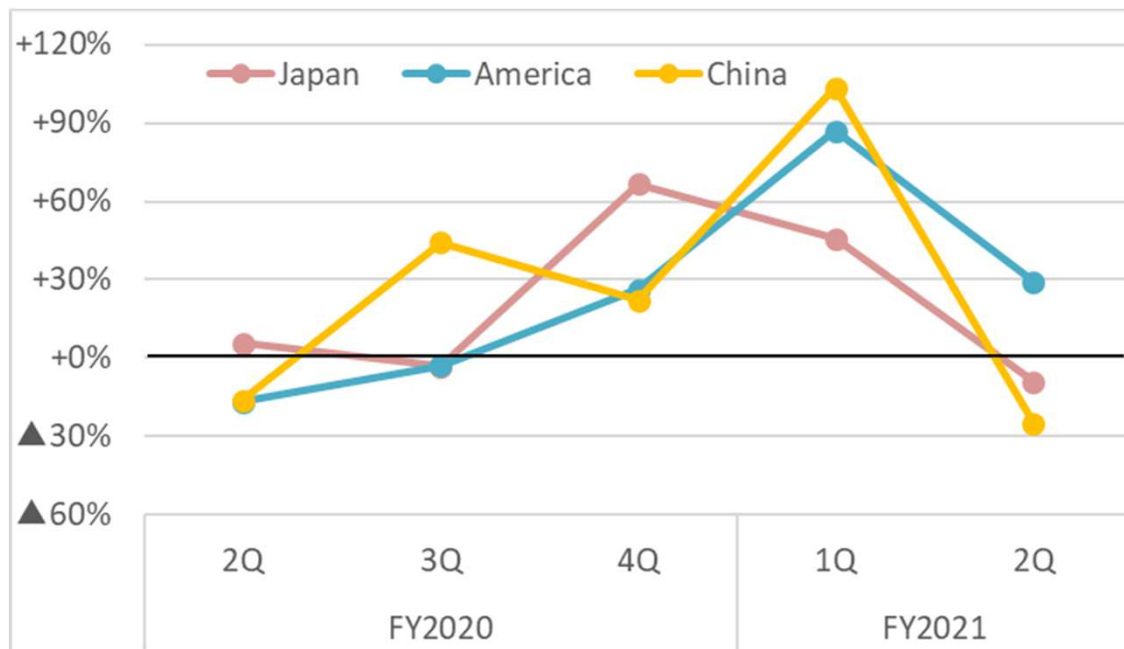
* The rate of change in total sales of CITIZEN brand watches and BULOVA brand watches only for North America. For other regions, the rate of change only in sales of CITIZEN brand watches.

* Other Asian regions are the Asian regions excluding China.

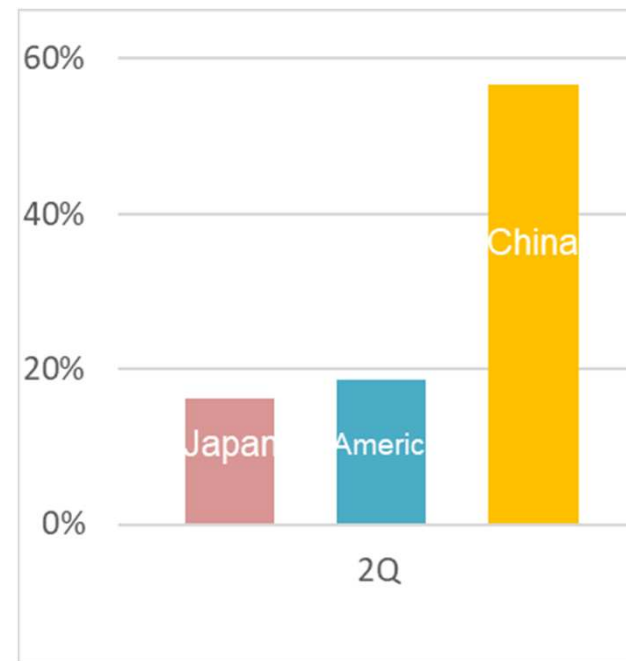
* Rate of change based on local currency

Watches Online sales

■ Online sales Rate of change year on year



■ Percentage of sales from online sales



	2Q	
● Japan	▲9%	Consumer confidence decreased due to the extension of a state of emergency, despite strong sales of limited edition products.
● America	+29%	Enhanced online sales activities contributed to continuous strong sales at direct sales outlets, particularly of limited edition products. Existing online sales channels also grew.
● China	▲25%	Sales decreased due to a fall in consumer confidence and reduced online shopping as a result of resurgence in COVID-19 cases.

* 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.

New Products Launched in November 2021



EVERY MOMENT IS A MIRACLE
shop Disney 1周年記念 CITIZEN Disney Collection



- Shop Disney 1st Anniversary CITIZEN Disney Collection
Nine limited models in collaboration with Disney, Pixar, Marvel, and Star Wars



- CITIZEN xC 25th Anniversary Limited Model



- Bulova Lunar Pilot Chronograph

Machine Tools (2Q21 Result)

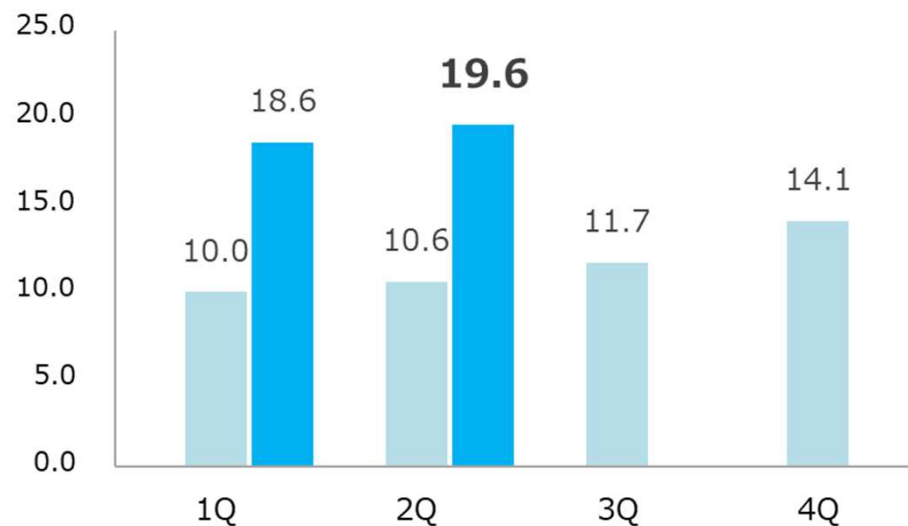
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- Domestic market : Sales increased thanks to a recovery in orders received from a wide range of industries such as semiconductors, construction equipment, and housing facilities.
- Overseas market : Sales continued to be strong in China. Sales also increased in Europe due to robust demand for capital investment, which drove orders.

Net sales

(billion yen)

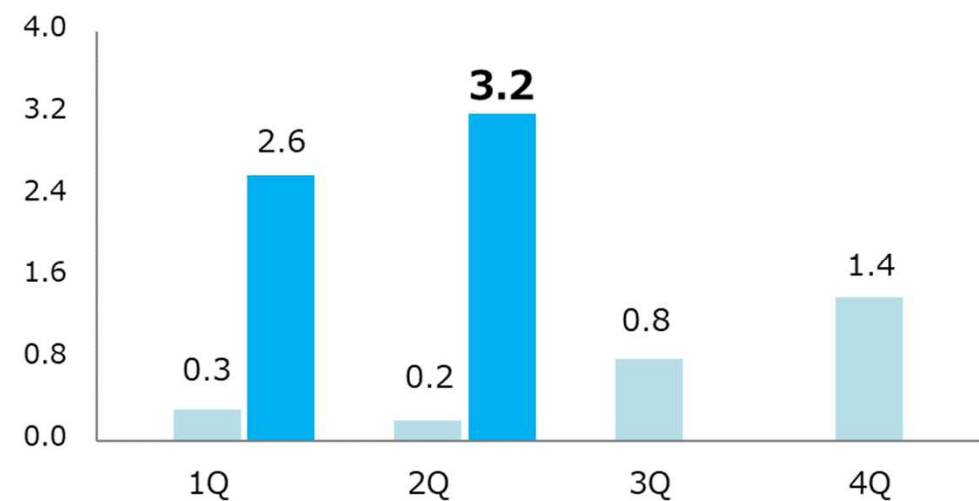
■ FY2020 ■ FY2021



Operating profit

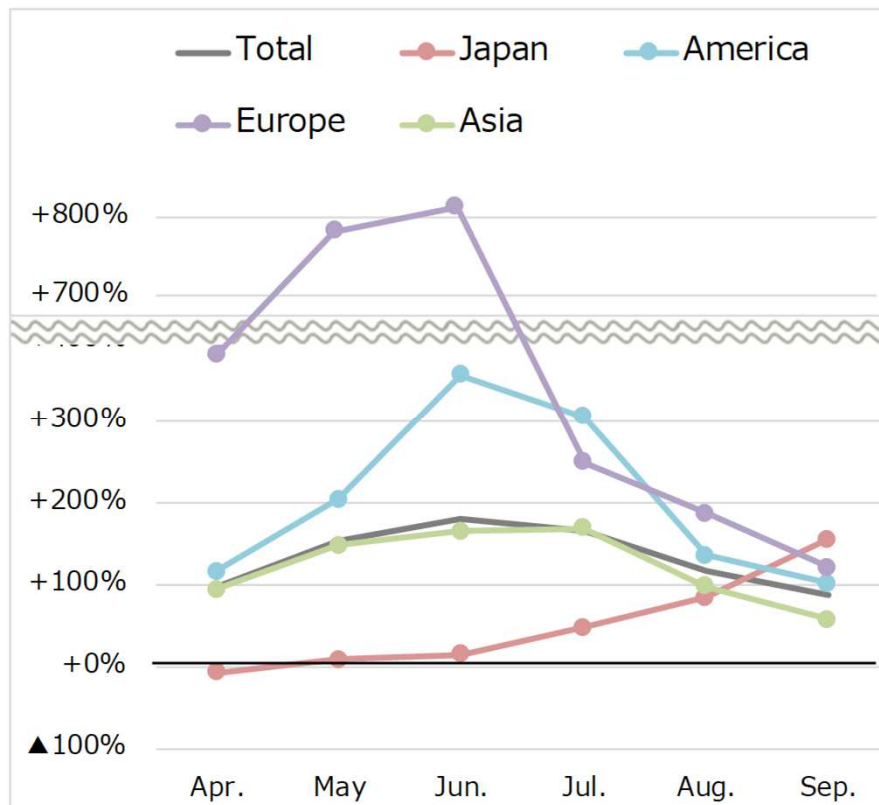
(billion yen)

■ FY2020 ■ FY2021



Machine Tools Changes in monthly orders received (units)

- 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)

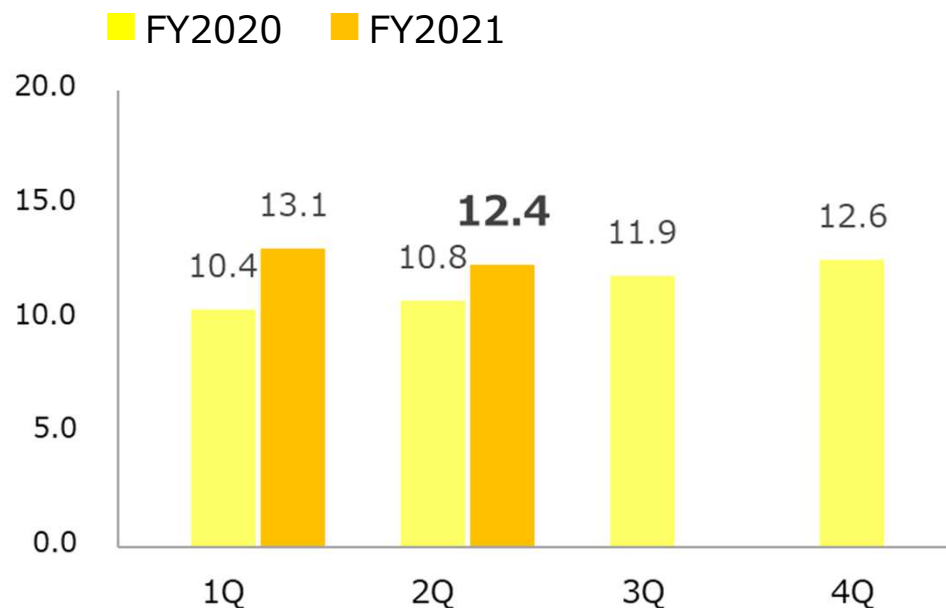
	2Q	
● Total	+87%	Orders received remained at a high level despite a slowdown from the level in the first quarter.
● Japan	+155%	While the recovery had been slow, orders from industries such as automobiles, semiconductors, and construction equipment tended to increase.
● America	+102%	Active capital investment particularly in medical-service related industries continued.
● Europe	+122%	Strong demand in automobile and various other industries continued.
● Asia	+57%	Orders received increased overall, including IT- and smartphone-related products.

Devices and Components (2Q21 Result)

- Precision machining components: An increase in sales of auto parts was secured despite concerns over reduced production of automobiles by manufacturers. Sales of switches decreased due to a fall in sales of those for smartphones.
- Opto-devices: Sales of LEDs for lighting products recovered in the European, US, and Chinese markets.

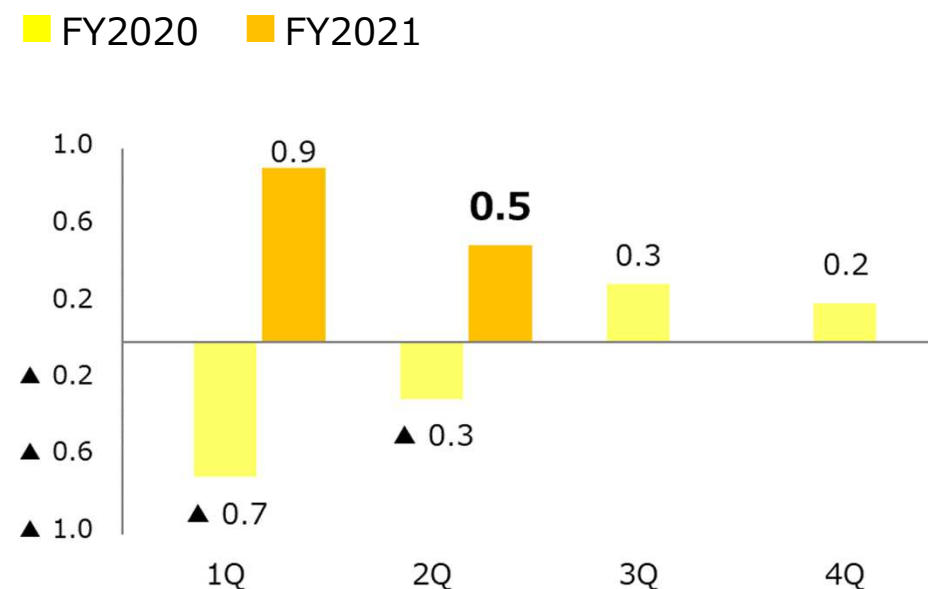
Net sales

(billion yen)



Operating profit

(billion yen)



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FY 2021 Forecasts

FY 2021 Forecasts

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(Unit: billion yen)	FY2021 Forecast (8/13)		FY2021 Forecast (11/11)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	138.0	268.0	137.3	273.0	▲ 0.7	+5.0
Operating profit	6.5	13.8	6.5	17.2	+0.0	+3.4
Operating margin	4.7%	5.1%	4.7%	6.3%	–	–
Ordinary Profit	7.0	15.0	7.0	19.0	+0.0	+4.0
Profit attributable to owners of parent	5.0	11.5	4.6	14.5	▲ 0.4	+3.0
Exchange rate	¥105/USD ¥125/EUR	¥105/USD ¥125/EUR	¥110/USD ¥125/EUR	¥110/USD ¥128/EUR	–	–

- Watches: Forecast remains unchanged due to a fall expected in Japan, China, and other Asian markets.
- Machine Tools: Forecast remains unchanged due to a slowdown in production expected because of a rise in concerns over parts shortages.
- Devices and Components: Forecasts were revised downward due to a fall in auto parts and LEDs expected as a result of a semiconductor shortage.

FY2021 Forecast by Business Segment

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Net sales (Unit: billion yen)	FY2021 Forecast (8/13E)		FY2021 Forecast (11/11E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
■ Watches	67.0	125.0	67.0	129.0	+0.0	+4.0
■ Machine Tools	36.0	73.0	36.0	74.4	+0.0	+1.4
■ Devices and Components	26.0	51.5	25.1	50.7	▲ 0.9	▲ 0.8
■ Electronic Products and Others	9.0	18.5	9.0	18.9	+0.0	+0.4
Consolidated Total	138.0	268.0	137.3	273.0	▲ 0.7	+5.0
■ Watches	2.8 (4.2%)	5.5 (4.4%)	2.8 (4.2%)	7.6 (5.9%)	+0.0	+2.1
■ Machine Tools	5.0 (13.9%)	10.3 (14.1%)	5.0 (13.9%)	10.9 (14.7%)	+0.0	+0.6
■ Devices and Components	1.0 (3.8%)	2.4 (4.7%)	0.8 (3.2%)	2.3 (4.6%)	▲ 0.2	▲ 0.1
■ Electronic Products and Others	0.3 (3.3%)	0.8 (4.3%)	0.3 (3.9%)	1.1 (5.8%)	+0.0	+0.3
Eliminations or general corporate	▲ 2.6	▲ 5.2	▲ 2.4	▲ 4.7	+0.2	+0.5
Consolidated Total	6.5 (4.7%)	13.8 (5.1%)	6.5 (4.7%)	17.2 (6.3%)	+0.0	+3.4

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Operating performance by segment for 1H of FY2021(Compared to FY2019)

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	Net sales (Unit: billion yen)	FY2019 1H Result	FY2021 1H Result	YoY change	
				Amount	%
■ Watches		72.3	62.0	▲ 10.3	▲14.2%
■ Machine Tools		30.8	38.3	+7.4	+24.1%
■ Devices and Components		29.3	25.5	▲ 3.8	▲13.0%
■ Electronic and Other Products		11.8	9.8	▲ 2.0	▲17.0%
Consolidated Total		144.4	135.7	▲ 8.6	▲6.0%
Operating Profit (Unit: billion yen, %:operating margin)					
■ Watches		3.4 (4.8%)	4.8 (7.8%)	+1.3	+40.4%
■ Machine Tools		4.5 (14.8%)	5.8 (15.4%)	+1.3	+28.9%
■ Devices and Components		0.7 (2.6%)	1.5 (6.0%)	+0.7	+103.1%
■ Electronic and Other Products		0.0 (0.6%)	0.7 (7.6%)	+0.6	-
Eliminations or general corporate		▲ 3.1	▲ 2.3	+0.7	-
Consolidated Total		5.7 (4.0%)	10.6 (7.9%)	+4.9	+86.6%

Balance Sheet

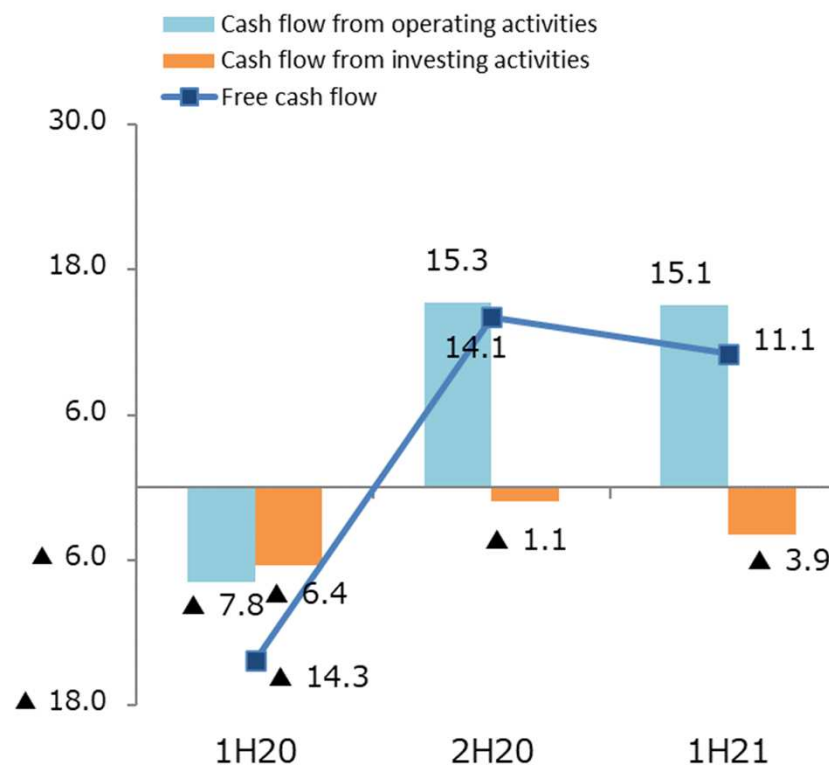
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	March 31, 2021	September 30, 2021	Change from end of previous fiscal year
(Unit: billion yen)			
Current assets	244.4	265.5	+21.1
Cash and deposits	101.8	113.0	+11.2
inventories	90.2	91.6	+1.4
Non-current assets	121.3	118.9	▲ 2.4
Property, plant and equipment	75.9	73.5	▲ 2.4
Investment securities	33.3	34.0	+0.7
Total assets	365.8	384.5	+18.6

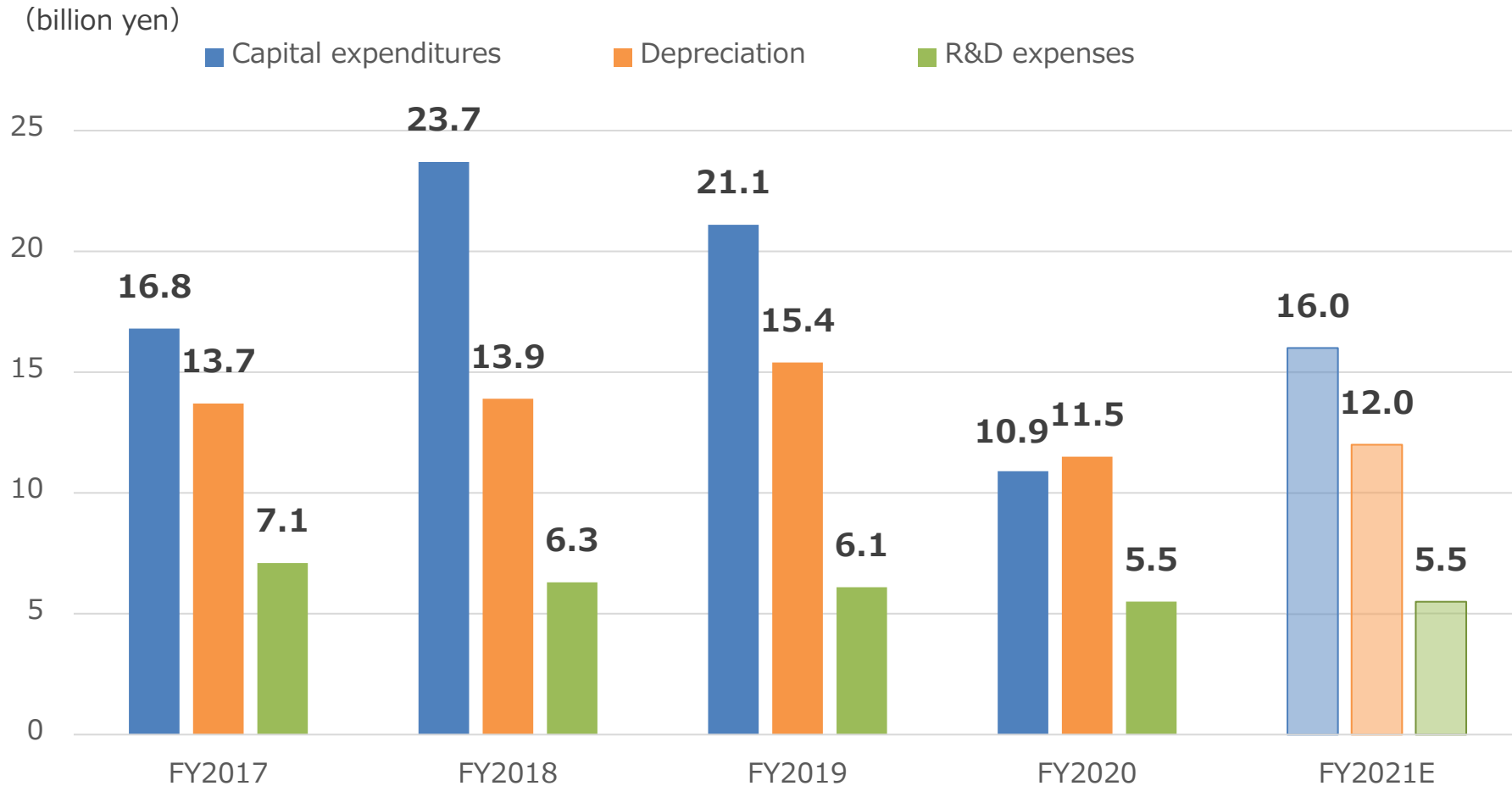
	March 31, 2021	September 30, 2021	Change from end of previous fiscal year
(Unit: billion yen)			
Liabilities	152.9	162.3	+9.4
Interest- bearing debt	74.8	74.2	▲ 0.5
Net assets	212.8	222.1	+9.2
Shareholders' equity	193.7	201.7	+8.0
Foreign currency translation adjustment	4.8	5.0	+0.1
Total liabilities and net assets	365.8	384.5	+18.6

Statement of Cash Flow

(Unit: billion yen)	2H20	1H21	YoY Change
Cash flow from operating activities	15.3	15.1	▲ 0.2
Cash flow from investing activities	▲ 1.1	▲ 3.9	▲ 2.8
Free cash flow	14.1	11.1	▲ 3.0
Cash flow from financial activities	▲ 15.0	▲ 1.5	+13.5
Balance of cash and cash equivalents	99.5	110.3	+10.8



Capital expenditures/ Depreciation/ R&D expenses **CITIZEN**



■ Capital expenditures:

Made investments with a focus on priority and important projects regarding Watches while continuing investments as usual with respect to Machine Tools, Devices and Components, and Electronic and Other Products.