

CITIZEN

Earning Presentation

for the nine months ended December 31, 2018

CITIZEN WATCH CO., LTD.

February 13, 2019

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 1Q-3Q of FY2018

• Watches segment

Finished products (overseas): We enjoyed strong sales in North America for increased revenue, while demand in China and Asia slowed.

Finished products (Japan): 3Q revenue increased with the recovery of sales of mid-price range products.

Sales of movements declined.

• Machine tools segment

Revenue and income grew with continued sales strength, mainly in Europe and the US

■ FY2018 Forecast

- The net sales, operating profit, and ordinary profit forecast is maintained.
- Profit is revised down to 15 billion yen due to the recording of an extraordinary loss.

Financial Results for 3Q of FY2018

(Unit : billion yen)	FY2017	FY2018	YoY Change	
	1-3Q Result	1-3Q Result	%	Amount
Net sales	244.2	247.7	+1.4%	+3.5
Operating profit	22.2	20.7	▲7.0%	▲ 1.5
Operating margin	9.1%	8.4%	-	-
Ordinary Profit	23.6	23.2	▲1.4%	▲ 0.3
Profit attributable to owners of parent	15.9	14.3	▲9.9%	▲ 1.5
Exchange rate	¥112/USD ¥128/EUR	¥111/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	
	1-3Q Result	1-3Q Result	%	Amount
Watches	127.5	127.0	▲0.4%	▲ 0.5
Machine Tools	46.5	54.2	+16.6%	+7.7
Devices and Components	50.3	47.4	▲5.9%	▲ 2.9
Electronic Products	15.2	14.6	▲4.3%	▲ 0.6
Other Products	4.5	4.4	▲2.3%	▲ 0.1
Consolidated Total	244.2	247.7	+1.4%	+3.5

Operating profit by Business Segments

(Unit: billion yen, %:operating margin)	FY2017	FY2018	YoY change	
	1-3Q Result	1-3Q Result	%	Amount
Watches	16.0 (12.6%)	12.3 (9.7%)	▲23.2%	▲ 3.7
Machine Tools	7.3 (15.8%)	9.8 (18.1%)	+33.5%	+2.4
Devices and Components	2.4 (4.9%)	2.8 (6.0%)	+14.7%	+0.3
Electronic Products	0.3 (2.1%)	0.3 (2.6%)	+17.2%	+0.0
Other Products	0.1 (4.3%)	0.0 (2.2%)	▲51.2%	▲ 0.1
Eliminations or general corporate	▲ 4.1	▲ 4.7	-	▲ 0.6
Consolidated Total	22.2 (9.1%)	20.7 (8.4%)	▲7.0%	▲ 1.5

Watches (1-3Q Result)

<Sales of finished products>

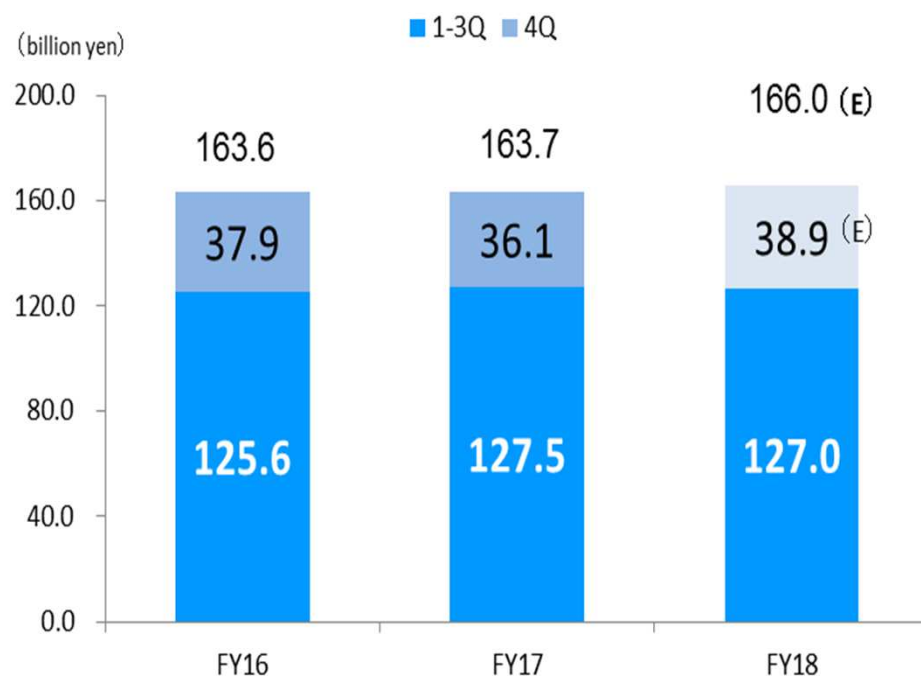
Overseas market: Sales were weak in Europe, while sales in North America, China, and Asia led to the increase in overall sales.

Domestic market in Japan: Strong sales of main products such as xC · ATTESA · PROMASTER led to the increase in overall sales.

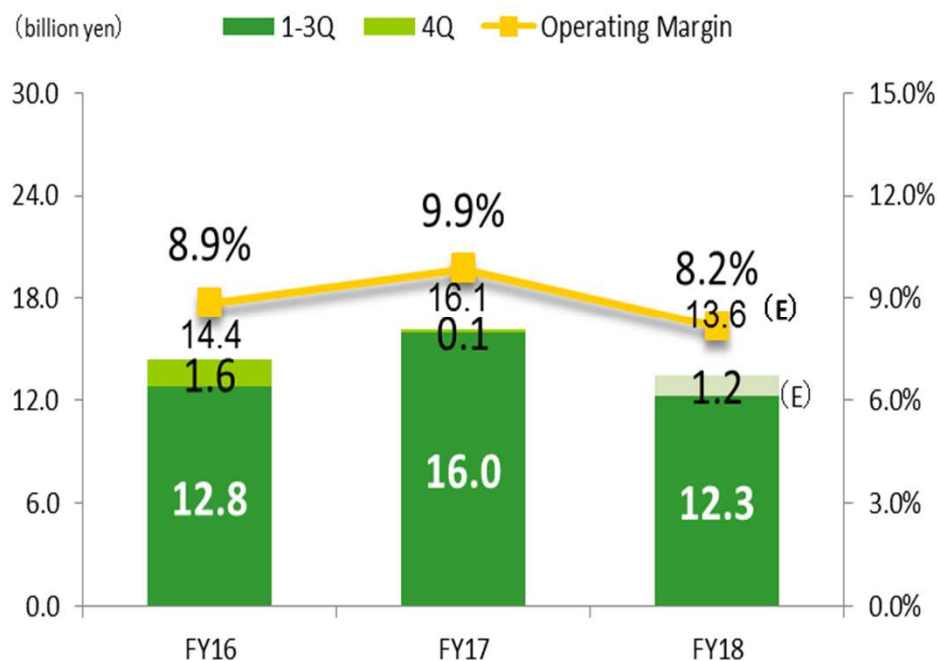
<Sales of movements>

The demand for analog quartz movements centering on products with high added value is still weak, resulting in a decrease in sales.

Net sales



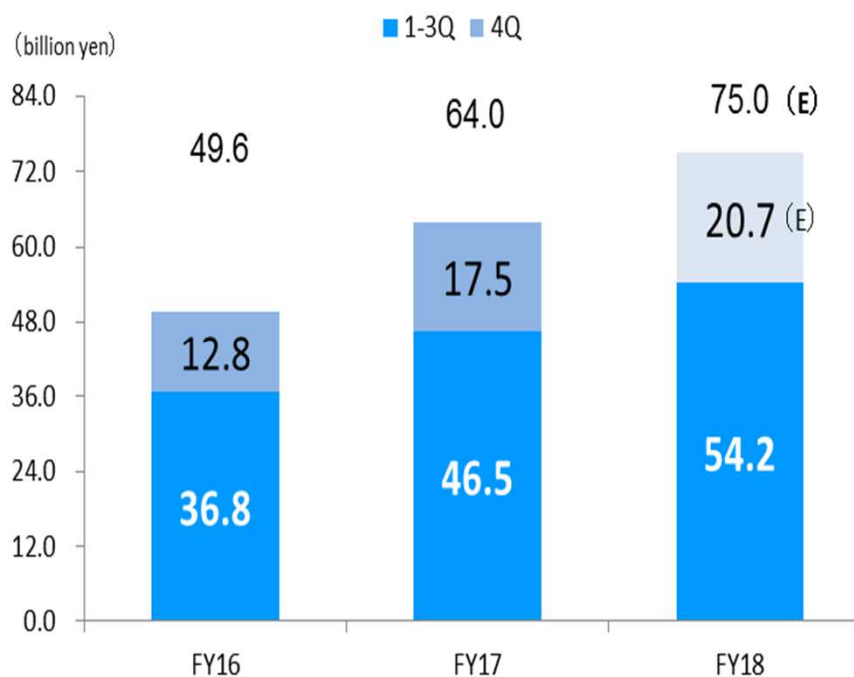
Operating profit



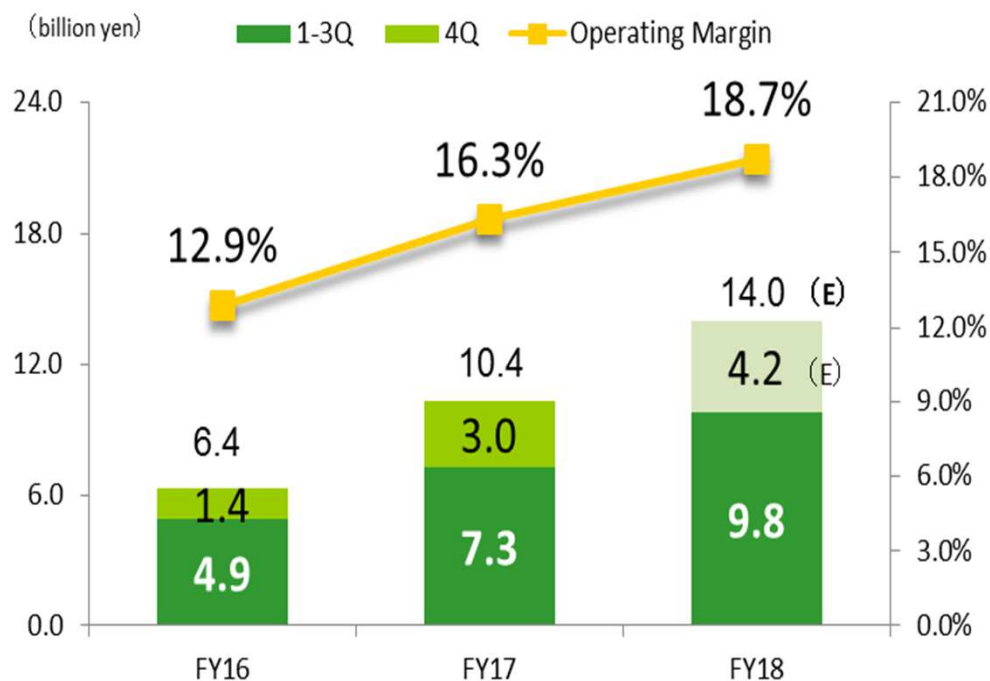
Machine Tools (1-3Q Result)

Overseas market: Sales increased mainly because of favorable sales in Europe and the US
 Domestic market in Japan: Sales increased mainly because of strong sales, although orders have eased somewhat.

Net sales



Operating profit



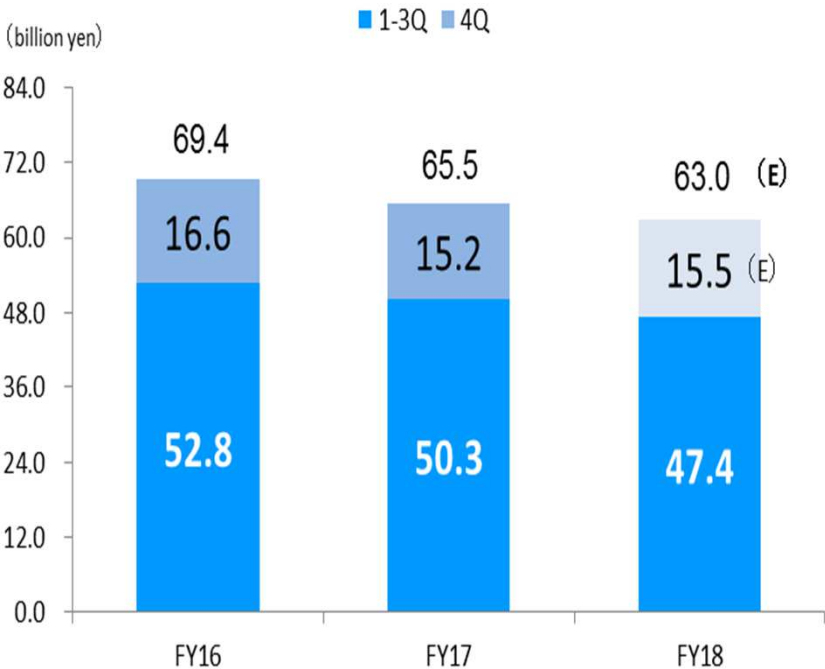
Devices and Components (1-3Q Result)

Precision machining components: Revenues increased because of strong sales of auto parts and the recovery in sales of switches.

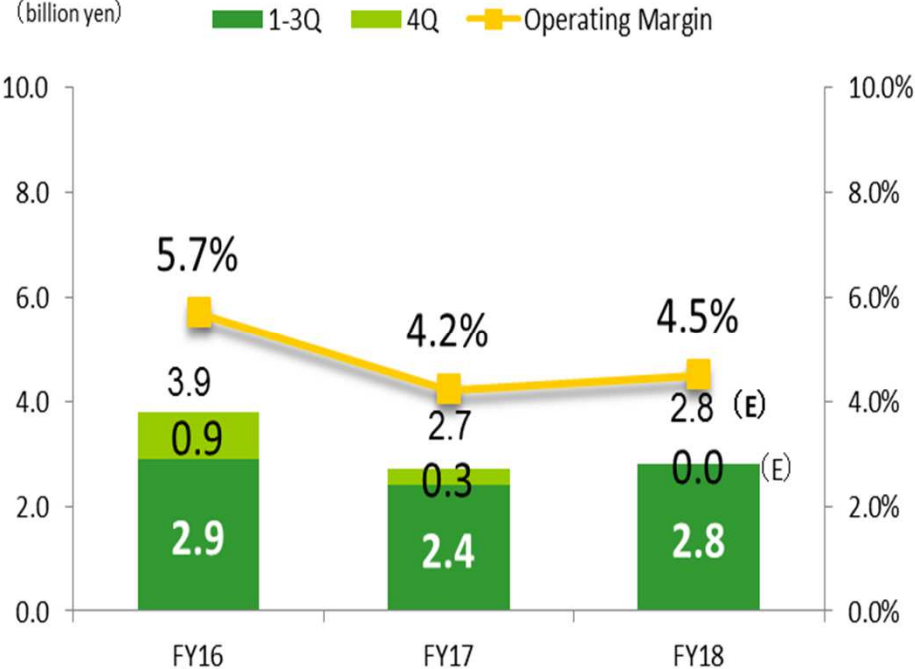
Opto-devices: Revenue declined. While sales of chip LED were strong, those of LEDs for lighting equipment were weak because of a focus on profitability.

Other parts: Revenues declined due in part to slumping sales of quartz devices.

Net sales



Operating profit



FY2018 Forecast

(Unit: billion yen)	FY2018 Forecast (11/9E)		FY2018 Forecast (2/13E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	175.5	330.0	175.5	330.0	+0.0	+0.0
Operating profit	14.0	25.0	14.0	25.0	+0.0	+0.0
Operating margin	8.0%	7.6%	8.0%	7.6%	-	-
Ordinary Profit	13.3	26.5	13.3	26.5	+0.0	+0.0
Profit attributable to owners of parent	8.6	17.0	6.6	15.0	▲ 2.0	▲ 2.0
Exchange rate	¥110/USD ¥130/EUR	¥110/USD ¥130/EUR	¥111/USD ¥127/EUR	¥110/USD ¥129/EUR	-	-

FY2018 Forecast

Net sales and Operating profit by business segments

Net sales (Unit: billion yen)	FY2018 Forecast (11/9E)		FY2018 Forecast (2/13E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	91.0	166.0	91.0	166.0	+0.0	+0.0
Machine Tools	39.6	75.0	39.6	75.0	+0.0	+0.0
Devices and Components	31.4	63.0	31.4	63.0	+0.0	+0.0
Electronic Products	10.2	20.0	10.2	20.0	+0.0	+0.0
Other Products	3.1	6.0	3.1	6.0	+0.0	+0.0
Consolidated Total	175.5	330.0	175.5	330.0	+0.0	+0.0

Operating Profit (Unit: billion yen, %:operating margin)	FY2018 Forecast (11/9E)		FY2018 Forecast (2/13E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	8.0 (8.9%)	13.6 (8.2%)	8.0 (8.9%)	13.6 (8.2%)	+0.0	+0.0
Machine Tools	7.2 (18.2%)	14.0 (18.7%)	7.2 (18.2%)	14.0 (18.7%)	+0.0	+0.0
Devices and Components	1.2 (4.1%)	2.8 (4.5%)	1.2 (4.1%)	2.8 (4.5%)	+0.0	+0.0
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 (7.0%)	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	14.0 (8.0%)	25.0 (7.6%)	14.0 (8.0%)	25.0 (7.6%)	+0.0	+0.0

CITIZEN