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November 11, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: CITIZEN WATCH CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 7762
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 Scheduled date to file interim securities report: November 11, 2024
 Scheduled date to commence dividend payments: December 5, 2024
 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 six months ended September 30, 2024 (from April 1, 2024 to September 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	%
Six months ended September 30, 2024	156,516	2.3	12,328	(9.0)	12,266	(29.6)	12,279	(8.3)
September 30, 2023	152,924	3.5	13,542	9.6	17,417	3.7	13,388	5.9

Note: Comprehensive income For the six months ended September 30, 2024: ¥3,110 million [(89.5%)]
 For the six months ended September 30, 2023: ¥29,606 million [5.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	50.36	-
September 30, 2023	54.26	-

(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
September 30, 2024	410,242	254,272	60.0	1,008.56
March 31, 2024	415,445	256,134	59.6	1,015.74

Reference: Shareholder's Equity

As of September 30, 2024: ¥245,956 million
 As of March 31, 2024: ¥247,659 million

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	-	22.50			
Fiscal year ending March 31, 2025 (Forecast)			-	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
Full term	313,500	(0.2)	23,000	(8.3)	24,500	(20.5)	22,000	(4.2)	90.23

Note: Revisions to the forecast of cash dividends most recently announced: Yes

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of interim 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)	September 30, 2024	246,000,000	March 31, 2024	246,000,000
(ii) Number of treasury stock at the end of period	September 30, 2024	2,130,533	March 31, 2024	2,178,601
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	September 30, 2024	243,843,322	September 30, 2023	249,725,146

- * Interim financial results reports are exempt from review conducted by certified public accountants or an audit firm.
- * 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 7 for assumptions underlying the above forecasts and precautions regarding their use.

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1. OVERVIEW OF OPERATING RESULTS AND FINANCIAL POSITION

(1) Overview of Operating Results for the Six Months Ended September 30, 2024

During the interim consolidated accounting period under review, the Japanese economy weakened due to cautious consumer spending, the result of increased thriftiness in response to rising commodity prices. The North American economy was robust due to an improvement in income and employment conditions thanks to a decrease in the inflation rate. The European economy showed signs of recovery, albeit lacking strength in some areas, and consumer spending rebounded only modestly. In Asia, the Chinese economy remained sluggish, while in other economies in the region, the recovery in exports had a positive effect but the rebound in consumer was geographically uneven.

In this environment, the Citizen Group's consolidated results for the interim consolidated accounting period under review showed an increase in sales with net sales of 156.5 billion yen (up 2.3% year on year), aided mainly by the solid performance of Watches. However, operating profit decreased 9.0% year on year to 12.3 billion yen. Ordinary profit and profit attributable to owners of parents declined to 12.2 billion yen (down 29.6% year on year) and 12.2 billion yen (down 8.3% year on year), respectively.

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 rising commodity prices.

Among overseas markets, sales in North America increased thanks to the maintenance of solid sales for distribution to jewelry retail chains, department stores and specialty stores against the backdrop of a modest rebound in consumer spending. The European market achieved sales growth, reflecting the maintenance of solid performances mainly in the UK as well as the contribution of an advertising campaign in France. Sales in Asia decreased, reflecting falling sales in China as a result of the faltering economy, despite signs of recovery trends in Thailand and certain other markets.

Sales of Bulova brand watches increased, with growth in sales via online stores as well as solid sales for distribution to jewelry retail chains and department stores, which are the leading distribution channels in the mainstay North American market.

Sales of movements climbed due to solid sales of mechanical movements in the European and North American markets despite weakness of analog quartz movements in major market and signs of caution about purchases of mechanical movements reflecting the sluggish China market.

As a result, notwithstanding the limited recovery in consumer confidence under the impact of rising prices 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 84.7 billion yen (up 7.9% year on year). Operating profit fell to 9.4 billion yen (down 7.0% 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 growth in sales of products related to semiconductors and construction equipment due to an uncertain market outlook. Sales in the overseas markets decreased due to a limited appetite for capital expenditure, except in medical-related fields, in the Americas and Europe, which offset increased sales in Asian markets partly due to subsidies in China.

As a result, net sales in the machine tools segment as a whole decreased to 37.3 billion yen (down 9.7% year on year). Operating profit decreased to 3.0 billion yen (down 42.2% 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 fell mainly due to the impact of customer inventory adjustments. 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 fell due to sluggish demand.

As a result, net sales in the devices and components segment as a whole decreased to 20.7 billion yen (down 6.4% year on year), but operating profit increased to 0.5 billion yen (up 44.8% year on year) due to a reduction in fixed cost.

Electronic and Other Products

Sales of information equipment rose as a result of solid sales of POS printers and bar code printers in the domestic market, and in Europe and the Americas, as well as stable demand for photo printers, and steady progress with the sales expansion of new products. Sales of healthcare equipment increased, with weak sales of thermometers offset by growth in other areas such as e-commerce sales of blood pressure monitors.

As a result, the electronic and other products segment overall recorded increases in sales and profit, with net sales of 13.6 billion yen (up 26.3% year on year) and operating profit of 2.3 billion yen (up 250.0% year on year).

(2) Overview of Financial Position for the Six Months Ended September 30, 2024

As of the end of the interim consolidated accounting period under review, total assets had decreased by 5.2 billion yen from the end of the previous consolidated fiscal year, to 410.2 billion yen. Current assets increased by 3.5 billion yen, principally due to a 2.6 billion yen increase in cash and deposits. Non-current assets decreased 8.7 billion yen, mainly reflecting decline of 8.4 billion yen in investment securities.

Liabilities decreased by 3.3 billion yen from the end of the previous consolidated fiscal year, to 155.9 billion yen. This was mainly due to decreases of 0.8 billion yen in electronically recorded obligations - non-operating and 0.9 billion yen in deferred tax liabilities.

Net assets decreased by 1.8 billion yen from the end of the previous consolidated fiscal year, to 254.2 billion yen, chiefly reflecting decreases of 4.2 billion yen in valuation difference on available-for-sale securities and 4.7 billion yen in foreign currency translation adjustment, which offset an increase of 7.3 billion yen in retained earnings.

(3) Explanation of the Consolidated Earnings Projections and Other Forecasts

Looking at economic conditions, we anticipate a moderate recovery. Nonetheless, the outlook remains uncertain, chiefly due to the sluggish economy in China, persistent concern over inflation and the direction of economic policies following the U.S. presidential elections.

For the Company, in the mainstay watches segment, sales of CITIZEN brand watches remained strong, mainly in the domestic market. In movements, however sales of analog quartz movements remained weak while sales of mechanical movements for China were lower than expected. In finished products, sales fell short of projections in the Asia region, including China.

The machine tools segment is expected to trend toward a moderate recovery despite ongoing caution towards investment. On the other hand, the devices and components segment is struggling given a slower-than-expected recovery in the market for automotive components, among other factors. Meanwhile, in the electronic and other products segment, sales are expected to be in line with the plan in the third quarter and beyond, reflecting the stabilization of sales of new photo printers, which remained strong during the first six months under review.

Taking the above factors into account, the Company has revised its forecasts for full-year overall financial results and those for full-year financial results by business segment as follows.

The foreign exchange rates in the third quarter of the fiscal year under review and thereafter are assumed to be 145 yen against the U.S. dollar and 155 yen against the euro.

Revision of consolidated earnings forecast for the fiscal year ending March 31, 2025
(from April 1, 2024 to March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Forecast previously announced (May 13, 2024)	Millions of yen 310,000	Millions of yen 23,000	Millions of yen 25,500	Millions of yen 22,000	Yen 90.23
(November 11, 2024)	313,500	23,000	24,500	22,000	90.23

Revision of full-year segment forecasts for the fiscal year ending March 31, 2025
(from April 1, 2024 to March 31, 2025)

	Watches	Machine Tools	Devices and components	Electronic and other products	Eliminations or general corporate	Totals
Net sales Forecast previously announced (May 13, 2024)	Millions of yen 171,500	Millions of yen 73,000	Millions of yen 42,500	Millions of yen 23,000	Millions of yen -	Millions of yen 310,000
Net sales (November 11, 2024)	172,500	75,000	41,000	25,000	-	313,500
Operating profit Forecast previously announced (May 13, 2024)	20,500	6,600	800	1,500	(6,400)	23,000
Operating profit (November 11, 2024)	19,100	6,600	600	3,000	(6,300)	23,000

2. Consolidated Financial Statements and Primary Notes**(1) Interim consolidated balance sheet**

	(Millions of Yen)	
	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	81,312	83,971
Notes and accounts receivable - trade	57,754	57,144
Electronically recorded monetary claims - operating	3,056	2,978
Merchandise and finished goods	64,977	66,446
Work in process	26,472	26,295
Raw materials and supplies	24,600	24,467
Consumption taxes refund receivable	2,659	1,678
Other	8,178	9,585
Allowance for doubtful accounts	(1,272)	(1,290)
Total current assets	267,741	271,277
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,146	42,068
Machinery, equipment and vehicles, net	18,634	18,528
Tools, furniture and fixtures, net	4,477	4,527
Land	10,529	10,620
Leased assets, net	7,722	6,725
Construction in progress	3,477	4,942
Total property, plant and equipment	87,987	87,413
Intangible assets		
Software	4,368	4,379
Other	837	803
Total intangible assets	5,206	5,183
Investments and other assets		
Investment securities	46,602	38,156
Long-term loans receivable	182	171
Deferred tax assets	6,058	5,465
Other	1,979	2,911
Allowance for doubtful accounts	(313)	(303)
Allowance for investment loss	—	(34)
Total investments and other assets	54,510	46,368
Total non-current assets	147,703	138,964
Total assets	415,445	410,242

CITIZEN WATCH CO., LTD.

(Millions of Yen)

As of March 31, 2024 As of September 30, 2024

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,712	18,964
Electronically recorded obligations - operating	9,482	10,226
Notes payable - facilities	115	18
Electronically recorded obligations - non-operating	2,057	1,205
Short-term borrowings	10,077	25,143
Income taxes payable	2,315	3,506
Accrued expenses	12,252	12,036
Provision for bonuses	6,548	6,462
Provision for bonuses for directors (and other officers)	328	—
Provision for product warranties	1,264	1,185
Provision for loss on reorganization	104	61
Other	12,381	9,989
Total current liabilities	75,641	88,798
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	42,433	27,333
Deferred tax liabilities	5,334	4,364
Provision for loss on reorganization	5	5
Retirement benefit liability	16,777	17,515
Lease liabilities	7,380	6,297
Other	1,737	1,654
Total non-current liabilities	83,668	67,170
Total liabilities	159,310	155,969
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,739	33,739
Retained earnings	124,466	131,860
Treasury shares	(1,698)	(1,668)
Total shareholders' equity	189,156	196,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,561	12,355
Foreign currency translation adjustment	41,558	36,844
Remeasurements of defined benefit plans	382	175
Total accumulated other comprehensive income	58,502	49,375
Non-controlling interests	8,475	8,316
Total net assets	256,134	254,272
Total liabilities and net assets	415,445	410,242

CITIZEN WATCH CO., LTD.

(2) Interim consolidated statement of comprehensive income
Interim consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	152,924	156,516
Cost of sales	88,338	88,768
Gross profit	64,585	67,748
Selling, general and administrative expenses	51,042	55,420
Operating profit	13,542	12,328
Non-operating income		
Interest income	590	767
Dividend income	523	472
Share of profit of entities accounted for using equity method	750	344
Subsidy income	10	31
Foreign exchange gains	2,838	—
Other	170	235
Total non-operating income	4,883	1,851
Non-operating expenses		
Interest expenses	177	154
Commission for purchase of treasury shares	586	—
Bond issuance costs	53	—
Foreign exchange losses	—	1,592
Other	190	165
Total non-operating expenses	1,008	1,912
Ordinary profit	17,417	12,266
Extraordinary income		
Gain on sale of non-current assets	31	446
Gain on sale of investment securities	554	4,866
Other	6	5
Total extraordinary income	592	5,318
Extraordinary losses		
Loss on retirement of non-current assets	234	24
Loss on sale of non-current assets	21	1
Impairment losses	2	8
Reorganization cost	5	1
Loss on valuation of investment securities	14	—
Provision of allowance for investment loss	—	34
Other	11	0
Total extraordinary losses	288	71
Profit before income taxes	17,721	17,513
Income taxes	4,381	5,150
Profit	13,339	12,363
Profit (loss) attributable to non-controlling interests	(48)	83
Profit attributable to owners of parent	13,388	12,279

CITIZEN WATCH CO., LTD.

Interim consolidated statement of comprehensive income

(Millions of Yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	13,339	12,363
Other comprehensive income		
Valuation difference on available-for-sale securities	2,627	(4,206)
Foreign currency translation adjustment	12,899	(4,467)
Remeasurements of defined benefit plans, net of tax	42	(210)
Share of other comprehensive income of entities accounted for using equity method	697	(368)
Total other comprehensive income	16,266	(9,252)
Comprehensive income	29,606	3,110
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	29,418	3,152
Comprehensive income attributable to non-controlling interests	188	(41)

CITIZEN WATCH CO., LTD.

(3) Interim consolidated statement of cash flows

	(Millions of Yen)	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	17,721	17,513
Depreciation	5,867	6,639
Increase (decrease) in provisions	(532)	(426)
Increase (decrease) in retirement benefit liability	187	528
Interest and dividend income	(1,113)	(1,240)
Interest expenses	177	154
Subsidy income	(10)	(31)
Loss (gain) on sale of investment securities	(554)	(4,866)
Loss (gain) on valuation of investment securities	14	—
Loss (gain) on sale of non-current assets	(10)	(444)
Loss on retirement of non-current assets	234	24
Impairment losses	2	8
Decrease (increase) in trade receivables	(209)	(1,257)
Decrease (increase) in inventories	(8,172)	(3,380)
Increase (decrease) in trade payables	(2,706)	2,565
Other, net	5,082	(930)
Subtotal	15,978	14,857
Interest and dividends received	1,118	1,234
Interest paid	(179)	(157)
Income taxes refund (paid)	(1,205)	(2,565)
Subsidies received	10	31
Net cash provided by (used in) operating activities	15,721	13,399
Cash flows from investing activities		
Purchase of investment securities	(0)	(1)
Proceeds from sale of investment securities	2,733	5,901
Purchase of property, plant and equipment	(8,003)	(7,473)
Proceeds from sale of property, plant and equipment	103	463
Purchase of intangible assets	(910)	(796)
Loan advances	(1)	—
Proceeds from collection of loans receivable	1	—
Payments into time deposits	(966)	(470)
Proceeds from withdrawal of time deposits	2,457	749
Other, net	(224)	(902)
Net cash provided by (used in) investing activities	(4,810)	(2,529)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8)	(24)
Proceeds from long-term borrowings	1,000	—
Repayments of long-term borrowings	(1,014)	(15)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Dividends paid	(4,923)	(4,885)
Dividends paid to non-controlling interests	(120)	(113)
Purchase of treasury shares	(12,889)	(1)
Proceeds from sale of treasury shares	0	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	—
Other, net	(628)	(811)
Net cash provided by (used in) financing activities	(18,584)	(5,851)
Effect of exchange rate change on cash and cash equivalents	5,385	(2,071)
Net increase (decrease) in cash and cash equivalents	(2,288)	2,945
Cash and cash equivalents at beginning of period	79,201	80,338
Cash and cash equivalents at end of period	76,912	83,284

(4) Notes to Interim Consolidated Financial Statements

(Notes related to of going concern assumption)

Not applicable

(Notes regarding significant changes in shareholders' equity accounts)

Not applicable

(Changes 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 interim consolidated accounting period 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 interim 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 interim consolidated accounting period under review. This change in accounting policies is applied retrospectively, and interim consolidated financial statements and consolidated financial statements for the previous interim consolidated accounting period and previous fiscal year are after retrospective application. This change in accounting policies has no impact on the interim consolidated financial statements for the previous interim consolidated accounting period and the consolidated financial statements for the previous fiscal year.

CITIZEN WATCH CO., LTD.

(Segment information)

I. Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. 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	78,507	41,432	22,198	10,786	152,924	-	152,924
Inter-segment	38	70	866	333	1,310	(1,310)	-
Total	78,546	41,503	23,064	11,119	154,234	(1,310)	152,924
Segment profit or loss	10,203	5,220	400	675	16,499	(2,956)	13,542

(Notes) 1. The 2,956 million yen negative adjustment to segment income (Operating profit) includes 41 million yen in inter-segment eliminations and 2,997 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.

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

Not applicable.

II. Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

1. 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	84,715	37,396	20,787	13,617	156,516	-	156,516
Inter-segment	34	272	996	333	1,637	(1,637)	-
Total	84,750	37,668	21,783	13,951	158,154	(1,637)	156,516
Segment profit or loss	9,484	3,018	579	2,364	15,447	(3,119)	12,328

(Notes) 1. The 3,119 million yen negative adjustment to segment income (Operating profit) includes 39 million yen in inter-segment eliminations and 3,159 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.

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

Not applicable.