



Citizen Global Plan 2018: Review and Activity Plan  
for Fiscal Year Ending March 31, 2019

**May 11, 2018**  
**Toshio Tokura,**  
**President and CEO,**  
**Citizen Watch Co., Ltd.**

From the previous announcement

Watches

Re-positioned as  
**the core of the Citizen Group's growth**

Machine Tools

Has grown to be  
the second core segment after watches

Small Precision  
Components

To be the next growth business

Devices, Electronics, and  
Other Products

Stable business achieved through  
profit growth

1. Strengthen financial position
2. Concentrate on products that can win
3. Improve alliances with other companies

## Conception of Steps in the Medium-term Management Plan

### Step 1

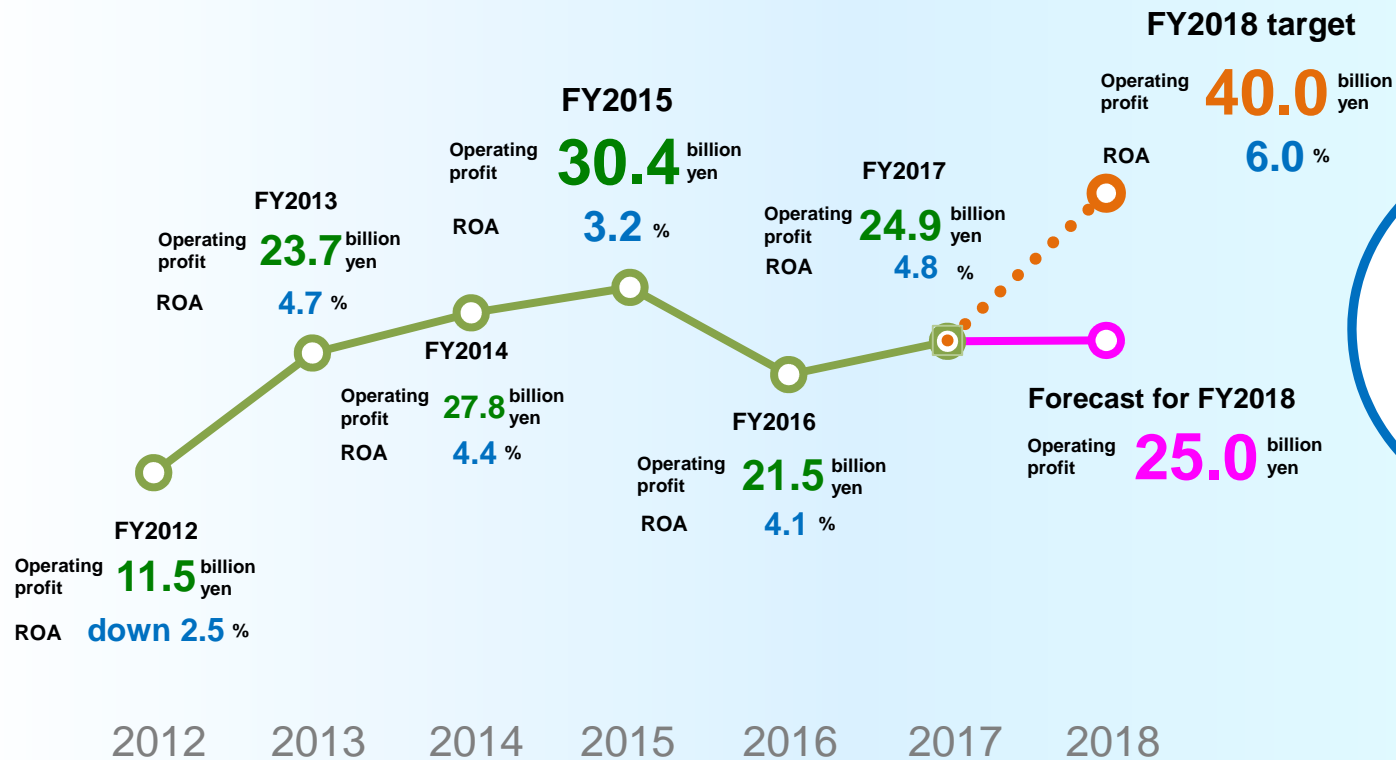
Build a foundation for growth through comprehensive structural reform and increased financial strength

### Step 2

Achieve financial growth through active investment

### Step 3

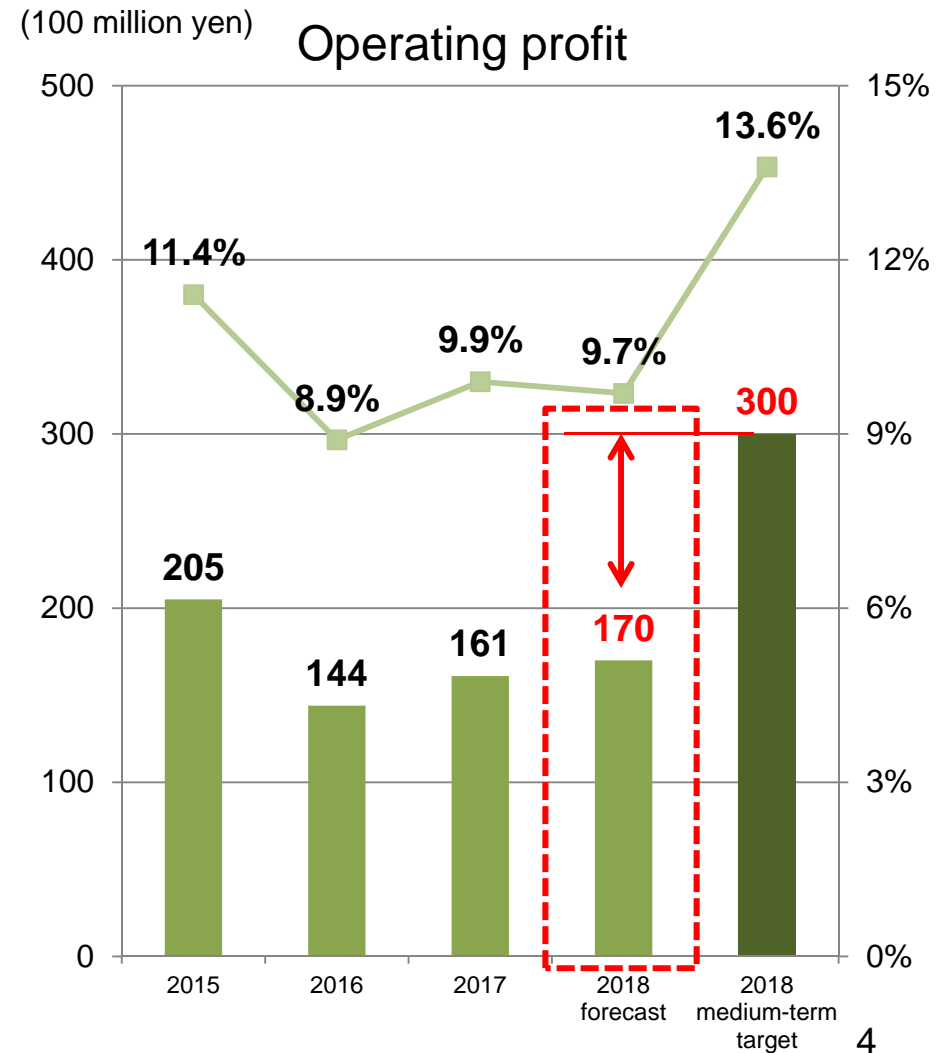
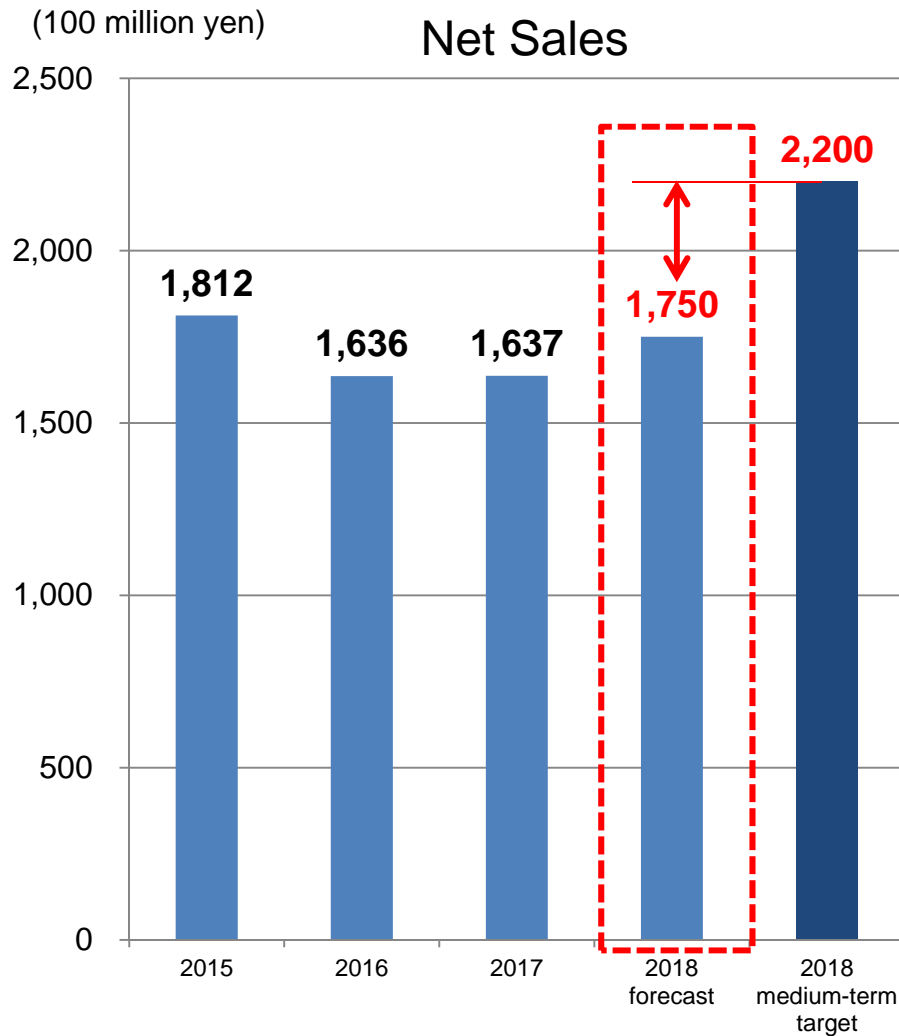
Achieve a desirable state of business



Become a true global company that will win the global competition

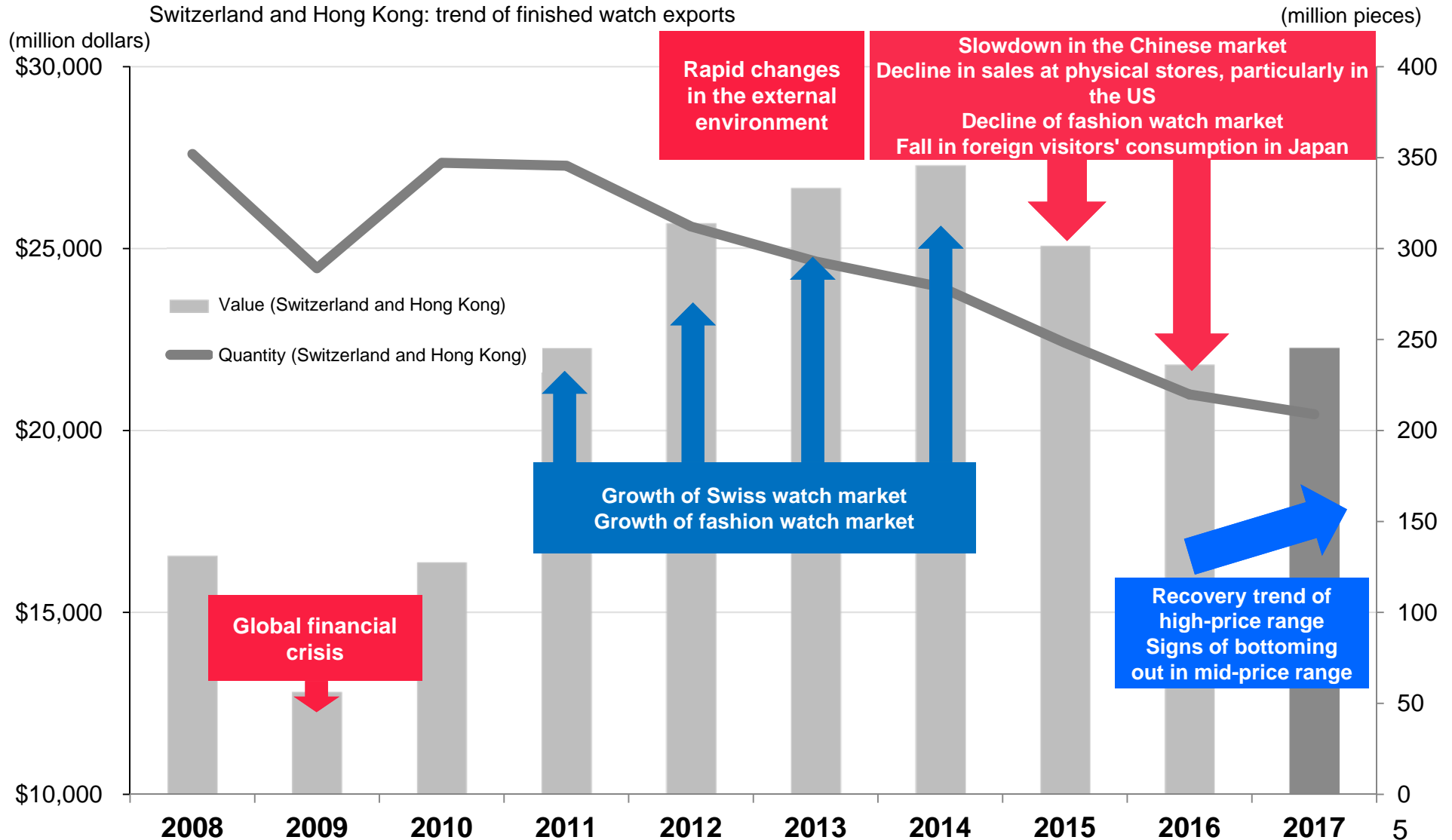
# Watches: Medium-term Targets and Forecasts for FY2018

Did not reach the target set in the medium-term management plan, due partly to changes in the external environment despite the consistent implementation of strategy.

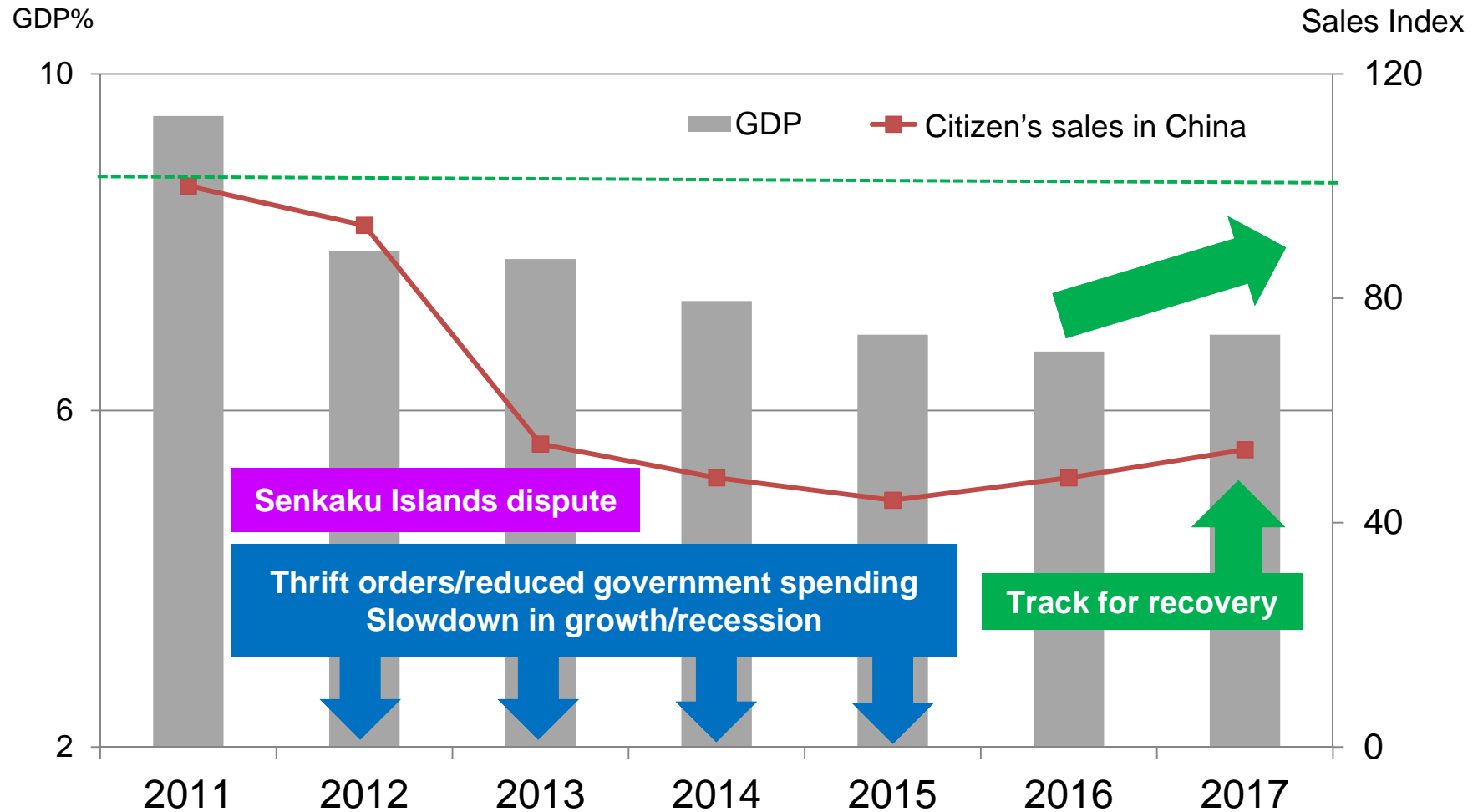


# Changes in External Environment

## 1. Rapid shrinking of the entire watch market



## 2. Slowdown in the Chinese market



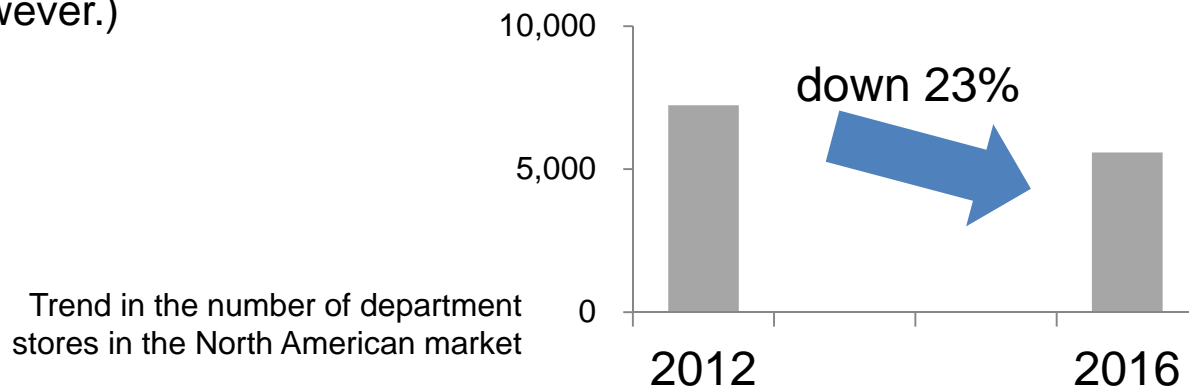
## 3. Decline of fashion watch market

Decline in sales of low- to mid-price range products, being the premium market segment, negatively affected sales of movements.

## 4. Changes in distribution

Closure of many physical stores and rapid growth of e-commerce.

(Growth of e-commerce is not sufficient to offset the decline in sales at physical stores, however.)



## 5. Fall in foreign visitors' consumption in Japan

Foreign visitors' consumption, which boomed and peaked in FY2015, is rapidly decreasing.

Shift in preferences from the consumption of goods to the consumption of experiences.

### Delay in cost reductions through manufacturing innovation

Oct. 2013: Merged six companies related to watches and established Citizen Watch Manufacturing Co., Ltd.

Dec. 2016: Completed Miyota Saku Factory, the world's largest movement assembly plant.

Implemented rationalization and cost reductions by restructuring production systems.



**Made certain achievements, but remained inadequate**



## Merger of sales companies of CITIZEN and BULOVA

Successfully increased market share for mid-price range products in the North American market.

In FY2018, merge sales companies in regions other than North America.

## CITIZEN & BULOVA

## Entry into high-price range market through acquisition of Frederique Constant

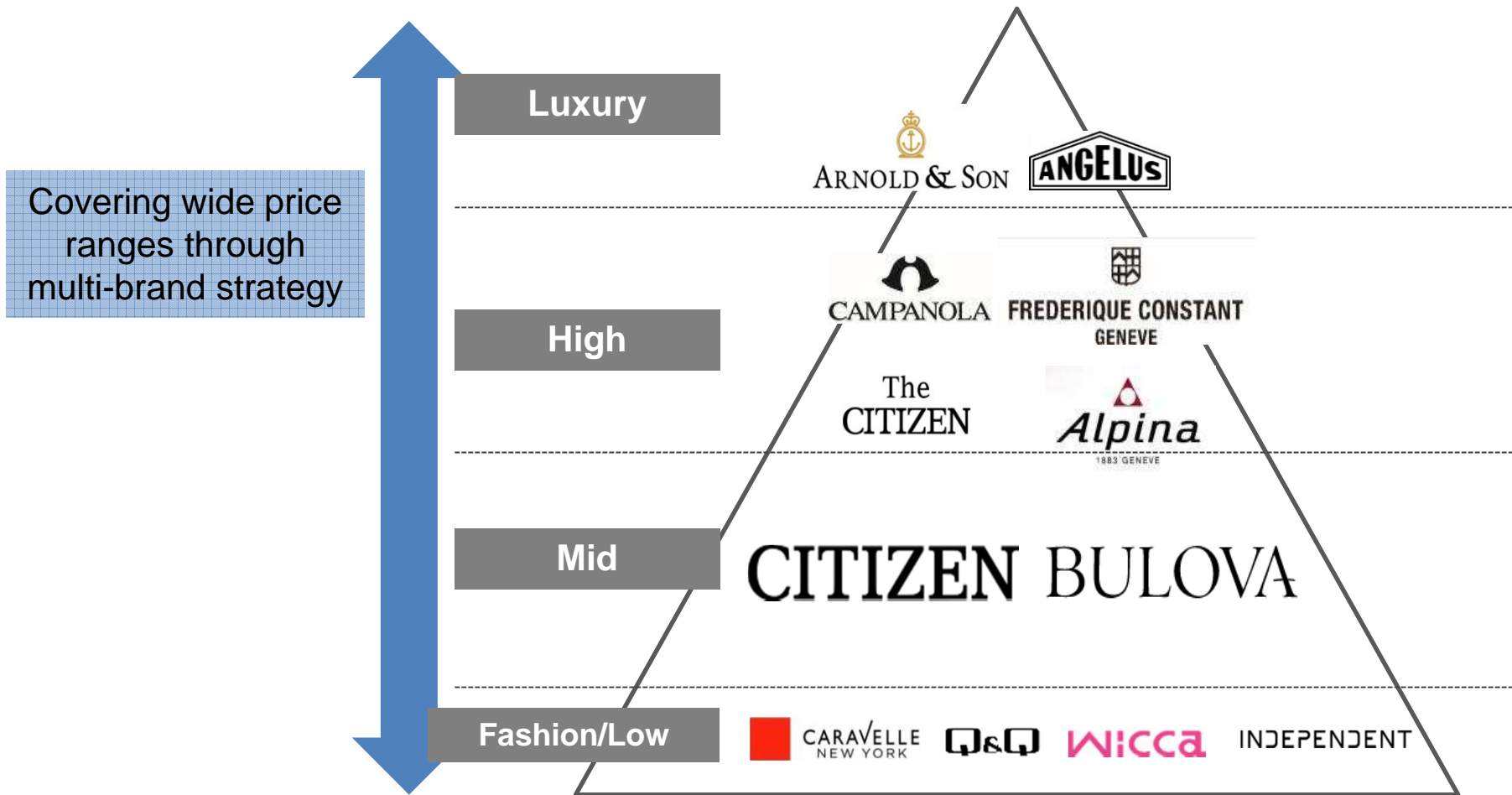


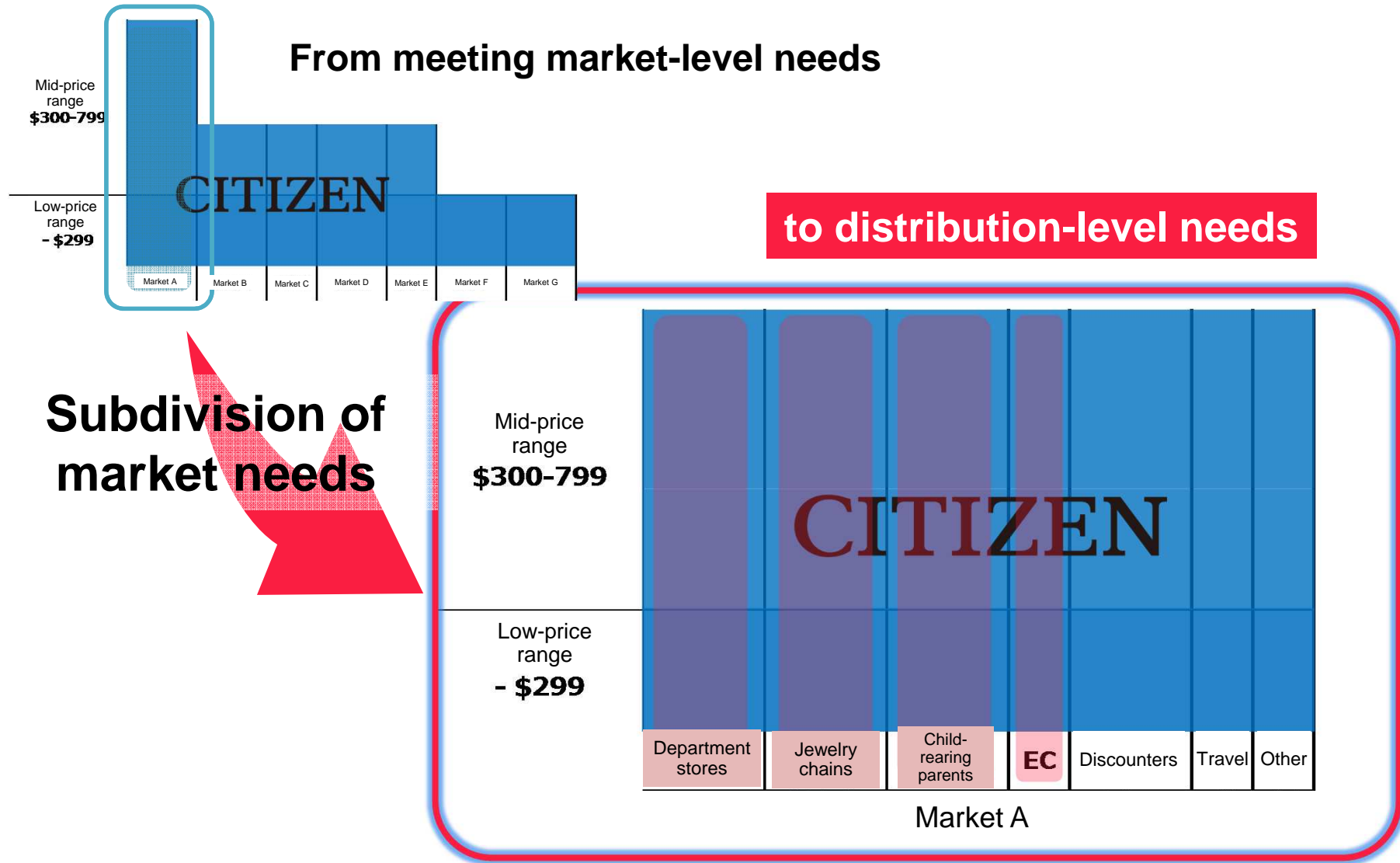
**FREDERIQUE CONSTANT**  
GENEVE

Frederique Constant  
CARREE



**Increase capacity for high-mix, low-volume production to meet diversifying needs**





Position FY2018 as the preparation phase for the new medium-term management plan and accelerate the next initiatives.

# Raise the top line

Increase market share and amount in the premium market segment

Improve capacity for distribution, which is the contact point with consumers

Segmentation Strategy

Elaboration of Multi-brand Strategy

## Accelerate investment in growth

FY2018 investment in advertising for watches: up 3.0 billion yen year on year

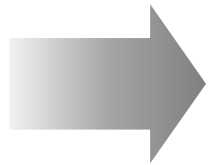
### Signed an official watch contract with Walt Disney Resort in the US

To increase brand recognition among a wide range of generations around the world  
In negotiations for expanding the alliance to Disney resorts outside the US

## Manufacturing innovation to meet diversifying needs

**Capital expenditure for manufacturing innovation,  
rationalization, etc.**

**FY2018 estimated capital expenditure for watches:  
up 3.5 billion yen year on year**

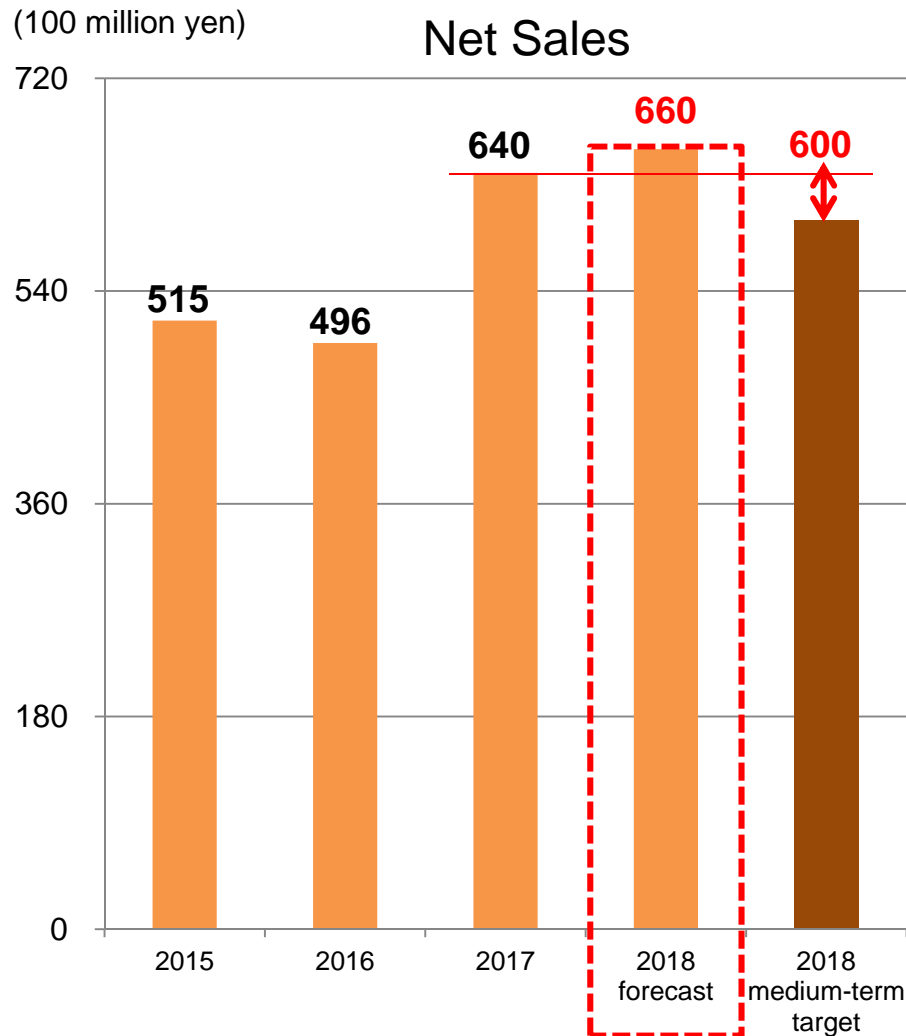


### Further increase manufacturing capacity

- ◆ **Movements**  
Comprehensive cost reductions of parts and products  
Automation and rationalization of component processing
- ◆ **Increased productivity of finished products** Development of optimal production method
- ◆ **Implementation of automation**
- ◆ **Increased efficiency of production process**
- ◆ **Rationalization of examinations**

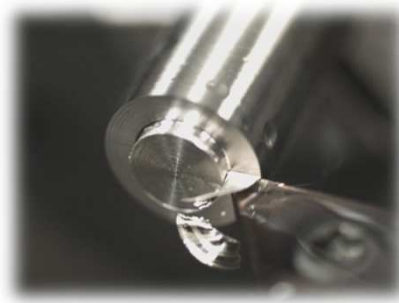
# Machine Tools

Achieved the target of 60 billion yen set in the medium-term management plan ahead of schedule through the steady implementation of strategies and the market environment.



- ◆ Product development using the latest technologies
  - Low-frequency vibration machining technology
  - New product development takes modulation into account
- ◆ Promotion of sales of Miyano machinery
  - Promotion of sales of Miyano machinery in the Japanese and North American markets
- ◆ Proposal for solutions
  - Building of an active after-sales service system
  - Proposal for solutions including technical support

Has grown to be the **second core** segment after watches



Low-frequency vibration machining





Has grown to be the second core segment after watches  
**Implement the next initiatives to achieve a desirable state of business**

**Differentiation based on technologies**

- ◆ Horizontal expansion of low frequency vibration (LFV) machining technology
- ◆ Strengthening the solution business using IoT
- ◆ Increasing production capacity





# CITIZEN

Please understand in advance that the future forecasts presented in this presentation material and at briefings have been prepared based on information available to Citizen Watch Co., Ltd. as of the date of the announcement, which may vary significantly from the actual results due to various factors.