

CITIZEN

Earning Presentation

for the six months ended September 30, 2017

CITIZEN WATCH CO., LTD.

November 10, 2017

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 FY2017

- Sales declined against plan in the Watches segment. 2Q sales was not enough to offset the fall at the beginning of the period even market condition is improving.
Operating profit increased with improved profitability.
- Machine Tools achieved growth in both sales and profits, reflecting the strong market environment.
- Ordinary profit increased significantly thanks to an improvement in non-operating income and expenses.

■ FY2017 Forecast

- The full-year results forecast remains unchanged.

Financial Results for 1H of FY2017

(Unit: billion yen)	FY2016	FY2017	YoY change	
	1H Result	1H Result	%	Amount
Net sales	154.8	153.3	▲0.9%	▲1.4
Operating profit	10.6	11.7	10.1%	+1.0
Operating margin	6.9%	7.7%	-	-
Ordinary profit	8.2	12.6	52.8%	+4.3
Profit attributable to owners of parent	5.2	8.2	56.6%	+2.9
Exchange rate	¥107/USD ¥120/EUR	¥111/USD ¥125/EUR	-	

Effect of exchange	Net sales	Operating profit
USD	+1.30	+0.30
EUR	+0.20	+0.07

(1 weaker yen, Annual)

*Provisional accounting for business combinations was fixed at the end of FY2016, and the content of the fixed provisional accounting is reflected in the consolidated financial statements for the first half of FY2016.

Net Sales by Business Segments

(Unit: billion yen)	FY2016	FY2017	YoY change	
	1H Result	1H Result	%	Amount
Watches	77.6	77.4	▲0.3%	▲0.2
Machine Tools	25.0	28.6	+14.1%	+3.5
Devices and Components	36.2	34.1	▲5.9%	▲2.1
Electronic Products	11.2	10.2	▲8.7%	▲0.9
Other Products	4.5	2.8	▲36.5%	▲1.6
Consolidated Total	154.8	153.3	▲0.9%	▲1.4

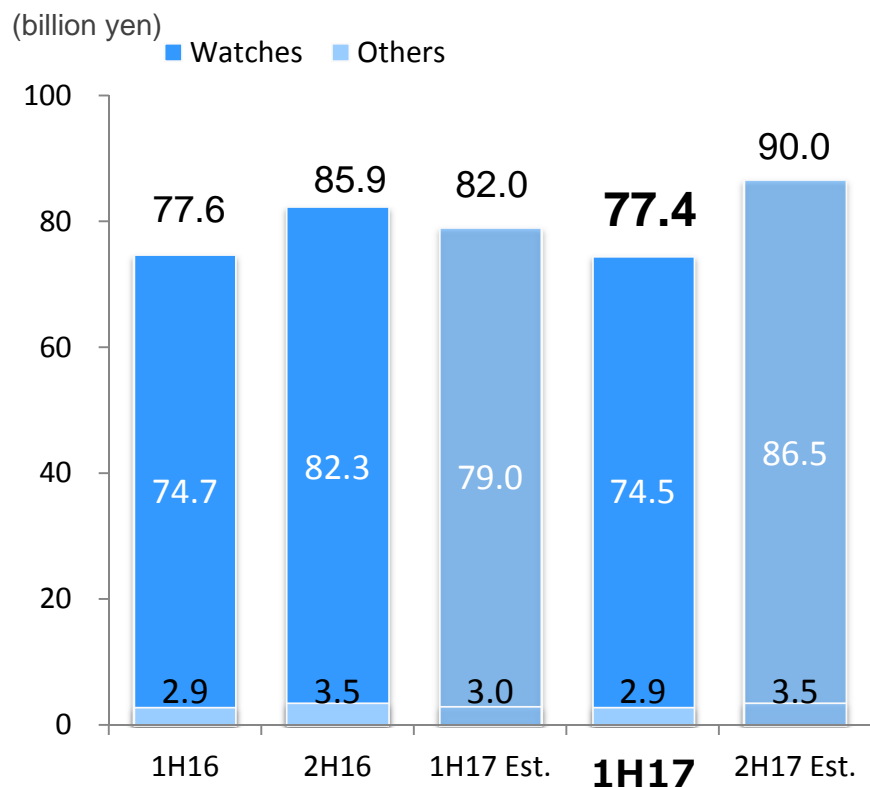
Operating Profit by Business Segments

(Unit: billion yen, %: operating margin)	FY2016	FY2017	YoY change	
	1H Result	1H Result	%	Amount
Watches	6.4 (8.3%)	8.5 (11.1%)	+32.3%	+2.0
Machine Tools	3.4 (13.8%)	4.1 (14.5%)	+20.2%	+0.6
Devices and Components	2.1 (6.0%)	1.5 (4.5%)	▲30.0%	▲0.6
Electronic Products	0.2 (2.4%)	0.1 (1.6%)	▲37.7%	▲0.1
Other Products	0.1 (3.2%)	0.1 (5.3%)	+5.9%	+0.0
Eliminations or general corporate	▲1.8	▲2.8	-	▲0.9
Consolidated Total	10.6 (6.9%)	11.7 (7.7%)	+10.1%	+1.0

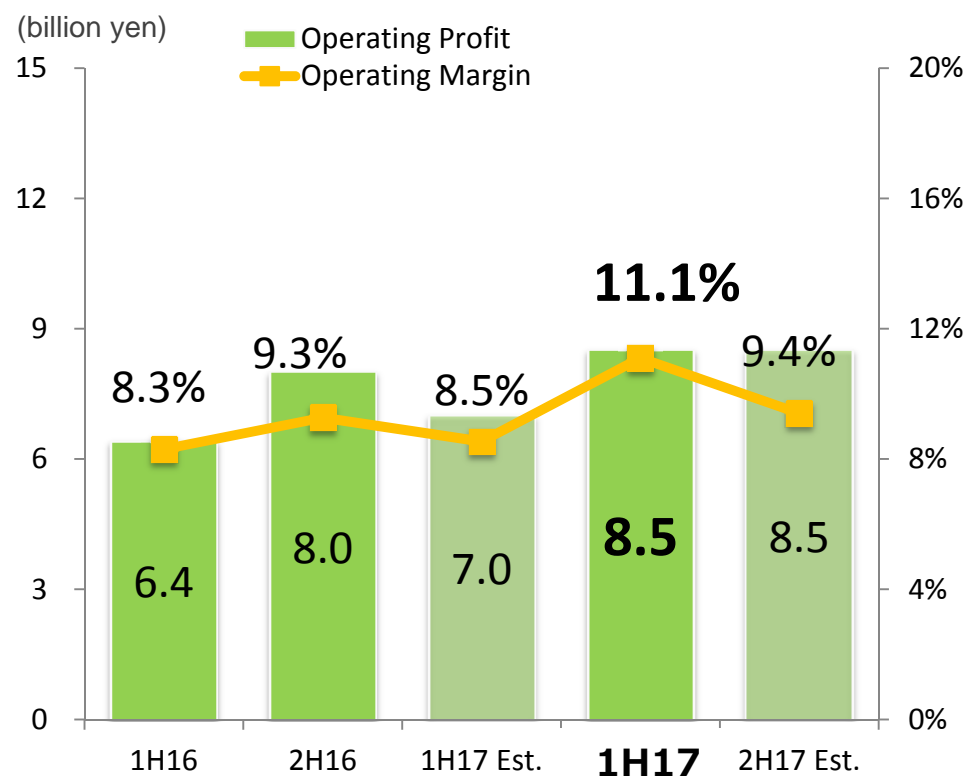
Watches (1H17 Result)

- Revenues from the domestic market were weak at the beginning of the period, and subsequent revenues were insufficient to offset this. The result was a decrease in revenues overall. Profit, however, rose due to an improvement in profitability.
- In the overseas market, revenues fell slightly, but profit increased partly due to the effect of the weaker yen.
- Sales of movements were down due to the effects of the lackluster demand for watches and a fall in demand for high value-added products.

Net sales



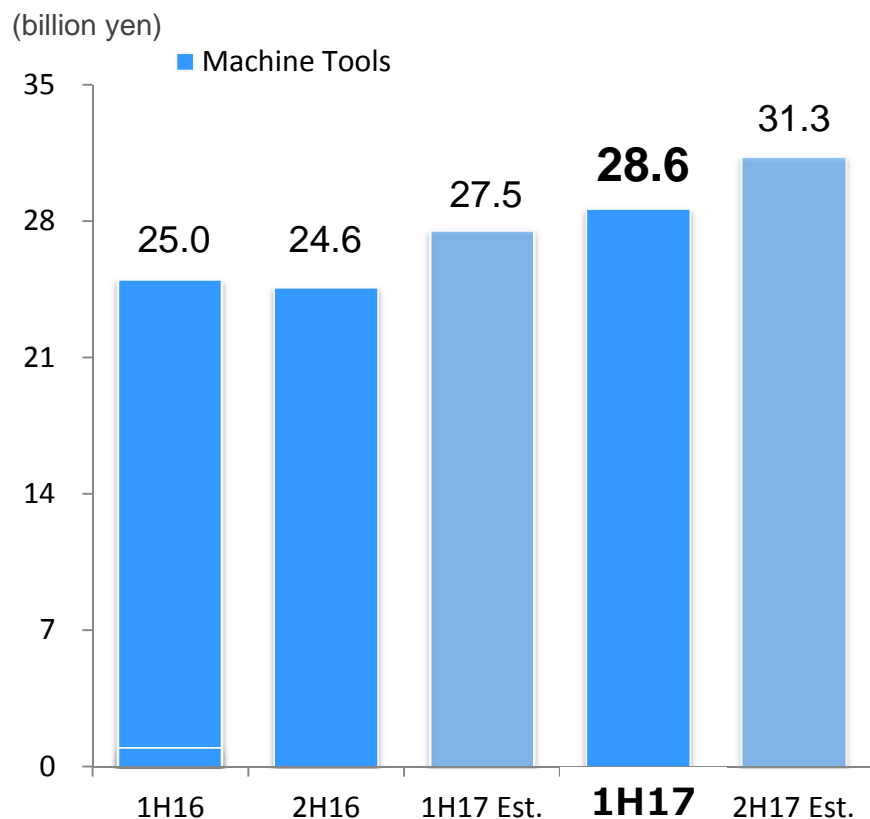
Operating Profit



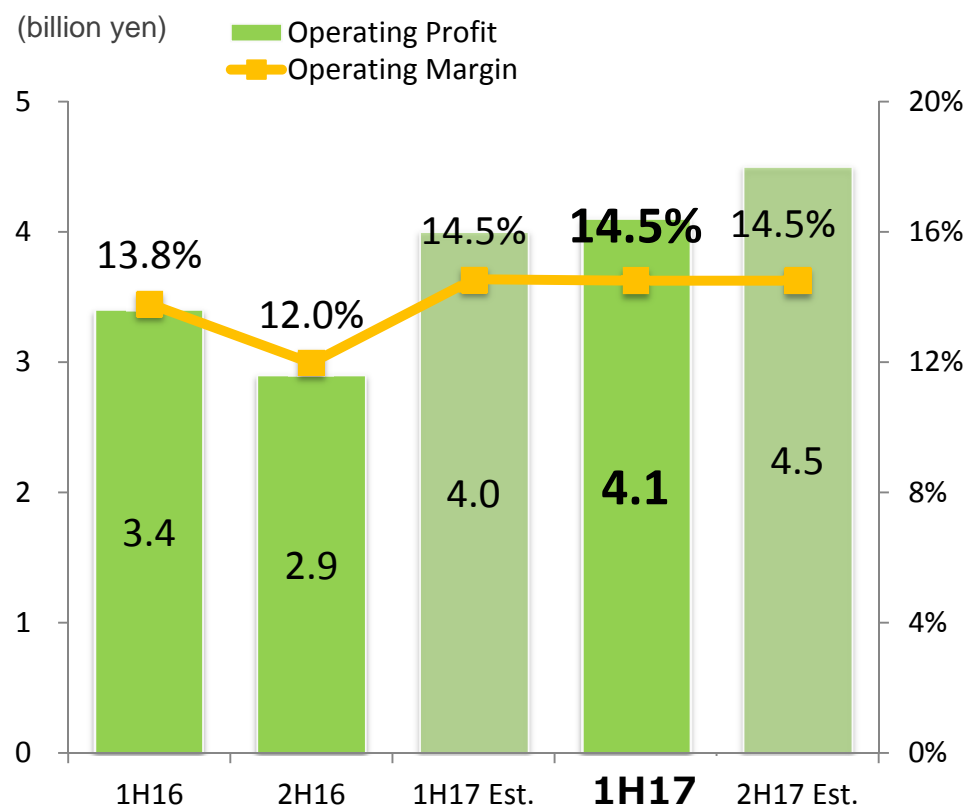
Machine Tools (1H17 Result)

- Domestic market: Revenues increased as capital expenditure continued to be active across a broad range of industries.
- Overseas, revenues rose significantly in China. In Europe, too, revenues increased, particularly automobile-related revenues.

Net sales



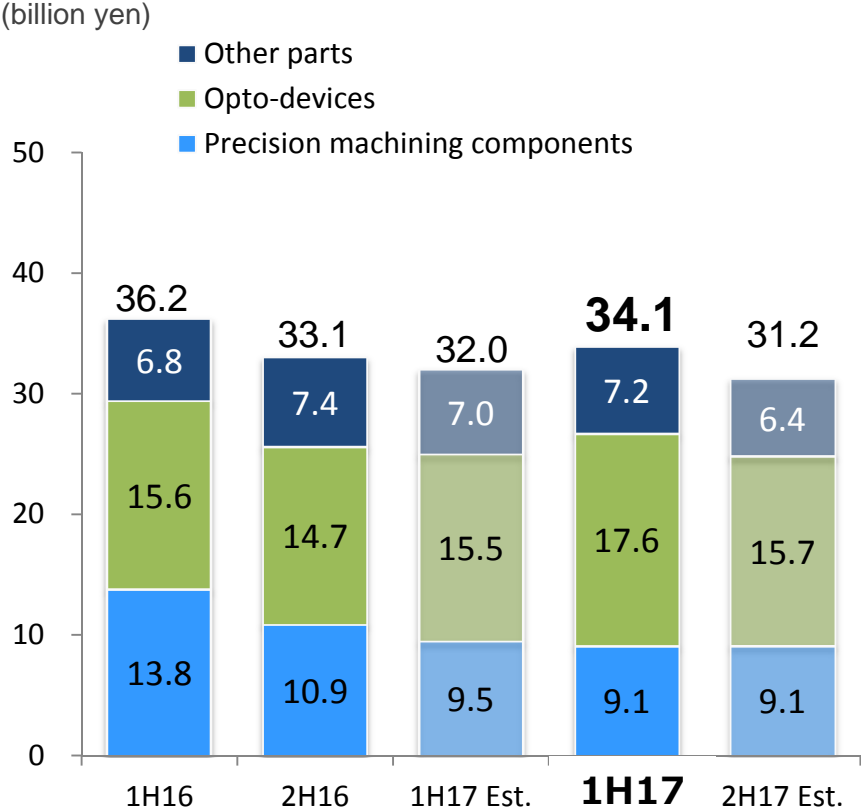
Operating Profit



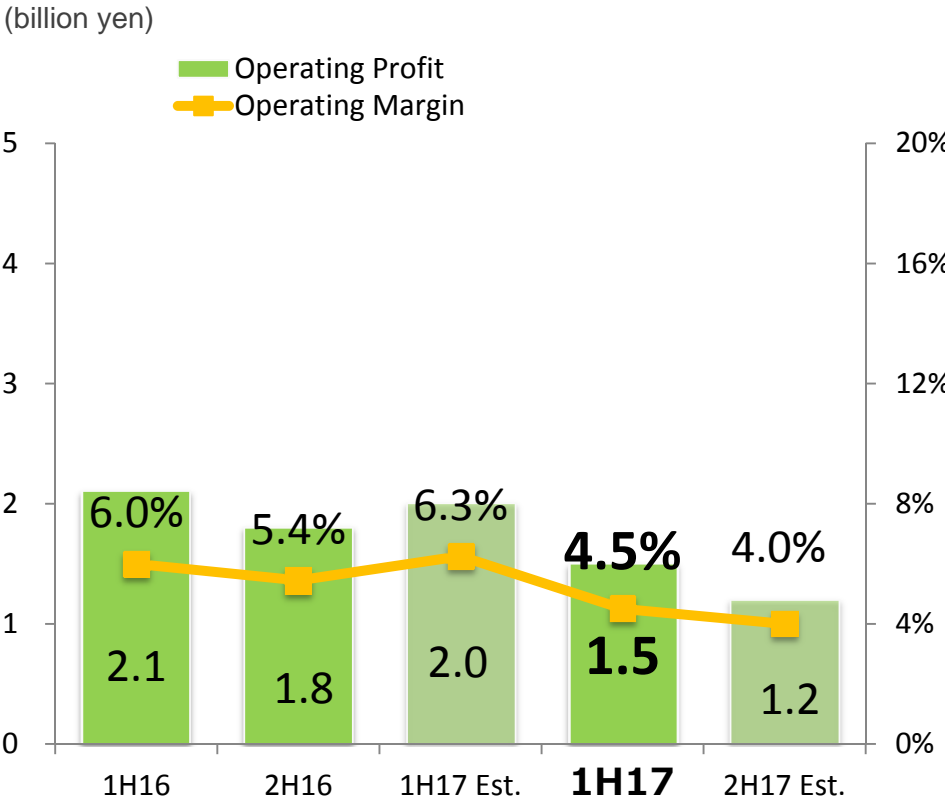
Devices and Components (1H17 Result)

- Precision machining components: Sales of automobile components remained solid, but revenues declined due to a fall in sales of switches.
- Opto-devices: Revenues increased, reflecting continuously steady growth in sales of chip LEDs, etc.
- Other parts: Revenues increased due to growth in sales of quartz devices and ferroelectric micro LCDs.

Net sales



Operating Profit



Revisions to FY2017 Forecasts for 2H and the Full-Year

(Unit: billion yen)	FY2017 Forecast (8/10)		FY2017 Forecast (11/10)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Net sales	164.0	320.0	166.6	320.0	+2.6	-
Operating profit	12.5	23.5	11.7	23.5	▲0.8	-
Operating margin	7.6%	7.3%	7.1%	7.3%	-	-
Ordinary profit	13.0	24.5	11.8	24.5	▲1.2	-
Profit attributable to parent	8.5	16.0	7.7	16.0	▲0.8	-
Exchange rate	¥110/USD ¥120/EUR	¥110/USD ¥120/EUR	¥110/USD ¥125/EUR	¥110/USD ¥125/EUR	-	-

Revisions to FY2017 Forecast by Business Segment

(Unit: billion yen, %: operating margin)

Net sales	FY2017 Forecast (8/10)		FY2017 Forecast (11/10)		Change	
	2H	Full Year	2H	Full Year	2H	Full Year
Watches	90.0	172.0	90.0	167.5	-	▲4.5
Machine Tools	25.5	53.0	31.3	60.0	+5.8	+7.0
Devices and Components	34.0	66.0	31.2	65.4	▲2.8	▲0.6
Electronic Products	11.0	22.0	10.4	20.7	▲0.6	▲1.3
Other Products	3.5	7.0	3.5	6.4	-	▲0.6
Operating profit						
Watches	9.0 (10.0%)	16.0 (9.3%)	8.5 (9.4%)	17.0 (10.2%)	▲0.5	+1.0
Machine Tools	3.5 (13.7%)	7.5 (14.2%)	4.5 (14.5%)	8.7 (14.5%)	+1.0	+1.2
Devices and Components	2.2 (6.5%)	4.2 (6.4%)	1.2 (4.0%)	2.7 (4.2%)	▲1.0	▲1.5
Electronic Products	0.4 (3.6%)	0.8 (3.6%)	0.2 (2.2%)	0.4 (1.9%)	▲0.2	▲0.4
Other Products	0.1 (2.9%)	0.3 (4.3%)	0.1 (1.3%)	0.2 (3.1%)	-	▲0.1
Eliminations or general corporate	▲2.7	▲5.3	▲2.7	▲5.5	-	▲0.2

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Balance Sheet

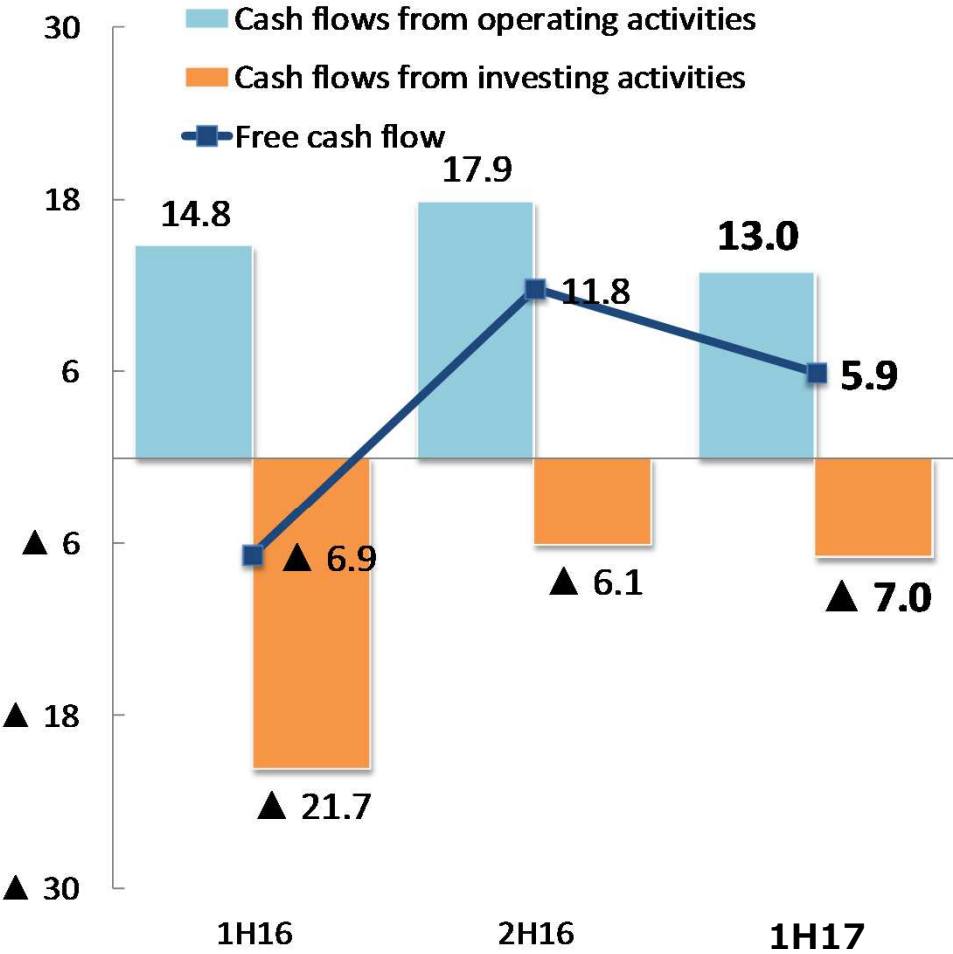
Reference

(Unit: billion yen)		March 31, 2017	September 30, 2017	Change from end of previous fiscal year
Current assets		241.8	261.5	+19.6
	Cash and deposits	80.7	86.2	+5.5
	Inventories	84.3	95.7	+11.4
Non-current assets		154.0	156.0	+2.0
	Goodwill	5.9	5.3	▲0.6
Total assets		395.8	417.5	+21.7

(Unit: billion yen)		March 31, 2017	September 30, 2017	Change from end of previous fiscal year
Liabilities		146.6	156.7	+10.1
	Interest-bearing debt	53.0	54.5	+1.4
Net assets		249.2	260.8	+11.6
	Shareholders' equity	227.1	232.6	+5.4
	Foreign currency translation adjustment	3.0	6.8	+3.7
Total liabilities and net assets		395.8	417.5	+21.7

Statement of Cash Flow

Reference



(Unit: billion yen)

	FY2016 1H	FY2017 1H	YoY change
Cash flow from operating activities	14.8	13.0	▲ 1.7
Cash flow from investing activities	▲ 21.7	▲ 7.0	+14.6
Free cash flow	▲ 6.9	5.9	+12.9
Cash flow from financial activities	▲ 16.5	▲ 2.4	+14.0
Balance of cash and cash equivalents	67.2	83.0	+15.7

Capital Investment/Depreciation

Reference

(billion yen)

