



CITIZEN WATCH

**Consolidated Financial Statements**  
for the Three Months Ended June 30, 2023

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. All figures in these statements which are less than 1 million yen have been rounded down. (English translation)

August 14, 2023

**CITIZEN WATCH CO., LTD.**

Code No.: 7762

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Contact: Toshiyuki Furukawa, Managing Director, In charge of Public &amp; Investor Relations Department

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Scheduled start of dividend payment: -

Scheduled release of fiscal 2023 Quarterly Business Report: August 14, 2023

Listings: Prime section of Tokyo Stock Exchange

(URL <https://www.citizen.co.jp>)**1. Results for the Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)****(1) Consolidated operating results**

(Millions of yen; Percentages represent changes over the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended June 30, 2023	72,695	1.9	5,537	(0.9)	8,001	(6.5)	6,280	(13.5)
Three months ended June 30, 2022	71,358	8.5	5,587	32.0	8,558	68.6	7,260	65.2

Note: Comprehensive income:

Three months ended June 30, 2023: ¥ 19,606 million (3.6%)

Three months ended June 30, 2022: ¥ 18,926 million (271.9%)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
Three months ended June 30, 2023	25.16	-
Three months ended June 30, 2022	24.72	-

**(2) Consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Three months ended June 30, 2023	402,384	235,037	56.3%	928.86
March 31, 2023	389,982	232,775	57.5%	866.68

Reference: Shareholders' Equity:

As of June 30, 2023: ¥ 226,446 million    As of March 31, 2023: ¥ 224,179 million

**2. Dividends**

	Dividends per share (Yen)				
	End of the three-month period	End of the six-month period	End of the nine-month period	End of the year	Full year
March 31, 2023	-	15.00	-	19.00	34.00
March 31, 2024					
March 31, 2024(E)		20.00	-	20.00	40.00

Note: Revision of dividend forecast for quarter in review: None

**3. Projected Consolidated Results for the Year ending March 31, 2024**

(Millions of yen)

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share (Yen)
Interim term	153,000	3.6%	12,600	2.0%	12,700	(24.4%)	9,700	(23.3%)	37.50
Full term	310,000	2.9%	25,000	5.4%	26,000	(10.6%)	20,000	(8.4%)	77.32

Note: Revision of consolidated forecasts for quarter in review: None

**4. Others**

- (1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): None
- (2) Adoption of simplified accounting method and special accounting methods: None
- (3) Changes in principles, procedures and classifications of accounting standards associated with the preparation of consolidated financial statements.
  - (i) Changes associated with revised accounting standards: None
  - (ii) Changes other than those in (i)above: None
  - (iii) Changes in accounting estimate: None
  - (iv) Restatements: None

(4) Number of shares issued and outstanding (common stock)

		shares		shares
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	June 30, 2024	246,000,000	March 31, 2023	294,000,000
(ii) Number of treasury stock at the end of term	June 30, 2024	2,209,950	March 31, 2023	35,334,190
(iii) Average number of common stocks	June 30, 2024	249,631,314	June 30, 2023	293,784,881

*\* The consolidated financial statements are not included in the scope of the audit.*

*\* Explanation about the proper use of financial forecasts and other important notes*

*Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors.*

*Please refer to the attached "Qualitative data on the consolidated earnings forecasts" on page 6 for assumptions underlying the above forecasts and precautions regarding their use.*

(Attached Documents)

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## 1. Qualitative Information on the Consolidated Financial Results for the Three Months Ended June 30, 2023

### (1) Qualitative data on the consolidated financial results

During the first three months under review, the Japanese economy continued to experience a moderate recovery in consumer spending, reflecting the normalization of economic activity. In North America and Europe, consumer spending remained firm due partly to increases in wages and employment, despite growing concern over an economic recession linked to inflation and rising interest rates. Asia saw sluggish consumer spending in the Chinese market, where an economic recovery had been expected following the lifting of strict activity restrictions. Meanwhile, the recoveries in other Asian regions were only moderate due to the lack of momentum in exports and weak demand for capital spending.

In this environment, the Citizen Group's consolidated results for the first three months of the fiscal year under review showed an increase in sales with net sales of 72.6 billion yen (up 1.9 % year on year), aided mainly by the solid performance of Watches, one of its core businesses. However, operating profit decreased 0.9% year on year, to 5.5 billion yen. Ordinary profit and profit attributable to owners of parents declined to 8.0 billion yen (down 6.5% year on year) and 6.2 billion yen (down 13.5% year on year), respectively

### Watches

In the domestic market, sales of Citizen brand watches increased, reflecting solid consumer spending as indicated by the strong performance of core brands such as Attesa and Promaster and the gradual recovery of inbound tourism-related demand, despite a decline in consumer confidence linked to price increases.

Looking at overseas markets, the North American market showed signs of weakness in sales for distribution such as jewelry chain stores and department stores amid growing uncertainty about the future because the rate of price increases still remained high. Even so, sales were on par with the previous year, reflecting the consistent performance of online sales and sales for tourism-related distribution. The European market suffered significant price increases. Despite this, sales climbed due to the solid performance recorded mainly in the UK and Italy, as well as the acquisition of new clients in France. The Asian market performed better than the previous year, reflecting the upswing of business in Hong Kong and Singapore attributable to a recovery in the flow of people, as well as a gradual recovery in China although this recovery was limited.

Sales of Bulova brand watches were at the level of the previous year. This was attributable to, in the mainstay North American market, the cultivation of new sales channels including online sales and sales for tourism-related distribution offsetting weak sales for main distribution channels such as jewelry chain stores.

Sales of movements decreased, reflecting weak demand for mechanical movements primarily due to a decline in the Chinese market, as well as slow sales of analog quartz movements due to concerns about a recession in the North American and European markets.

As a result, notwithstanding concerns about a decline in consumer confidence linked to the long-term price increases occurring globally, thanks to the progress made in initiatives for the enhancement of sales of global brands, premium brands and mechanical watches, the watches segment as a whole posted an increase in sales, with net sales of 37.0 billion yen (up 5.5% year on year). Operating profit increased 4.8% year on year, to 4.5 billion yen, mainly reflecting the contribution of increased net sales and the ongoing efforts to improve profitability.

### Machine Tools

Sales decreased slightly in the domestic market, reflecting signs of a slowdown in the demand for semiconductors and pneumatic- and hydraulic-related equipment, sales of which had been solid, as well as sluggish sales of automobile-related products. Sales in overseas markets decreased, reflecting continuing sluggish market conditions in China even after China ended its zero-COVID policy and a decline in other Asian markets, although sales related to medical equipment in particular remained solid in Europe and the Americas amid a stance toward capital expenditure that overall is growing more cautious.

As a result, net sales in the machine tools segment as a whole decreased to 19.5 billion yen (down 2.2% year on year). Operating profit fell to 2.3 billion yen (down 13.4% year on year).

## Devices and Components

In precision components, sales of automotive parts decreased due to sluggish market conditions, although car manufacturers' production was trending toward a recovery. Sales of small motors rose, reflecting market recoveries in a broad range of areas including medical products. However, sales of crystal devices decreased, reflecting sluggish demand growth in demand in the personal computer and IoT markets. As a result, sales decreased in precision components as a whole.

In opto-devices, sales of chip LEDs decreased, reflecting a decline in sales of LEDs for lighting due to the delay in the recovery of demand for in-vehicle LEDs and the control of capital expenditures mainly in Europe and the United States, which offset solid sales of chip LEDs for game consoles.

As a result, net sales in the devices and components segment as a whole decreased to 10.8 billion yen (down 1.0% year on year) and operating profit stood at 0 billion yen (compared with operating loss of 0 billion yen in the same period of the previous year).

## Electronic and Other Products

In information equipment, the recovery of demand was weak due to the deterioration of the market environment outlook, resulting in the sluggish growth of POS printers and bar code printers. Even so, sales increased, reflecting strong sales of photo printers due to the growth of demand for events. Sales of healthcare products decreased, mainly reflecting a decline in demand for thermometers as a result of the reduced impact of COVID-19 and the reduced number of blood pressure monitors sold which is linked to price increases.

As a result, the electronic and other products segment overall recorded decreases in sales and profit, with net sales of 5.2 billion yen (down 0.7% year on year) and operating profit of 0.1 billion yen (down 56.8% year on year).

### (2) Qualitative data on the consolidated financial position

Total assets at the end of the first three months under review stood at 402.3 billion yen, an increase of 12.4 billion yen from the end of the previous consolidated fiscal year. Current assets decreased 5.3 billion yen mainly due to a decrease of 6.1 billion yen in cash and deposits, offsetting an increase in inventories of 9.8 billion yen. Non-current assets increased 7.0 billion yen, mainly reflecting rises of 2.9 billion yen in investment securities and 2.2 billion yen in leased assets.

Liabilities totaled 167.3 billion yen, an increase of 10.1 billion yen from the end of previous consolidated fiscal year, mainly reflecting increases of 2.1 billion yen in lease liabilities, 1.8 billion yen in provision for bonuses, and 1.8 billion yen in notes and accounts payable - trade.

Net assets increased 2.2 billion yen from the end of the previous consolidated fiscal year, to 235.0 billion yen. This result chiefly reflected a decrease of 10.9 billion yen in shareholders' equity due to the purchase of treasury shares and payment of dividends amounting to 12.3 billion yen and 4.9 billion yen, respectively, and an increase of 10.3 billion yen in the foreign currency translation adjustment, as well as the posting of profit attributable to owners of parent.

Both retained earnings and treasury shares decreased due to the cancellation of treasury shares amounting to 39.1 billion yen.

### (3) Qualitative data on the consolidated earnings forecasts

No changes have been made to the six-month and full-year forecasts for the consolidated fiscal results in the fiscal year ending March 31, 2024 announced on May 12, 2023 in the Consolidated Financial Statements for the Year Ended March 31, 2023.

**2. Consolidated Financial Statements and Primary Notes****(1) Consolidated Balance Sheet**

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	82,490	76,334
Notes and accounts receivable - trade	53,718	54,689
Electronically recorded monetary claims - operating	2,081	2,161
Merchandise and finished goods	58,604	64,551
Work in process	24,291	27,019
Raw materials and supplies	25,595	26,732
Consumption taxes refund receivable	3,052	4,232
Other	10,907	10,503
Allowance for doubtful accounts	(1,099)	(1,243)
Total current assets	<u>259,642</u>	<u>264,982</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	41,808	42,023
Machinery, equipment and vehicles, net	15,868	17,390
Tools, furniture and fixtures, net	3,899	4,068
Land	10,367	10,459
Leased assets, net	5,134	7,342
Construction in progress	2,443	2,497
Total property, plant and equipment	<u>79,521</u>	<u>83,781</u>
Intangible assets		
Software	3,951	3,870
Other	799	844
Total intangible assets	<u>4,751</u>	<u>4,714</u>
Investments and other assets		
Investment securities	39,021	41,978
Long-term loans receivable	163	177
Deferred tax assets	5,581	5,241
Other	1,675	1,773
Allowance for doubtful accounts	(236)	(262)
Allowance for investment loss	(138)	—
Total investments and other assets	<u>46,066</u>	<u>48,907</u>
Total non-current assets	<u>130,340</u>	<u>137,402</u>
Total assets	<u>389,982</u>	<u>402,384</u>

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	(Millions of yen)	
	As of March 31, 2023	As of June 30, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	18,889	20,728
Electronically recorded obligations - operating	13,325	14,159
Notes payable - facilities	18	57
Electronically recorded obligations - non-operating	384	1,172
Short-term borrowings	3,787	2,832
Current portion of bonds payable	10,000	10,000
Income taxes payable	2,179	2,700
Accrued expenses	10,997	12,595
Provision for bonuses	6,156	8,028
Provision for bonuses for directors (and other officers)	303	—
Provision for product warranties	1,244	1,288
Provision for loss on reorganization	110	111
Other	11,918	10,728
<b>Total current liabilities</b>	<b>79,317</b>	<b>84,404</b>
<b>Non-current liabilities</b>		
Long-term borrowings	51,328	52,354
Deferred tax liabilities	3,628	5,041
Provision for loss on reorganization	6	6
Retirement benefit liability	16,572	16,854
Lease liabilities	4,679	6,805
Other	1,673	1,879
<b>Total non-current liabilities</b>	<b>77,889</b>	<b>82,942</b>
<b>Total liabilities</b>	<b>157,206</b>	<b>167,347</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	32,648	32,648
Capital surplus	33,740	33,740
Retained earnings	150,483	112,673
Treasury shares	(28,581)	(1,717)
<b>Total shareholders' equity</b>	<b>188,290</b>	<b>177,345</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,161	13,084
Foreign currency translation adjustment	25,659	35,980
Remeasurements of defined benefit plans	67	35
<b>Total accumulated other comprehensive income</b>	<b>35,888</b>	<b>49,100</b>
<b>Non-controlling interests</b>	<b>8,596</b>	<b>8,591</b>
<b>Total net assets</b>	<b>232,775</b>	<b>235,037</b>
<b>Total liabilities and net assets</b>	<b>389,982</b>	<b>402,384</b>



## CITIZEN WATCH

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income for the three months ended June 30, 2023

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	71,358	72,695
Cost of sales	42,921	42,143
Gross profit	<u>28,436</u>	<u>30,551</u>
Selling, general and administrative expenses	<u>22,848</u>	<u>25,014</u>
Operating profit	<u>5,587</u>	<u>5,537</u>
Non-operating income		
Interest income	119	330
Dividend income	450	470
Share of profit of entities accounted for using equity method	336	406
Subsidy income	76	6
Foreign exchange gains	2,115	1,910
Other	111	99
Total non-operating income	<u>3,210</u>	<u>3,223</u>
Non-operating expenses		
Interest expenses	63	69
Commission for purchase of treasury shares	79	586
Other	96	103
Total non-operating expenses	<u>239</u>	<u>758</u>
Ordinary profit	<u>8,558</u>	<u>8,001</u>
Extraordinary income		
Gain on sale of non-current assets	1,740	11
Gain on sale of investment securities	—	554
Other	117	1
Total extraordinary income	<u>1,857</u>	<u>567</u>
Extraordinary losses		
Loss on retirement of non-current assets	167	26
Loss on sale of non-current assets	8	3
Impairment losses	0	2
Reorganization cost	7	2
Loss on valuation of investment securities	—	22
Other	12	4
Total extraordinary losses	<u>195</u>	<u>60</u>
Profit before income taxes	<u>10,220</u>	<u>8,508</u>
Income taxes	<u>3,010</u>	<u>2,287</u>
Profit	<u>7,210</u>	<u>6,220</u>
Loss attributable to non-controlling interests	<u>(50)</u>	<u>(59)</u>
Profit attributable to owners of parent	<u>7,260</u>	<u>6,280</u>

## CITIZEN WATCH

## Consolidated Statement of Comprehensive Income for the three months ended June 30, 2023

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	7,210	6,220
Other comprehensive income		
Valuation difference on available-for-sale securities	43	2,922
Foreign currency translation adjustment	11,180	9,998
Remeasurements of defined benefit plans, net of tax	(13)	(32)
Share of other comprehensive income of entities accounted for using equity method	505	496
Total other comprehensive income	<u>11,716</u>	<u>13,385</u>
Comprehensive income	<u>18,926</u>	<u>19,606</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,709	19,492
Comprehensive income attributable to non-controlling interests	216	113

## (3) Notes on the Consolidated Financial Statements

**(Notes related to of going concern assumptions)**

Not applicable

**(Notes regarding significant changes in shareholders' equity accounts)**

(Acquisition and cancellation of treasury stock)

The Company's treasury shares increased 12,301 million yen in the first three months of the consolidated fiscal year under review, reflecting the acquisition of 14,875,100 treasury shares, based on a resolution of a Board of Directors' meeting held on February 13, 2023. Then, retained earnings and treasury shares decreased 39,166 million yen, respectively, in the first nine months of the consolidated fiscal year under review, reflecting the cancellation of 48,000,000 treasury shares implemented on June 30, 2023 based on a resolution of a Board of Directors' meeting held on June 21, 2023.

As of the end of the first quarter of the consolidated fiscal year under review, retained earnings and treasury shares stood at 112,673 million yen and 1,717 million yen, respectively.

**(Segment information)**

(i) Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Watches	Machine Tools	Devices and components	Electronic and other products	Segment totals	Eliminations or general corporate (Note 1)	Totals on consolidated statement of income (Note 2)
Net sales							
Customers	35,154	19,968	10,993	5,241	71,358	-	71,358
Inter-segment	24	21	363	157	566	(566)	-
Total	35,178	19,989	11,356	5,399	71,924	(566)	71,358
Segment profit or loss	3,948	2,704	(50)	347	6,950	(1,363)	5,587

(Notes)

1. The 1,363 million yen negative adjustment to segment income (Operating profit) includes 21 million yen in inter-segment eliminations and 1,384 million yen in corporate expenses that could not be allocated to a particular segment.

2. Segment profits or loss are adjusted with Operating profit on the consolidated financial statements.

(ii) Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Watches	Machine Tools	Devices and components	Electronic and other products	Segment totals	Eliminations or general corporate (Note 1)	Totals on consolidated statement of income (Note 2)
Net sales							
Customers	37,071	19,527	10,888	5,207	72,695	-	72,695
Inter-segment	21	54	430	171	678	(678)	-
Total	37,093	19,581	11,319	5,379	73,373	(678)	72,695
Segment profit or loss	4,532	2,343	48	150	7,074	(1,537)	5,537

(Notes)

1. The 1,537 million yen negative adjustment to segment income (Operating profit) includes 21 million yen in inter-segment eliminations and 1,558 million yen in corporate expenses that could not be allocated to a particular segment.

2. Segment profits or loss are adjusted with Operating profit on the consolidated financial statements.