

CITIZEN

Earning Presentation

for the nine months ended December 31, 2019

CITIZEN WATCH CO., LTD.

February 12, 2020

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 FY2019

- Watches segment

Finished products:

Sales in the mainstay markets of Japan and North America were sluggish.

Movements:

No sign of recovery in demand for high value-added products was seen.

- Machine Tools segment

Many companies had a wait-and-see attitude regarding capital expenditures, and the slowdown continued.

■ Revision of FY2019 Full-year Consolidated Financial Forecasts

Forecasts were revised downward due to sluggish results in the Watches and Machine Tools segments and the posting of an extraordinary loss.

■ Revision of Dividend Forecast

The full-year dividend forecast was reduced from 24 yen to 12 yen.

Financial Results for 3Q of FY2019

(Unit : billion yen)	FY2018	FY2019	YoY Change	
	1-3Q Result	1-3Q Result	%	Amount
Net sales	247.7	224.9	▲9.2%	▲ 22.8
Operating profit	20.7	11.2	▲45.9%	▲ 9.5
Operating margin	8.4%	5.0%	-	-
Ordinary Profit	23.2	12.4	▲46.6%	▲ 10.8
Profit attributable to owners of parent	14.3	7.0	▲51.2%	▲ 7.3
Exchange rate	¥111/USD ¥130/EUR	¥109/USD ¥121/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	
	1-3Q Result	1-3Q Result	%	Amount
Watches	127.0	118.3	▲6.9%	▲ 8.7
Machine Tools	54.2	45.1	▲16.7%	▲ 9.0
Devices and Components	47.4	43.9	▲7.3%	▲ 3.4
Electronic Products	14.6	13.0	▲10.5%	▲ 1.5
Other Products	4.4	4.3	▲1.1%	▲ 0.0
Consolidated Total	247.7	224.9	▲9.2%	▲ 22.8

Operating Profit by Business Segments

(Unit: billion yen, %:operating margin)	FY2018	FY2019	YoY change	
	1-3Q Result	1-3Q Result	%	Amount
Watches	12.3 (9.7%)	8.2 (7.0%)	▲32.7%	▲ 4.0
Machine Tools	9.8 (18.1%)	6.2 (13.8%)	▲36.5%	▲ 3.5
Devices and Components	2.8 (6.0%)	1.2 (2.9%)	▲54.5%	▲ 1.5
Electronic Products	0.3 (2.6%)	▲ 0.1 (▲1.3%)	▲145.8%	▲ 0.5
Other Products	0.0 (2.2%)	0.1 (4.3%)	+97.2%	+0.0
Eliminations or general corporate	▲ 4.7	▲ 4.5	-	+0.1
Consolidated Total	20.7 (8.4%)	11.2 (5.0%)	▲45.9%	▲ 9.5

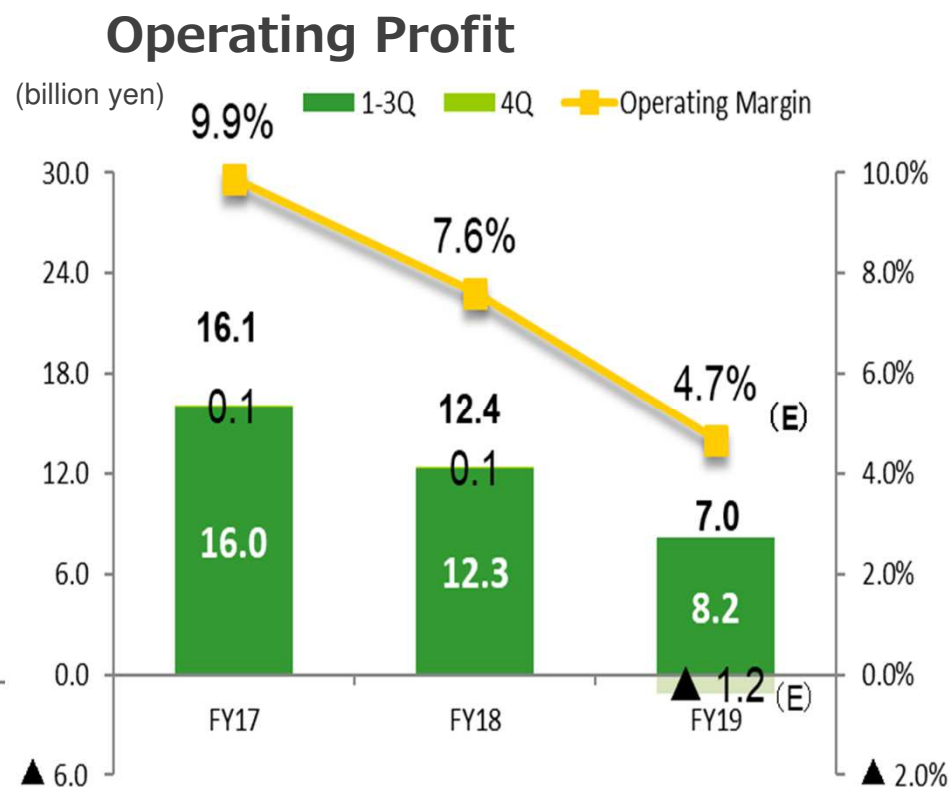
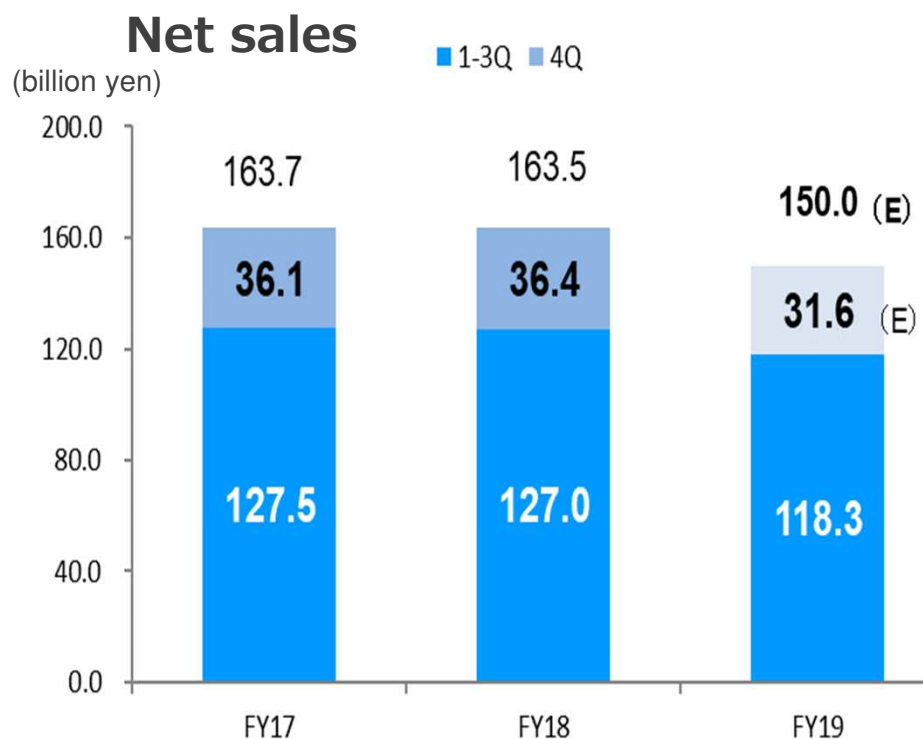
Watches (1-3Q Result)

<Watch sales>

- Overseas market: Sales decreased due to the impact of the shrinkage of physical store distribution, particularly in North America.
- Domestic market: Sales remained mostly unchanged, partly due to a decline in consumer confidence despite steady sales of high-priced products.

<Movement sales>

- Sales slowed, particularly of high value-added models of analog quartz movements, resulting in lower sales of movements.



Machine Tools (1-3Q Result)

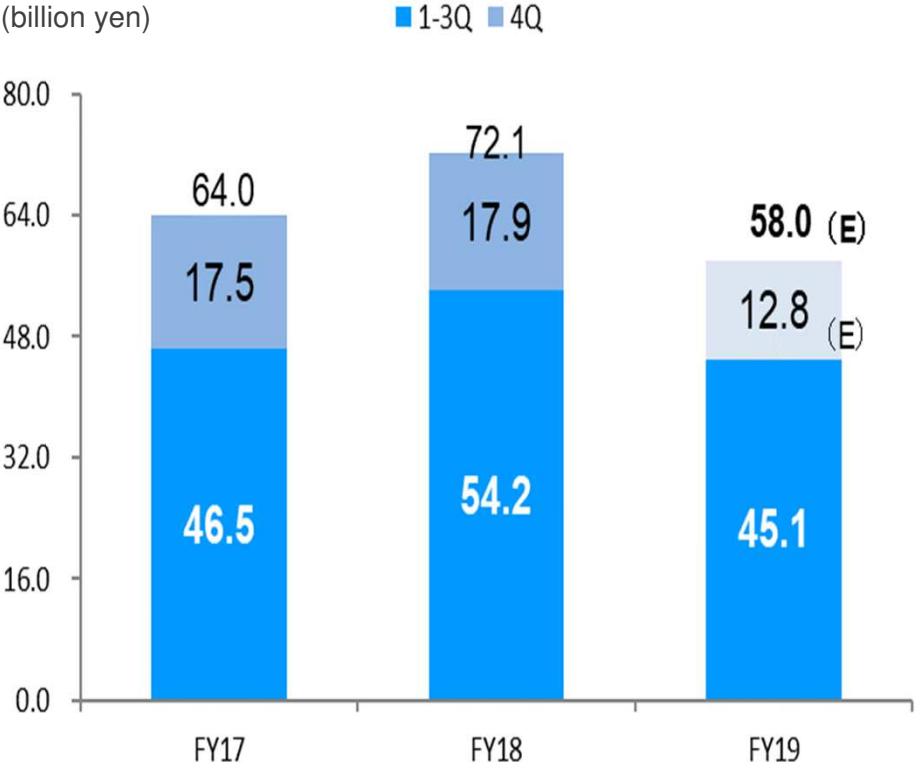
<Overseas market>

Sales decreased due to harsh market conditions worldwide, despite steady sales of medical-related products.

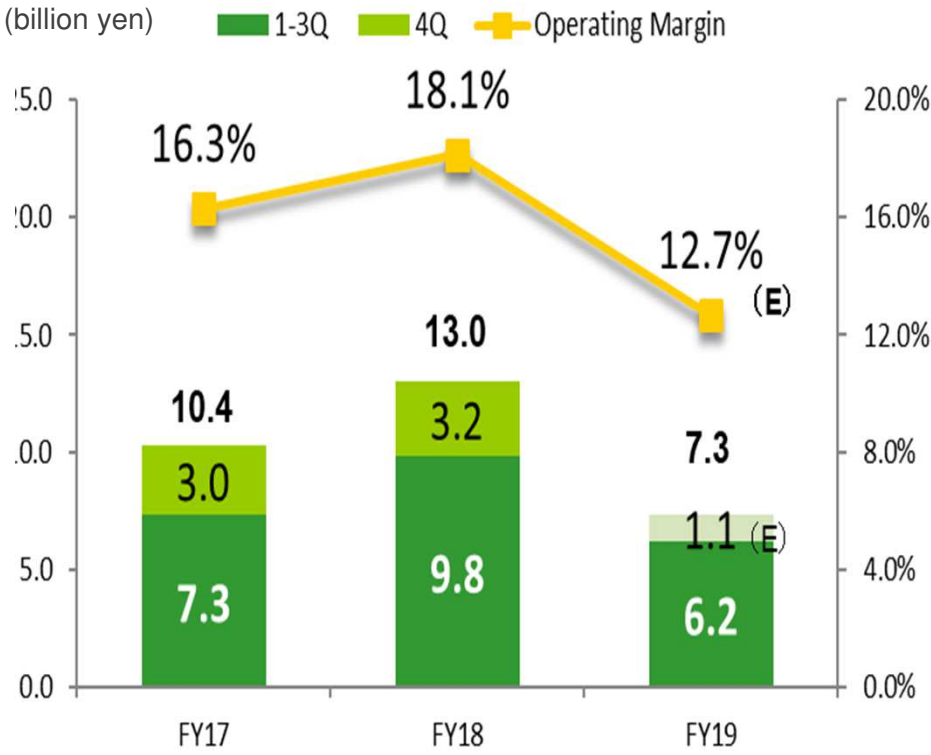
<Domestic market>

Sales decreased due to continuously weak appetite for investments, particularly in automobile-related products.

Net sales



Operating Profit

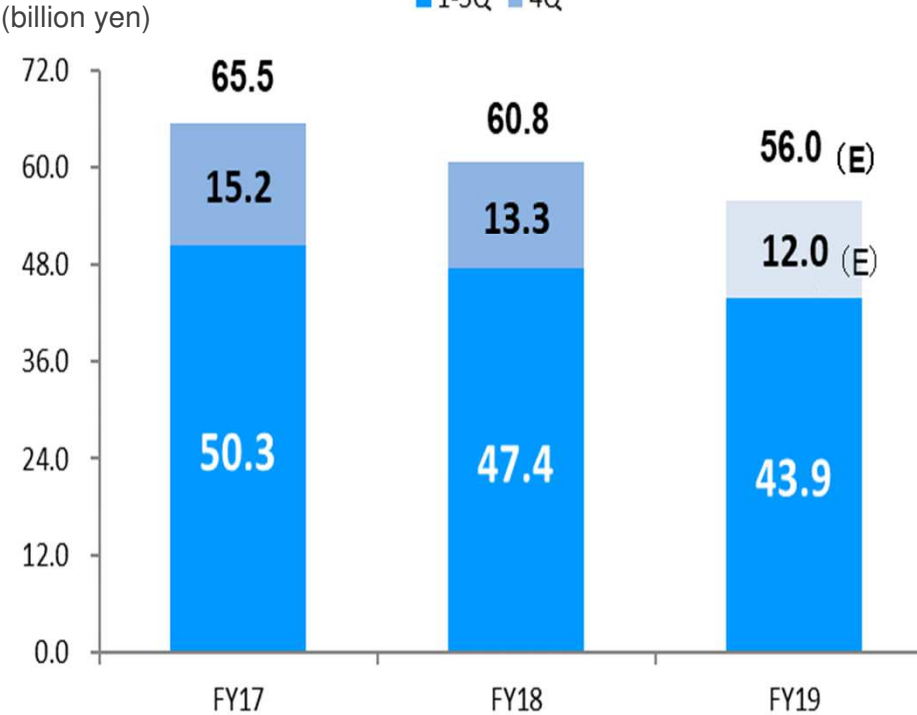


Devices and Components (1-3Q Result)

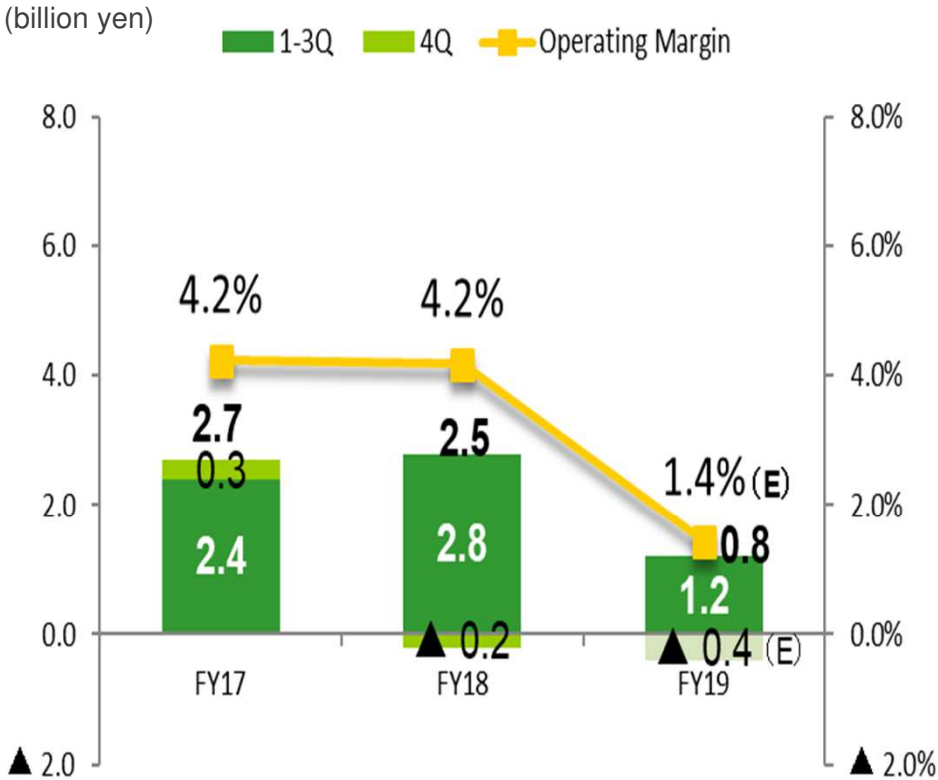
Precision machining components: Revenues decreased due to poor sales of auto parts following the decline in new vehicle sales.

Opto-devices: Sales decreased due to a fall in demand, particularly for LEDs for automobiles, and sluggish sales of backlight units.

Net sales



Operating Profit



FY2019 Forecasts for 2H and the Full-Year

(Unit: billion yen)	FY2019 Forecast (11/8E)		FY2019 Forecast (2/12E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	160.5	305.0	143.0	287.5	▲ 17.5	▲ 17.5
Operating profit	10.2	16.0	3.2	9.0	▲ 7.0	▲ 7.0
Operating margin	6.4%	5.2%	2.3%	3.1%	-	-
Ordinary Profit	12.1	18.0	4.6	10.5	▲ 7.5	▲ 7.5
Profit attributable to owners of parent	7.9	11.5	0.4	4.0	▲ 7.5	▲ 7.5
Exchange rate	¥105/USD ¥120/EUR	¥107/USD ¥121/EUR	¥108/USD ¥120/EUR	¥109/USD ¥121/EUR	-	-

FY2019 Forecast by Business Segment

Net sales (Unit: billion yen)	FY2019 Forecast (11/8E)		FY2019 Forecast (2/12E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	87.6	160.0	77.6	150.0	▲ 10.0	▲ 10.0
Machine Tools	31.1	62.0	27.1	58.0	▲ 4.0	▲ 4.0
Devices and Components	28.7	58.1	26.6	56.0	▲ 2.1	▲ 2.1
Electronic Products	10.0	18.9	8.6	17.5	▲ 1.4	▲ 1.4
Other Products	3.0	6.0	3.0	6.0	+0.0	+0.0
Consolidated Total	160.5	305.0	143.0	287.5	▲ 17.5	▲ 17.5

Operating Profit (Unit: billion yen, %:operating margin)	FY2019 Forecast (11/8E)		FY2019 Forecast (2/12E)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	7.7 (8.8%)	11.2 (7.0%)	3.5 (4.6%)	7.0 (4.7%)	▲ 4.2	▲ 4.2
Machine Tools	4.2 (13.6%)	8.8 (14.2%)	2.7 (10.3%)	7.3 (12.7%)	▲ 1.5	▲ 1.5
Devices and Components	0.8 (3.0%)	1.6 (2.8%)	0.0 (0.2%)	0.8 (1.4%)	▲ 0.8	▲ 0.8
Electronic Products	0.6 (6.3%)	0.5 (2.6%)	▲ 0.0 (▲0.8%)	▲ 0.2 (▲1.1%)	▲ 0.7	▲ 0.7
Other Products	0.1 (3.4%)	0.3 (5.0%)	0.0 (0.1%)	0.2 (3.3%)	▲ 0.1	▲ 0.1
Eliminations or general corporate	▲ 3.2	▲ 6.4	▲ 3.0	▲ 6.1	+0.2	+0.2
Consolidated Total	10.2 (6.4%)	16.0 (5.2%)	3.2 (2.3%)	9.0 (3.1%)	▲ 7.0	▲ 7.0

Structural Reforms in the Devices and Components Segment and Other Segment

Devices and Components

- Citizen's electronics-related segment
 - Disposition and reduction of unprofitable models
 - Factory reorganization
 - Transfer of manufacturing of switches and other products to overseas factories
 - Concentration of factories in Japan to Yamanashi
 - Personnel rationalization

Other

- Withdrawal from the jewelry business and partial transfer of the business
- Withdrawal from the leisure service business

Financial Impact and Effects of Structural Reforms

Structural Reforms

	FY2019 Extraordinary loss to be posted
Devices and Components segment	3.4 billion yen (incl. 0.8 billion yen already posted)
Other segment	1.1 billion yen (incl. 0.3 billion yen already posted)

Focus on products that can make effective use of Citizen's strengths.

Revision of Dividend Forecast

Shareholder Return Policy

Basic policy

Total payout ratio of 60% or higher as a three-year average

Dividend policy

Decision made by considering the balance between performance-linked and stable dividends

* Total payout ratio: Percentage of profit for the term after combining dividends and the purchase of treasury stock

	Dividend per Share		Payout Ratio	Purchase of Treasury
	Interim	Year-end		
FY2018	20 yen	10 yen	48%	-
FY2019	12 yen	12 yen	94%	Approx. 3.0 billion yen



The year-end dividend was revised to zero yen, taking into account the revision of the full-year financial forecasts.

CITIZEN