

CITIZEN

Earning Presentation

for the Nine months ended December 31, 2020

CITIZEN WATCH CO., LTD.

February 10, 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.

Financial Results for 3Q(Oct.-Dec.) of FY 2020

- Restored profitability in all segments.
- Results in the mainstay Watches and Machine Tools Segments were better than expected.

FY 2020 Forecasts Revised upward

- Net Sales 204.0 billion yen (Change +2.0 billion yen)
- Operating profit ▲10.5 billion yen (Change +3.5 billion yen)
- Ordinary profit ▲6.5 billion yen (Change +3.5 billion yen)
- Profit attributable to owners of parent remains unchanged

Cash flow from operating activities

- Cash flows from operating activities turned positive in the nine-month period under review.

Financial Results for 3Q(Oct.-Dec.) of FY 2020









CITIZEN

(Unit : billion yen)	3Q 2019	3Q 2020	YoY Change	
	Result	Result	%	Amount
Net sales	80.5	62.1	▲22.8%	▲ 18.3
Operating profit	5.4	2.1	▲60.2%	▲ 3.3
Operating margin	6.8%	3.5%	-	-
Ordinary Profit	6.5	3.4	-	▲ 3.0
Profit attributable to owners of parent	3.4	▲ 0.4	-	▲ 3.8
Exchange rate	¥109/USD ¥120/EUR	¥105/USD ¥124/EUR		-

- Following the recovery trend, results in Watches and Machine Tools Segments were better than expected, despite the impact of the COVID-19 pandemic.
- Posted extraordinary income of 1.7 billion yen, including a gain on sales of investment securities.
- Posted extraordinary losses of 4.6 billion yen, including extra retirement payments and losses due to the COVID-19 pandemic.

3Q(Oct.-Dec.) 20 Result by Business Segments

CITIZEN

Net sales (Unit: billion yen)		FY2019	FY2020	YoY Change	
		3Q Result	3Q Result	%	Amount
	Watches	45.9	33.6	▲26.8%	▲ 12.3
	Machine Tools	14.3	11.7	▲17.8%	▲ 2.5
	Devices and Components	14.5	11.9	▲18.2%	▲ 2.6
	Electronic and Other Products	5.6	4.7	▲15.2%	▲ 0.8
Consolidated Total		80.5	62.1	▲22.8%	▲ 18.3
Operating Profit (Unit: billion yen, %:operating margin)		FY2019	FY2020	YoY Change	
		1-3Q Result	1-3Q Result	%	Amount
	Watches	4.8 (10.5%)	1.5 (4.6%)	▲67.9%	▲ 3.2
	Machine Tools	1.6 (11.6%)	0.8 (7.6%)	▲46.3%	▲ 0.7
	Devices and Components	0.5 (3.7%)	0.3 (2.8%)	▲37.6%	▲ 0.2
	Electronic and Other Products	▲ 0.0 (▲0.9%)	+0.3 (7.0%)	—	+0.3
Eliminations or general corporate		▲ 1.4	▲ 0.9	—	+0.5
Consolidated Total		5.4 (6.8%)	2.1 (3.5%)	▲60.2%	▲ 3.3

Financial Results for 1-3Q of FY 2020









CITIZEN

(Unit : billion yen)	1-3Q 2019	1-3Q 2020	YoY Change	
	Result	Result	%	Amount
Net sales	224.9	151.1	▲32.8%	▲ 73.8
Operating profit	11.2	▲ 6.0	-	▲ 17.2
Operating margin	5.0%	▲4.0%	-	-
Ordinary Profit	12.4	▲ 2.6	-	▲ 15.0
Profit attributable to owners of parent	7.0	▲ 21.9	-	▲ 28.9
Exchange rate	¥109/USD ¥121/EUR	¥106/USD ¥122/EUR	-	

- Sales declined particularly in the mainstay Watches Segment, although the market environment continued to be on a recovery trend.
- Reduced SG&A expenses by 18.8 billion yen by cutting expenses centering on advertising expenses.
- Reversed part of deferred tax assets.

1-3Q 20 Result by Business Segments

CITIZEN

Net sales (Unit: billion yen)		FY2019 1-3Q Result	FY2020 1-3Q Result	YoY Change	
				%	Amount
	Watches	118.3	71.7	▲39.4%	▲ 46.5
	Machine Tools	45.1	32.5	▲28.1%	▲ 12.6
	Devices and Components	43.9	33.2	▲24.3%	▲ 10.6
	Electronic and Other Products	17.4	13.5	▲22.1%	▲ 3.8
Consolidated Total		224.9	151.1	▲32.8%	▲ 73.8
Operating Profit (Unit: billion yen, %:operating margin)		FY2019 1-3Q Result	FY2020 1-3Q Result	YoY Change	
				%	Amount
	Watches	8.2 (7.0%)	▲ 3.8 (▲5.3%)	—	▲ 12.1
	Machine Tools	6.2 (13.8%)	1.4 (4.6%)	▲76.2%	▲ 4.7
	Devices and Components	1.2 (2.9%)	▲ 0.7 (▲2.3%)	—	▲ 2.0
	Electronic and Other Products	0.0 (0.1%)	+0.1 (1.1%)	+993.9%	+0.1
Eliminations or general corporate		▲ 4.5	▲ 3.1	—	+1.4
Consolidated Total		11.2 (5.0%)	▲ 6.0 (▲4.0%)	—	▲ 17.2

FY2020 Forecasts for 2H and the Full-Year





CITIZEN





(Unit: billion yen)	FY2020 Forecast (11/12)		FY2020 Forecast (2/10)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	113.0	202.0	115.0	204.0	+2.0	+2.0
Operating profit	▲ 5.7	▲ 14.0	▲ 2.2	▲ 10.5	+3.5	+3.5
Operating margin	▲5.1%	▲6.9%	▲1.9%	▲5.1%	–	–
Ordinary Profit	▲ 3.8	▲ 10.0	▲ 0.3	▲ 6.5	+3.5	+3.5
Profit attributable to owners of parent	▲ 8.4	▲ 30.0	▲ 8.4	▲ 30.0	+0.0	+0.0
Exchange rate	¥105/USD ¥125/EUR	¥106/USD ¥123/EUR	¥105/USD ¥124/EUR	¥106/USD ¥122/EUR	–	–

- Revised earnings forecasts for FY2020 upward centering on Watches and Machine Tools Segments, taking into account results for the nine-month period.

FY2020 Forecast by Business Segment

CITIZEN

Net sales		FY2020 Forecast (11/12)		FY2020 Forecast (2/10)		Change	
(Unit: billion yen)		2H	Full Year	2H	Full Year	2H	Full Year
	Watches	57.8	96.0	57.3	95.5	▲ 0.5	▲ 0.5
	Machine Tools	23.2	44.0	24.7	45.5	+1.5	+1.5
	Devices and Components	23.1	44.5	23.6	45.0	+0.5	+0.5
	Electronic and Other Products	8.6	17.5	9.1	18.0	+0.5	+0.5
Consolidated Total		113.0	202.0	115.0	204.0	+2.0	+2.0

Operating Profit		FY2020 Forecast (11/12)		FY2020 Forecast (2/10)		Change	
(Unit: billion yen, %:operating margin)		2H	Full Year	2H	Full Year	2H	Full Year
	Watches	▲ 4.1 (▲7.1%)	▲ 9.5 (▲9.9%)	▲ 2.6 (▲4.6%)	▲ 8.0 (▲8.4%)	+1.5	+1.5
	Machine Tools	0.5 (2.2%)	1.1 (2.5%)	1.9 (7.7%)	2.5 (5.5%)	+1.4	+1.4
	Devices and Components	▲ 0.2 (▲0.9%)	▲ 1.3 (▲2.9%)	0.0 (0.4%)	▲ 1.0 (▲2.2%)	+0.2	+0.3
	Electronic and Other Products	0.1 (2.1%)	0.0 (0.0%)	0.3 (4.2%)	0.2 (1.1%)	+0.2	+0.2
Eliminations or general corporate		▲ 2.1	▲ 4.3	▲ 2.0	▲ 4.2	+0.1	+0.1
Consolidated Total		▲ 5.7 (▲5.1%)	▲ 14.0 (▲6.9%)	▲ 2.2 (▲1.9%)	▲ 10.5 (▲5.1%)	+3.5	+3.5

- Watches: While sales are expected to weaken following the resurgence of COVID-19, profitability is expected to improve.
- Machine Tools: Given that orders are recovering better than expected, both net sales and operating profit are expected to deviate above the forecast.

Watches (3Q Result)

< Watch sales >

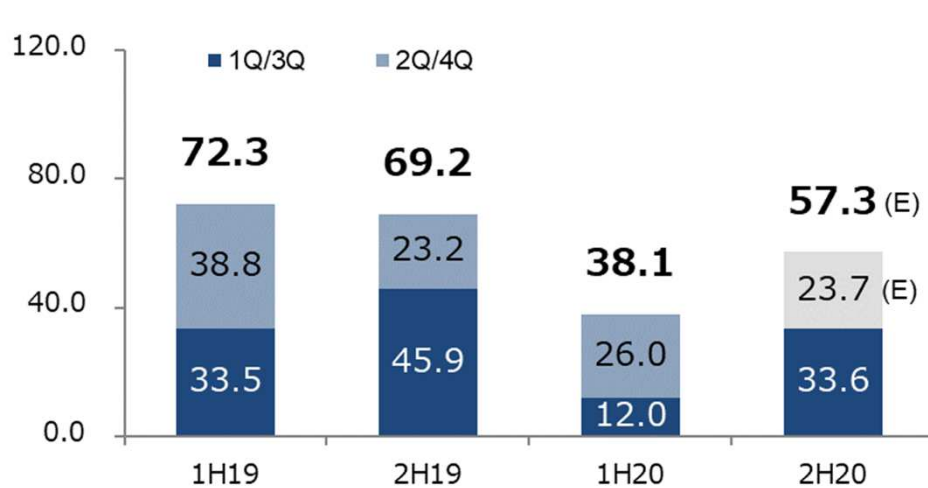
- Overseas market: Sales increased year on year in China, and sales also remained higher than expected in North America.
- Domestic market: The decline was shrinking although a sharp fall in inbound demand had an impact.

< Movement sales >

- Demand for mechanical movements was steady, analog quartz movements was also gradually recovering.

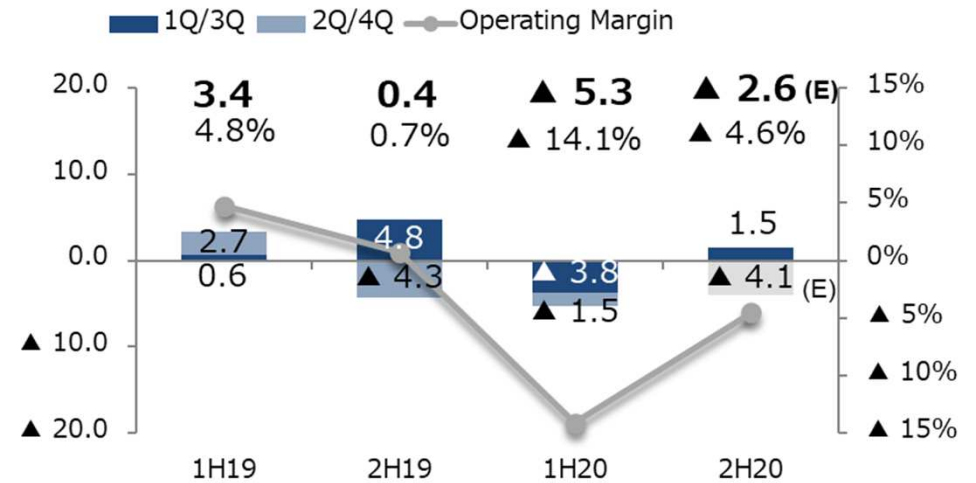
Net sales

(billion yen)



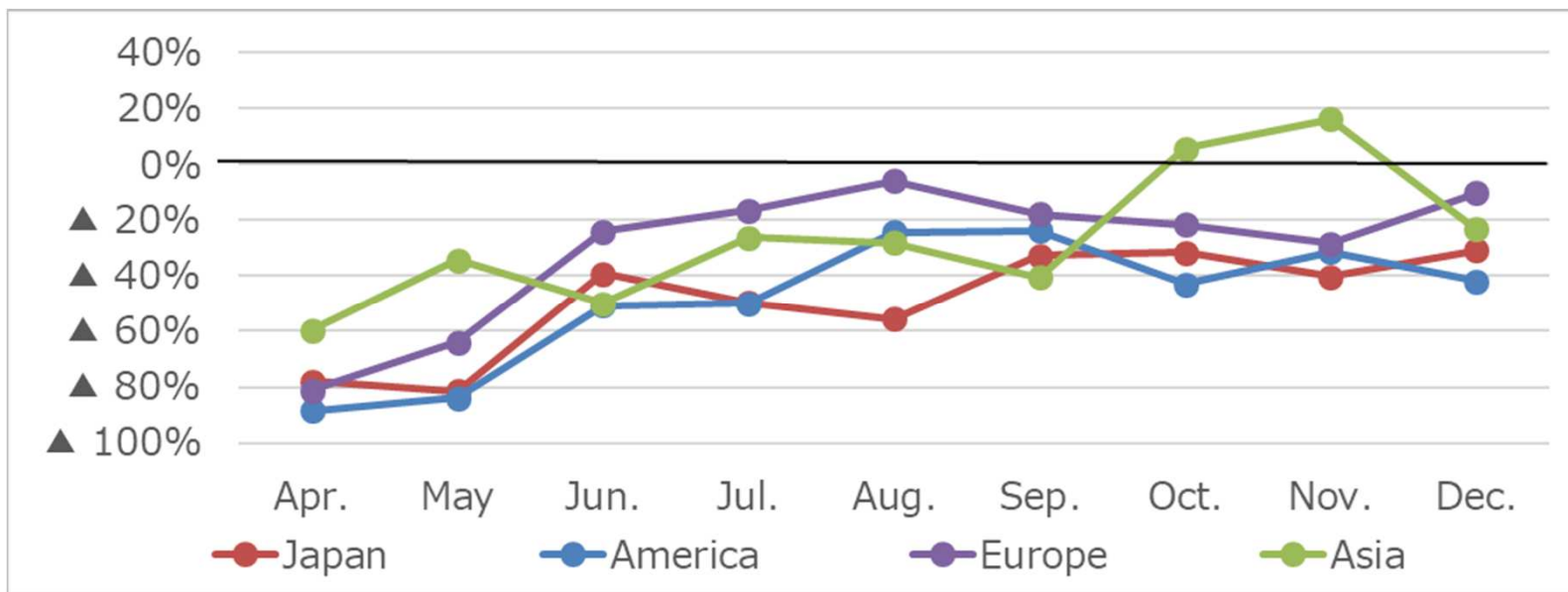
Operating profit

(billion yen)



Watches Sales Conditions by Region

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



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

	1Q	2Q	3Q	
Japan	▲ 69%	▲ 46%	▲ 35%	There was a delay in recovery due to a fall in inbound demand and weak domestic demand.
America	▲ 73%	▲ 30%	▲ 38%	There was a delay in recovery due to a fall in inbound demand and weak domestic demand.
Europe	▲ 57%	▲ 15%	▲ 22%	While sales remained firm mainly in Germany, sales in Europe were stagnant due to the re-implementation of lockdowns.
Asia	▲ 48%	▲ 33%	▲ 3%	Sales were on a recovery trend as sales for e-commerce events were booming in China.

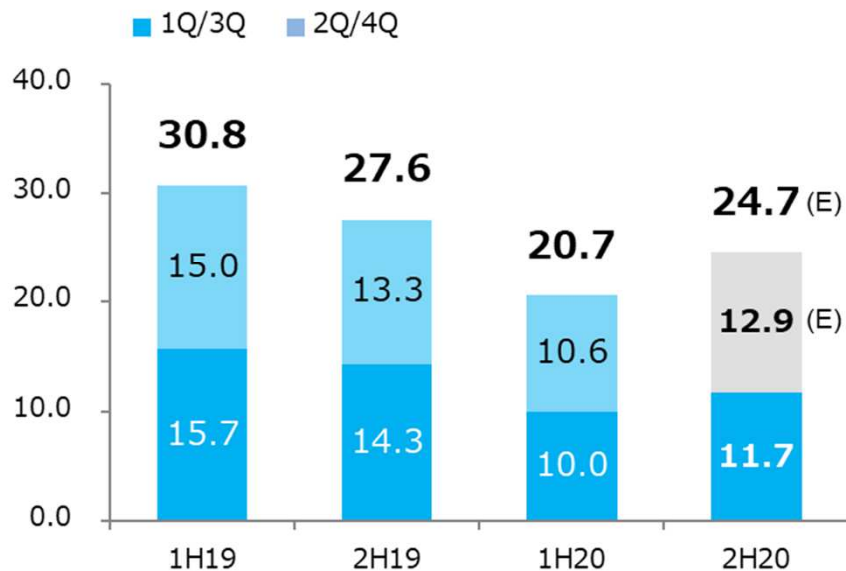
- The rate of change in total sales of CITIZEN brand watches and BULOVA brand watches only for North America. For other regions, the rate of change only in sales of CITIZEN brand watches.

Machine Tools (3Q Result)

- Domestic market: While a cautious stance on capital investment continued, a sense of bottoming out was observed.
- Overseas market: Performance remained strong in China, and the segment also performed solidly in Europe, showing a recovery trend.

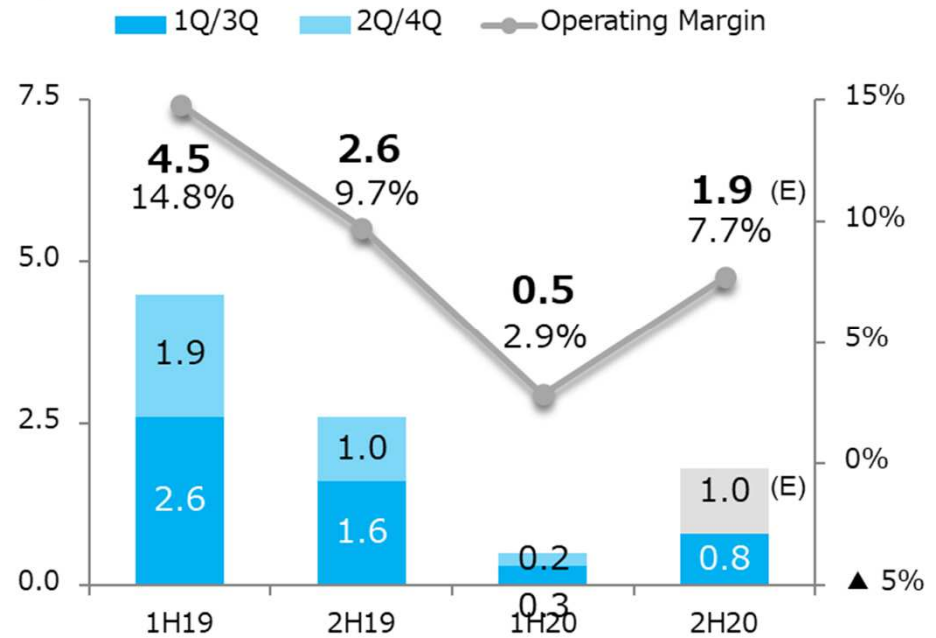
Net sales

(billion yen)



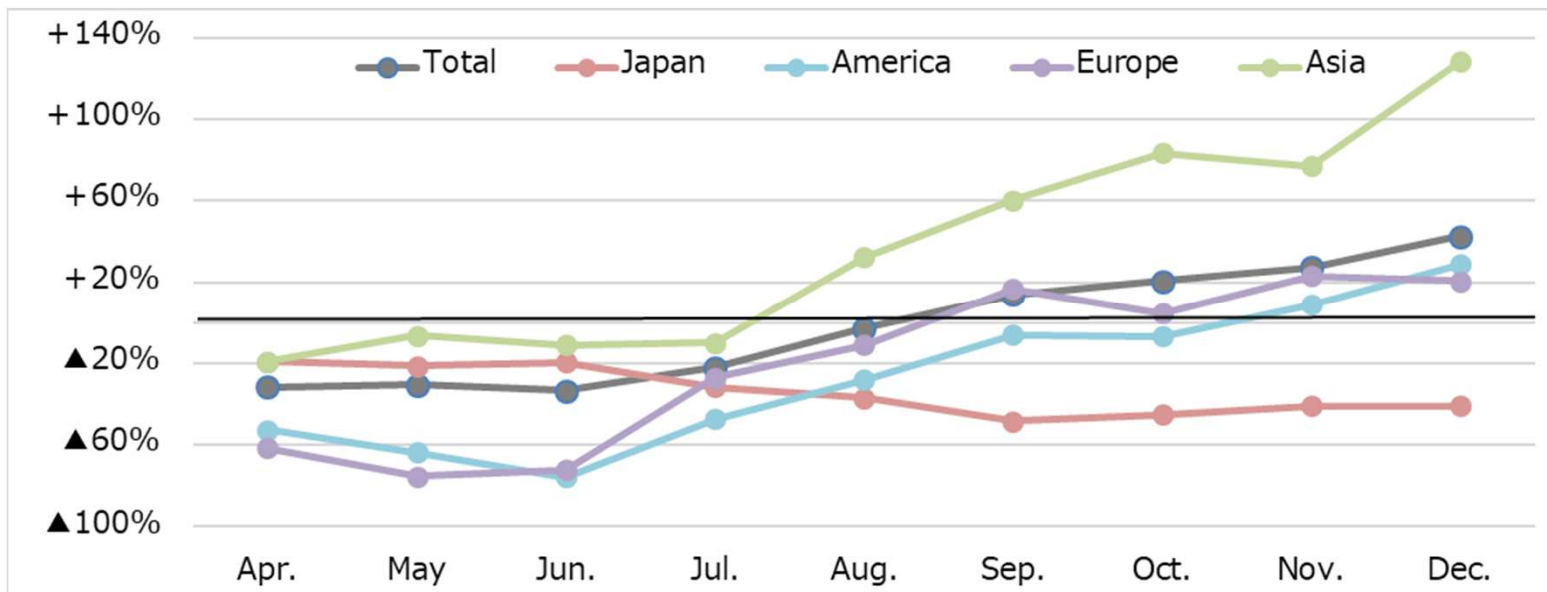
Operating profit

(billion yen)



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)

	1Q	2Q	3Q	
● Total	▲34%	+14%	+43%	The upward momentum continued mainly in the Chinese market. Orders were also on an upward trend in Europe and the Americas.
● Japan	▲20%	▲48%	▲41%	A cautious stance on capital investment continued, although inquiries began emerging in the automobile-related business.
● America	▲76%	▲6%	+29%	Remained firm because medical-related demand recovered, which had been shelved due to the impact of the COVID-19 pandemic.
● Europe	▲72%	+17%	+20%	While the automobile-related business remained weak, medical- and hydraulic machinery-related businesses were firm.
● Asia	▲11%	+60%	+128%	IT- and automobile-related businesses grew mainly in China. Other Asian regions also showed a recovery trend.

Initiatives in Machine Tools Segment

CITIZEN

Low Frequency Vibration-Cutting (LFV) Technology¹

- Started selling machine tools products equipped with LFV technology in 2013, and cumulative shipments reached 2,500 units in October 2020.
- To start selling "ANX42SYY," the first Miyano product equipped with LFV technology, in July 2021.
- LFV-compatible models: To increase to 10 models.



Miyano "ANX42SYY"

¹ Low Frequency Vibration-Cutting (LFV) Technology: Using CITIZEN's proprietary control technology, a processing technology to divide chips by making the servo axis vibrate in the cutting direction and setting the timing for "missing" so that the blade does not hit during cutting. This will help solve issues about chips and contribute to improved productivity.

Friction bonding technology²

- Started selling Cincom "L32" equipped with the residual material reduction function using friction bonding technology in November 2020.
- Received the Manufacturing Award of the 63rd Ten Greatest New Products Award sponsored by the Nikkan Kogyo Shimbun, Ltd. (for the fifth time and its first in four years since 2016 when it received the award for "L20-LFV").



Cincom "L32"

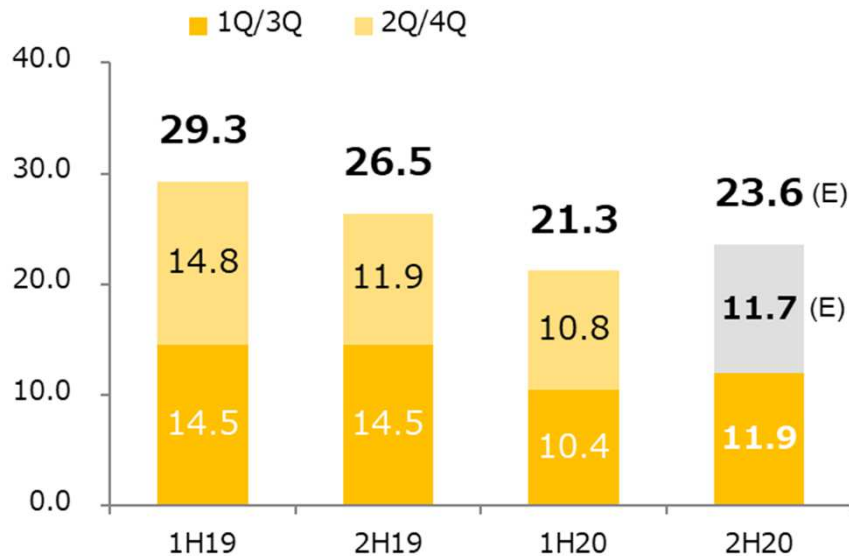
² Friction bonding technology: CITIZEN's proprietary technology to significantly reduce residual materials after processing by softening materials by friction heat and bonding different materials by applying even stronger pressure. This will reduce material costs and contribute to reducing environmental burdens.

Devices and Components (3Q Result)

- Precision machining components: Sales of auto parts increased associated with the market recovery.
Sales of switches decreased, but orders were on a recovery trend.
- Opto-devices: Sales of LED for lighting products and automobiles grew at a sluggish pace.

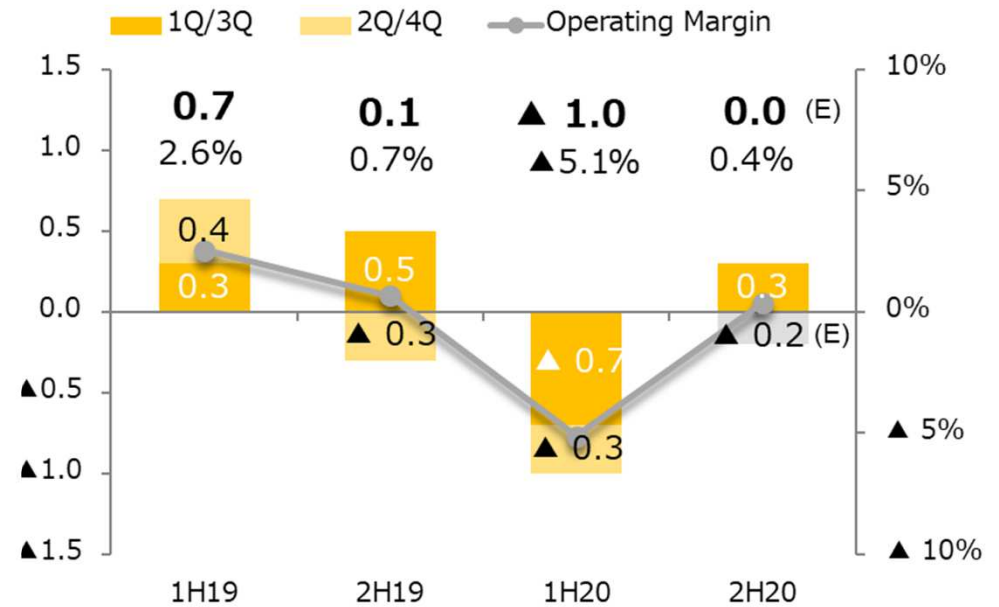
Net sales

(billion yen)



Operating profit

(billion yen)



CITIZEN