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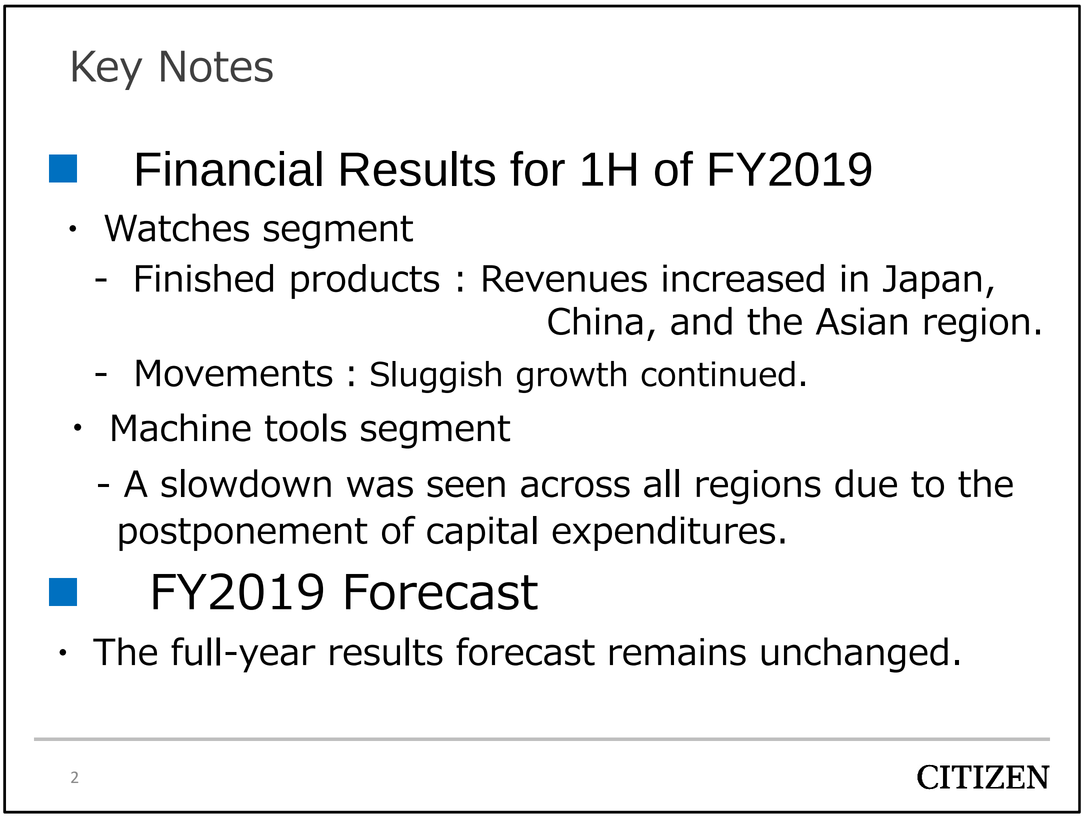
Earning Presentation
for the six months ended September 30, 2019

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.

Thank you for attending the Earnings Presentation of the Company.
I will explain the earnings for the six months ended September 30, 2019.



First, I will touch on the key points for earnings.

Regarding finished products in the Watches segment, revenue in Japan, China and Asia remained strong and increased. Meanwhile, overall sales of movements decreased as demand for high value-added movements continued to be sluggish.

Revenue and profit in the Machine Tools segment declined because of a strengthened wait-and-see stance on capital investment in companies due to an uncertain economic outlook.

The Company has not changed its previous forecast for the full-year consolidated results for FY2019.

Financial Results for 1H of FY2019

(Unit : billion yen)	FY2018 1H Result	**FY2019 1H Result**	YoY Change %	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)

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Let me move on to the financial results summary for 1H of FY2019.

Net sales declined 6.5% year on year to 144.4 billion yen, mainly due to the sluggish Watch segment and Machine Tools segment.

Operating profit decreased 47.8% year on year to 5.7 billion yen.

Ordinary profit and profit attributable to owners of parent declined 55.1% year on year to 5.8 billion yen, 57.1% year on year to 3.5 billion yen, respectively, mainly due to the posting of an exchange loss.

Net Sales by Business Segments

(Unit: billion yen)	FY2018 1H Result	FY2019 1H Result	YoY change %	YoY change 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

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Now, I will explain net sales by business segment.

Net sales in the Watches segment, the Machine Tools segment and the Devices and Components segment declined 3.4% year on year to 72.3 billion yen, 12.6% year on year to 30.8 billion yen, down 7.1% year on year to 29.3 billion yen, respectively.
I will describe the overall conditions of the three major business segments later.

Net sales in the Electronic Products segment decreased 9.4% year on year to 8.8 billion yen, reflecting lower sales of bar code printers and POS printers, despite net sales of photo printers on par with the previous year.

Net sales in the Other Products segment increased slightly by 2.9 billion yen.

Operating Profit by Business Segments

(Unit: billion yen, %:operating margin)	FY2018 1H Result	FY2019 1H Result	YoY change %	YoY change 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

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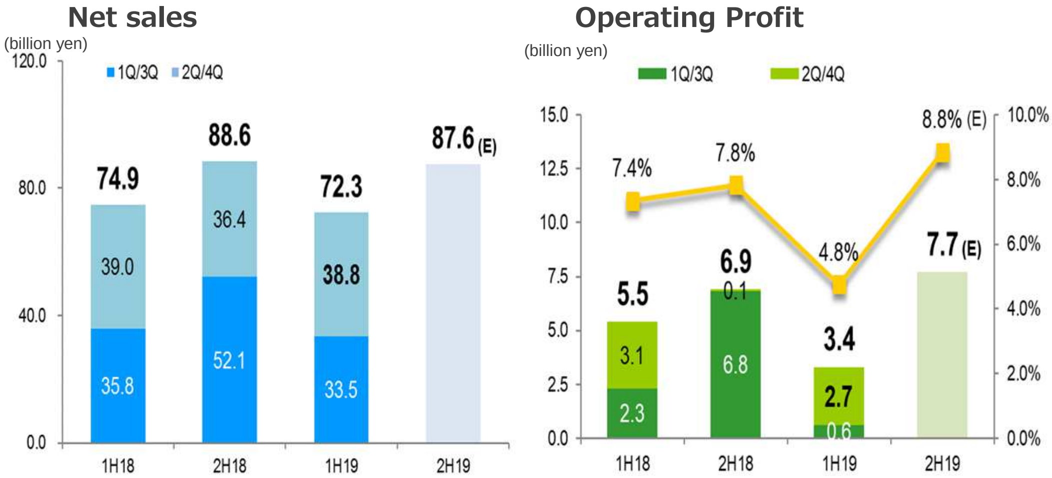
This is operating profit by business segment.
I will read out the figures.

The Watches segment decreased 37.4% year on year to 3.4 billion yen.
The Machine Tools segment fell 33.3% year on year to 4.5 billion yen.
The Devices and Components segment declined 51.9% year on year to 0.7 billion yen.
The Electronic Products segment posted an operating loss of 0.1billion yen.

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.



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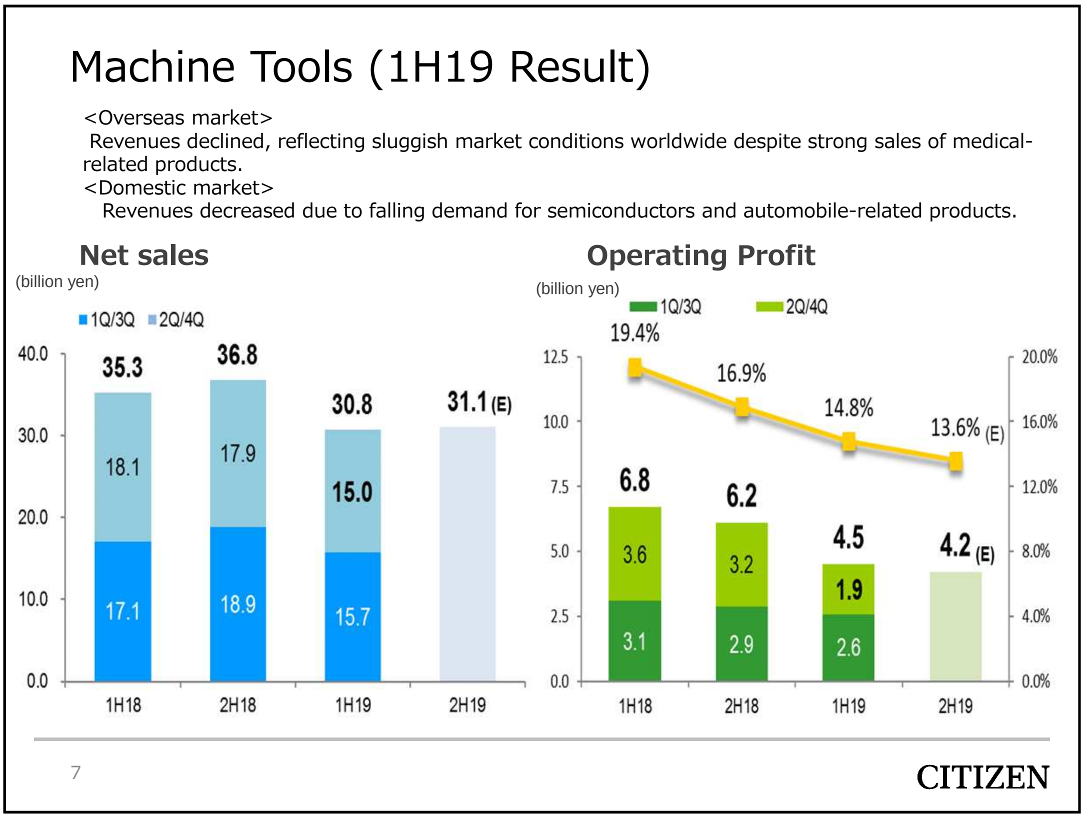
Next, I will describe the overall condition of each business segment.

Revenue in the Watches segment for 1H declined, but sales of fished products increased slightly year on year.
Net sales in North America remained on the level of the previous year throughout 1H as the reinforcement of online sales turned into revenue increase in the second quarter despite the harsh environment of shrinking distribution at brick-and-mortar stores.
Revenue in Europe declined due to the impact of foreign exchange. However, revenue increased on a local currency basis. Net sales was driven by new products, including "PROMASTER" mainly in Germany and Italy amid sluggish economies.
In the Asian market, Taiwan and Hong Kong struggled, but net sales grew in Singapore, Malaysia and Vietnam. In addition, net sales in China rose, exceeding the previous year in terms of both online and brick-and-mortar store distribution.
In Japan, high-end items such as "The CITIZEN" and "Eco-Drive One" were steady. Moreover, sales of mid-priced items, "xC" and "PROMASTER," also grew, resulting in higher revenue.

While demand for mechanical movements remained strong, revenue from mainstay quartz movements declined, reflecting a continuing lack of momentum mainly in high value-added items.

Operating profit decreased mainly due to the impact of lower net sales of movements.



Next, I will touch on the Machine Tools segment.

Revenue and profit declined because demand for capital investment continued to slow and there was also a reaction to the previous year when demand for capital investment remained strong.

In the overseas market, revenue declined in Europe due to sluggish automobile-related products for the Chinese market. In the U.S., revenue remained on par with the previous year, reflecting a rise in sales of medical-related products, although a wait-and-see stance on capital investment was seen overall. In China, revenue rose, maintaining strong sales of medical-related products. In Asia, revenue declined, strongly impacted by slow economic growth.
In the domestic market, revenue decreased as a result of sluggish orders for semiconductors and automobile-related products.

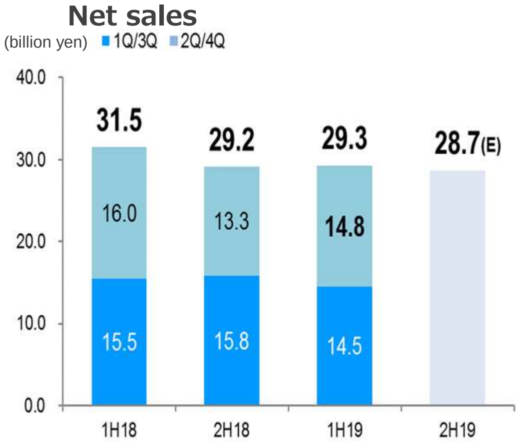
Operating profit declined year on year mainly due to a decrease in net sales.

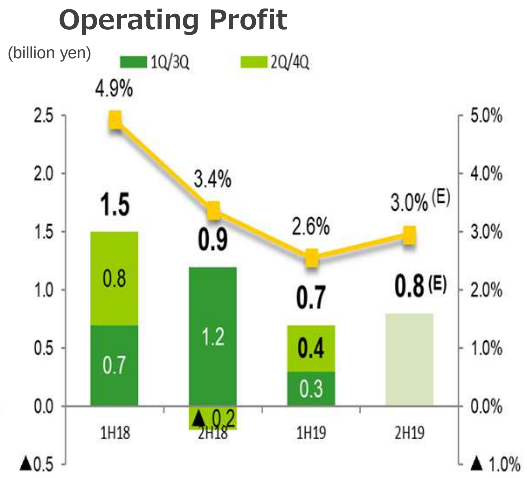
Orders in the second quarter declined compared to the previous quarter as a reaction to the first quarter when orders for the North American market were at a high level. However, orders for 2H are expected to be on the same level as the first quarter.
We will leverage sales by making price adjustments in Europe, where the weak euro is resulting in comparatively higher prices for products.
In China and Asia, new products will be launched, such as LFV built into lower-priced models. At the same time, we are thinking of coping with large-volume orders with a

short lead time, which is one of our weaknesses, by having a more than adequate inventory of highly popular models.
In the domestic market, we will launch sales promotion initiatives mainly to arouse replacement demand.

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.





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Next, I will explain the Devices and Components segment.

In the precision machining components category, revenue for automobile parts declined due to a decrease in new vehicle sales worldwide, including China. Revenue for switches declined reflecting lower sales in South Korea due to the continuing decline in side-switch built-in models, although switches for China remained strong.

Opto-devices entered the black even though revenue declined, because we thoroughly advanced a reduction in unprofitable models of lighting LED.
Revenue from general LED grew, reflecting growth in general LED for electronics products despite a decrease in demand for in-vehicle LED.
Backlight units posted an operating loss despite efforts to enhance profitability.

As a result, operating profit declined due to a decrease in net sales mainly for automobile parts.

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	-	-

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As I mentioned at the beginning, the Company has not changed its previous forecast for the full-year consolidated results for FY2019.

There is no change to the assumed exchange rates for 2H, standing at 105 yen to the U.S. dollar and 120 yen to the euro.

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

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In addition, the Company has not changed its previous full-year forecast by business segment.

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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Finally, I will touch on the relocation and expansion of the China plant for Citizen Machinery announced yesterday in a press release.

Currently, demand remains slow in the Chinese market, but needs for automation and labor-saving have been growing and demand is expected to increase in the medium to long term.
Going forward, we will aim to establish a stable supply structure for the Chinese market in which large growth can be expected, enhance our capabilities to deal with large projects and increase sales.
The operation is scheduled to commence in February 2021 and the production capacity will double its current level by 2023.

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That is all for the presentation. Thank you for your attention.

Balance Sheet

Reference

(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

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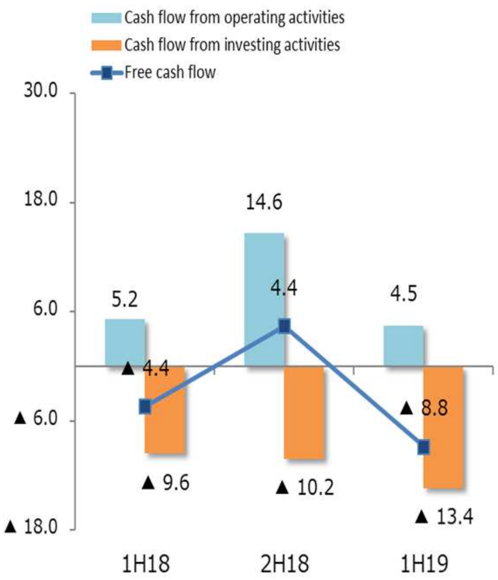
No Note

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



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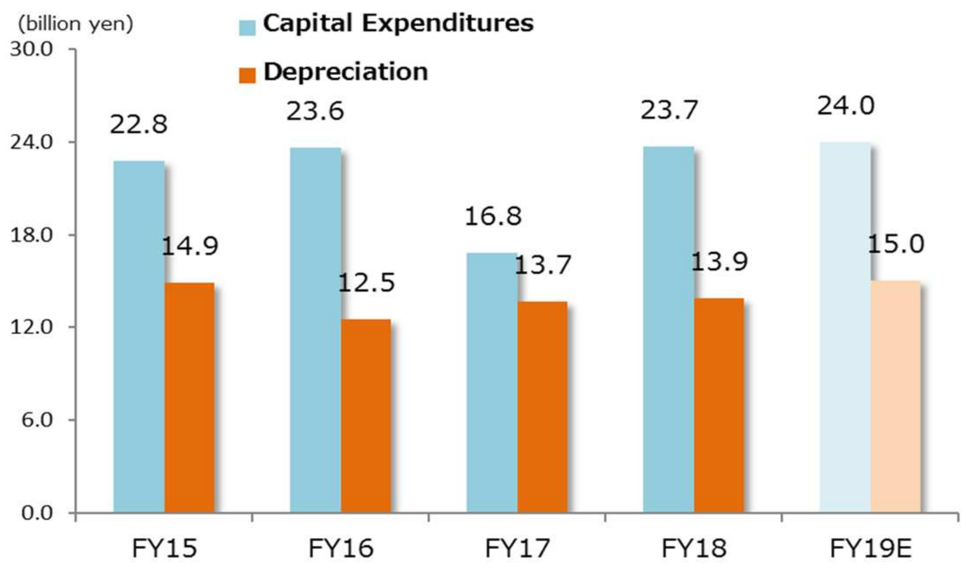
No Note

Capital Investment/Depreciation

Reference



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No Note