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**Earning Presentation
for Three months ended June 30, 2020**

CITIZEN WATCH CO., LTD.

August 14, 2020

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.

My name is Toshiyuki Furukawa, and I am responsible for PR and IR.

Thank you for taking time out of your busy schedules to attend our conference call for the first quarter of FY2020.

Let me begin by providing an overview of earnings for the first quarter.

- **Financial Results for 1Q of FY 2020**

- Both sales and profits decreased**

- Both sales and profits substantially decreased in our core businesses, Watches and Machine Tools segments due to the impact of the COVID-19 coronavirus.

- **FY2020 Forecast**

- It has remained undecided because it is difficult to reasonably calculate the impact from the spread of the COVID-19 coronavirus at the present time.

- **FY2020 Dividends Forecast**

- It has remained undecided, but we focus on the stability of dividend payment, not only performance-based payment.

First, I will provide the main points in our earnings.

Regarding the financial results for 1Q of FY2020 of the Company, Net sales of our core businesses, Watches and Machine Tools, were down substantially, affected by the lockdown implemented worldwide associated with the spread of COVID-19, with Watches falling 64.1% year on year. Similarly Machine Tools were down 36.0% year on year.

In addition, because it is difficult to reasonably calculate the earnings forecast for FY2020, it has remained undecided. The COVID-19 pandemic continues, particularly in North America and Japan, which account for large share of the Company's business.

The dividend forecast also remains undecided. We focus on the stability of dividend payments, not only performance-based dividend payments.

Financial Results for 1Q of FY 2020			CITIZEN	
(Unit : billion yen)	1Q19	1Q20	YoY Change	
	Result	Result	%	Amount
Net sales	69.9	36.8	▲47.3%	▲ 33.0
Operating profit	1.8	▲ 5.6	-	▲ 7.4
Operating margin	2.6%	▲15.3%	-	-
Ordinary Profit	2.0	▲ 4.9	-	▲ 6.9
Profit attributable to owners of parent	0.9	▲ 6.7	-	▲ 7.6
Exchange rate	¥111/USD ¥124/EUR	¥108/USD ¥118/EUR	-	

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Let me provide an overview of our results for 1Q of FY2020.

Net sales came to 36.8 billion yen, down 47.3% year on year.

Sales of Watches and Machine Tools, our core businesses, fell significantly due to the major impact of the business suspension at physical stores and stay-at-home orders associated with the global lockdown.

We reduced overall fixed costs by roughly 12 billion yen year on year, for instance by keeping advertising expenses at 1.6 billion yen, down 60% year on year. However, we posted an operating loss of 5.6 billion yen and an ordinary loss of 4.9 billion yen due to a sharp decline in sales in our core businesses.

Fixed costs of around 2 billion yen were recorded as an extraordinary loss due to the suspension of plant operations and business at physical stores associated with the impact of the COVID-19 pandemic. Consequently, profit attributable to owners of parent was a loss of 6.7 billion yen.

1Q20 Result by Business Segments

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		FY2019	FY2020	YoY Change	
		1Q Result	1Q Result	%	Amount
Net sales	(Unit: billion yen, %:operating margin)				
	■ Watches	33.5	12.0	▲64.1%	▲ 21.4
	■ Machine Tools	15.7	10.0	▲36.0%	▲ 5.6
	■ Devices and Components	14.5	10.4	▲28.1%	▲ 4.0
	■ Electronic and Other Products	6.0	4.2	▲29.8%	▲ 1.8
	Consolidated Total	69.9	36.8	▲47.3%	▲ 33.0
Operating Profit					
	■ Watches	0.6 (2.0%)	▲ 3.8 (▲31.8%)	-	▲ 4.5
	■ Machine Tools	2.6 (16.7%)	0.3 (3.7%)	▲85.8%	▲ 2.2
	■ Devices and Components	0.3 (2.4%)	▲ 0.7 (▲7.3%)	-	▲ 1.1
	■ Electronic and Other Products	▲ 0.0 (1.2%)	▲ 0.3 (▲7.2%)	-	▲ 0.3
	Eliminations or general corporate	▲ 1.9	▲ 1.1	-	+0.7
	Consolidated Total	1.8 (2.6%)	▲ 5.6 (▲15.3%)	-	▲ 7.4

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Next, I will explain the results by business segment.

In the Watches segment, net sales were 12 billion yen, down 64.1% year on year, posting a 3.8 billion yen operating loss.

In the Machine Tools segment, net sales were 10 billion yen, down 36.0% year on year, and operating profit came to 0.3 billion yen, down 85.8% year on year.

In the Devices and Components segment, net sales came to 10.4 billion yen, down 28.1% year on year, and the operating loss reached 0.7 billion yen year on year.

In the Electronic and Other Products segment, although revenue from healthcare products rose, revenue from printer related products decreased due to a declining appetite for capital spending. In addition, revenue from the jewelry business from which we have decided to withdraw decreased sharply. Sales were 4.2 billion yen, down 29.8% year on year, posting a 0.3 billion yen operating loss.

From this period under review, the Electronic business was included in other business and the name was changed to Electronic and Other Products.

Watches (1Q20 Result)

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< Finished products >

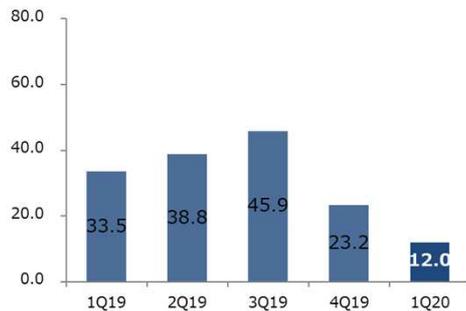
- Overseas market: Sales declined due to the impact of store closures associated with the lockdown, mainly in North America.
- Domestic market: Sales declined due to the sharp fall in inbound demand and the impact of the suspension of business at physical stores.

< Movements >

- Sales declined because of a decrease in demand due to the spread of the COVID-19 coronavirus.

Net sales

(billion yen)



Operating profit

(billion yen)



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Now, I will explain the overall conditions by segment.
Let me begin with Watches.

With respect to finished products, the impact of the spread of COVID-19 is felt globally. We were significantly affected by the business suspension at physical stores due to the lockdown, particularly in the North American market. In the Japanese market, sales decreased, impacted by the sharp fall in inbound demand and the suspension of business at physical stores.

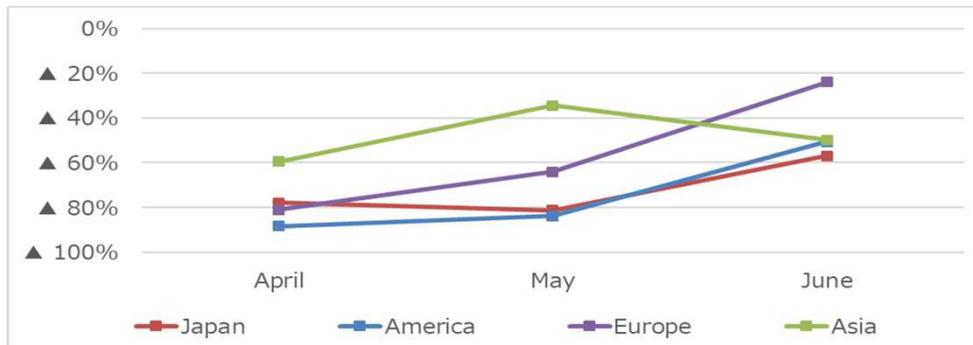
In addition, sales of movements also declined, reflecting the absence of any signs of a recovery in demand for quartz movements and the impact of COVID-19.

Although countries opened back up for business and economies are on a recovery track, COVID-19 continues to spread and we must closely monitor trends in the North American market.

Watches Sales Conditions by Region

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■ Rate of change year on year (CITIZEN/BULOVA brands, on a local-currency basis)



■ Rate of change year on year (CITIZEN/BULOVA brands, on a local-currency basis)

	1Q	Note
■ Japan	▲72%	Sales were sluggish due to the sharp fall in inbound demand and the impact by the suspension of business at physical
■ America	▲73%	Online sales remained relatively strong despite the large impact of the lockdown from April to May.
■ Europe	▲57%	After the lifting of the lockdown, sales were on a recovery track (mainly in Germany and Italy).
■ Asia	▲48%	Sales improved because the sell-in for online events for June advanced in May in China.

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Now, let me explain the sales situation by region.

In Japan, we experienced a significant decline in sales during April and May, greatly affected by the sharp decrease in inbound demand and the business suspension at physical stores due to the declaration of the state of emergency. Although sales showed signs of picking up from June, distributors are taking a cautious stance on purchases, so we only saw a modest recovery. The situation is gradually beginning to shift to sell-in commensurate with actual demand for sell-through.

North America is the region most affected by the pandemic. Although it has been moving toward a recovery since June, distribution for physical stores including department stores has been weak and the future remains uncertain as the spread of COVID-19 continues. Having said that, online sales are tending to recover.

Like other regions, Europe was also significantly affected by the impact of the lockdown from April to May. However, after the lifting of the lockdown, sales steadily bounced back and remain strong, especially in Germany and Italy.

In Asia, the online sales ratio is high and in China the stable situation is driving the recovery.

In particular, sales rose because sell-in for online events for May advanced. Looking at sales for July, they are almost on a par with those a year earlier.

Although other Asian countries are struggling overall, recoveries are taking place more quickly in Taiwan, Vietnam and Singapore.

Initiatives for Watches

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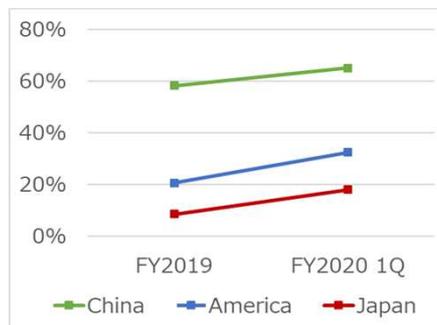
Optimized the production scale of analog quartz movements

- Voluntary retirement program at a watch manufacturing subsidiary
- Revenue enhancement of mechanical movements



Reinforced online sales

- China (Online sales ratio: slightly over 60%)
Online sales recovered to the previous year's level.
- North America (Online sales ratio: slightly over 30%)
Sales for a direct sales site remains strong.
Facilitate the development of a new online distribution.
- Japan (Online sales ratio: slightly below 20%)
Facilitated omni-channel marketing.



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In the Watches business, we are instituting sweeping measures to improve earnings. Let me briefly report on the progress.

First, as a response to contracting external demand for movements, we are optimizing the production scale of quartz movements.

We have already disclosed that Citizen Watch Manufacturing Co., Ltd., our watch manufacturing subsidiary, will introduce a voluntary retirement program. The program can accept five hundred and fifty employees and the date of retirement will be set at the end of December 2020.

Because we anticipate stable demand for mechanical movements in the future, we are taking steps to restore the profitability of the business for external sales of movements by cutting costs and gradually raising prices.

In addition, the importance of online sales is rising as COVID-19 spreads. We will strive to bolster online sales with the further expansion of products for e-commerce and increase our sales.

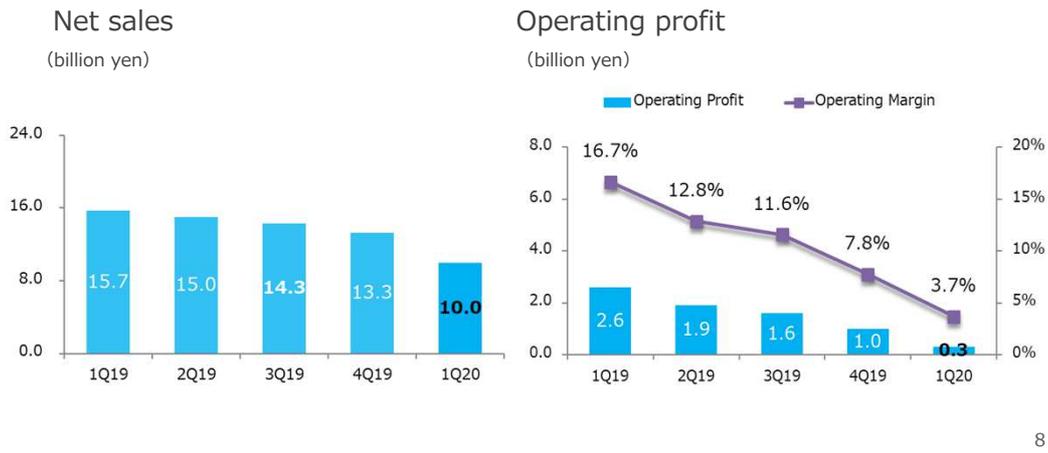
Looking at results for the first quarter, China has the highest online sales ratio at slightly over 60%, and online sales are moving back towards the year-ago level. North America accounts for slightly more than 30%, and e-commerce on the Company's website grew significantly. Meanwhile, we are facilitating the development of new online distribution.

Japan occupies slightly less than 20%, but we are enhancing the Company's website and adding valuable functions for it to play a role as a hub to connect consumers with diverse channels.

Machine Tools (1Q20 Result)

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- Domestic market: Sales declined due to sluggish demand for capital investment such as automobile related products.
- Overseas market: Sales declined due to declining demand for investments worldwide, however, China is on a recovery track.



Now, I will talk about Machine Tools.

The domestic market experienced a decline in sales due to a fall in demand for capital investments centering on the mainstay automotive products

In overseas markets, there were signs of activity in areas such as medical products and IT-related products in China. We saw signs of a recovery there, but overall sales decreased in Europe, the U.S., and other Asian countries with sluggish demand.

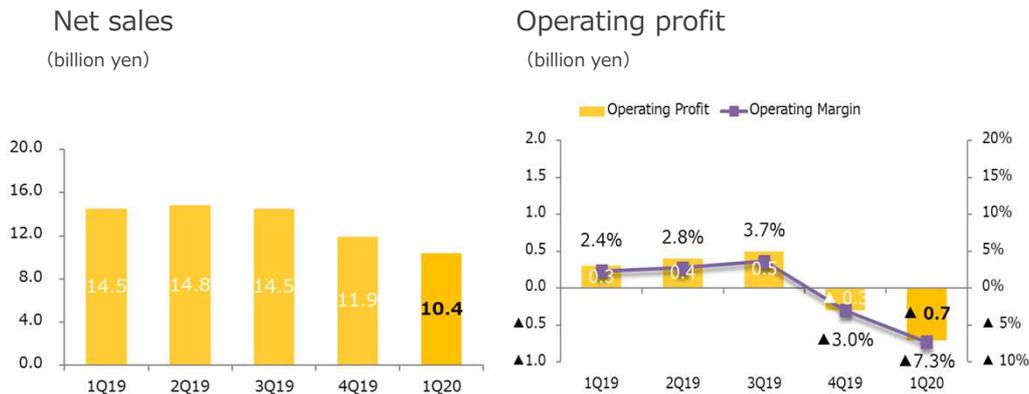
Although orders were slow for the first quarter, we are beginning to see signs of activity in certain automotive products in Japan. Sales activities have also been restarting in stages in Europe. We are aiming for a recovery of orders going forward, but we are still unable to restart our sales activities in North America, and the future remains uncertain.

We were expecting a recovery in demand for the Machine Tools market in the fall, but we need to approach the situation assuming that there may be a case where the recovery starts later.

Devices and Components (1Q20 Result)

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- Precision machining components: Sales declined because sales of auto parts were weak due to a fall in new cars sales.
- Opto-devices: Sales declined due to sluggish sales of LED for general use, mainly automotive LED.



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Next, we look at Devices and Components.

With respect to auto parts as part of precision machining components, revenue decreased following a sharp fall in new car sales, and sales of switches also declined given sluggish sales for smartphones.

In opto-devices, sales of LED for lighting products decreased on weak sales in the North American and European markets. In LED for general use, sales of automotive LED were down sharply, a reflection of the weak market.

In other products, sales increased, reflecting an increase in demand for quartz devices for communication devices.

Lastly, let me touch on financial information. Bracing for the prolonged impact of the spread of COVID-19, we borrowed a total of 35 billion yen from July to August from financial institutions.

That's all for today. Thank you for your attention.

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