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August 13, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: CITIZEN WATCH CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 7762
 URL: <https://www.citizen.co.jp/global>
 Representative: Toshihiko Sato, President and CEO
 Inquiries: Toshiyuki Furukawa, Managing Director, In charge of Public & Investor Relations Department
 Telephone: +81-42-468-4934
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	75,888	4.4	4,684	(15.4)	7,347	(8.2)	8,534	36.0
June 30, 2023	72,695	1.9	5,537	(0.9)	8,001	(6.5)	6,280	(13.5)

Note: Comprehensive income For the three months ended June 30, 2024: ¥15,520 million [(20.8%)]
 For the three months ended June 30, 2023: ¥19,606 million [3.6%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	35.04	-
June 30, 2023	25.16	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	432,274	266,654	59.7	1,058.62
June 30, 2023	415,445	256,134	59.6	1,015.74

Reference: Shareholder's Equity

As of June 30, 2024: ¥258,113 million

As of June 30, 2023: ¥247,659 million

CITIZEN WATCH CO., LTD.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		22.50	-	22.50	45.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Projected Consolidated Results for the Year ending March 31, 2025

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim term	151,000	(1.3)	11,000	(18.8)	12,200	(30.0)	12,500	(6.6)	51.27
Full term	310,000	(0.9)	23,000	(8.3)	25,500	(17.2)	22,000	(4.2)	90.23

Note: Revisions to the forecast of cash dividends most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

	As of	shares	As of	shares
(i) Total number of issued shares at the end of the period (including treasury shares)	June 30, 2024	246,000,000	March 31, 2024	246,000,000
(ii) Number of treasury stock at the end of period	June 30, 2024	2,179,003	March 31, 2024	2,178,601
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	June 30, 2024	243,821,172	June 30, 2023	249,631,314

- * Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)
- * Proper use of earnings forecasts, and other special matters

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 "Explanation of the Consolidated Earnings Projections and Other Forecasts" on page 6 for assumptions underlying the above forecasts and precautions regarding their use.

o(Attached Documents) Index

1. OVERVIEW OF OPERATING RESULTS AND FINANCIAL POSITION	5
(1) Overview of Operating Results for the Three Months Ended June 30, 2024.....	5
(2) Overview of Financial Position for the Three Months Ended June 30, 2024	6
(3) Explanation of the Consolidated Earnings Projections and Other Forecasts	6
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND PRIMARY NOTES.....	7
(1) Quarterly Consolidated Balance Sheet	7
(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income..	9
(3) Notes on Quarterly Consolidated Financial Statements	11
(Change in accounting policies)	11
(Notes to segment information)	12
(Notes regarding significant changes in shareholders' equity accounts)	12
(Notes related to of going concern assumption)	12
(Notes related to statement of cash flows)	13

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Three Months Ended June 30, 2024

During the first three months of the fiscal year under review, the Japanese economy weakened due to cautious consumer spending, the result of increased thriftiness in response to rising commodity prices. In the North American economy, consumer spending tended to slow despite an improvement in income and employment conditions thanks to a decrease in the inflation rate. The European economy maintained a recovery in consumer spending, albeit lacking strength, in response to a slowdown in rising commodity prices. In Asia, the Chinese economy remained sluggish, and the performance of other economies in the region varied depending on the country, despite the positive effect of a recovery in exports that produced a moderate recovery in consumer 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 75.8 billion yen (up 4.4% year on year), aided mainly by the solid performance of Watches. However, operating profit decreased 15.4% year on year to 4.6 billion yen. Ordinary profit decreased to 7.3 billion yen (down 8.2% year on year) while profit attributable to owners of parent increased to 8.5 billion yen (up 36.0% year on year) due to a gain on sale of investment securities.

Watches

In the domestic market, sales of Citizen brand watches increased, reflecting the strong performance of the premium brand, The CITIZEN, in addition to core brands such as ATTESA and xC, and the growth of inbound tourism-related demand, despite a decline in consumer confidence linked to high commodity prices.

Among overseas markets, sales in North America increased thanks to strong sales for distribution to jewelry retail chains and department stores and strong sales of new products. The European market also achieved sales growth due to the solid performance recorded mainly in the UK and Italy in response to a recovery in consumer spending. Sales in Asia decreased due to a significant fall in sales in China amid the weakening market, which outweighed recovery trends in Thailand and certain other markets.

Sales of Bulova brand watches rose thanks to strong sales for department store distribution and online retail, which offset weak sales for jewelry chain stores as the leading distribution channel in the mainstay North American market.

Sales of movements grew as a result of strong performance of value-added products led by mechanical movements, despite some weakness in major 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 41.1 billion yen (up 10.9% year on year). Operating profit fell to 3.6 billion yen (down 19.7% year on year) due to an increase in advertising expenses associated with 100th anniversary of the first "CITIZEN" watch.

Machine Tools

Sales in the domestic market declined due to a lack of recovery of automotive products in response to ongoing restraint on capital spending and slow sales of products related to semiconductors and construction equipment due to an uncertain market outlook. Sales in the overseas markets decreased given a limited appetite for capital expenditure, excluding that related to medical and jewelry, in the Americas and Europe, Chinese market despite sales increase, and absence of signs of recovery in other Asian markets.

As a result, net sales in the machine tools segment as a whole decreased to 17.9 billion yen (down 8.2% year on year). Operating profit decreased to 1.3 billion yen (down 43.9% year on year) due to lower sales and the product mix impact.

Devices and Components

Sales of automotive parts increased thanks to strong result in the overseas markets despite the impact of domestic market trends. Sales of small motors remain at the level of the previous year as a result particularly of the solid performance of medical products. Sales of quartz devices decreased due to a lack of recovery in demand of markets for PC- and IoT-related products. Sales of opto-devices also fell due to sluggish demand.

As a result, net sales for the devices and components segment as a whole decreased 10.5 billion yen (down 3.6% year on year) while operating profit increased to 0.4 billion yen (up 770.1% year on year) benefiting from favorable exchange rates.

Electronic and Other Products

Sales of information equipment rose as a result of sales of POS printers and bar code printers remaining at the level of the previous year thanks to a moderate recovery of the domestic and North American markets, stable demand for photo printers, and the release of new products. Sales of healthcare equipment decreased given ongoing weakness in demand for thermometers, which offset a recovery in blood pressure monitors.

As a result, the electronic and other products segment overall recorded increases in sales and profit, with net sales of 6.3 billion yen (up 21.8% year on year) and operating profit of 0.8 billion yen (up 476.1% year on year).

(2) Overview of Financial Position for the Three Months Ended June 30, 2024

Total assets at the end of the first three months of the consolidated fiscal year under review stood at 432.2 billion yen, an increase of 16.8 billion yen from the end of the previous consolidated fiscal year. Current assets increased by 17.2 billion yen, principally due to a 7.8 billion yen increase in cash and deposits and a 5.4 billion yen increase in inventories. Non-current assets decreased by 0.4 billion yen, mainly reflecting a 1.1 billion yen increase in total property, plant and equipment and a 2.8 billion yen decrease in investment securities.

Liabilities increased by 6.3 billion yen from the end of the previous consolidated fiscal year, to 165.6 billion yen. This was mainly due to increases of 1.3 billion yen in notes and accounts payable - trade and 2.1 billion yen in provision for bonuses.

Net assets increased by 10.5 billion yen from the end of the previous consolidated fiscal year, to 266.6 billion yen, chiefly reflecting increases of 3.6 billion yen in retained earnings and 8.7 billion yen in foreign currency translation adjustment.

(3) Explanation of the Consolidated Earnings Projections and Other 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, 2025 announced on May 13, 2024 in the Consolidated Financial Statements for the Year Ended March 31, 2024.

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

	(Millions of Yen)	
	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	81,312	89,132
Notes and accounts receivable - trade	57,754	58,964
Electronically recorded monetary claims - operating	3,056	3,091
Merchandise and finished goods	64,977	68,417
Work in process	26,472	27,033
Raw materials and supplies	24,600	26,087
Consumption taxes refund receivable	2,659	3,363
Other	8,178	10,275
Allowance for doubtful accounts	(1,272)	(1,335)
Total current assets	<u>267,741</u>	<u>285,030</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,146	43,638
Machinery, equipment and vehicles, net	18,634	18,804
Tools, furniture and fixtures, net	4,477	4,491
Land	10,529	10,635
Leased assets, net	7,722	7,785
Construction in progress	3,477	3,751
Total property, plant and equipment	<u>87,987</u>	<u>89,107</u>
Intangible assets		
Software	4,368	4,265
Other	837	881
Total intangible assets	<u>5,206</u>	<u>5,146</u>
Investments and other assets		
Investment securities	46,602	43,799
Long-term loans receivable	182	193
Deferred tax assets	6,058	6,150
Other	1,979	3,176
Allowance for doubtful accounts	(313)	(330)
Total investments and other assets	<u>54,510</u>	<u>52,989</u>
Total non-current assets	<u>147,703</u>	<u>147,243</u>
Total assets	<u>415,445</u>	<u>432,274</u>

CITIZEN WATCH CO., LTD.

	(Millions of Yen)	
	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,712	20,070
Electronically recorded obligations - operating	9,482	9,726
Notes payable - facilities	115	55
Electronically recorded obligations - non-operating	2,057	1,825
Short-term borrowings	10,077	10,175
Income taxes payable	2,315	4,161
Accrued expenses	12,252	13,206
Provision for bonuses	6,548	8,681
Provision for bonuses for directors (and other officers)	328	—
Provision for product warranties	1,264	1,265
Provision for loss on reorganization	104	101
Other	12,381	12,139
Total current liabilities	75,641	81,408
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	42,433	42,360
Deferred tax liabilities	5,334	5,407
Provision for loss on reorganization	5	5
Retirement benefit liability	16,777	17,496
Lease liabilities	7,380	7,264
Other	1,737	1,678
Total non-current liabilities	83,668	84,211
Total liabilities	159,310	165,620
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,739	33,739
Retained earnings	124,466	128,124
Treasury shares	(1,698)	(1,698)
Total shareholders' equity	189,156	192,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,561	14,904
Foreign currency translation adjustment	41,558	50,316
Remeasurements of defined benefit plans	382	78
Total accumulated other comprehensive income	58,502	65,299
Non-controlling interests	8,475	8,540
Total net assets	256,134	266,654
Total liabilities and net assets	415,445	432,274

CITIZEN WATCH CO., LTD.

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
 Quarterly Consolidated Statement of Income for the three months ended June 30, 2024

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	72,695	75,888
Cost of sales	42,143	43,661
Gross profit	<u>30,551</u>	<u>32,226</u>
Selling, general and administrative expenses	<u>25,014</u>	<u>27,542</u>
Operating profit	<u>5,537</u>	<u>4,684</u>
Non-operating income		
Interest income	330	364
Dividend income	470	425
Share of profit of entities accounted for using equity method	406	244
Foreign exchange gains	1,910	1,612
Other	105	137
Total non-operating income	<u>3,223</u>	<u>2,785</u>
Non-operating expenses		
Interest expenses	69	74
Commission for purchase of treasury shares	586	—
Other	103	47
Total non-operating expenses	<u>758</u>	<u>122</u>
Ordinary profit	<u>8,001</u>	<u>7,347</u>
Extraordinary income		
Gain on sale of non-current assets	11	392
Gain on sale of investment securities	554	4,866
Other	1	4
Total extraordinary income	<u>567</u>	<u>5,263</u>
Extraordinary losses		
Loss on retirement of non-current assets	26	14
Loss on sale of non-current assets	3	0
Impairment losses	2	—
Reorganization cost	2	0
Loss on valuation of investment securities	22	—
Other	4	1
Total extraordinary losses	<u>60</u>	<u>16</u>
Profit before income taxes	<u>8,508</u>	<u>12,593</u>
Income taxes	<u>2,287</u>	<u>4,039</u>
Profit	<u>6,220</u>	<u>8,554</u>
Profit (loss) attributable to non-controlling interests	<u>(59)</u>	<u>10</u>
Profit attributable to owners of parent	<u>6,280</u>	<u>8,543</u>

CITIZEN WATCH CO., LTD.

Quarterly Consolidated Statement of Comprehensive Income for the three months ended June 30, 2024

(Millions of Yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	6,220	8,554
Other comprehensive income		
Valuation difference on available-for-sale securities	2,922	(1,657)
Foreign currency translation adjustment	9,998	8,521
Remeasurements of defined benefit plans, net of tax	(32)	(305)
Share of other comprehensive income of entities accounted for using equity method	496	408
Total other comprehensive income	<u>13,385</u>	<u>6,966</u>
Comprehensive income	<u>19,606</u>	<u>15,520</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,492	15,339
Comprehensive income attributable to non-controlling interests	113	181

(3) Notes on Quarterly Consolidated Financial Statements

(Change in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) effective from beginning of the first quarter of the fiscal year under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter of the fiscal year under review. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Notes to segment information)

(i) 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.

(ii) Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

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	41,115	17,927	10,501	6,344	75,888	-	75,888
Inter-segment	17	68	510	163	759	(759)	-
Total	41,132	17,995	11,011	6,507	76,648	(759)	75,888
Segment profit or loss	3,641	1,314	418	864	6,239	(1,555)	4,684

(Notes)

1. The 1,555 million yen negative adjustment to segment income (Operating profit) includes 21 million yen in inter-segment eliminations and 1,576 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.

(Notes regarding significant changes in shareholders' equity accounts)

Not applicable

(Notes related to of going concern assumption)

Not applicable

CITIZEN WATCH CO., LTD.

(Notes related to statement of cash flows)

The Group has not prepared a quarterly consolidated statement of cash flows for the first three months of the fiscal year under review. Depreciation (including amortization of intangible assets) for the first three months of the fiscal year under review is as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2024
	Millions of yen	Millions of yen
Depreciation	2,778	3,311