

CITIZEN

Earning Presentation

for the six months ended September 30, 2019

CITIZEN WATCH CO., LTD.

November 8, 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 1H of FY2019

- Watches segment
 - Finished products : Revenues increased in Japan, China, and the Asian region.
 - Movements : Sluggish growth continued.
- Machine tools segment
 - A slowdown was seen across all regions due to the postponement of capital expenditures.

■ FY2019 Forecast

- The full-year results forecast remains unchanged.

Financial Results for 1H of FY2019

(Unit : billion yen)	FY2018 1H Result	FY2019 1H Result	YoY Change	
			%	Amount
Net sales	154.4	144.4	▲6.5%	▲ 9.9
Operating profit	10.9	5.7	▲47.8%	▲ 5.2
Operating margin	7.1%	4.0%	-	-
Ordinary Profit	13.1	5.8	▲55.1%	▲ 7.2
Profit attributable to owners of parent	8.3	3.5	▲57.1%	▲ 4.7
Exchange rate	¥109/USD ¥130/EUR	¥109/USD ¥122/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)	FY2018	FY2019	YoY change	
	1H Result	1H Result	%	Amount
Watches	74.9	72.3	▲3.4%	▲ 2.5
Machine Tools	35.3	30.8	▲12.6%	▲ 4.4
Devices and Components	31.5	29.3	▲7.1%	▲ 2.2
Electronic Products	9.7	8.8	▲9.4%	▲ 0.9
Other Products	2.8	2.9	+5.0%	+0.1
Consolidated Total	154.4	144.4	▲6.5%	▲ 9.9

Operating Profit by Business Segments

(Unit: billion yen, %:operating margin)	FY2018	FY2019	YoY change	
	1H Result	1H Result	%	Amount
Watches	5.5 (7.4%)	3.4 (4.8%)	▲37.4%	▲ 2.0
Machine Tools	6.8 (19.4%)	4.5 (14.8%)	▲33.3%	▲ 2.2
Devices and Components	1.5 (4.9%)	0.7 (2.6%)	▲51.9%	▲ 0.8
Electronic Products	0.1 (2.0%)	▲ 0.1 (▲1.5%)	▲167.3%	▲ 0.3
Other Products	0.0 (2.7%)	0.1 (6.6%)	+153.8%	+ 0.1
Eliminations or general corporate	▲ 3.2	▲ 3.1	-	+0.1
Consolidated Total	10.9 (7.1%)	5.7 (4.0%)	▲47.8%	▲ 5.2

Watches (1H19 Result)

<Watch sales>

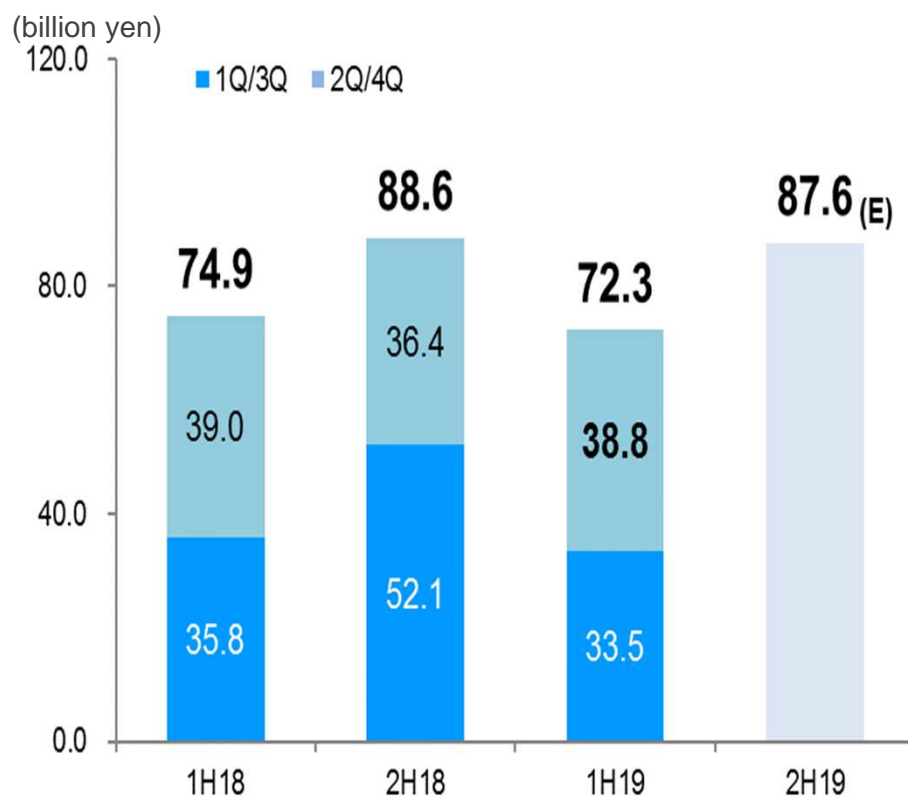
Overseas market: Sales increased due to strong performance in China and Asian markets

Domestic market: Revenues increased thanks to the growth of both high-end items and mid-priced items.

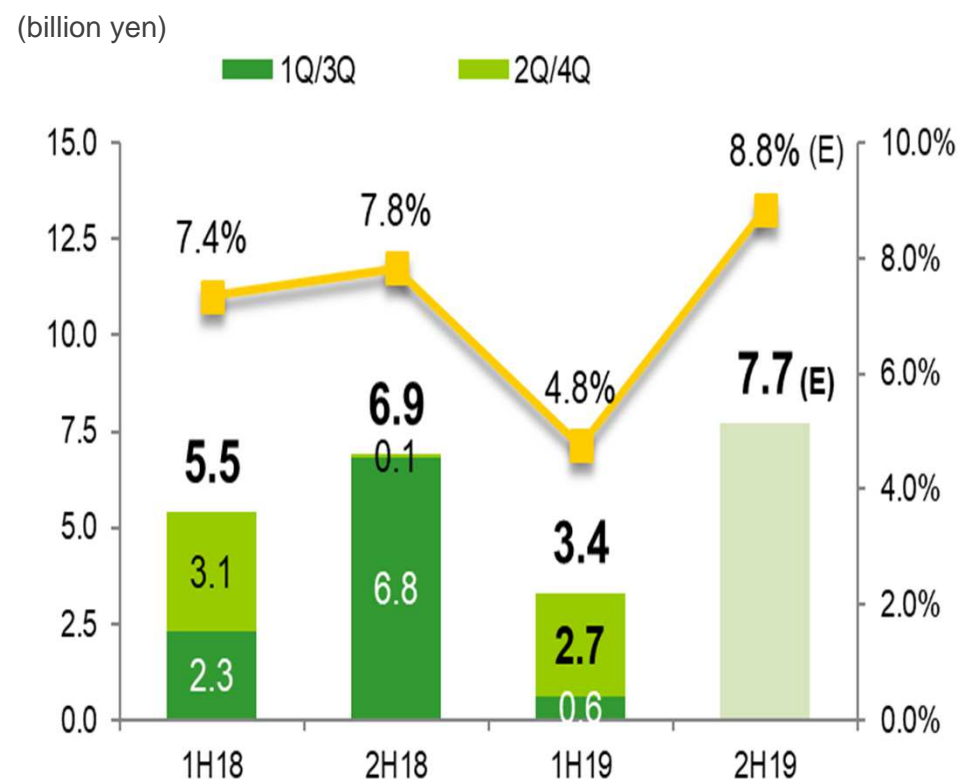
<Movement sales>

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

Net sales



Operating Profit



Machine Tools (1H19 Result)

<Overseas market>

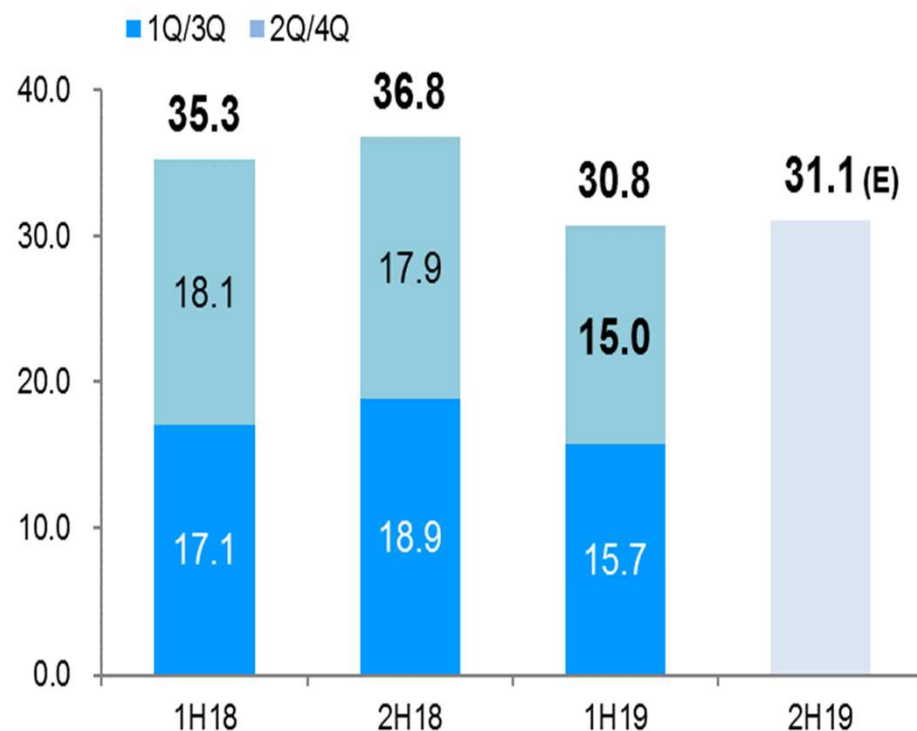
Revenues declined, reflecting sluggish market conditions worldwide despite strong sales of medical-related products.

<Domestic market>

Revenues decreased due to falling demand for semiconductors and automobile-related products.

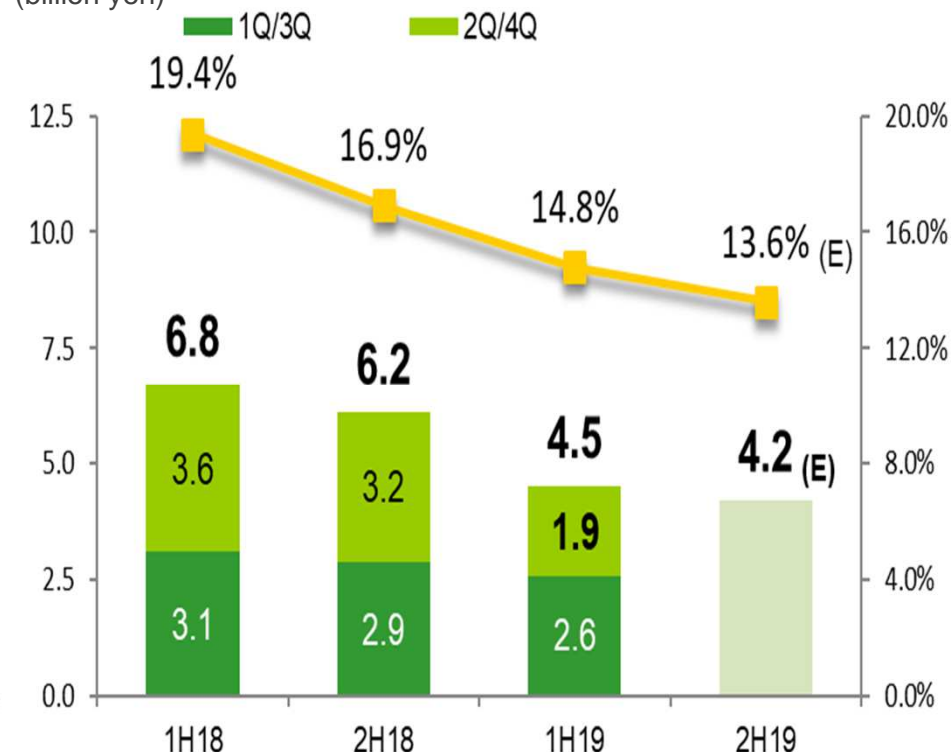
Net sales

(billion yen)



Operating Profit

(billion yen)

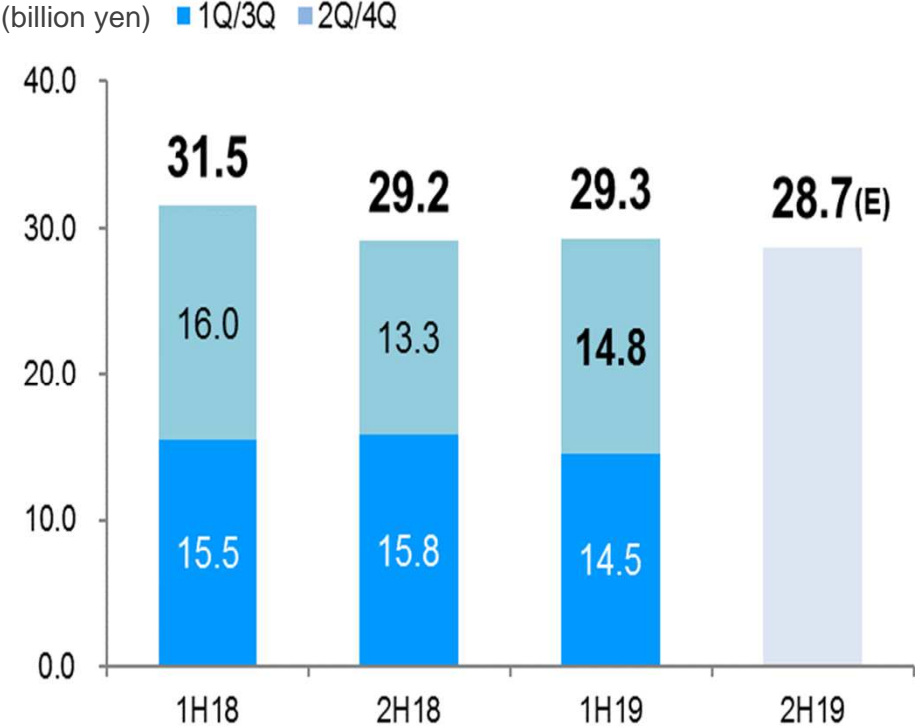


Devices and Components (1H19 Result)

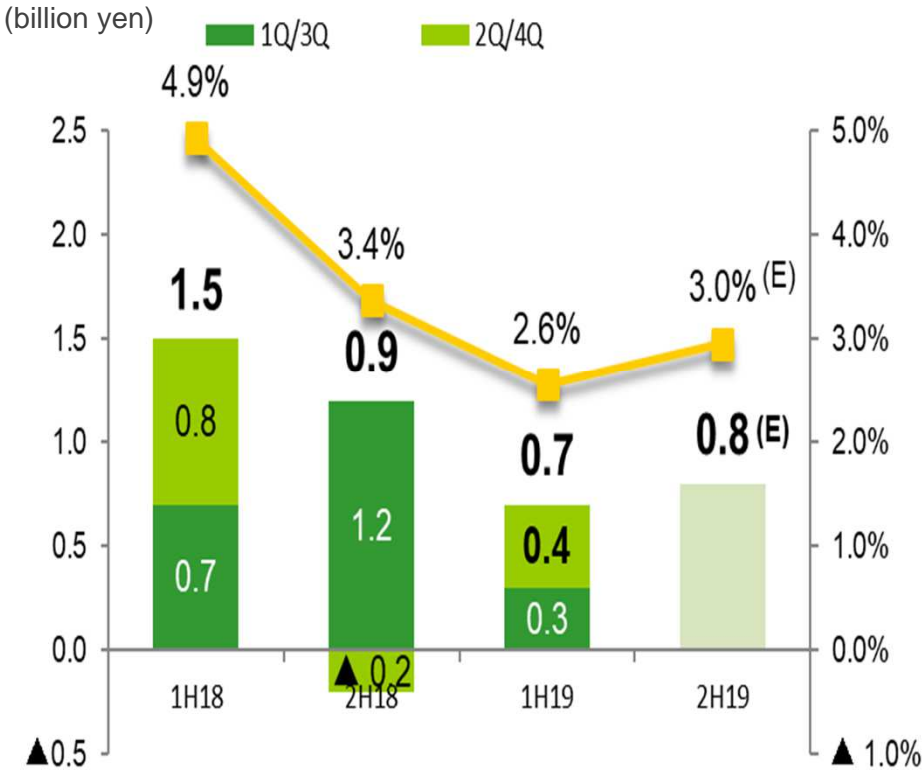
Precision machining components: Revenues decreased due to poor sales of auto parts following the decline in new vehicle sales.

Opto-devices: Revenues declined following decreased sales of LEDs for lighting products amid our efforts to focus on their profitability and sluggish sales of back light units.

Net sales



Operating Profit



FY2019 Forecasts for 2H and the Full-Year

(Unit: billion yen)	FY2019 Forecast (8/8E)		FY2019 Forecast (11/8E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	158.7	305.0	160.5	305.0	+1.8	+0.0
Operating profit	8.8	16.0	10.2	16.0	+1.4	+0.0
Operating margin	5.5%	5.2%	6.4%	5.2%	-	-
Ordinary Profit	10.5	18.0	12.1	18.0	+1.6	+0.0
Profit attributable to owners of parent	6.5	11.5	7.9	11.5	+1.4	+0.0
Exchange rate	¥105/USD ¥120/EUR	¥106/USD ¥121/EUR	¥105/USD ¥120/EUR	¥107/USD ¥121/EUR	-	-

FY2019 Forecast by Business Segment

Net sales (Unit: billion yen)	FY2019 Forecast (8/8E)		FY2019 Forecast (11/8E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	86.8	160.0	87.6	160.0	+0.8	+0.0
Machine Tools	30.0	62.0	31.1	62.0	+1.1	+0.0
Devices and Components	29.1	58.1	28.7	58.1	▲ 0.3	+0.0
Electronic Products	9.7	18.9	10.0	18.9	+0.3	+0.0
Other Products	3.1	6.0	3.0	6.0	▲ 0.0	+0.0
Consolidated Total	158.7	305.0	160.5	305.0	+1.8	+0.0

Operating Profit (Unit: billion yen, %:operating margin)	FY2019 Forecast (8/8E)		FY2019 Forecast (11/8E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	7.0 (8.1%)	11.2 (7.0%)	7.7 (8.8%)	11.2 (7.0%)	+0.7	+0.0
Machine Tools	4.0 (13.3%)	8.8 (14.2%)	4.2 (13.6%)	8.8 (14.2%)	+0.2	+0.0
Devices and Components	0.6 (2.1%)	1.6 (2.8%)	0.8 (3.0%)	1.6 (2.8%)	+0.2	+0.0
Electronic Products	0.2 (2.6%)	0.5 (2.6%)	0.6 (6.3%)	0.5 (2.6%)	+0.3	+0.0
Other Products	0.1 (4.8%)	0.3 (5.0%)	0.1 (3.4%)	0.3 (5.0%)	▲ 0.0	+0.0
Eliminations or general corporate	▲ 3.2	▲ 6.4	▲ 3.2	▲ 6.4	▲ 0.0	+0.0
Consolidated Total	8.8 (5.5%)	16.0 (5.2%)	10.2 (6.4%)	16.0 (5.2%)	+1.4	+0.0

Topics

Citizen Machinery to relocate a plant in China for expansion

- To put in place a stable supply system for the Chinese market, where expansion is expected over the medium to long terms
- Construction of the new plant to double the production capacity of CNC automatic lathes for the Chinese market

Location: Zibo City, Shandong Province, China

Production start from: February 2021(scheduled)

Production capacity: Max. 350 units per month

Investment amount: Around 2.8 billion yen



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Balance Sheet

参考資料

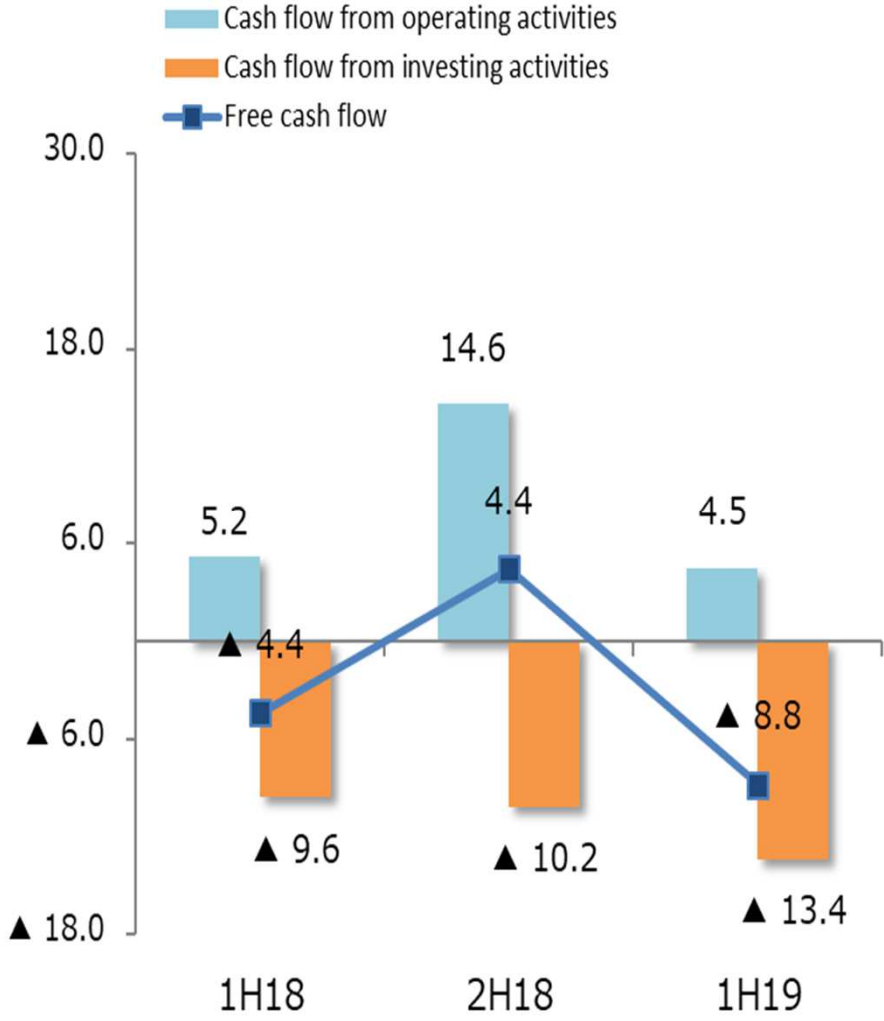
(Unit: billion yen)	March 31, 2019	September 30, 2019	Change from end of previous fiscal year
Current assets	258.9	243.5	▲ 15.4
Cash and deposits	86.8	71.3	▲ 15.4
inventories	98.2	106.3	+8.1
Non-current assets	154.9	156.3	+1.4
Property, plant and equipment	89.6	91.2	+1.5
Investment securities	39.9	40.4	+0.4
Total assets	413.9	399.8	▲ 14.0

(Unit: billion yen)	March 31, 2019	September 30, 2019	Change from end of previous fiscal year
Liabilities	146.3	139.9	▲ 6.4
Interest- bearing debt	51.0	52.4	+1.3
Net assets	267.5	259.8	▲ 7.6
Shareholders' equity	246.8	244.3	▲ 2.5
Foreign currency translation adjustment	3.3	▲ 1.0	▲ 4.3
Total liabilities and net assets	413.9	399.8	▲ 14.0

Statement of Cash Flow

Reference

(Unit: billion yen)	1H18	1H19	YoY Change
Cash flow from operating activities	5.2	4.5	▲ 0.7
Cash flow from investing activities	▲ 9.6	▲ 13.4	▲ 3.8
Free cash flow	▲ 4.4	▲ 8.8	▲ 4.4
Cash flow from financial activities	7.6	▲ 5.6	▲ 13.2
Balance of cash and cash equivalents	95.3	68.6	▲ 26.7



Capital Investment/Depreciation

Reference

