



CITIZEN WATCH

Consolidated Financial Statements**for the Nine Months Ended December 31, 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)

February 13, 2024

CITIZEN WATCH CO., LTD.

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Listings: Prime section of Tokyo Stock Exchange

(URL <https://www.citizen.co.jp/global>)**1. Results for the Nine months ended December 31, 2023 (April 1, 2023 to December 31, 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	
Nine months ended December 31, 2023	238,894	3.8%	23,416	11.3%	27,478	12.4%	20,690	5.0%
Nine months ended December 31, 2022	230,178	6.8%	21,032	7.1%	24,440	9.5%	19,697	14.6%

Note: Comprehensive income:

Nine months ended December 31, 2023: ¥ 32,757 million 25.5%

Nine months ended December 31, 2022: ¥ 26,097 million 16.5%

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
Nine months ended December 31, 2023	84.19	-
Nine months ended December 31, 2022	67.26	-

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Nine months ended December 31, 2023	403,608	243,230	58.2%	962.84
March 31, 2023	389,982	232,775	57.5%	866.68

Reference: Shareholders' Equity:

As of December 31, 2023: ¥ 234,760 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		20.00			
March 31, 2024(E)			-	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)
Full term	310,000	2.9%	25,000	5.4%	28,500	(2.1%)	21,000	(3.8%)	81.19

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)	December 31, 2023	246,000,000	March 31, 2023	294,000,000
(ii) Number of treasury stock at the end of term	December 31, 2023	2,177,673	March 31, 2023	35,334,190
(iii) Average number of common stocks	December 31, 2023	245,757,696	December 31, 2022	292,843,006

** 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 7 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 Nine months ended December 31, 2023

(1) Qualitative data on the consolidated financial results

During the first nine 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. The Chinese economy experienced a sluggish recovery following the resumption of normal economic activity. Meanwhile, 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 nine months of the fiscal year under review showed increases in sales and profits, with net sales of 238.8 billion yen (up 3.8% year on year) and operating profit of 23.4 billion yen (up 11.3% year on year). These results were driven mainly by strong performance in Watches. Ordinary profit and profit attributable to owners of parents also increased to 27.4 billion yen (up 12.4% year on year) and 20.6 billion yen (up 5.0% year on year), respectively.

Watches

In the domestic market, sales of Citizen brand watches increased, reflecting the firm performance of the limited edition of the high-end brand, The Citizen, in addition to core brands such as Attesa and Promaster, and the 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 an increase in budget-minded consumers because the rate of price increase still remained high. Even so, sales increased, chiefly reflecting the strong performance of online sales. The European market suffered price increases. Despite this, sales climbed due to the strong performance recorded mainly in the UK and Italy, as well as a steady increase in new retailers selling Citizen watches in France. In the Asian market, sales increased, reflecting a continued upward trend in business mainly in Singapore attributable to a recovery in the flow of people, as well as a gradual recovery in China although this recovery was still limited.

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

Sales of movements were at the level of the previous year. Sales of mechanical movements were solid, but sales of analog quartz movements were slow 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 127.2 billion yen (up 8.4% year on year). Operating profit increased 16.9% year on year, to 18.4 billion yen, mainly reflecting the contribution of increased net sales and the ongoing efforts to improve profitability.

Machine Tools

Sales increased in the domestic market due to firm sales in the construction machinery and medical equipment industries, among other industries, although shipments of automobile-related products were sluggish as a generally cautious stance on capital expenditures took hold. As for overseas markets, sales primarily of medical products remained strong in the European and American markets. However, this was offset by the ongoing sluggishness of markets in China and other Asian countries, which resulted in a decrease in sales.

As a result, net sales in the machine tools segment as a whole decreased to 62.1 billion yen (down 1.9% year on year). Operating profit fell to 7.5 billion yen (down 10.9% year on year) chiefly due to sharp rises in materials prices.

Devices and Components

In precision components, sales of automotive parts increased with the easing of shortages of parts supplies that had been caused by semiconductor shortages, together with a recovery in production at car manufacturers. 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 in precision components as a whole were at the same level as the previous fiscal year.

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 slowdowns in the Chinese market and other Asian markets.

As a result, net sales in the devices and components segment as a whole decreased to 32.5 billion yen (down 4.9% year on year), but operating profit increased to 0.4 billion yen (compared with operating loss of 0.1 billion yen in the same period of the previous year) due to a reduction in fixed cost.

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 equipment decreased given ongoing weakness in demand for thermometers and sales of blood pressure monitors, which fell short of sales in the previous year despite a recovery trend.

As a result, the electronic and other products segment overall recorded an increase in sales and an increase in profit, with net sales of 16.9 billion yen (up 11.3% year on year) and operating profit of 1.3 billion yen (up 33.7% year on year).

(2) Qualitative data on the consolidated financial position

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at 403.6 billion yen, an increase of 13.6 billion yen from the end of the previous consolidated fiscal year. Current assets increased 5.9 billion yen, mainly reflecting an 11.2 billion yen increase in inventories and a 6.0 billion yen increase in notes and accounts receivable – trade, offsetting a 10.5 billion yen decrease in cash and deposits. Non-current assets increased 7.6 billion yen, attributable chiefly to a 2.3 billion yen increase in leased assets, and a 2.0 billion yen increase in machinery, equipment and vehicles.

Liabilities totaled 160.3 billion yen, an increase of 3.1 billion yen from the end of the previous consolidated fiscal year, chiefly reflecting a 3.1 billion yen increase in accrued expenses and a 2.2 billion yen increase in income taxes payable, which was partially offset by a 3.4 billion yen decrease in short-term borrowings.

Net assets increased 10.4 billion yen from the end of the previous consolidated fiscal year, to 243.2 billion yen. This result chiefly reflected a decrease of 1.4 billion yen in shareholders' equity due to the purchase of treasury shares and payment of dividends amounting to 12.3 billion yen and 9.8 billion yen, respectively, and an increase of 8.9 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 full-year forecasts for the consolidated fiscal results in the fiscal year ending March 31, 2024 announced on November 13, 2023 in the Consolidated Financial Statements for the Six Months Ended September 30, 2023.

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

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	82,490	71,949
Notes and accounts receivable - trade	53,718	59,808
Electronically recorded monetary claims - operating	2,081	3,091
Merchandise and finished goods	58,604	67,147
Work in process	24,291	27,567
Raw materials and supplies	25,595	25,053
Consumption taxes refund receivable	3,052	2,517
Other	10,907	9,704
Allowance for doubtful accounts	(1,099)	(1,231)
Total current assets	<u>259,642</u>	<u>265,609</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	41,808	42,194
Machinery, equipment and vehicles, net	15,868	17,894
Tools, furniture and fixtures, net	3,899	4,483
Land	10,367	10,485
Leased assets, net	5,134	7,491
Construction in progress	2,443	2,474
Total property, plant and equipment	<u>79,521</u>	<u>85,024</u>
Intangible assets		
Software	3,951	4,458
Other	799	823
Total intangible assets	<u>4,751</u>	<u>5,282</u>
Investments and other assets		
Investment securities	39,021	40,999
Long-term loans receivable	163	171
Deferred tax assets	5,581	5,077
Other	1,675	1,701
Allowance for doubtful accounts	(236)	(257)
Allowance for investment loss	(138)	—
Total investments and other assets	<u>46,066</u>	<u>47,692</u>
Total non-current assets	<u>130,340</u>	<u>137,999</u>
Total assets	<u>389,982</u>	<u>403,608</u>

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(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,889	18,719
Electronically recorded obligations - operating	13,325	11,999
Notes payable - facilities	18	20
Electronically recorded obligations - non-operating	384	543
Short-term borrowings	3,787	290
Current portion of bonds payable	10,000	—
Income taxes payable	2,179	4,414
Accrued expenses	10,997	14,169
Provision for bonuses	6,156	4,302
Provision for bonuses for directors (and other officers)	303	—
Provision for product warranties	1,244	1,333
Provision for loss on reorganization	110	108
Other	11,918	11,584
Total current liabilities	<u>79,317</u>	<u>67,487</u>
Non-current liabilities		
Bonds payable	—	10,000
Long-term borrowings	51,328	52,352
Deferred tax liabilities	3,628	5,364
Provision for loss on reorganization	6	6
Retirement benefit liability	16,572	16,951
Lease liabilities	4,679	6,892
Asset retirement obligations	247	247
Other	1,426	1,074
Total non-current liabilities	<u>77,889</u>	<u>92,890</u>
Total liabilities	<u>157,206</u>	<u>160,378</u>
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,740	33,739
Retained earnings	150,483	122,198
Treasury shares	(28,581)	(1,697)
Total shareholders' equity	<u>188,290</u>	<u>186,889</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,161	13,086
Foreign currency translation adjustment	25,659	34,609
Remeasurements of defined benefit plans	67	175
Total accumulated other comprehensive income	<u>35,888</u>	<u>47,871</u>
Non-controlling interests	<u>8,596</u>	<u>8,469</u>
Total net assets	<u>232,775</u>	<u>243,230</u>
Total liabilities and net assets	<u>389,982</u>	<u>403,608</u>

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

Consolidated Statement of Income for the Nine months ended December 31, 2023

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	230,178	238,894
Cost of sales	136,117	135,774
Gross profit	94,060	103,120
Selling, general and administrative expenses	73,027	79,703
Operating profit	21,032	23,416
Non-operating income		
Interest income	544	998
Dividend income	865	874
Share of profit of entities accounted for using equity method	844	1,018
Subsidy income	189	71
Foreign exchange gains	1,171	2,008
Other	374	244
Total non-operating income	3,989	5,216
Non-operating expenses		
Interest expenses	220	236
Commission for purchase of treasury shares	79	586
Bond issuance costs	—	53
Other	282	278
Total non-operating expenses	582	1,154
Ordinary profit	24,440	27,478
Extraordinary income		
Gain on sale of non-current assets	1,748	37
Gain on sale of investment securities	725	554
Other	216	13
Total extraordinary income	2,689	605
Extraordinary losses		
Loss on retirement of non-current assets	269	447
Loss on sale of non-current assets	15	28
Impairment losses	1,684	2
Reorganization cost	25	8
Loss on valuation of investment securities	—	41
Other	28	13
Total extraordinary losses	2,024	541
Profit before income taxes	25,105	27,541
Income taxes	5,818	6,908
Profit	19,287	20,633
Loss attributable to non-controlling interests	(410)	(56)
Profit attributable to owners of parent	19,697	20,690

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Consolidated Statement of Comprehensive Income for the Nine months ended December 31, 2023

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	19,287	20,633
Other comprehensive income		
Valuation difference on available-for-sale securities	(189)	2,925
Foreign currency translation adjustment	6,607	8,699
Remeasurements of defined benefit plans, net of tax	(23)	106
Share of other comprehensive income of entities accounted for using equity method	414	392
Total other comprehensive income	<u>6,810</u>	<u>12,124</u>
Comprehensive income	<u>26,097</u>	<u>32,757</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,363	32,673
Comprehensive income attributable to non-controlling interests	(265)	84

(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 six 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 six 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 third quarter of the consolidated fiscal year under review, retained earnings and treasury shares stood at 122,198 million yen and 1,697 million yen, respectively.

(Segment information)

(i) Nine months ended December 31, 2022 (April 1, 2022 to December 31, 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	117,358	63,376	34,199	15,243	230,178	--	230,178
Inter-segment	67	91	1,076	457	1,692	(1,692)	--
Total	117,425	63,468	35,276	15,700	231,870	(1,692)	230,178
Segment profit or loss	15,779	8,436	(166)	976	25,025	(3,993)	21,032

(Notes)

1. The 3,993 million yen negative adjustment to segment income (Operating profit) includes 76 million yen in inter-segment eliminations and 4,070 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.

Information on Impairment Losses of Fixed Assets or Goodwill and Other Items by Reported Segment

(Significant impairment loss on fixed assets)

In Devices and components, the Company posted an impairment loss on Buildings and structures and Machinery, equipment and vehicles of 1,684 million yen.

(ii) Nine months ended December 31, 2023 (April 1, 2023 to December 31, 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	127,230	62,177	32,520	16,966	238,894	-	238,894
Inter-segment	63	165	1,329	489	2,049	(2,049)	-
Total	127,294	62,342	33,850	17,456	240,943	(2,049)	238,894
Segment profit or loss	18,449	7,518	432	1,305	27,706	(4,289)	23,416

(Notes)

1. The 4,289 million yen negative adjustment to segment income (Operating profit) includes 60 million yen in inter-segment eliminations and 4,350 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.

Impairment Loss on Non-current Assets or goodwill by Reportable Segment

Not applicable.