

CITIZEN

Earning Presentation

for the six months ended September 30, 2018

CITIZEN WATCH CO., LTD.

November 9, 2018

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.

Key Notes

■ Financial Results for 1H of FY2018

- Watches segment
 - Watch Sales from overseas market :
Strength maintained by solid sales in China and other Asia regions. But Sales remain weak in European market.
 - Sluggish sales in domestic watch market
 - Movement sales decreased
- Machine tools segment
 - Both sales and profits significantly increased, as orders remained steady

■ FY2018 Forecast

- The full-year results forecast remains unchanged.

Financial Results for 1H of FY2018

(Unit : billion yen)	FY2017 1H Result	FY2018 1H Result	YoY Change	
			%	Amount
Net sales	153.3	154.4	+0.7%	+1.0
Operating profit	11.7	10.9	▲6.8%	▲ 0.8
Operating margin	7.7%	7.1%	-	-
Ordinary Profit	12.6	13.1	+4.0%	+0.5
Profit attributable to owners of parent	8.2	8.3	+1.9%	+0.1
Exchange rate	¥111/USD ¥125/EUR	¥109/USD ¥130/EUR	-	

Effect of exchange	Net sales	Operating profit
USD	+1.30	+0.30
EUR	+0.20	+0.07

(1 weaker yen, Annual)

Net Sales by Business Segments

(Unit: billion yen)	FY2017	FY2018	YoY change	
	1H Result	1H Result	%	Amount
Watches	77.4	74.9	▲3.3%	▲ 2.5
Machine Tools	28.6	35.3	+23.3%	+6.6
Devices and Components	34.1	31.5	▲7.4%	▲ 2.5
Electronic Products	10.2	9.7	▲4.9%	▲ 0.5
Other Products	2.8	2.8	▲1.6%	▲ 0.0
Consolidated Total	153.3	154.4	+0.7%	+1.0

Operating Profit by Business Segments

(Unit: billion yen, %:operating margin)	FY2017	FY2018	YoY change	
	1H Result	1H Result	%	Amount
Watches	8.5 (11.1%)	5.5 (7.4%)	▲35.8%	▲ 3.0
Machine Tools	4.1 (14.5%)	6.8 (19.4%)	+64.6%	+2.6
Devices and Components	1.5 (4.5%)	1.5 (4.9%)	+2.3%	+0.0
Electronic Products	0.1 (1.6%)	0.1 (2.0%)	+16.0%	+0.0
Other Products	0.1 (5.3%)	0.0 (2.7%)	▲49.6%	▲ 0.0
Eliminations or general corporate	▲ 2.8	▲ 3.2	-	▲ 0.4
Consolidated Total	11.7 (7.7%)	10.9 (7.1%)	▲6.8%	▲ 0.8

Watches (1H18 Result)

<Watch sales>

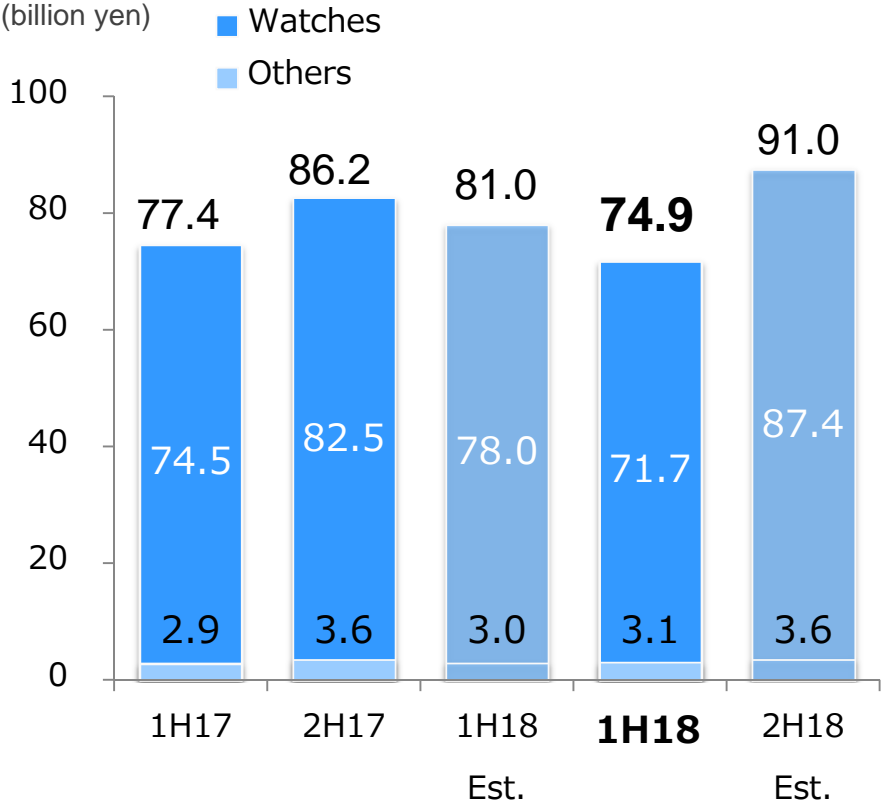
Overseas market: The European and other markets slowed down despite the ongoing moderate improvements in business conditions.

Domestic market: Overall weak sales continued despite strong sales of 100th anniversary limited editions.

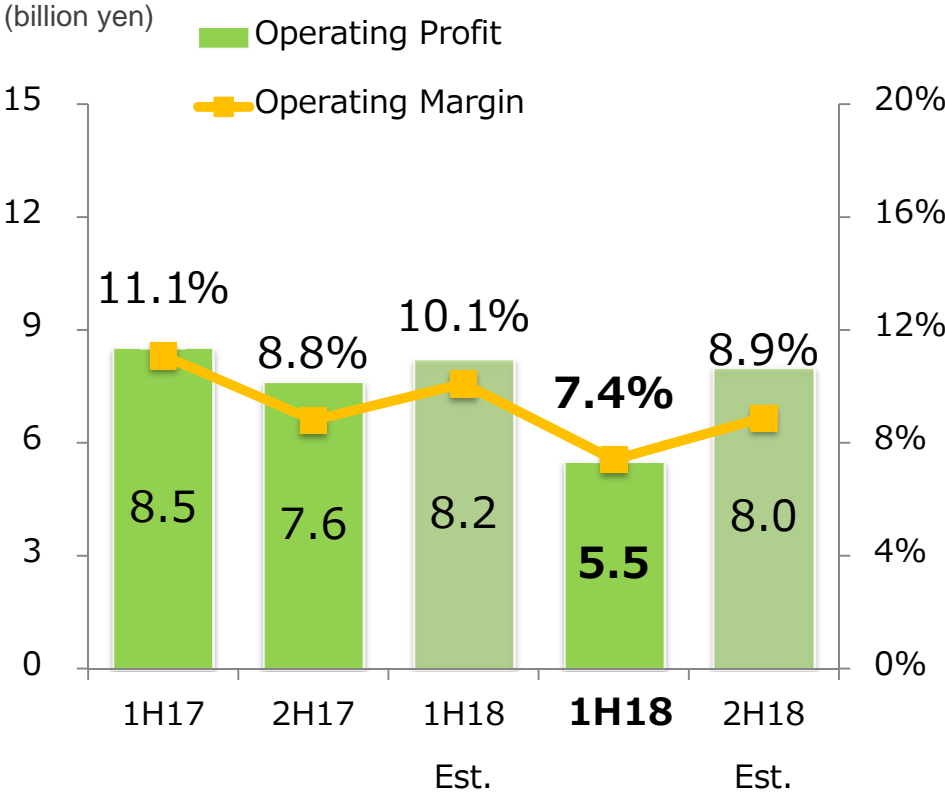
<Movement sales>

Sales decreased due to the ongoing sluggish demand for high added value.

Net sales



Operating Profit



Machine Tools (1H18 Result)

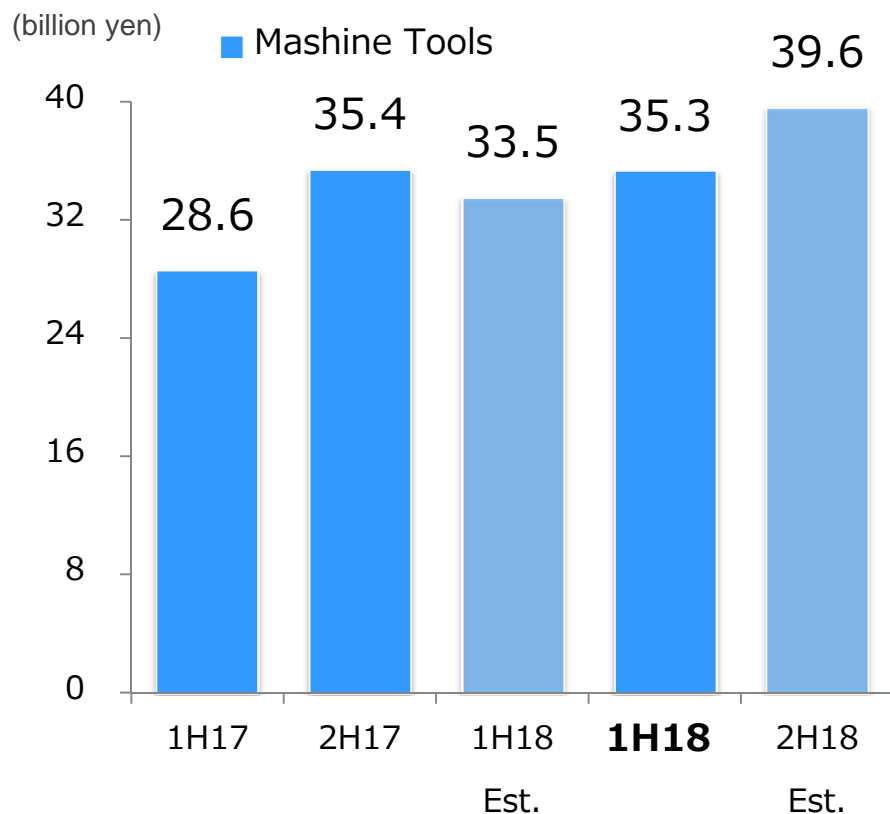
<Overseas market>

Revenues increased thanks to continuous growth of orders received, particularly in the Americas and Europe.

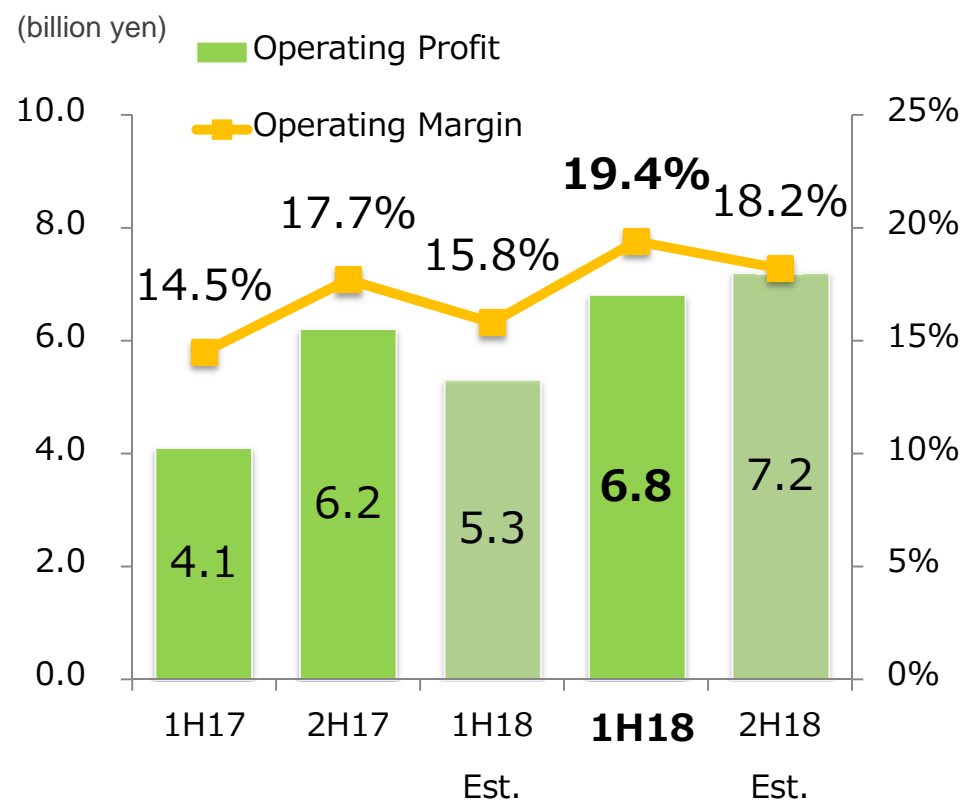
<Domestic market>

Revenues rose as a result of active capital spending that continued in a wide range of industries.

Net sales



Operating Profit



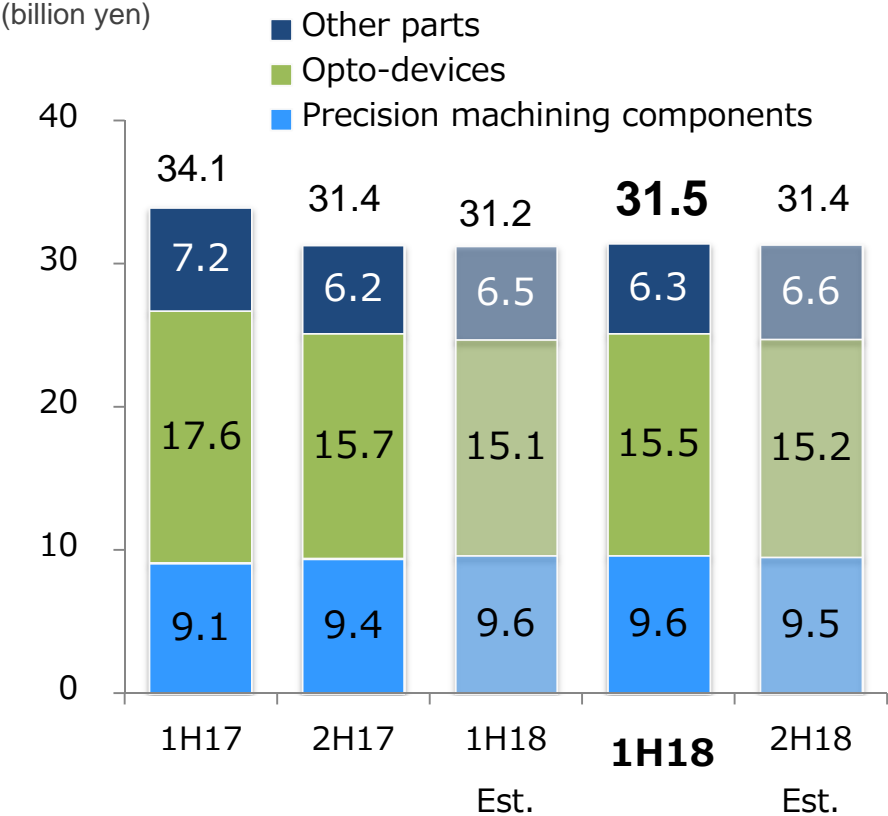
Devices and Components (1H18 Result)

Precision machining components: Sales grew due to strong sales of auto parts and a recovery in the sales of switches.

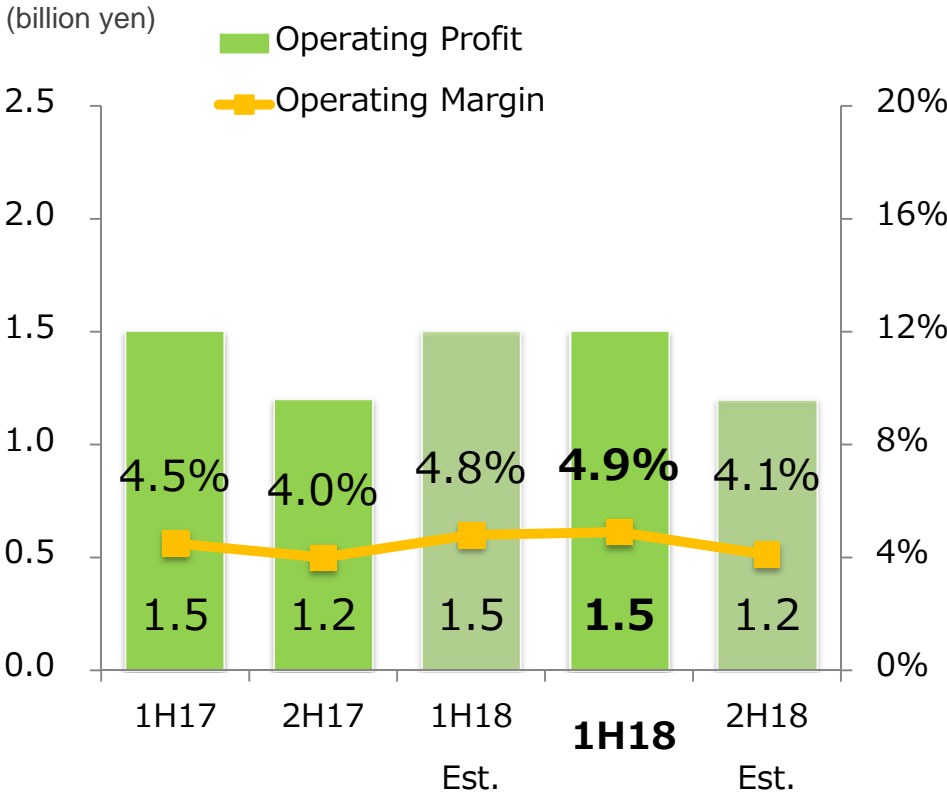
Opto-devices: Revenues from products such as LEDs for lighting equipment declined as a result of efforts focusing on profitability, despite strong sales of LEDs for automotive use.

Other parts: Revenues fell due to a slowdown in sales of quartz devices and other products.

Net sales



Operating Profit



Revisions to FY2018 Forecasts for 2H and the Full-Year

(Unit: billion yen)	FY2018 Forecast (8/9E)		FY2018 Forecast (11/9E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	171.3	330.0	175.5	330.0	+4.2	+0.0
Operating profit	13.0	25.0	14.0	25.0	+1.0	+0.0
Operating margin	7.6%	7.6%	8.0%	7.6%	-	-
Ordinary Profit	14.0	26.5	13.3	26.5	▲ 0.7	+0.0
Profit attributable to owners of parent	9.1	17.0	8.6	17.0	▲ 0.5	+0.0
Exchange rate	¥110/USD ¥135/EUR	¥109/USD ¥134/EUR	¥110/USD ¥130/EUR	¥110/USD ¥130/EUR	-	-

Revisions to FY2018 Forecast by Business Segment

Net sales (Unit: billion yen)	FY2018 Forecast (8/9E)		FY2018 Forecast (11/9E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	94.0	175.0	91.0	166.0	▲ 3.0	▲ 9.0
Machine Tools	32.5	66.0	39.6	75.0	+7.1	+9.0
Devices and Components	31.8	63.0	31.4	63.0	▲ 0.4	+0.0
Electronic Products	10.0	20.0	10.2	20.0	+0.2	+0.0
Other Products	3.0	6.0	3.1	6.0	+0.1	+0.0
Consolidated Total	171.3	330.0	175.5	330.0	+4.2	+0.0

Operating Profit (Unit: billion yen, %:operating margin)	FY2018 Forecast (8/9E)		FY2018 Forecast (11/9E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	8.8 (9.4%)	17.0 (9.7%)	8.0 (8.9%)	13.6 (8.2%)	▲ 0.8	▲ 3.4
Machine Tools	5.2 (16.0%)	10.5 (15.9%)	7.2 (18.2%)	14.0 (18.7%)	+2.0	+3.5
Devices and Components	1.5 (4.7%)	3.0 (4.8%)	1.2 (4.1%)	2.8 (4.5%)	▲ 0.3	▲ 0.2
Electronic Products	0.3 (3.0%)	0.5 (2.5%)	0.3 (3.0%)	0.5 (2.5%)	+0.0	+0.0
Other Products	0.2 (6.7%)	0.3 (5.0%)	0.2 (7.0%)	0.3 (5.0%)	+0.0	+0.0
Eliminations or general corporate	▲ 3.0	▲ 6.3	▲ 3.0	▲ 6.3	+0.0	+0.0
Consolidated Total	13.0 (7.6%)	25.0 (7.6%)	14.0 (8.0%)	25.0 (7.6%)	+1.0	+0.0

Topics

Alliance with Fossil Group, Inc. for the growth of the smartwatch market



Aiming to become a leading duo in the smartwatch market by combining Citizen's manufacturing technology for globally renowned watch movements and Fossil's smartwatch technology

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Balance Sheet

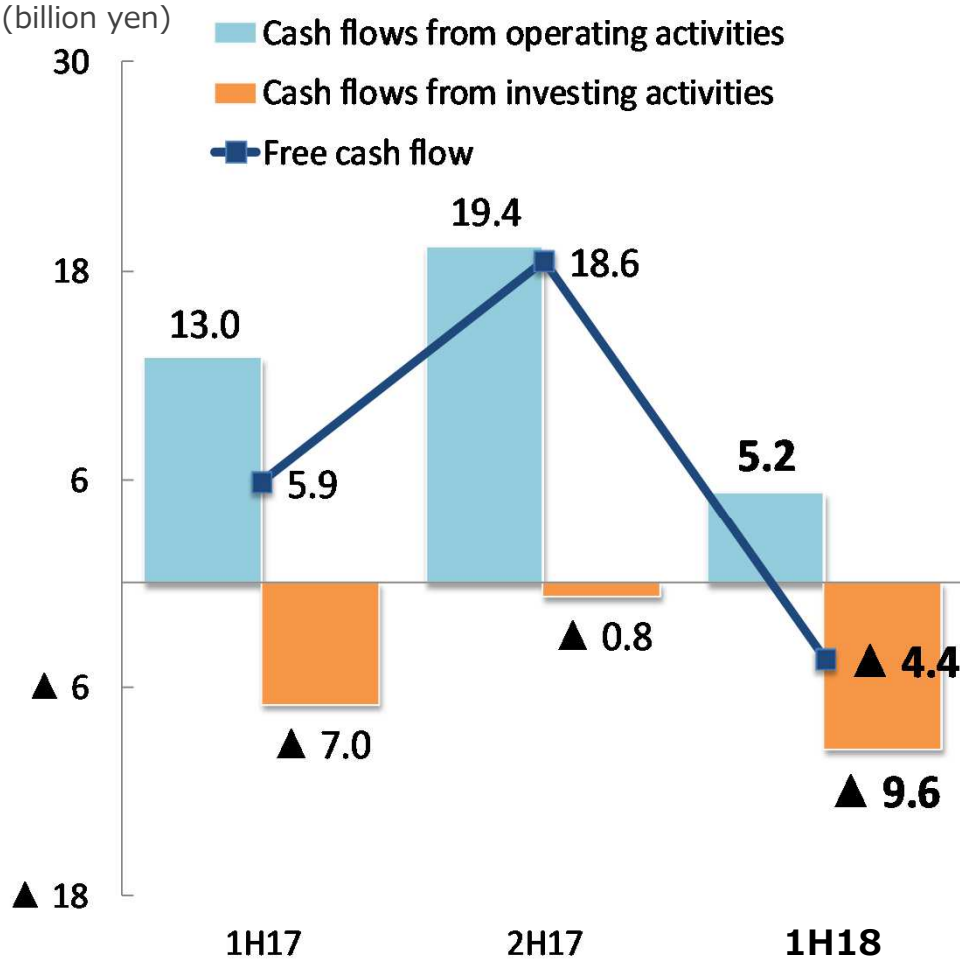
Reference

(Unit: billion yen)		March 31, 2018	September 30, 2018	Change from end of previous fiscal year
Current assets		252.9	274.1	+21.1
	Cash and deposits	92.0	97.1	+5.0
	Inventories	90.5	103.2	+12.6
Non-current assets		156.9	162.1	+5.2
	Investment securities	46.0	48.8	+2.8
Total assets		409.9	436.2	+26.3

(Unit: billion yen)		March 31, 2018	September 30, 2018	Change from end of previous fiscal year
Liabilities		146.1	161.8	+15.6
	Interest-bearing debt	49.0	61.7	+12.7
Net assets		263.7	274.3	+10.6
	Shareholders' equity	240.9	245.0	+4.0
	Foreign currency translation adjustment	2.0	6.7	+4.6
Total liabilities and net assets		409.9	436.2	+26.3

Statement of Cash Flow

Reference



(Unit: billion yen)	1H17	1H18	YoY change
Cash flow from operating activities	13.0	5.2	▲7.8
Cash flow from investing activities	▲7.0	▲9.6	▲2.5
Free cash flow	5.9	▲4.4	▲10.3
Cash flow from financial activities	▲2.4	7.6	+10.1
Balance of cash and cash equivalents	83.0	95.3	+12.3

Capital Investment/Depreciation

Reference

(billion yen)

