



FY2016 - FY2018

# **Citizen Global Plan 2018 (Latter Phase)**

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**CITIZEN HOLDINGS CO., LTD.**

**Toshio Tokura, President and CEO**  
**February 15, 2016**

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# **Citizen Global Plan 2018 Early Phase (FY2013 - FY2015) Review**

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## **Aiming to be a “Solid Global Company”**

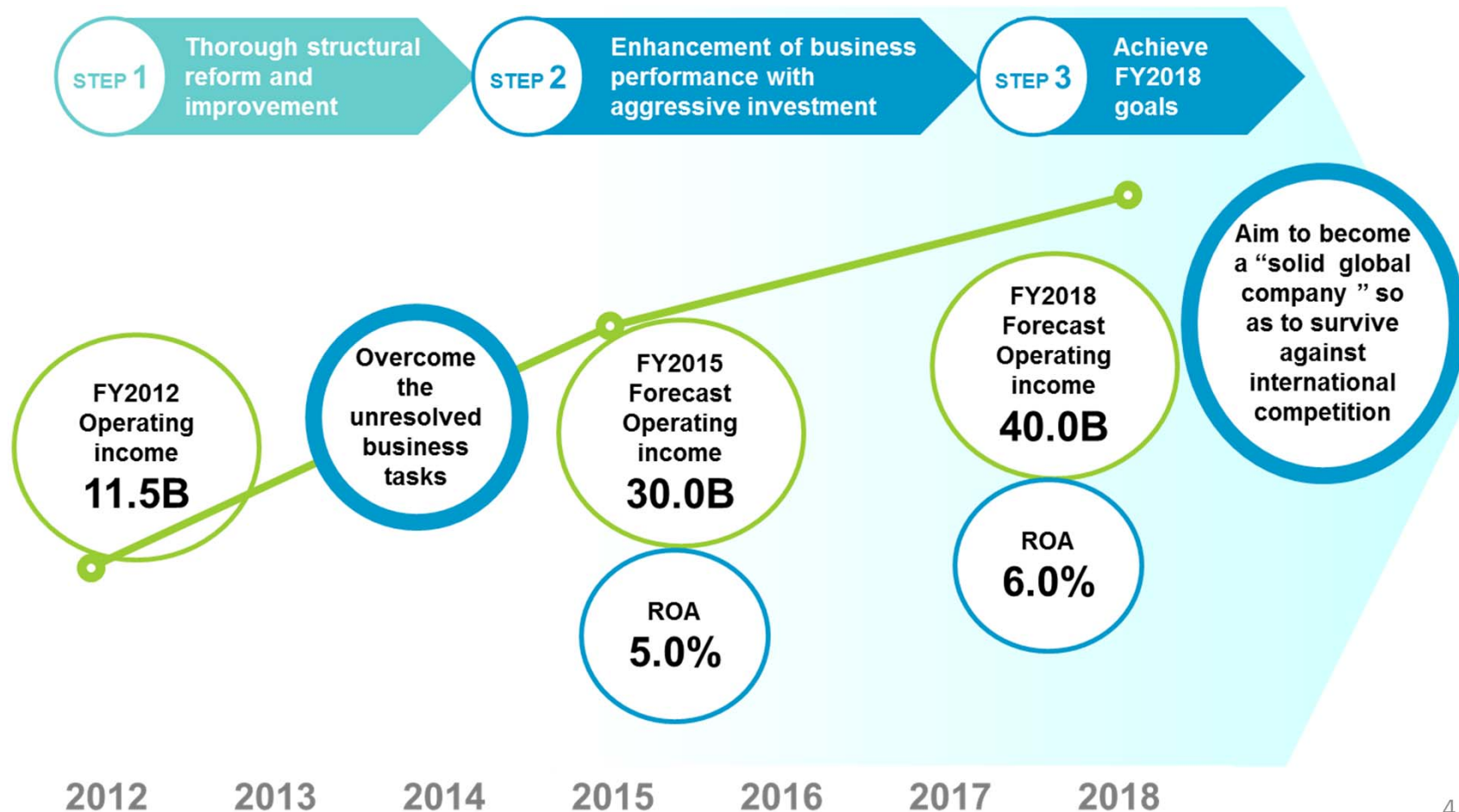
-business group with speed and dynamics-

Solid Global Company

⇒consistently provide “value” required in the global market

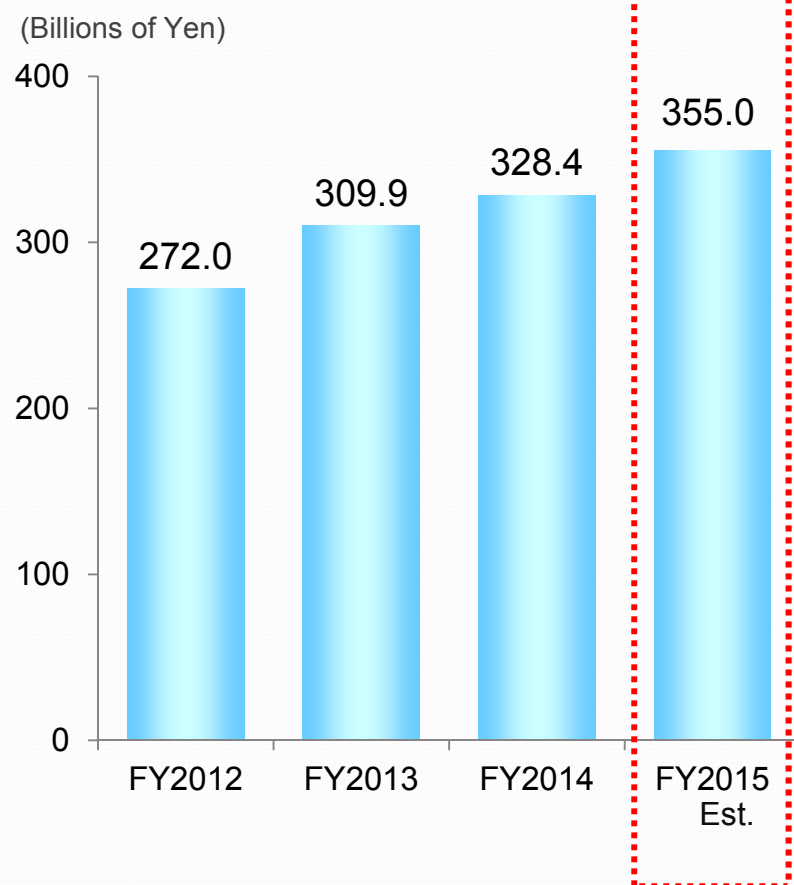
- 1. Focus on the business area using the strengths developed and accumulated on years of experience of watch and clock business and aim to establish an industry leading business group with global competitiveness**
- 2. Considering China and other emerging countries in Asia as our strategic marketplace, we accelerate growth in profit through boosting sales concurrently with promotion of streamlining**

## Target indicators: Operating income and ROA

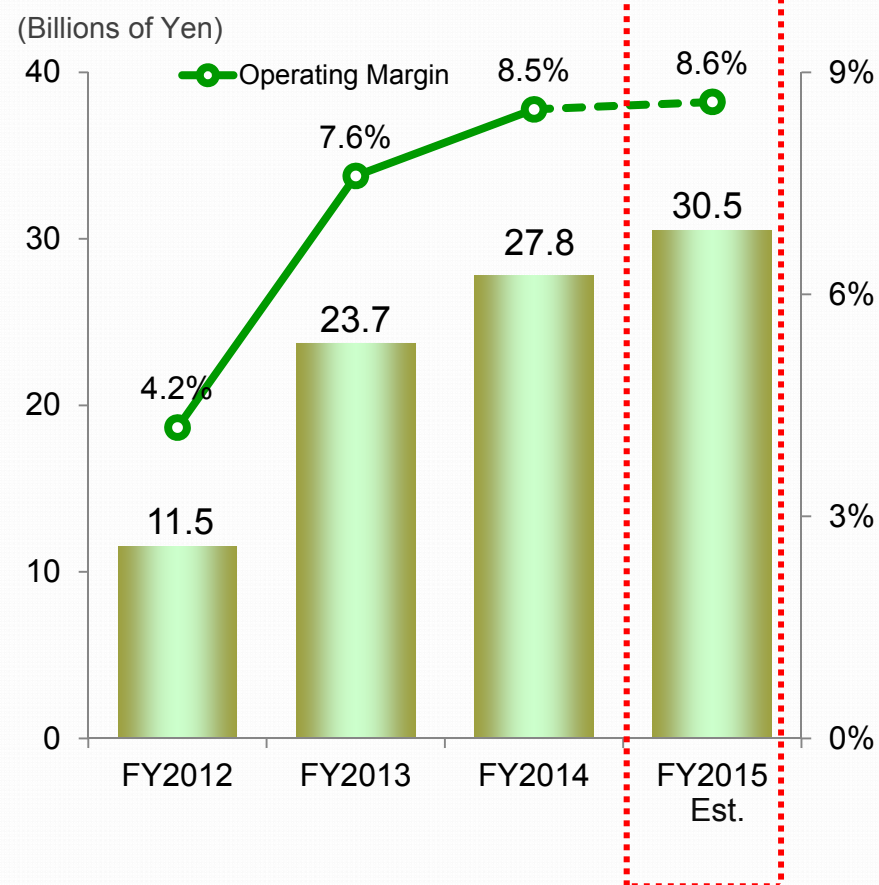


# Business Performance

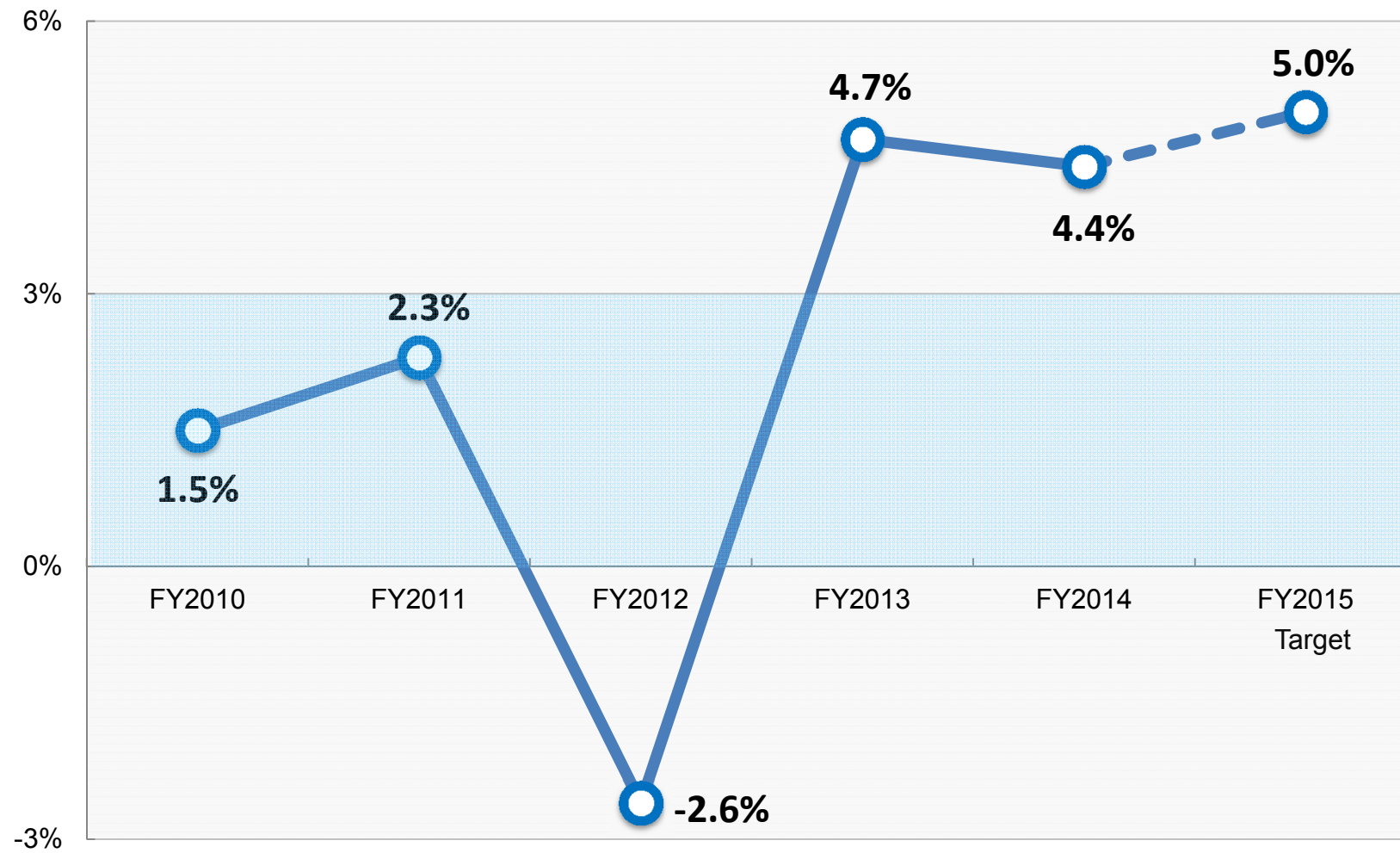
## Net Sales



## Operating Income



# ROA

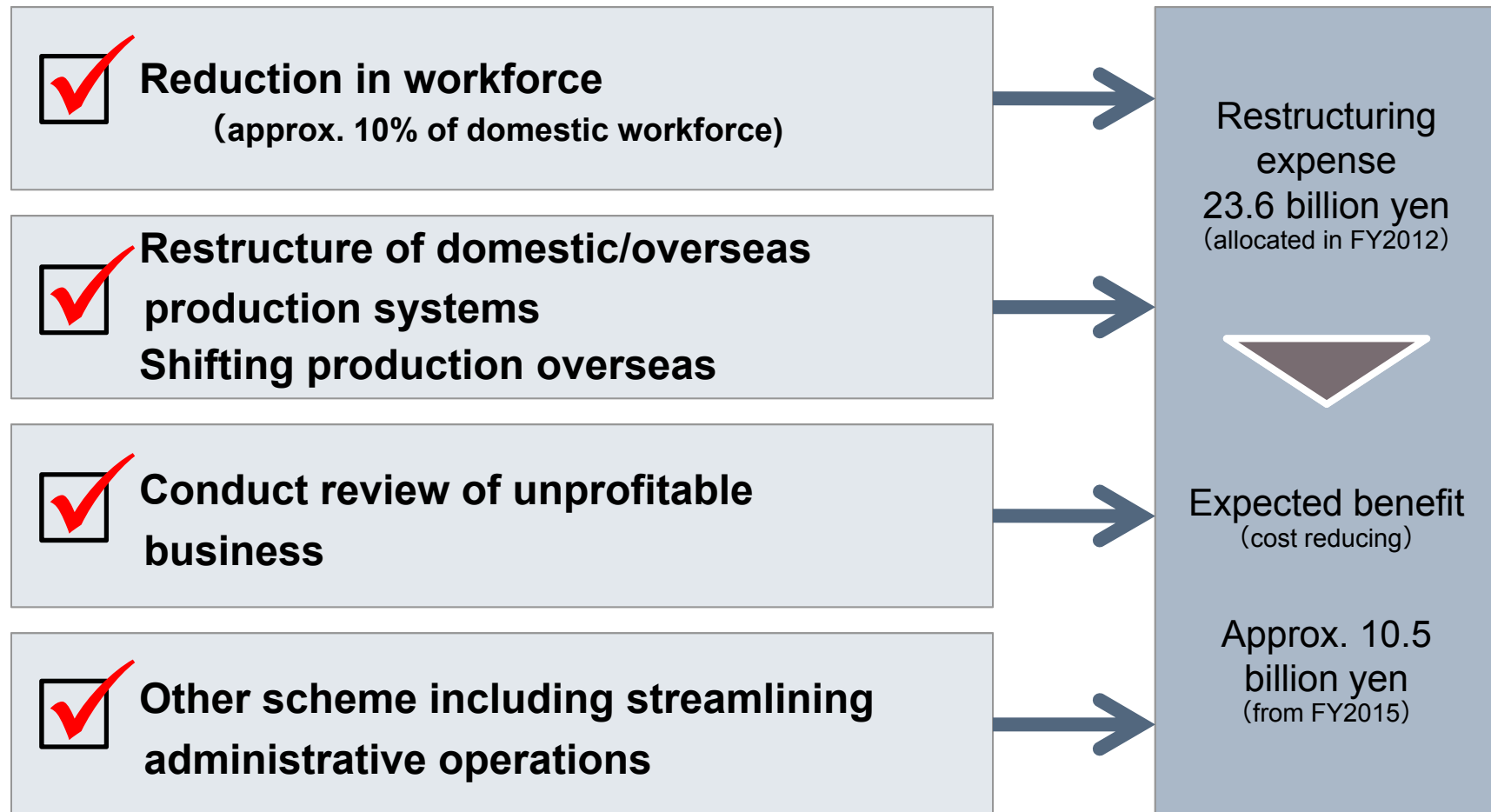


## **Priority Tasks in Early Stage of Medium-Term Management Plan (FY2013 - FY2015)**

1. Radically improve business structure
2. Clarify the business portfolio
3. Strengthen the production capability
4. Enhancement of the human resources and promote efficiency in productivity
5. Strategic marketing to meet the Asian market needs



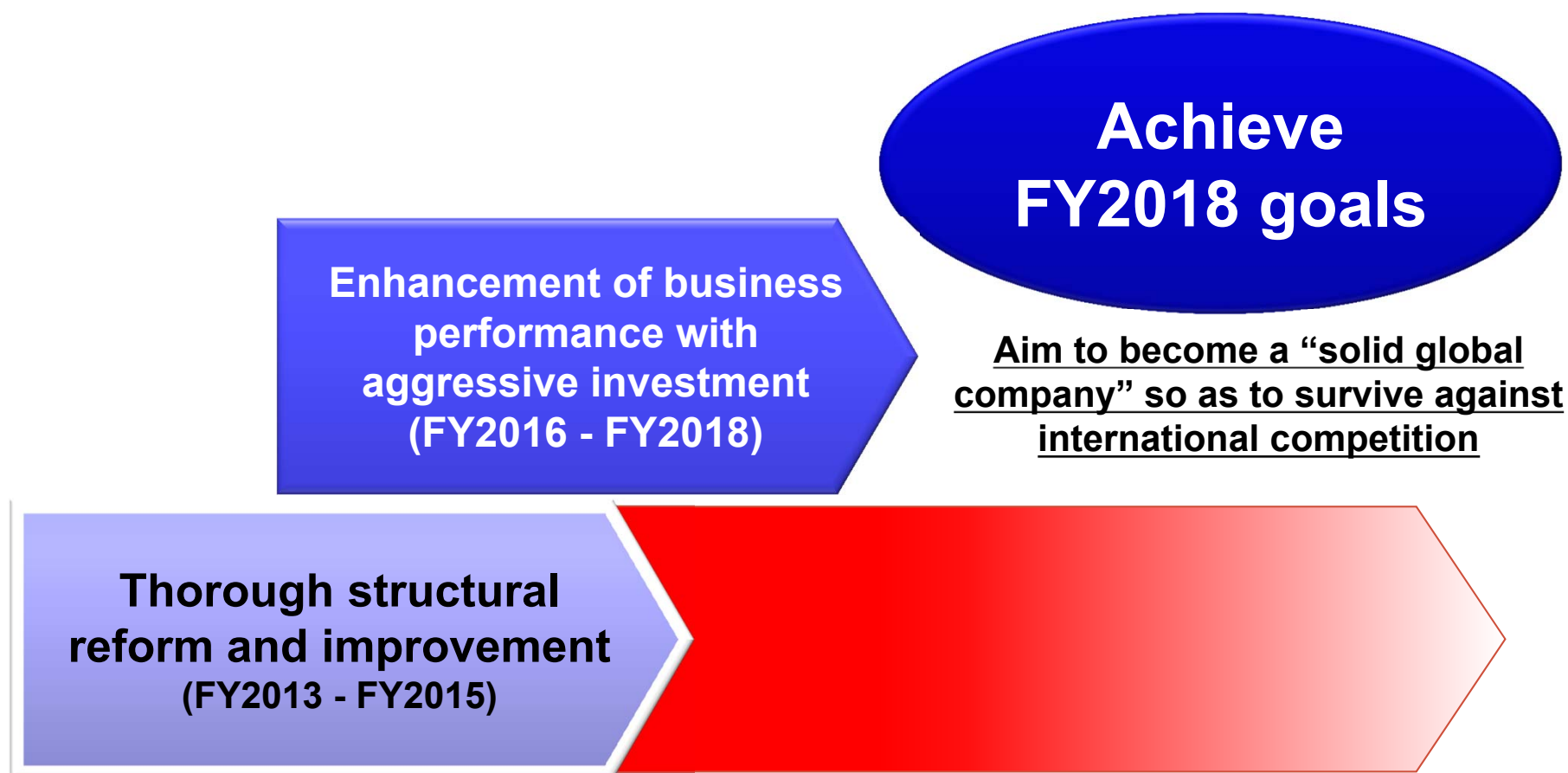
## Measures to “1. Radically improve business structure”



# Initiatives to Address Group Management Tasks

## Initiatives to Address Priority Issues in the Early Phase of the Medium-Term Management Plan (FY2013 - FY2015)

Priority Tasks	
1. Radically improve business structure	Implemented a range of measures including structural reforms.
2. Clarify the business portfolio	Formed clear business portfolio and conducted operations (allocation of resources, etc.) accordingly.
3. Strengthen the production capability	Made progress towards high profit structure through production reforms
4. Enhancement of the human resources and promote efficiency in productivity	Implemented personnel system reforms. Conducting initiative to enhance human resources and promote efficiency in productivity on a ongoing basis.
5. Strategic marketing to meet the Asian market needs	Creating business base in the Asian market from a long-term perspective.



**Ongoing initiatives to improve  
business structure**

# **Citizen Global Plan 2018 Latter Phase (FY2016 - FY2018) Plan**

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# Aiming to be a “Solid Global Company”

-business group with speed and dynamics-

Solid Global Company

⇒consistently provide “value” required in the global market

- 1. Focus on the business area using the strengths developed and accumulated on years of experience of watch and clock business and aim to establish an industry leading business group with global competitiveness**
- 2. Implement production reforms to create a high profit structure and strive to increase profitability.**

## FY2018 Targets

Operating income

**40.0**  
**billion yen**

ROA

**6.0%**

Be aware of the cost of capital, and endeavor to further increase corporate value by strengthening governance and making appropriate information disclosures in accordance with the corporate governance code.

# Group Management Tasks

## Priority Tasks in the Latter Phase of the Medium-Term Management Plan (FY2016 - FY2018)

**1**

**Thorough structural improvement/Strengthening of production capability**

**2**

**Aggressive investment for business growth and strengthening of marketing capability**

**3**

**Selection and concentration of products and businesses**

**4**

**Enhancement of human resources and promotion of efficiency in productivity**

# Business Portfolio

Watch and clock  
business

Reaffirm as  
**our core business to develop  
the group's growth**

Machine tool  
business

To be developed as the **second core  
business** to watch and clock business

Precision component  
business

Growing business with great  
potential

Device/Electronics  
product business

Increase profits and achieve stable  
management

- (1) Strengthen the business structure
- (2) Focus on the competitive products
- (3) Enhance business alliance with others

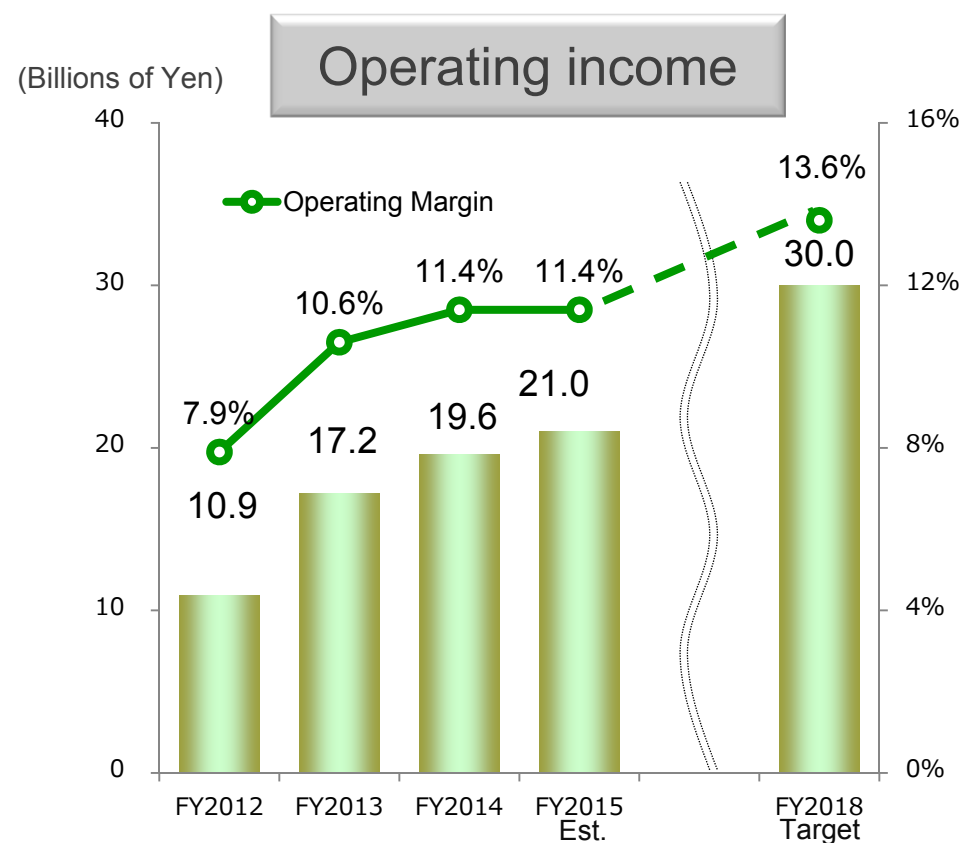
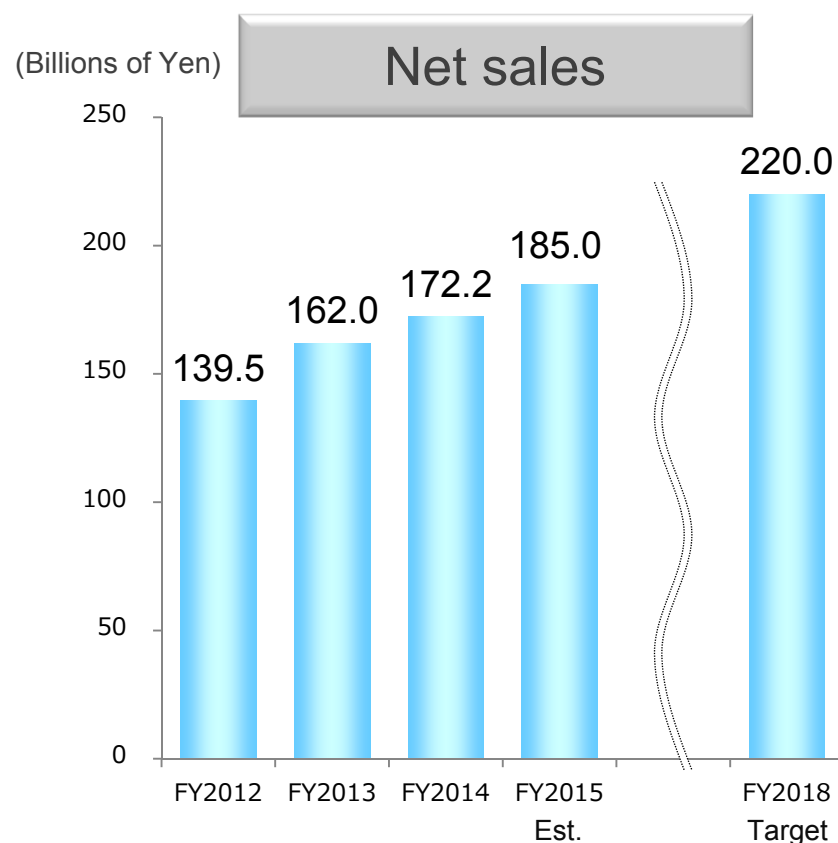


## Initiatives in Each Business Over 3 Years of Latter Phase

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# Watch and Clock Business Targets

<b>FY2018</b>	<b>Net sales</b>	<b>220.0 billion yen</b>
	<b>Operating income</b>	<b>30.0 billion yen</b>
	<b>Operating margin</b>	<b>13.6%</b>



## From “Product” to “Brand”

**Become a global company to survive the global competition**

1

Implement multi-brand strategy with Citizen brand at the core of growth

2

Position domestic and North American markets as strategic markets and launch an all-out offensive

3

Lay foundations for establishment of Asian growth strategy

4

Strengthen production capability (cost and production reforms) to survive competition

# Watch and Clock Business

## Multi-brand strategy with the Citizen brand at the core



# Watch and Clock Business : Initiatives in the North American Market

## Aiming to become undisputed NO. 1 in the mid-price-range market

### 1 Integration of U.S. sales companies

- Maintain dominant share in the mid-price range
- Maximize CITIZEN/BULOVA synergy

### 2 Increased sales through high added value products

- Expand sales of radio-controlled watches (including GPS radio-controlled watches)
- Strengthen Titan models



### 3 Expansion in share of ladies market

- Expand CITIZEN L Series
- Expand ratio of sales for ladies by CITIZEN/BULOVA



### 4 Expansion of retail distribution channels

- Entry to luxury goods distribution channel
- Strengthen new distribution channels including outlets and e-commerce



## Integration of U.S. sales companies

Aiming to integrate  
Citizen Watch Company of America Inc.  
and Bulova Corporation by January 2017

- ◆ Maintain dominant share of the mid-price-range market  
= Undisputed No.1 =
- ◆ Further increase presence in distribution channels
- ◆ Maximize profits through integration (maximize synergy)

# Watch and Clock Business : Initiatives in the Japanese Market

## Becoming Japan's NO. 1 brand

1

### Differentiated products using the most advanced technologies

- World's first
- World's fastest
- World's thinnest



2

### Expansion of presence in mid-price range

- Further strengthen the incredibly popular xC
- Strengthen GPS radio-controlled watches



3

### Strengthening of high-end products

- Strengthen CAMPANOLA
- Implement high-end product strategy through M&A



4

### Promotion of brand marketing

- Expand concept shops
- Conduct vigorous advertising campaigns



# Watch and Clock Business : Production and Manufacturing

## Implement production reforms to establish high profit structure

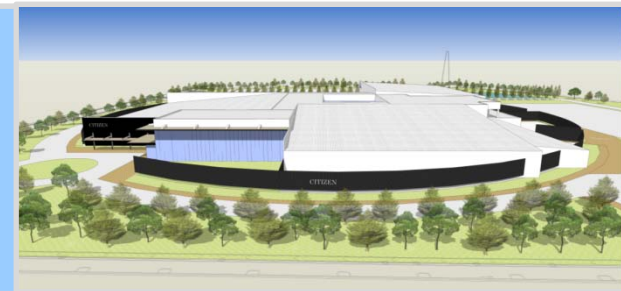
**Demonstrate effects of integration of  
five domestic manufacturing companies**

Pursue the lowest possible costs for  
“Made in Japan” products



**Complete new domestic plant  
(Saku, Nagano Prefecture)**

Aim to further improve productivity  
by using as core manufacturing plant



**Establish optimal global manufacturing  
system**

(Japan, China, Thailand)





**Consolidate position as manufacturer with leading share in automatic lathe market and achieve sustainable growth**

## < Initiatives for growth >

### **1 Product development incorporating the latest technologies**

- Vibration cutting technology
- Laser manufacturing technology
- New product development taking modularization into consideration

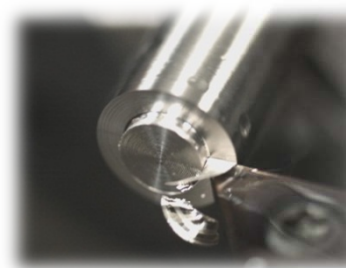
### **2 Expansion in sale of Miyano products**

- Expand sales of Miyano products in the Japanese and North American markets



### **3 Solution proposals**

- Establish dynamic after-service structure
- Make solution proposals including technical support



Vibration cutting



Work sample made using laser manufacturing technology

# Precision Component Business

**Leverage integrated mass production ability for precision metal processing, cultivated in watch and clock part business to develop precision component business into next growth business**

## < Initiatives for growth >

1

Expansion of automotive components business

2

Development of new products and new technologies

3

Demonstration of synergy through merger\*



**Automotive components**

\*On April 1, 2015, device business companies CITIZEN SEIMITSU CO., LTD. and CITIZEN FINETECH MIYOTA CO., LTD. merged to form CITIZEN FINEDEVICE CO., LTD.

## **Increase profits and achieve stable management**

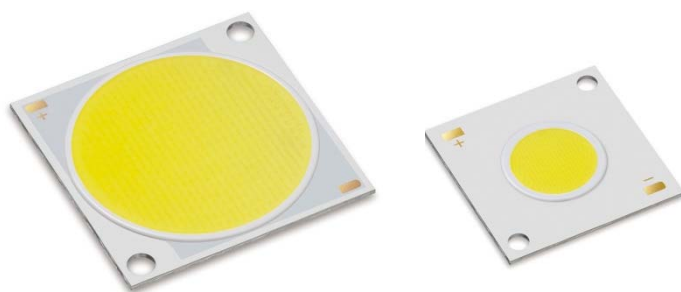
### **< Initiatives for stable management >**

**1**

Selection and concentration of products and businesses

**2**

Further strengthening of alliances with other companies



**LED lights**



**Switches**

# Group Restructuring and Change of Corporate Brand Logo

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**Citizen Holdings Co., Ltd. plans to make the transition to an operating holding company Structure merging with Citizen Watch Co., Ltd. and Citizen Business Expert Co. by October 1, 2016.**

- ◆ To accelerate growth of the core watch and clock business
- ◆ To establish a structure for promoting the optimal allocation of management resources
- ◆ To establish an efficient business support structure

## New Corporate Brand Logo

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# CITIZEN

To further increase presence on the global market, aiming to become a “solid global company” capable of surviving against global competition

# END

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This presentation contains forward looking statements that are based on current expectations and assumptions. Actual results could differ materially due to risks and uncertainties.