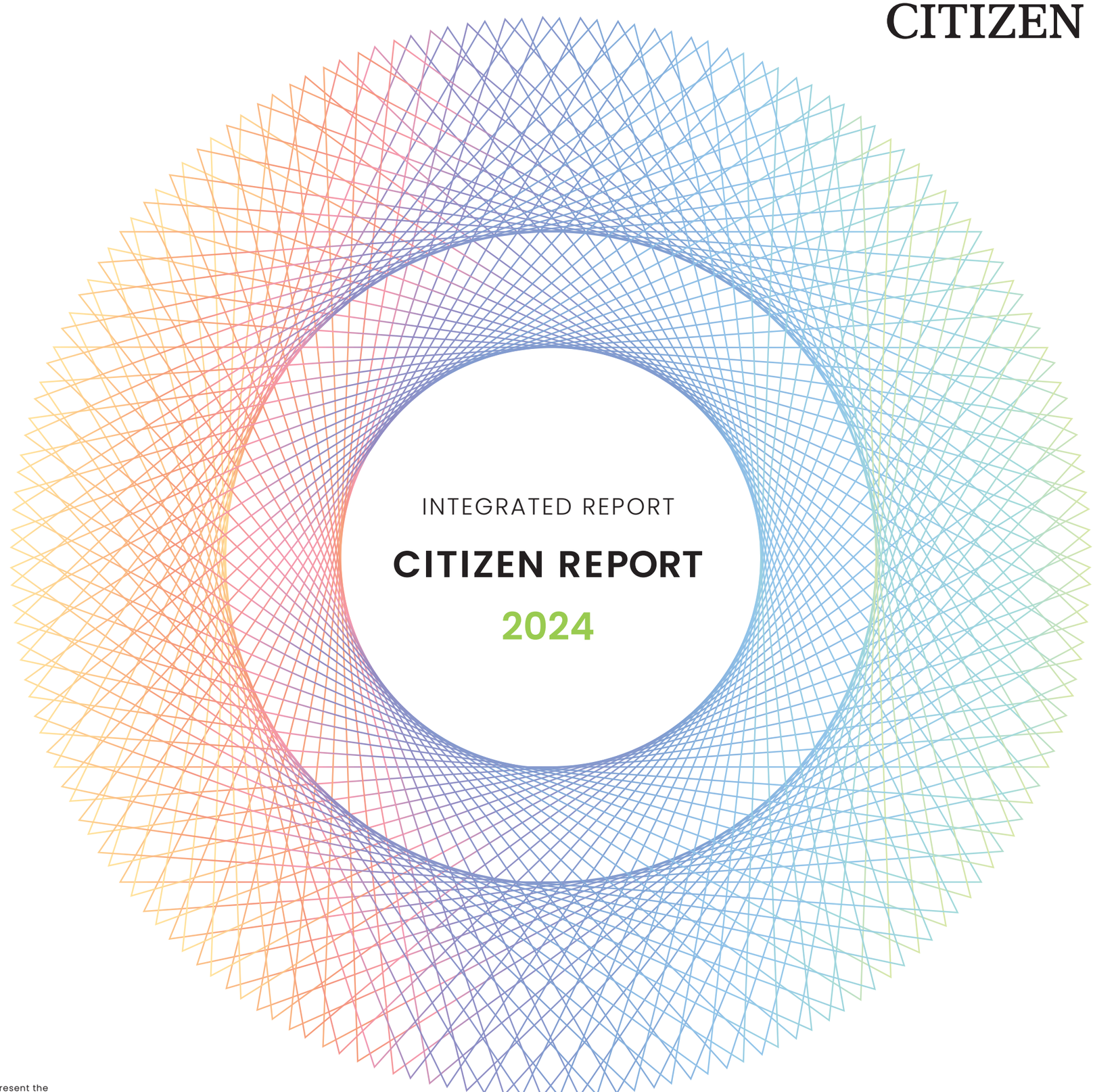
CITIZEN

CITIZEN



INTEGRATED REPORT

CITIZEN REPORT

2024

CITIZEN WATCH CO., LTD.

https://www.citizen.co.jp/global

Front Cover Visual Concept

The regularly connected lines of the front cover visual represent the sophisticated precision technological capabilities of the CITIZEN Group, while the expanding circle of double gradations represents a prosperous future leading to the next generation.

2024.11

Corporate Philosophy

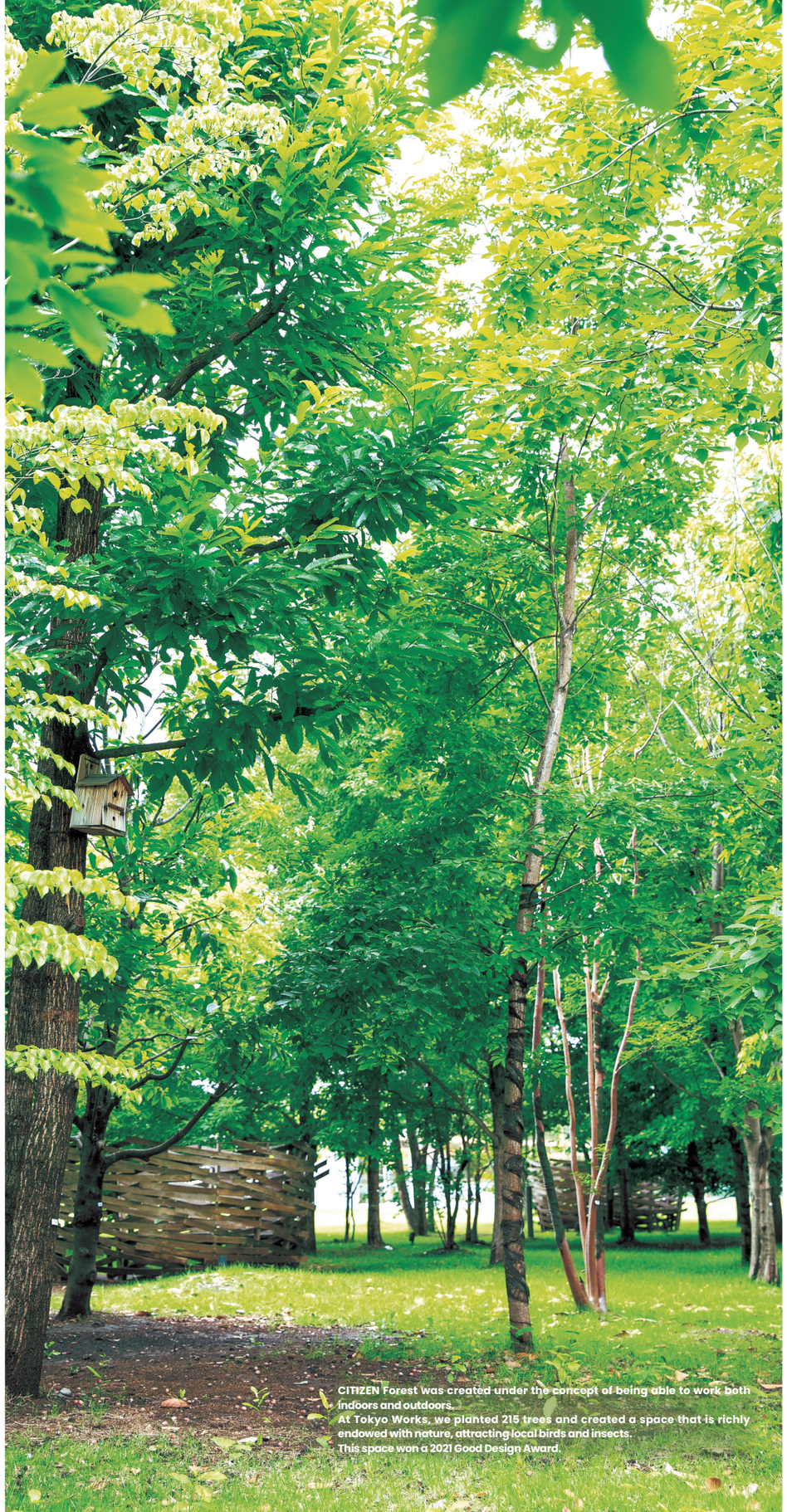
Loved by citizens, working for citizens.

CITIZEN's corporate philosophy, "Loved by citizens, working for citizens" is
to deeply contribute to the lives of people around the world
through the manufacturing of products that are loved and trusted by citizens.



CITIZEN CALIBRE 16

The first pocket watch completed using a proprietary design in 1924, It was named "CITIZEN" by the mayor of Tokyo at the time in the hope that it would be widely loved by citizens for a long time.



CITIZEN Forest was created under the concept of being able to work both indoors and outdoors.
At Tokyo Works, we planted 215 trees and created a space that is richly endowed with nature, attracting local birds and insects.
This space won a 2021 Good Design Award.

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History of the CITIZEN Group

1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020 2030

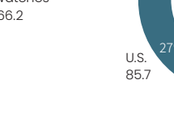
1918
Shokosha Watch Research Institute, the predecessor of Citizen Watch Co., Ltd., was established



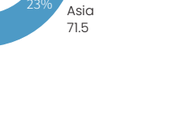
1924
First pocket watch



1931
[CITIZEN F],
CITIZEN's first wristwatch



1936
Internalized manufacturing of precision machinery for watch production [AL-1]



1952
First domestically produced watch with calendar [Calendar]



1956
The first shock-resistant watch movement made in Japan [Parashock]

1957
Cam-operated automatic lathe

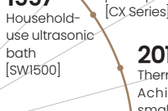
1959
The first fully waterproof watch made in Japan [Parawater]

1961
External sales of LFV Technology Friction bonding technology machine tools commenced

1964
Expansion into the office equipment field

1970
World's first automatic NC lathe [D16]

1970
The world's first titanium wristwatch [X-8 Cosmotron Chronometer]



1976
The world's first solar-powered analog watch [Crystron Solar Cell]



1976
Production of crystal units and crystal oscillators commenced

1983
Mass production of the world's first surface-mounted chip LEDs commenced

1983
IC sensor electronic thermometer [CT-20] featuring the world's first IC sensor

1986
Sliding headstock type NC automatic lathe long-selling model [L16]

1990
Manufacturing of automotive parts commenced

1993
The world's first multi-band radio-controlled watch [Cal. 7400]



1996
Introduction of networked machines [L20]

1997
Household-use ultrasonic bath [SW1500]

2007
Digital thermal ink-transfer photo printer for businesses [CX Series]

2011
Highly efficient LED for lighting [COB Series]

2011
The world's first watch capable of receiving satellite signals [Eco-Drive Satellite Wave]

2008
Acquisition of Bulova Corporation shares

2011
Citizen Machinery Co., Ltd., and Miyano Machinery Inc. merged

2012
Acquisition of Prothor Holding SA shares

2013
Compact linear motor galvanoscanner [GVM Series]

2013
Multi-station machining cell [MC20]



2016
The world's thinnest light-powered watch with a movement just 1 mm thick [Eco-Drive One]



Acquisition of Frederique Constant shares

2018
Friction bonding technology



2021
Mechanical models featuring a completely new mechanical movement [The CITIZEN]



LFV
LFV Technology



Watches

Top class share in the U.S. middle-range market
A global leader in movement sales

Electronic and Other Products

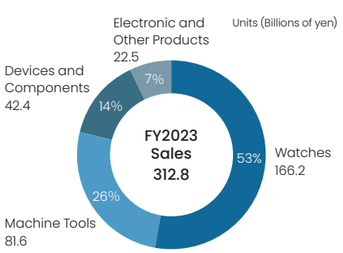
Application of small precision technology

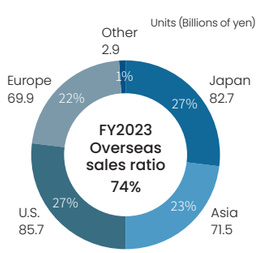
Devices and Components

Application of precision processing technologies developed in the assembly of watch parts

Machine Tools

A leading world share for small and midsized CNC automatic lathes





Materiality

Risks and Opportunities
(Awareness of the external environment)

Responding to climate change and contributing to a recycling-oriented society

Contributing to a better quality of life

Providing solutions in industry fields

Increasing job satisfaction and human resources

Fulfilling social responsibility

Inputs As of March 2024

Financial Capital

Total assets
415.4 billion yen
Net assets
256.1 billion yen

Intellectual Capital

Number of patents that the Group holds
approximately 5,000
Number of trademarks that the Group holds
more than 5,000

Manufactured Capital

Amount of capital investment
22.0 billion yen
Production system centered on Japan, China, and Thailand

Social Capital

Global supply chain network

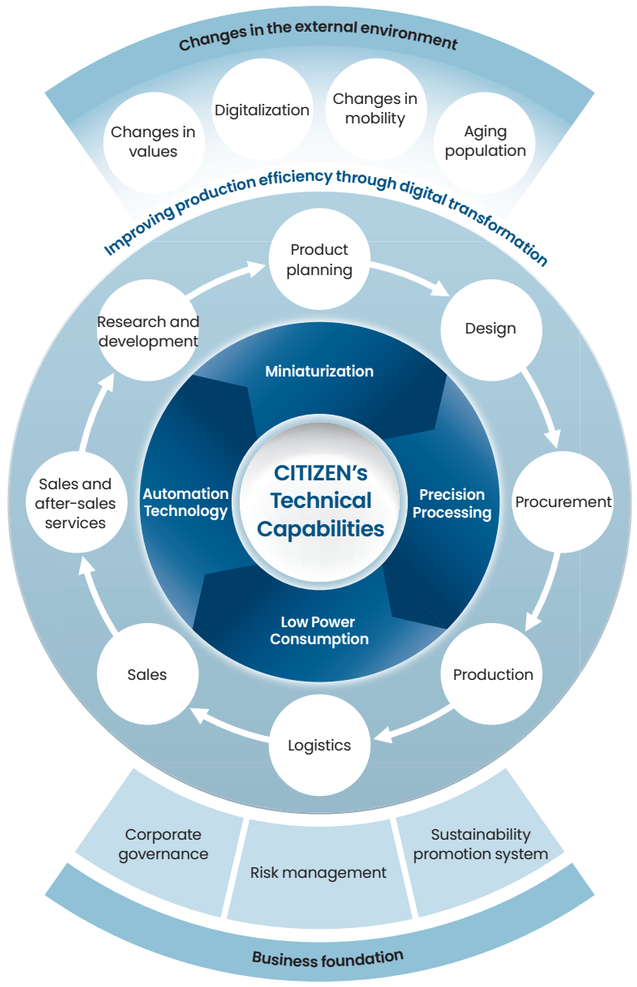
Human Capital

Number of employees 14,817

Natural Capital

Total energy consumption
1,111,000GJ
Water intake
1,674,000㎥
Recycling rate
92%

Sustainable management



Provide sustainable products

Watches



Machine tools



Devices and components



Electronic and other products

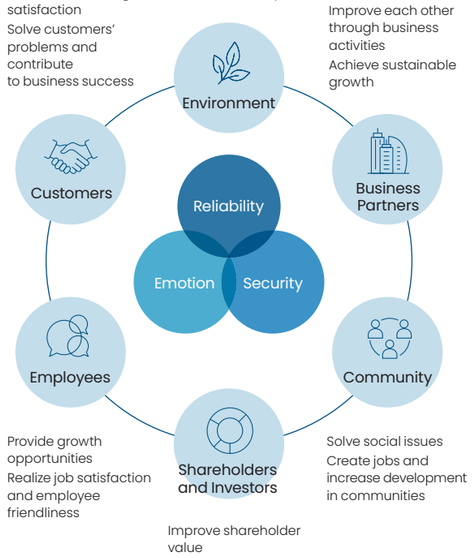


Outcomes

Give customers excitement and high satisfaction
Solve customers' problems and contribute to business success

Engage in business activities that reduce environmental impact

Improve each other through business activities
Achieve sustainable growth



Provide growth opportunities
Realize job satisfaction and employee friendliness

Improve shareholder value

Solve social issues
Create jobs and increase development in communities

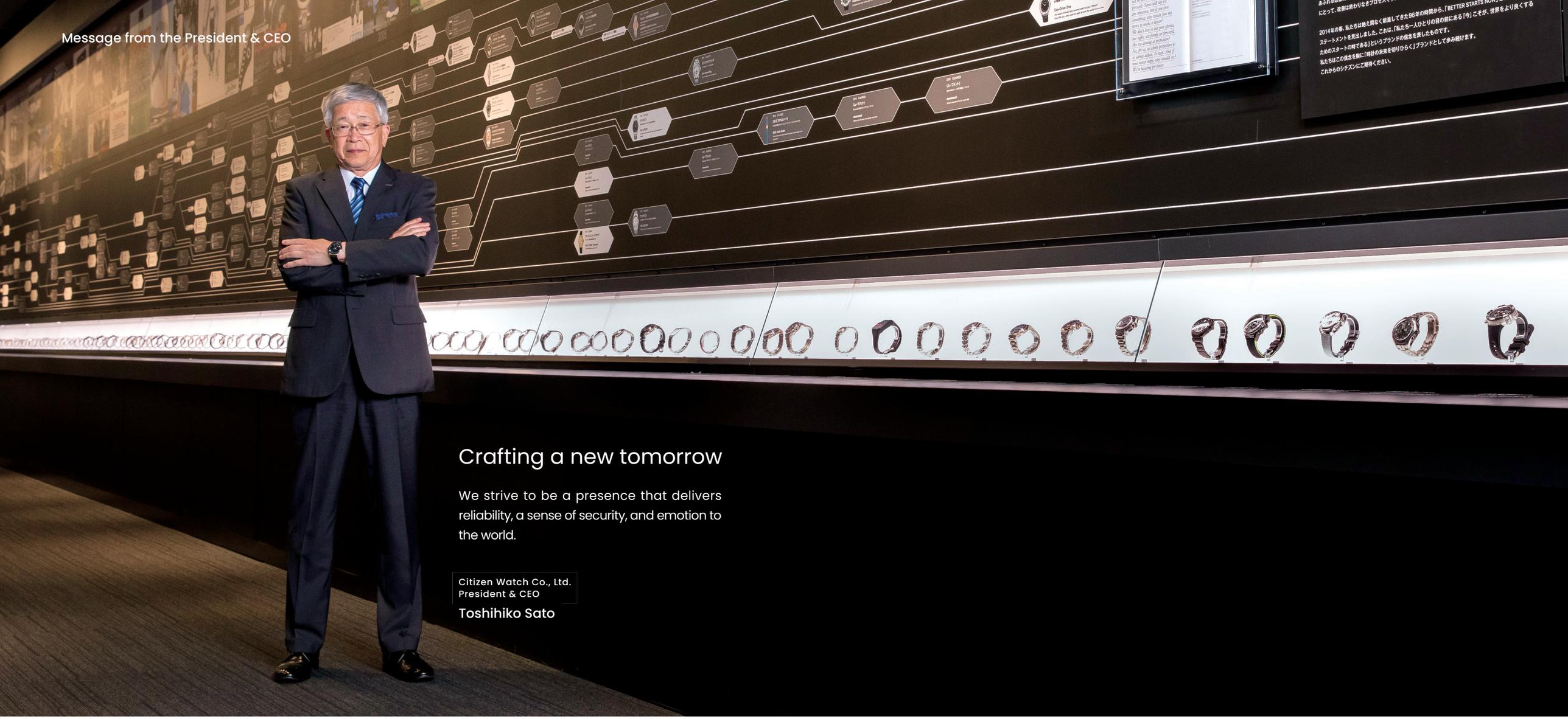
Vision

Corporate Philosophy

Loved by citizens, working for citizens.

CITIZEN Group long-term vision

Crafting a new tomorrow



Crafting a new tomorrow

We strive to be a presence that delivers reliability, a sense of security, and emotion to the world.

Citizen Watch Co., Ltd.
President & CEO
Toshihiko Sato

Review of FY2023

As we entered FY2023, there was a sense of optimism regarding the global recovery of economic activity as the impact of the COVID-19 pandemic began to wane. However, the business landscape soon became challenging, with conflicts escalating in some regions and the number of natural disasters increasing. Despite these obstacles, we have remained steadfast in our commitment to our long-term vision, "Crafting a new tomorrow." Guided by this vision, we are taking aggressive steps to turn our efforts into tangible success.

FY2024 will be the final year of our Medium-term Management Plan 2024. Our Watches and Machine Tools businesses will continue to be the key drivers of growth for the Group. In the coming year, we are focused on expanding the Watches business and revitalizing the revenue growth of the Machine Tools business.

Sustainable Management to Realize Our Long-term Vision

For more than 100 years, the CITIZEN Group has been dedicated to delivering safe and reliable products and services. As we look ahead, we aim to go beyond just providing security and reliability—we want to create products that also evoke emotions. Our mission is to enhance people's lives, both materially and emotionally, and to pass that richness on to future generations.

In response to the increasing frequency of extreme weather events worldwide, strengthening efforts to address climate change has become an urgent priority for businesses. At the CITIZEN Group, we have established the CITIZEN Group Environmental Vision 2050, which promotes the use of renewable energy and energy-saving initiatives, with the goal of achieving net-zero greenhouse gas emissions from our factories and offices by 2050. In line with this vision, we are accelerating our actions toward carbon neutrality by 2050 while continuing to proactively disclose information as required by external evaluation organizations and various stakeholders.

In FY2023, we launched the Sustainable Products Certification System, establishing certification criteria across our business units and selecting the products to be certified. In FY2024, we plan to refine the methods for calculating sales from certified products, and in and after FY2025, we aim to demonstrate how we will contribute to solving the challenges society faces while continuing to grow our business.

In addition, the CITIZEN Group supports the principles of the Taskforce on Nature-related Financial Disclosures (TNFD)* and has joined the TNFD Forum, a stakeholder organization that helps develop a framework for information disclosure. Through our CITIZEN Group Biodiversity Vision, we recognize the critical roles that biodiversity and ecosystem services play, as well as the impact our business activities have on them. We are committed to conserving biodiversity in collaboration with local communities.

Toward a Sustainable Society

At the CITIZEN Group, we have identified our material issues—key factors crucial for enhancing long-term corporate value—by examining both our business activities and operational foundations from internal and external perspectives. Considering medium- to long-term environmental changes and megatrends, we have chosen to focus on five key areas: responding to climate change and contributing to a recycling-oriented society, contributing to a better quality of life, providing solutions in the industrial sector, enhancement of job satisfaction and developing human resources, and fulfilling our social responsibility.

Among these, addressing climate change is our highest priority. We are proactively advancing energy-saving initiatives and using renewable energy at all of our factories and offices to reduce greenhouse gas emissions.

* The Taskforce on Nature-related Financial Disclosures (TNFD) was established in 2021 as an international initiative to promote the disclosure of non-financial information following the establishment of the Task Force on Climate-related Financial Disclosures (TCFD). The TNFD aims to build a framework for companies to disclose risks and opportunities related to the natural environment and biodiversity, ultimately guiding investments toward protecting natural capital and enhancing biodiversity.

In FY2023, we installed solar power generation equipment at the Miyota Saku Plant in Saku-shi, Nagano Prefecture, which is one of the world's largest watch movement assembly plants. This project has led to annual CO_2 emission reduction of approximately 714.9 tons, the largest achieved by any of the CITIZEN Group's domestic or overseas facilities. In addition, Citizen Machinery installed solar panels at its precision machining plant at its Karuizawa Headquarters, and Citizen Finedevice installed similar equipment at its Kitamimaki Plant in Tomi-shi, Nagano Prefecture.
Meanwhile, Citizen Machinery Philippines Inc. has transitioned to purchasing 100% of its electricity from a geothermal energy supplier, completely eliminating CO_2 emissions from its use of electricity.
We will continue to embrace renewable energy throughout the entire Group. By partnering with customers and business partners, we aim to reduce greenhouse gas emissions throughout the supply chain, contributing to the realization of a sustainable society.

CITIZEN's Environmentally Friendly Technological Capabilities

The CITIZEN Group is a manufacturing-driven company with advanced technological capabilities honed through its Watches business. These technological capabilities, which we have continued to refine to achieve high-precision manufacturing, have evolved into four core strengths: miniaturization, precision processing, automation technology, and low power consumption. These strengths have allowed us to expand into a wide range of business fields, such as Machine Tools, Devices and Components, and Electronic and Other Products.
In particular, the strength of low power consumption is an environmentally friendly technology that also leads to customer value. For example, since Citizen Watch launched the world's first solar-powered analog watch in 1976, our Eco-Drive solar power generation technology has been installed in many Citizen products and has been marking the passage of time with customers for many years. With the growing awareness of sustainability in today's society, its reputation is spreading to countries around the world. Times are changing significantly, and more dramatically, but we believe that watches are rare, and have universal value. Mechanical watches, in particular, have a history spanning around 1,000 years and are still developing today. No matter how much digitization progresses, these watches will remain for as long as human beings themselves continue to exist as analog beings. We will continue to strengthen our investments and focus on creating products that will be loved for a long time.
Our Machine Tools business has also achieved steady growth by responding to customer demand for precise, stable, energy-efficient, and highly productive manufacturing solutions. To meet this ever-expanding demand, we have augmented our production capacity and service systems, laying a strong foundation for further growth. In addition, the nature reserve located on the grounds of Citizen Machinery's headquarters has been recognized as a Nature Symbiosis Site* by Japan's Ministry of the Environment, marking our commitment to preserving habitats for rare species and promoting biodiversity.

Enhancing Human Resource Development and Diversity

As part of our long-term vision for FY2030, the CITIZEN Group is committed to creating an environment where each and every employee contributes to the realization of the Group's long-term vision and feels pride in working for CITIZEN. To make this vision a reality, we are pushing forward with three key initiatives across the Group: enhancing employee engagement, fostering collaboration in the development of talented transformational and managerial employees, and promoting diversity and inclusion. We provide a range of training and development opportunities, including reskilling programs for managers, transformation promotion training, and data science courses. As part of our efforts to promote diversity and the success of our talented employees, we are systematically developing and expanding the number of women in managerial positions by increasing the percentage of female employees, and encouraging more male employees to take paternity leave. We believe that the personal growth of each employee leads to the creation of new value, not only driving the growth of business but also contributing to value creation for a wider range of stakeholders. With this in mind, we will continue to support the growth of our employees.
Our ultimate goal is to become a presence that delivers reliability, security, and emotion to the world, which will lead us to the achievement of our long-term vision, "Crafting a new tomorrow." This vision has inspired a more proactive approach to business activities across the CITIZEN Group. We sincerely appreciate your continued support as we work toward our long-term goals.

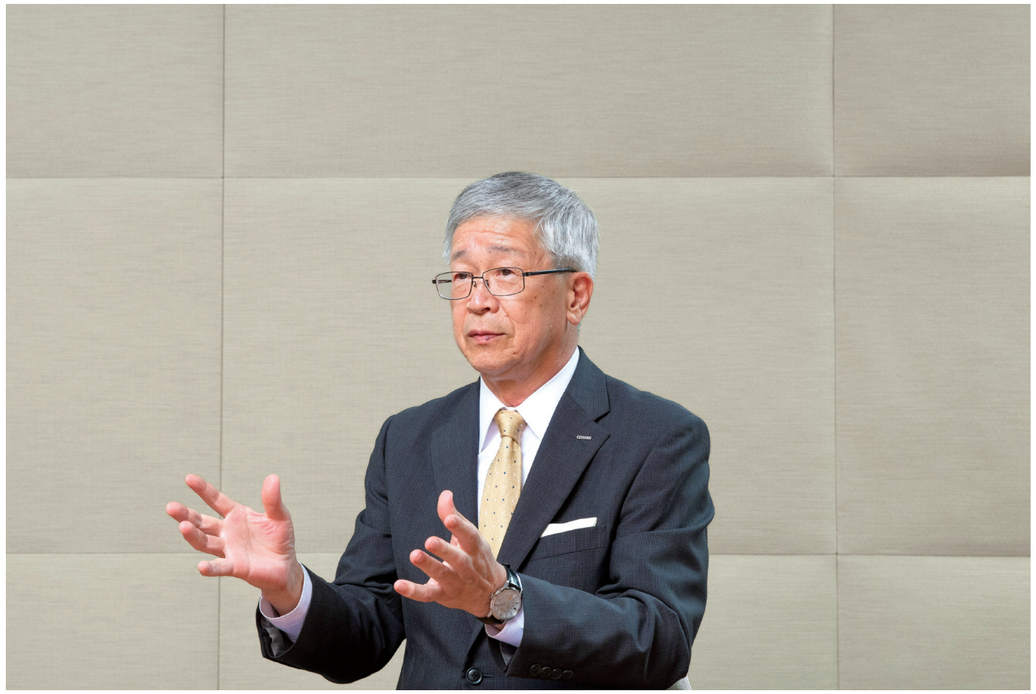


Solar power provides 20.4% of the electricity used at the Miyota Saku Plant



Plebejus argyrognomon, a butterfly, is listed as Endangered (EN) in the Ministry of the Environment's 2020 Red List, and as Vulnerable (VU) in Nagano Prefecture's 2015 Red List

* A Nature Symbiosis Site is part of Japan's contribution to the international 30×30 target. These areas, where biodiversity is preserved through private initiatives, are officially recognized by the government.
The designated sites are registered in an international database as Other Effective Area-Based Conservation Measures (OECMs) and contribute to the global goal of achieving nature positivity.



CITIZEN OF THE YEAR

The CITIZEN OF THE YEAR award embodies the CITIZEN Group's corporate philosophy: Loved by citizens, working for citizens. CITIZEN OF THE YEAR was launched in 1990 and is now in its 34th year. Each year, Japanese people and non-Japanese people living in Japan are selected and honored as citizens (individuals or organizations) who have emotionally moved or contributed to the development of civil society, or the creation of happiness and attractiveness.
An attitude of focusing on citizens—as encouraged by our corporate philosophy—and honoring activities whereby citizens contribute to civil society and learning from such citizens together has been fostered as part of CITIZEN's corporate culture. At first glance, business activities and social activities might seem to point in different directions, but they really share the common value of "contributing to citizens." This award is one activity that enables Group employees to embody our long-term vision of "Crafting a new tomorrow" by experiencing actions that inspire people around the world through the social activities of the award winners.
ESG initiatives should not be addressed separately, but rather approached as integrated efforts. Environmental initiatives must be central to our business activities and seen as challenges that we must solve together. As a Group, we have a strong desire to become a presence that delivers reliability, a sense of security, and emotion to the world, "Crafting a new tomorrow." Even in our daily business activities, we are mindful of our philosophy of being "loved by citizens, working for citizens." Every Group employee uses this corporate philosophy as a guideline for their actions and judgment criteria. We believe that this strong belief will give rise to the power to change society.



See page 32
CITIZEN OF THE YEAR

CITIZEN OF THE YEAR (Japanese)
https://www.citizen.co.jp/coy/index.html

Watches

Entering a new growth stage

Celebrating 100 years of our brand's existence,
we are now taking the first steps toward the next century of growth.

Managing Director
Yoshitaka Oji



Medium-term Management Plan 2024 Results and Progress in the Second Year of the Plan

In FY2023, we encountered several unexpected challenges. The sharper-than-anticipated slowdown of the Chinese market caused growth across the Asia region to stall, and the global recovery of the women's watches segment remained sluggish. Despite these hurdles, strong sales in North America and Europe helped stabilize our results as a whole. We have begun to benefit from initiatives we launched in FY2022, the first year of the Medium-term Management Plan 2024, including increasing unit sales prices and strengthening our global business model, aided by the favorable depreciation of the yen.

In the broader watch market, high-end products have continued to grow stably while lower-priced products are experiencing ongoing declines. This has resulted in an expansion of the market in terms of value, but a contraction in volume. To adapt to this trend and continue to increase our unit sales prices, we have focused on enhancing the value of our products and having pricing appropriately reflect that value. We have also shifted the focus of our marketing activities from highlighting functional benefits to emphasizing emotional value. At the same time, we have revisited our entire production process from the assembly line to structural design to produce higher-quality products while reducing costs.

While progress has been steady, I expect that we will face new challenges in FY2024, the final year of our Medium-term Management Plan. The last two years were largely about recovering from the impact of the COVID-19 pandemic. For our Watches business to continue to grow, we must transition to the next stage of our development. The year 2024 is the 100th anniversary of the CITIZEN brand, and I believe it is our first milestone toward a new century of growth.

Results and Progress of Our Global Brand Strategy

We have positioned PROMASTER and CITIZEN L as key global brands with strong growth potential, and we are working to expand their presence in global markets.

PROMASTER has earned widespread recognition as a professional sports watch brand around the world. In celebration of the brand's 35th anniversary this year, we are introducing the Eco-Drive COMBINATION WATCH, a digital-analog field watch featuring the newly developed Cal. U822 movement, further solidifying our position in the global market.

CITIZEN L, our sustainable watch brand that honors both the environment and people, has steadily gained recognition for its commitment to preserving the beauty and wonder of our planet for future generations. Last year's model, which was inspired by May bells, performed exceptionally well on the global market.

Looking ahead to FY2024, we plan to launch a full-scale international rollout of Series 8, our mechanical watch line that combines design and practicality. Our goal is to enhance our presence in the mechanical watch segment and establish Series 8 as a brand of choice in the global marketplace.

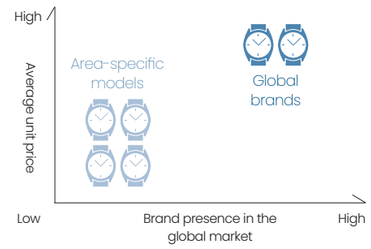
Medium-term Management Plan 2024 Watch Business Numerical Targets

Net sales	Operating profit	Operating profit margin
160.0 billion yen	14.5 billion yen	9.0%

Medium-term Management Plan 2024 CITIZEN Brand Global Strategy

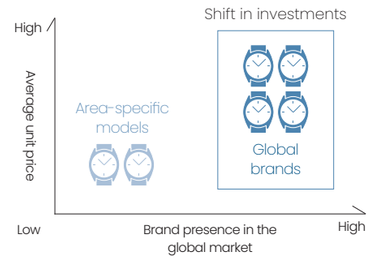
Progress So Far

- Marketing is carried out in keeping with the characteristics of each region to expand sales, building around the core of area-specific models designed to suit each region.
- The focus on area-specific models has led to issues related to building brand presence in the global market and improving investment efficiency.



Medium- to Long-term Initiatives

- Shift investments to global brands to improve investment efficiency
- Increase brand presence in the global market and build a brand image that truly represents CITIZEN





PROMASTER



CITIZEN L

Results and Progress of Strategy for Premium Brands and Mechanical Watches



We have positioned The CITIZEN, Eco-Drive One, and CAMPANOLA as our premium brands, focusing on creating stores with a clear brand concept and proactively launching new products in the high-end segment.
The CITIZEN has performed well, especially with the introduction of new models, such as a mechanical model equipped with our new high-precision Cal. 0210 movement with a date display, and an Eco-Drive model featuring a dial made from Tosa washi paper, both of which have received high praise. Similarly, Eco-Drive One has successfully attracted new customers through a campaign highlighting its unparalleled comfort.



Multi-brand Expansion



BULOVA

BULOVA was founded by Joseph Bulova in New York in 1875. With its advanced technological capabilities, the brand has long been a leader in the watch market. Over the years, BULOVA has created many world-firsts, including the world's first tuning fork watch.



FREDERIQUE CONSTANT
GENEVE

FREDERIQUE CONSTANT is a Swiss watchmaking manufacturer based in Geneva. In 2023, as it celebrates its 35th anniversary, the firm continues to showcase its constantly advancing watchmaking expertise as it pursues its aim: providing Swiss-Made luxury watches at fair prices.



ARNOLD & SON
1764

ARNOLD & SON bears the name of John Arnold, an English watchmaker who made a name for himself in the 18th century. Inspired by his work, the brand continues to create watches using traditional watchmaking techniques.

CITIZEN FLAGSHIP STORE NEW YORK

CITIZEN Watch Group Opens First North American Flagship Store on New York's Fifth Avenue

The CITIZEN Watch Group has opened its first North American flagship store, CITIZEN FLAGSHIP STORE NEW YORK, on New York's iconic Fifth Avenue, one of the world's premier shopping destinations known for high-end department stores and luxury boutiques.
Centered on the CITIZEN brand, the store showcases one of the largest collections of the Group's key brands, including BULOVA, ACCUTRON, FREDERIQUE CONSTANT, and Alpina. Visitors can explore a wide range of products, from the latest collections to timeless classics and limited-edition models, all within spaces that uniquely reflect each brand's distinct world.
Taking advantage of its prime location on bustling Fifth Avenue, the store features a large 3D screen on the storefront and digital displays at the entrance that direct visitors to the dedicated brand spaces. Inside, the store has an open two-story atrium highlighted by the permanently installed and critically acclaimed LIGHT is TIME by architect Tsuyoshi Tane (ATTA - Atelier Tsuyoshi Tane Architects), creating an iconic and one-of-a-kind experience exclusive to the flagship store. The third floor features event and museum spaces, further positioning it as a hub for sharing information about the Group's brands with the diverse visitors who frequent New York's Fifth Avenue.



Machine Tools

Strengthening our commitment to a total support system

We will continue to take on challenges for continued growth.

Director
Hideo Ina



Results and Progress in the Second Year of the Medium-term Management Plan 2024

Looking back on our performance in FY2023, we faced challenges in the securing of orders as expected, given the difficult market conditions. However, we were still able to achieve our projected results. The automotive sector, in particular, has maintained a cautious stance on capital investment, and we do not foresee a significant recovery in this area during FY2024. Nevertheless, we have continued to aggressively invest capital to drive continued growth as outlined in our Medium-term Management Plan 2024, to enhance our production capacity and strengthen our business foundation. While we achieved the planned sales target, 86.0 billion yen in FY2022, it is important to note that the rising cost of materials and logistics resulted in operating profit falling short. This remains a key challenge for us.

The Machine Tools business is highly sensitive to economic cycles, and order trends might not recover until the latter half of FY2024, indicating potentially one more year of stagnation. However, we are well-prepared to capitalize on a market turnaround when it occurs and seize the opportunity to make a strong start on our next growth phase. We remain committed to continually challenging ourselves to capitalize on the next wave of growth.



Establishment of Business Foundations with an Eye Toward Achieving Net Sales of 100 Billion Yen

We have undertaken several key initiatives to enhance our production capacity and build a stable supply system, including the relocation and expansion of our plant in China, the expansion of our factory in Thailand, the construction of a new building at Citizen Machinery's Karuizawa Headquarters factory, and the expansion of our Kitakami site. By FY2023, our production capacity increased by 40% compared with FY2021, positioning us within reach of our goal, 100.0 billion yen in sales.

In addition, we established the Global Training Center at Citizen Machinery's Karuizawa Headquarters with the goal of enhancing our global service and engineering capabilities and expanding hands-on training programs using machinery. In recent years, in the manufacturing industry there has been worldwide demand for services and engineering capabilities, including demand for services that quickly respond to machine problems and processing technology proposals. The Global Training Center centralizes the training that was previously conducted separately at domestic and international locations, implementing a systematic training plan at the Karuizawa Headquarters. This will help address the specific challenges in each region, enable people to share their expertise, and ultimately elevate our technological capabilities as whole.



Citizen Machinery's Karuizawa Headquarters factory Global Training Center



Thai Factory



China Factory

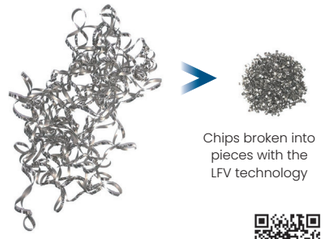
Differentiation by Leveraging Processing Technologies

The low frequency vibration (LFV) cutting technology is CITIZEN's proprietary control technology. During the cutting process, LFV technology creates moments when the tool is not in contact with the workpiece, thereby breaking up chips. This helps solve a range of problems at production sites derived from chips and makes a significant contribution to bolstering productivity.

We first sold products incorporating LFV technology in Japan, and began selling them in Europe and the United States in the autumn of 2016. And we began sales in Asia in the following year. Customers who purchased the units reaped the benefits of LFV technology, which led them to make repeat purchases. Thus, the number of customers desiring to purchase machines using LFV technology is increasing all over the world.

Previously, chips accumulated during machining, requiring frequent stoppages to remove them. However, some customers have reported that with LFV-equipped machines, they can now operate their machines unattended for up to 24 hours.

We began to incorporate LFV technology in our products in 2013. In 2016, we made it available on the Cincom L20, a long-selling model of sliding headstock type automatic CNC lathe. Since then, the LFV-equipped machine product line has expanded to 13 models, and cumulative shipments had surpassed 6,500 units as of March 2024.



Conventional chips

Chips broken into pieces with the LFV technology

Special LFV website
https://cmj.citizen.co.jp/english/product/lfv/index.html

Quantifiable Targets for the Machine Tools Business in the Medium-term Management Plan 2024

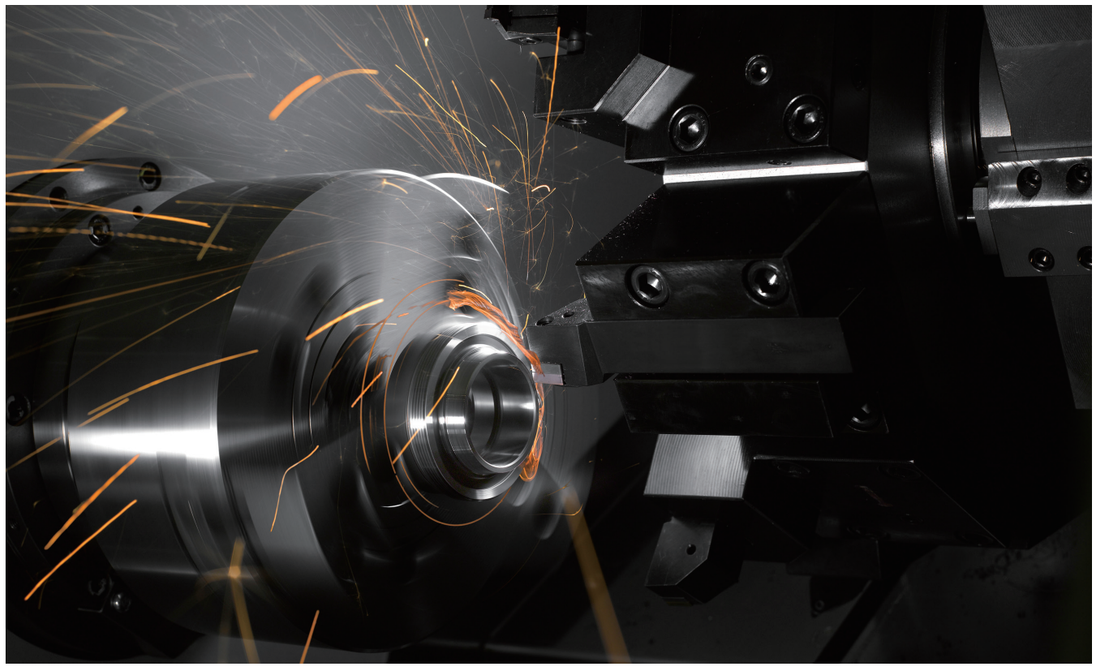
Net sales	Operating profit	Operating profit margin
86.0 billion yen	12.5 billion yen	14.5%

Expansion of Areas Where Automation/Labor-saving Measures Are Applied

Although machine tools were being made capable of complicated and high-precision processing, post-cutting processes that had to be handled by humans were still necessary. As the labor shortage is an ongoing persistent problem, demand from customers for automation and labor-reducing solutions has been growing.
In response, we are not only enhancing the capabilities of the machine tools themselves but also developing a total support system that addresses new processes related to machining. This is particularly important in emerging markets, where the adoption of machines has been slower, leading to difficulties in machine operation and maintenance. Our goal is to ensure that our customers receive the same high level of service in all regions of the global marketplace. To achieve this, we aim to improve the training of our service personnel and strengthen our after-sales support. In addition, we are committed to gathering information about and analyzing customer needs to expand new solutions that enhance automation and labor efficiency.



An on-machine-type robot system.
A robot is mounted on the automatic lathe machine to save space in front of the machine.



SUSTAINABLE
THE
FEATURE

Cincom



Suited for processing precision components that are thin and long

Miyano



Suited for processing precision components that are thick and short

Components for which CITIZEN machine tools are used

Automobiles
Powertrains, brakes, doors, etc.

Medicine
Implants, endoscopes, bone screws, etc.

Precision IT equipment
Semiconductors, watches, personal computers, pneumatic equipment, etc.

An easy-to-understand description of CNC automatic lathes
https://cmj.citizen.co.jp/english/special/



Automatic CNC lathes are machine tools. A machine tool, also called a mother machine, is a machine for producing other machines. Machine tools are primarily machines that shave and process metal materials to make components. Machine tools are necessary in the manufacturing of most of the products that we use.

Peaceful use of machine tools

Machine tools are generally used to manufacture large amounts of small, processed precision parts, and they are occasionally used to manufacture weapons and military technology. To prevent CITIZEN's machine tools from being used to manufacture such items, the Machine Tools business does not sell its products to manufacturers of weapons or military technology. The CITIZEN Group contributes to international peace guided by its corporate philosophy: Loved by citizens, working for citizens.



Devices and Components

Create the next generation of growth businesses



Leveraging our miniaturization, precision processing, and low power consumption technologies developed in the manufacture of watches, we make a wide range of components and products that support the lives of people and society.
Our goal is to establish competitive advantages centered on automotive components, for which we have established a reputation for our precise metal part machining technology.
In automotive components, we offer products in the areas of safety, comfort, the environment, and controls. We supply automotive manufacturers around the world primarily with functional components. We are also working to create added value through the rationalization and integration of processing systems made possible with manufacturing facilities we have designed ourselves, as we aim to expand into areas beyond automotive-related products.

Our LEDs for lighting are next-generation light sources designed in pursuit of high performance, point light source, and light quality. Our tactile switches, crystal device components, and motors are vital in smartphones, home appliances, consumer electronics, and medical devices. We will use these and other proprietary, differentiated technologies to expand our offering of high-quality, high-value-added products in response to market changes.
We will continue to focus on advancing our technologies to achieve greater levels of miniaturization, precision processing, and low power consumption. We will work to create the next generation of growth businesses by establishing a top position in specific fields, and we will move to enhance management stability by transitioning to a leaner earnings structure.



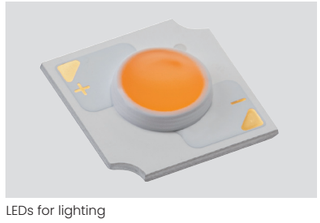
Automotive components



Crystal units, crystal oscillators



Motors



LEDs for lighting

Electronic and Other Products

Provide electronic products close to people's lifestyles

Our Electronic and Other Products business is based on the miniaturization, precision machining, and low power consumption technologies accumulated through watchmaking. The business encompasses the printer business, including photo printers and compact printers, and the healthcare device business, including blood pressure monitors and digital thermometers. Building on our core businesses of high-quality, high-functionality photo printers and healthcare devices made from the customer's perspective, we will work to expand into global niche markets with the goal of driving stable profits.
Electronic devices are increasingly important in a business environment that demands constant evolution, and in day-to-day life, where we seek to promote healthy, active lifestyles. We will continue to pursue new value and convenience while monitoring people's health and lifestyle needs.



Compact printer



Photo printer



Healthcare products



Publishing



Financial Strategy

Progress in improving capital efficiency and earnings

Steadily implementing the Medium-term Management Plan 2024

Managing Director
Toshiyuki Furukawa



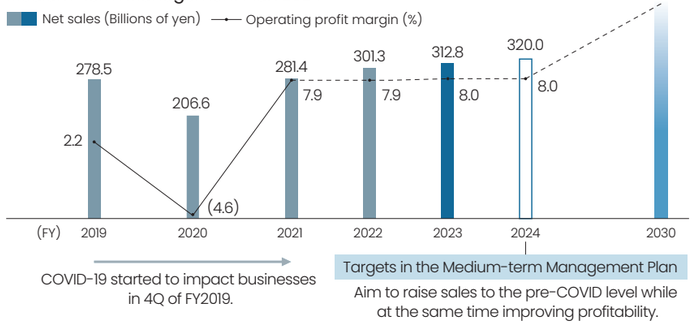
Review of Our Progress and Future Outlook

Under the Medium-term Management Plan 2024, we aim to achieve net sales of 320.0 billion yen, an operating profit margin of 8.0%, and an ROE of at least 8.0% or more in FY2024. So far, the Watches and Machine Tools businesses, which are our core businesses, have led to increased sales and profits for the second consecutive year, and in FY2023 we achieved an ROE of 9.7%.

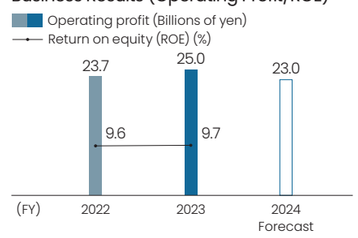
In the Watches business, while we benefited from the effects of the weak yen, our operating profit margin significantly exceeded the target of 9% set in the Medium-term Management Plan due to progress in measures to shift the price range of products upward. In the Machine Tools business, orders are currently trending lower, but we were still able to achieve our sales target of 86.0 billion yen in FY2022, the first year of the Medium-term Management Plan. At the same time, the profitability of the Devices and Components business is also improving, despite declining sales. We recognize that both businesses are steadily producing results.

While profits are expected to decline in FY2024 due to the weak recovery of the Machine Tools business, progress in the Watches business is expected to continue smoothly this fiscal year, and we have been able to steadily implement the measures outlined in the Medium-term Management Plan 2024. We will continue working toward further growth and profitability in our core businesses, so that we can continuously achieve an ROE of 8% or more.

Medium-term Management Plan 2024



Business Results (Operating Profit/ROE)



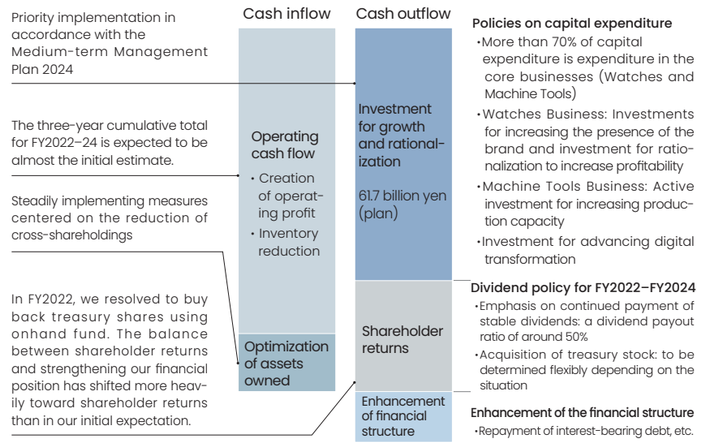
Cash Allocation

With regard to cash allocation, we will place the highest priority on investments in our core Watches and Machine Tools businesses, and will make total investments of 60 billion yen–70 billion yen for growth and rationalization during the Medium-term Management Plan 2024.

Our shareholder return policy stipulates that we will make flexible decisions on buybacks of treasury stock according to circumstances. Based on an appropriate capital structure and liquidity on hand, from February through June 2022, we were able to carry out treasury share buybacks up to a maximum amount of 40.0 billion yen, to strengthen shareholder returns and improve capital efficiency. We will continue to appropriately control our balance sheet with an awareness of the cost of capital.

With regard to our dividend policy, we place an emphasis on the continued payment of stable dividends, with a dividend payout ratio of around 50% as a guideline. To ensure that dividends do not fluctuate greatly due to short-term changes in business performance, we will implement optimal profit distribution, considering the balance between stability and the dividend payout ratio.

Total Amounts in the Three Years from FY2022 to FY2024



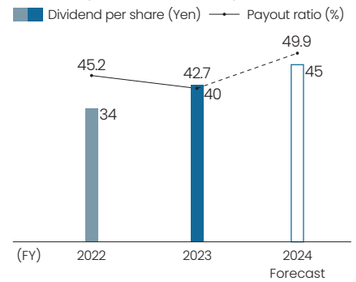
Note: The size of the area in the image is for illustrative purposes and does not represent the planned amount.

Financial Strategies

At our overseas subsidiaries, we are working to build a cash management system. By controlling the funds of overseas subsidiaries at the head office, we are working to make effective use of the funds by our overseas subsidiaries, improve capital efficiency within the CITIZEN Group, and consolidate funds at the head office.

We are also continuing to reduce our cross-shareholdings and will continue working actively to reduce them.

Dividend per Share and Payout Ratio



Major Social Recognition

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX Carbon Efficient Index

2024 Sompo Sustainability Index

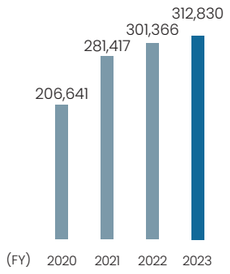
Financial and Non-financial Highlights

Historical Financial Data
https://www.citizen.co.jp/global/ir/chart1.html

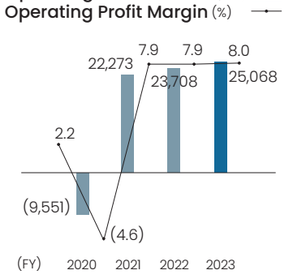
		(FY)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Financial Data	**Operating Results**												
	Net sales	Millions of yen	309,994	328,456	348,267	312,559	320,047	321,652	278,531	206,641	281,417	301,366	312,830
	Gross profit	Millions of yen	119,376	129,876	134,759	120,236	124,393	123,557	101,100	65,898	106,839	122,180	131,383
	Operating profit	Millions of yen	23,706	27,889	30,467	21,501	24,920	22,411	6,136	(9,551)	22,273	23,708	25,068
	Operating profit margin	%	7.6	8.5	8.7	6.9	7.8	7.0	2.2	(4.6)	7.9	7.9	8.0
	Ordinary profit	Millions of yen	25,307	31,403	30,619	21,985	26,664	26,602	7,531	(4,143)	27,342	29,096	30,810
	Profit attributable to owners of parent	Millions of yen	17,434	17,572	13,201	16,573	19,303	13,369	(16,667)	(25,173)	22,140	21,836	22,958
	Status of Cash Flows												
	Cash flows from operating activities	Millions of yen	32,724	29,053	29,980	32,781	32,539	19,897	17,347	7,490	34,693	16,576	34,564
	Cash flows from investing activities	Millions of yen	(11,000)	(9,246)	(24,637)	(27,861)	(7,862)	(19,861)	(15,498)	(7,628)	(9,550)	(13,526)	(12,697)
	Cash flows from financing activities	Millions of yen	181	(9,745)	(12,205)	(20,626)	(11,716)	(5,888)	(7,049)	18,337	(19,956)	(40,062)	(26,994)
	Free cash flow	Millions of yen	21,724	19,807	5,343	4,920	24,677	36	1,849	(138)	25,142	3,049	21,867
	Key Financial Indicators												
	Total assets	Millions of yen	383,920	421,563	406,462	395,887	409,909	413,911	369,575	365,811	394,962	389,982	415,445
	Net assets	Millions of yen	217,412	247,972	237,469	249,215	263,713	267,547	230,791	212,864	238,673	232,775	256,134
	Interest-bearing liabilities	Millions of yen	78,348	69,164	67,444	53,031	49,027	51,065	55,157	74,862	66,155	65,116	71.343
	Return on equity (ROE)	%	8.7	7.8	5.7	7.1	7.8	5.2	(7.0)	(11.8)	10.2	9.6	9.7
	Return on assets (ROA)	%	4.7	4.4	3.2	4.1	4.8	3.2	(4.3)	(6.8)	5.8	5.6	5.7
	Equity ratio	%	55.8	56.6	56.0	60.5	61.9	62.2	60.0	55.8	58.1	57.5	59.6
	Capital expenditures	Millions of yen	14,003	18,913	22,822	23,621	16,854	23,756	21,140	10,907	10,770	17,428	22,020
	Depreciation	Millions of yen	14,282	14,386	14,934	12,509	13,795	13,947	15,438	11,558	11,191	11,200	12,327
	R&D expenses	Millions of yen	7,440	8,169	7,500	7,113	7,161	6,339	6,164	5,576	5,542	5,693	5,807
	Total amount of dividends	Millions of yen	4,211	5,183	5,411	5,410	7,002	6,365	3,751	1,565	5,504	9,315	9,761
Non-financial Data	Number of employees	People	22,233	23,651	21,665	21,279	20,882	20,239	19,593	17,044	16,161	15,402	14,817
	Percentage of female employees*	%	-	-	-	-	-	19.0	20.4	20.1	20.3	21.5	21.6
	Percentage of female employees in management positions*	%	-	-	-	-	-	3.6	3.7	4.4	4.8	5.7	5.7
	Number of male employees taking childcare leave*	People	-	-	-	-	-	6	18	20	25	33	92
	Number of female employees taking childcare leave*	People	-	-	-	-	-	32	44	27	32	35	34
	Percentage of overseas employees	%	64.5	65.3	60.5	60.0	59.7	58.2	56.7	59.5	59.2	57.7	56.3
	CO_2 emissions (Scope 1 + 2)	t-CO_2	198,041	217,144	196,152	193,318	186,730	180,784	166,906	136,740	148,314	123,156	110,816
	Total energy consumption	GJ	1,443,806	1,536,904	1,422,152	1,477,626	1,474,879	1,464,616	1,368,041	1,166,060	1,258,866	1,192,060	1,111,481
	Water intake	1,000 m^3	2,300	2,607	2,731	2,293	2,174	2,225	1,954	1,751	1,860	1,783	1,674
	Recycling rate	%	75.9	59.5	64.6	66.6	74.3	78.6	77.3	78.3	73.1	88.0	91.8

* End of fiscal year data for all six main Group companies
(Citizen Watch, Citizen Watch Manufacturing, CITIZEN MACHINERY, CITIZEN FINEDEVICE, CITIZEN ELECTRONICS, and CITIZEN SYSTEMS)

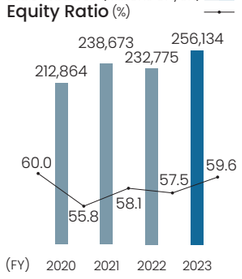
Net Sales (Millions of yen)



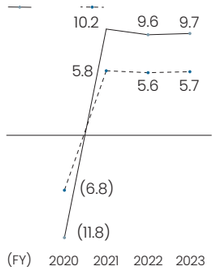
Operating Profit (Millions of yen)
Operating Profit Margin (%)



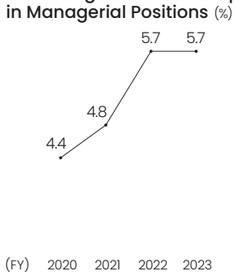
Net Assets (Millions of yen)
Equity Ratio (%)



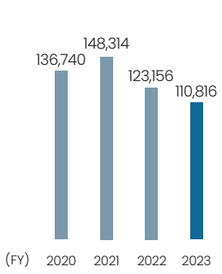
ROE (%) **ROA** (%)



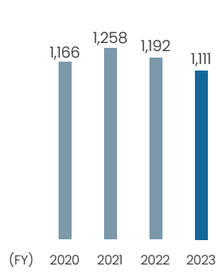
Percentage of Female Employees in Managerial Positions (%)



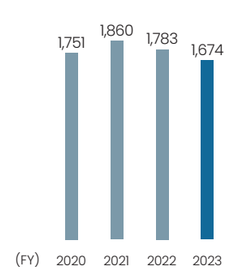
CO_2 Emissions (t-CO_2)



Total Energy Consumption (TJ)



Water Intake (1,000 m^3)



Identifying Material Issues

We summarized the social issues around 2030 that should be considered by the CITIZEN Group from the perspective of a sustainable society and a digital society, and backcast them to formulate the CITIZEN Group Vision 2030. To achieve the CITIZEN Group Vision 2030, we have identified five material issues based on our consideration of medium- to long-term changes in the business environment and megatrends, and summarized both our business activities and business foundation from internal and external perspectives.

Step 1　Identify Social Issues

Identify social issues based on the medium- to long-term social trends, the Company' s direction, ESG external assessments, reviews, etc.
Note: Reference: SDGs; macro trends in environmental, social, and economic fields; FTSE; MSCI; GRI Standards; ISO 26000; and other considerations.

Step 2　Materiality Assessment of the Social Issues

Assess the impact on society and the importance of the materiality to the Company, and make assumptions about the proposed materiality.

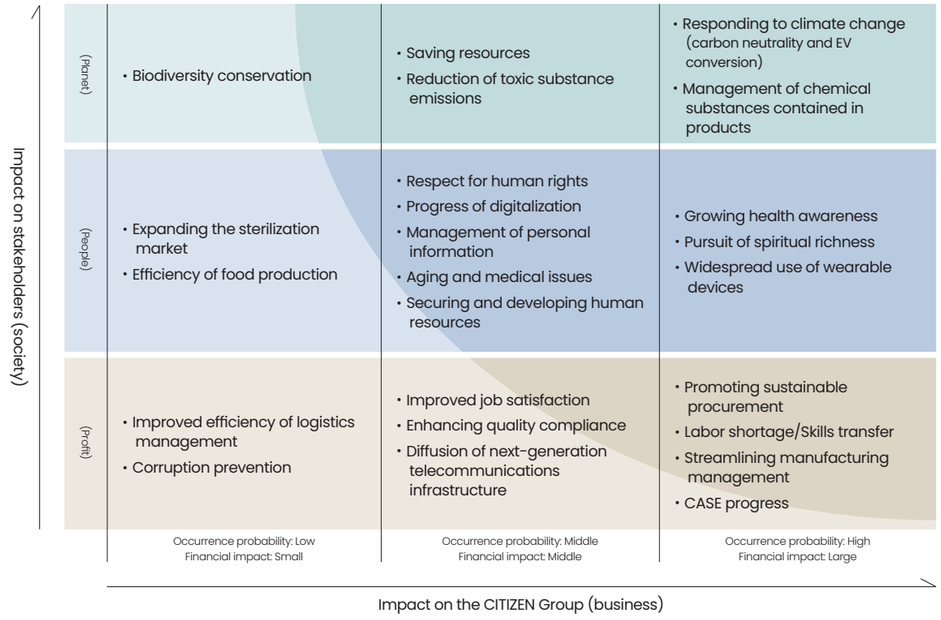
Step 3　Assess the Appropriateness of the Proposed Materiality

After checking with external experts and a discussion by the Sustainability Committee, reconsider the materiality plan in light of the relevant measures for each business.

Step 4　Identify the Materiality

Materiality is identified by the Management Committee and Board of Directors after reaffirmation by the Sustainability Committee.

Evaluate the degree of impact on society and the importance to the Company and create a list of material issues



Materiality Identified

- Responding to climate change and contributing to a recycling-oriented society
- Contributing to a better quality of life
- Providing solutions in the industrial sector
- Enhancing job satisfaction and developing human resources
- Fulfilling social responsibility

Main Risks, Opportunities, and Measures

Responding to climate change and contributing to a recycling-oriented society

Opportunity
- Expanding demand for products and services that contribute to energy and resource conservation and productivity improvement
- Progress of CASE

Risk
- Wind and flood damage at business sites
- Increased energy costs
- Dependence on specific industries and customers
- Violation of laws and regulations concerning the chemical substances contained in products

Key measures
[Business activities]
- Sale of parts for eco-cars (EVs and HVs), etc.
- Supply of LEDs for lighting
- Sale of photovoltaic clocks and mechanical watches
- Supply of machine tools equipped with low frequency vibration (LFV) cutting technology, etc.

Key measures
[Business foundation]
- Reduction of CO_2 emissions, expansion of introduction of renewable energy, etc.
- Reduction of water consumption, promotion of recycling, management of hazardous chemicals, reduction of packaging materials, etc.

Contributing to a better quality of life

Opportunity
- Shift from mechanical to emotional value
- Shift from treatment to preventive care

Risk
- Smartwatch proliferation
- Increased competition in the healthcare market
- Regulatory changes for medical devices
- Leakage of personal information

Key measures
[Business activities]
- Sale of wristwatches for the visually impaired persons
- Sale of specimen-holding plates for bacterial analysis, etc.
- Providing thermometers and blood pressure monitors that are easy for anyone to use
- Providing digital health care services, "Health Scan," etc.

Providing solutions in the industrial sector

Opportunity
- Factory automation / labor saving / automation / digitalization
- Advancement of CASE
- Diffusion of next-generation telecommunications infrastructure

Risk
- Loss of business opportunities
- Decline in competitiveness
- Entry of competitors from other industries using digital technology as a weapon

Key measures
[Business activities]
- Sale of machine tools equipped with low frequency vibration (LFV) cutting technology, etc.
- Development and sales of sensing devices (e.g., teleoperated robots)
- Sales of components for advanced braking systems, communications systems, sensors, etc.

Enhancing job satisfaction and developing human resources

Opportunity
- Increase employee engagement
- Driving DX / innovation

Risk
- Outflow of human resources
- Deterioration of business performance

Key measures
[Business foundation]
- Implementing measures to improve employee engagement, provide training opportunities, etc.
- Developing human resources to promote change within the Group, strengthening group collaboration in the development of management human resources, etc.
- Systematic training and promotion of female management candidates, encouraging male employees to take childcare leave, etc.

Fulfilling our social responsibility

Opportunity
- Realization of the sustainable factory concept
- Compliance with major customers' terms and conditions

Risk
- Damage to corporate value
- Reputation
- Weakening of the management base

Key measures
[Business foundation]
- Update and operation of the Group's material risks, etc.
- Activities to disseminate the Quality Code of Conduct, etc.
- Implementation of human rights due diligence, etc.
- CSR procurement, green procurement, responsible mineral procurement, etc.

Sustainable Management

Sustainability
https://www.citizen.co.jp/global/sustainability/index.html

At the CITIZEN Group, we aim to remain needed and loved by people all over the world. For this purpose, our creation of products and services in response to changes in society, our consideration of procurement and production processes for the creation of those products and services, and the corporate attitude that supports our foundation must be accepted by society. Instead of just providing good products and services, we strive to earn the trust of stakeholders as we expand our businesses and improve our corporate value, by managing the Group in consideration of human rights, the global environment, and other social issues. This is what we believe to be sustainable management at the CITIZEN Group.

Sustainable Products

The CITIZEN Group has set its sights on developing sustainable products by 2030, tailored to address critical global challenges within each business segment of the Group. Sustainable products are products and services that contribute to business growth while helping solve social issues linked to the CITIZEN Group's materiality.
Of the five materiality issues identified, the following three need to be addressed through the Group's products and services: "responding to climate change and contributing to a recycling-oriented society," "contributing to a better quality of life" and "providing solutions in the industrial sector." The Group has set its criteria for certification as an essential requirement for all Group companies to meet one or more of these materiality issues, taking into consideration the uniqueness and superiority of business strategies, products, and services in each business.
The Sustainable Products Certification System and the certification criteria for each business were approved by the Group Management Committee in 2023 after discussions at the Sustainability Committee, based on the opinions of external experts. In the future, the certification criteria will be reviewed as necessarye in response to changes in social conditions, and any changes to the criteria shall be discussed and approved by the Sustainability Committee.

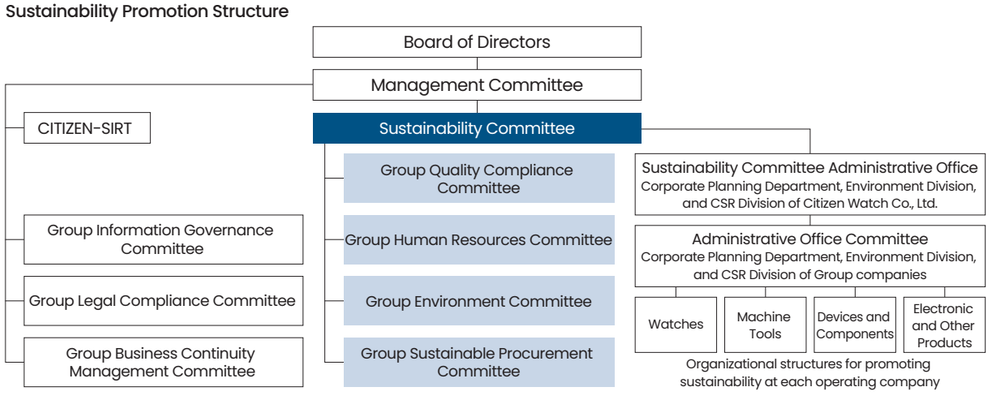
Sustainable Factories

At the CITIZEN Group, we operate our business under the concept of the Sustainable Factory, through which we consider the processes for manufacturing products and providing services. The Sustainable Factory refers to sustainable production facilities and business facilities (and business processes) that reflect comprehensive consideration for matters such as compliance, human rights, labor practices, BCP*, and productivity improvement, as well as environmental considerations. We have been confirming the progress of this concept by distributing to our Group bases in Japan the same SAQ (Self-Assessment Questionnaire) that we ask our business partners to answer, and in FY2022, we distributed the SAQ and seeking responses from all of our bases, including overseas offices. We will work to spread understanding through these initiatives, with the goal of achieving the Sustainable Factory concept across the entire CITIZEN Group by 2030.

Structure for Promoting Sustainable Management

In April 2020, we established the Sustainability Committee, which is chaired by the president of Citizen Watch. Its members are full-time directors of Citizen Watch and the presidents of the operating companies. With this committee playing a leading role, each company examines sustainability-related issues and regularly monitors the progress of sustainability activities, etc.

Sustainability Promotion Structure



Organizational structures for promoting sustainability at each operating company

*BCP (Business Continuity Plan): A business continuity plan is formulated during normal times to prepare for the possible impact of large disasters and similar events on business activities. These plans include systems, functions, response procedures, and other elements necessary for continuing to supply products and services and/or for enabling the fast resumption of operations.

Environment

CITIZEN Group Environmental Goals 2030

At the CITIZEN Group, we promote global environmental management for the realization of a sustainable civil society by following the CITIZEN Group Environmental Policy, which is the core of our environmental measures. In 2020, we established the CITIZEN Group Environmental Vision 2050, expressing our commitment to decarbonization, the reduction of CO_2 emissions to substantially zero and the sustainable use of resources. To achieve the CITIZEN Group Environmental Goals 2030, which are five goals aimed at helping to attain the SDGs, we are pushing forward with initiatives to establish a decarbonized, resource-recycling, safe, secure, and spiritually wealthy society.

Response to Climate Change

As a measure to mitigate climate change, which is one of the most serious global environmental risks, the CITIZEN Group is working to reduce GHG emissions through the introduction of energy-saving activities and electricity derived from sustainable energy sources in factories and offices.
To express our commitment to mitigating climate change, we participate in the Japan Climate Initiative, and in FY2020, we announced our support for the TCFD recommendations. In FY2022, we revised the Group' s CO_2 emission targets (Scope 1, 2, and 3), obtaining SBT certification for the revised targets. In addition, adaptation measures in the event of large-scale disasters caused by climate change are defined in the Disaster BCP (Business Continuity Plan).

Climate Change Risks and Opportunities

Based on our awareness of the major effects of risks and opportunities on our business strategy, the CITIZEN Group has identified climate change–related risks and opportunities, and the Sustainability Committee has analyzed these risks and opportunities using the 1.5°C scenario and the 4°C scenario and evaluated their significance.

CITIZEN Group Environmental Goals 2030 (revised in February 2023)

Metrics	Targets
Greenhouse gas emissions (Scope 1 & 2)	50.4% reduction (from the FY2018 level)
Greenhouse gas emissions (Scope 3)	30% reduction (from the FY2018 level) with respect to Category 1 and Category 11
Percentage of renewable energy (Japan)	30%→62%


Introduction of solar power generation equipment at the Miyota Saku Plant of the Watches business (Citizen Watch Manufacturing)

Results of Scenario Analysis

Category		Material issues (risk/opportunity)		Impact on CITIZEN	Time span		
		1.5°C	4°C		Until 2024	2025–2030	From 2031
Transition risks	Policies and legal restrictions	Large	Small	Cost increase resulting from the introduction or tightening of laws or regulations (carbon pricing schemes)		●	●
	Technologies and markets	Small	Large	Rising cost of raw materials, etc., and shortage or suspension of their supply		●	●
	Reputation	Medium	Small	Decline in evaluation and reputation resulting from a delay in actions to address climate change, and the resulting decline in our stock price and sales	●	●	●
Physical risks	Acute risks	Small	Large	Increasing seriousness and frequency of damage from natural disasters		●	●
	Chronic risks	Medium	Large	Increase in operating expenses due to the impact of, and measures against, abnormal weather		●	●
		Small	Medium	Disruptions to production activities due to supply chain disruptions		●	●
Opportunities	Energy and resource efficiency	Large	Small	Cost reduction resulting from energy conservation		●	●
		Medium	Medium	Cost reduction resulting from resource conservation, 3R activities, zero waste emissions, and conservation of water resources	●	●	●
		Medium	Small	Differentiation and greater competitiveness achieved by developing products using alternative materials; Realizing decarbonization of the entire life cycle of products using alternative substances and weight reduction		●	●
	Products, services, and markets	Medium	Small	Increase in earnings resulting from an increase in demand for environmentally friendly products and services	●	●	●
	Resilience	Medium	Medium	Higher customer trust resulting from the implementation of countermeasures against natural disasters	●	●	●
		Medium	Large	Minimization of physical risks and damages enabled by taking measures in a well-planned manner	●	●	●

Employees

Our Mindset on Human Capital

The CITIZEN Group regards its employees as human capital and believes that extracting value from them will lead to sustainable corporate growth and maximize the value we provide to society. We set a vision for the Group's human resources as having each employee feel a sense of pride working at CITIZEN as they contribute to the realization of our long-term vision. To support this, we focus on attracting and developing talent while fostering a work environment where diverse employees can thrive, all with the aim of ensuring a bright future for every member of our Group.

Enhancing Employee Engagement

The CITIZEN Group conducts engagement surveys at three of its key companies: Citizen Watch,Citizen Machinery,and Citizen Finedevice. Based on the results of the surveys, Citizen Watch launched company-wide initiatives to improve career development opportunities and strengthen relationships with supervisors. This includes expanding career autonomy programs and introducing more comprehensive reskilling opportunities for managers. By sharing these survey insights and actions across the Group, we aim to enhance employee engagement throughout the entire organization.

Supporting Autonomous Career Development

To develop workplaces where personal growth and self-fulfillment contribute to the success and value of the company, Citizen Watch encourages autonomous career development. We have introduced an in-house side job system, which allows employees to spend approximately 20% of their working hours contributing to other departments. In FY2023, this program was rolled out across four departments, providing participants with more opportunities to develop new skills while bringing fresh perspectives to their primary roles. In addition, our internal open transfer system enables employees to transfer to roles that better align with their personal career goals.

Diversity & inclusion

The CITIZEN Group believes that a core responsibility of management is creating an environment where every employee is respected and where diversity is valued and embraced. Citizen Watch is leading the way by aiming to achieve a minimum of 20% of people in managerial positions be women by 2030. Throughout the Group, we are committed to promoting diversity and advancing women in leadership roles. Citizen Watch has also implemented systems to support employees in balancing work with parenting, caregiving, specific illnesses, and fertility treatments. In addition, we provide training on LGBTQ+ issues and regularly evaluate our efforts using external benchmarks to ensure that we continue to foster workplaces where employees can fully leverage their diverse values and experiences.

Recognized as a Certified Health & Productivity Management Outstanding Organization (White 500)

CITIZEN WATCH was recognized in the "Certified Health & Productivity Management Organizations Recognition Program 2024" (Large Corporation Category, White 500) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. To promote the well-being of our employees, we have implemented a range of initiatives, including anti-smoking campaigns, expanded health checkup options, women's health seminars, and healthy food offerings in our cafeterias. We will continue to promote health and create a safe and pleasant working environment so that each employee can maximize their performance in good physical and mental health.

2024 健康経営優良法人 Health and productivity ホワイト500



CITIZEN Forest was created under the concept of being able to work both indoors and outdoors. At Tokyo Works, we planted 215 trees and created a space that is richly endowed with nature, attracting local birds and insects. This space won a 2021 Good Design Award.

Human Resource Development Road Map

As per its management strategy, the CITIZEN Group aims to develop the human capital required to manage and transform the Group and its companies and to achieve growth for Group companies and their employees. Since FY2022, in addition to providing training at each operating company, we have strengthened Group-wide collaboration regarding training starting with Group Transformation Promotion Training and Basic Management Training.
Elements of the Group Transformation Promotion Training are held jointly with CITIZEN WATCH as part of its management reskilling training.

Human Resource Development Road Map

Yearly breakdown	FY2023 results	FY2024	FY2030 goal
Goals	Establish a Group-wide system to develop the human capital necessary for the transformation and growth of the Group and individual companies		Train the human resources required for Group-wide and company-specific growth and transformation and realize both personal and social growth based on our management strategy
KPI	・200+ participants in Group Transformation Promotion Training (70% of Citizen Watch managers participating in Reskilling Training) ・Result: 500+ participants (87% participated in the Reskilling Training) ・30+ participants in Basic Management Training ・Result: 45 participants	・200+ participants in Group Transformation Promotion Training (100% of Citizen Watch managers participating in Reskilling Training) ・30+ participants in Basic Management Training	1,000+ participants in Group Transformation Promotion Training and Management Human Resource Development Training in total
Measures	・Group Transformation Promotion Training ・Basic Management Training ・Implementation of the Group succession plan		

Customers

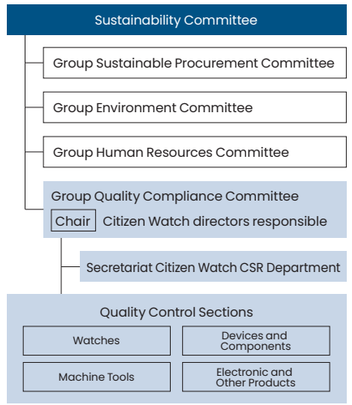
Customer Support

Handling numerous products for general customers, Citizen Watch aims to improve customer satisfaction by establishing a hotline for inquiries that will respond sincerely and quickly to customer inquiries, consultations, and complaints. We will report customers' valuable information and issues to managers in a timely fashion and share this information with each business unit, leading to product and service improvements. In the event of a serious case requiring urgent product repairs or replacements, a notification will be posted on our website. We received 50,804 inquiries in FY2023.

Quality Compliance

CITIZEN Group, under the leadership of the Group Quality Compliance Committee established in FY2018, has been conducting activities to disseminate the CITIZEN Group Quality Code of Conduct, which was formulated based on Article 2 of the CITIZEN Group Code of Conduct and in consideration of the situation of each business, to ensure a common recognition of quality compliance, including overseas bases.
This committee comprises executives in charge of quality at each company and is working to spread compliance with quality-related issues. The committee is also promoting activities to respond to the requests of stakeholders in each business field, while taking into consideration the improvement of the effectiveness of the internal reporting system and ESG/SDGs perspectives.
Since FY2022, the heads of the quality assurance departments from each Group company have also participated in the committee as observers. By incorporating operational perspectives from each business along with a Group-wide perspective, issues are discussed thoroughly to enhance quality compliance, which is the foundation of quality management. The committee is also committed to the establishment of an organization that prevents quality scandals.

Organizational Chart



Initiatives for Strengthening Quality Compliance

As part of its core role in addressing compliance risks related to quality, the committee organized expert lectures on topics that provide valuable insight for quality compliance audits, such as quality fraud analysis and auditing. The committee then conducted audits using the Group's common quality compliance audit checklist that it developed. While no major issues have been identified to date, concerns have been raised regarding the storage and handling of quality data. The interim audit results for FY2023 have been reviewed by management. This audit will be continued in FY2024.
The committee is a key pillar in ensuring quality throughout the Group. By working closely with each company's quality assurance and audit departments, it reinforces and improves quality compliance through Group audits and training programs.

Details of Quality Compliance Training

1. Looking back at past cases of improper quality among Group companies
2. Advice and measures from an independent committee
3. Confirming the CITIZEN Group Quality Code of Conduct (its importance and position)
4. Organizing the relationship between quality compliance and ISO9001, and its requirements
5. Improper quality—other cases/commonality among cases of improper quality (data falsification, managing changes in the 4Ms)
6. Mechanisms for cases of improper quality
7. Reconfirming causes based on the KDS framework
8. Sustainability and quality compliance

Implementing Employee Training

The CITIZEN Group implements quality compliance training in its training programs for new employees and newly appointed directors to promote quality compliance awareness across the Group. In FY2023, we also provided an e-learning program on the CITIZEN Group Quality Code of Conduct to all of our employees, including Japanese expatriates abroad, to further strengthen our awareness of quality compliance. With 6,184 total participants in FY2023, the program achieved a 98.4% participation rate.



Business Partners

CSR Procurement

To promote ESG initiatives in the entire supply chain, the CITIZEN Group has established the CITIZEN Group Basic Procurement Policy and is promoting CSR procurement. We request our business partners all over the world and within Japan to comply with, and raise their awareness of, the CITIZEN Group CSR Procurement Guidelines. These Guidelines summarize the requirements, including respect for human rights, environmental protection, labor safety and health, and fair trade, based on the UN Global Compact and the CITIZEN Group Code of Conduct.
The guidelines present the CITIZEN Group's stance on recent changes in the social and economic environment, international standards such as the United Nations Global Compact, and stakeholder expectations. To ensure full understanding and compliance with the guidelines, we ask our business partners to complete a self-assessment questionnaire (SAQ) that is aligned with the guidelines. This helps us promote widespread awareness and adherence to the guidelines.

Human Rights Risks in the Supply Chain

The CITIZEN Group, led by the Group Sustainable Procurement Committee, manages risks throughout the organization by identifying and addressing potential human rights and procurement risks within the supply chain. (Internal human rights risks are overseen by the Group Human Resources Committee.)
In FY2023, following the identification of human rights risks in the Watches business and the receipt of suppliers' self-assessment questionnaires on CSR requirements, we conducted on-site risk assessments using our internally developed "Health, Safety, and Labor Management Checklist." In FY2024, the CITIZEN Group will continue its Group-wide efforts to minimize human rights risks, with a focus on evaluating and improving the labor conditions of our suppliers in the Watches business.

Responsible Minerals Procurement

At the CITIZEN Group, we are aware that conflict minerals involving risks of funding armed groups and violating human rights are material procurement risks. In addition to the application of the EU Conflict Minerals Regulation in 2021, we recognized the expansion of the scope of target minerals, areas, and risks and updated the CITIZEN Group Conflict Minerals Response Policy into the CITIZEN Group Responsible Minerals Procurement Policy in January of the same year.
In revising the policy, we clarified measures to take when we have confirmed the expansion of target minerals and areas as procurement sources or have identified a risk, among other matters. We strive to eliminate conflict minerals as a supplier. For example, together with suppliers from whom we procure target minerals, we at the CITIZEN Group observe the Responsible Business Alliance (RBA) Code of Conduct at the request of customers to which we deliver parts or other products.



CITIZEN OF THE YEAR™

Honoring individuals who inspire society

At the CITIZEN Group, we commend residents of Japan, Japanese or non-Japanese, who have made a mark on civil society, who have contributed to the development and happiness of civil society, or who have helped make civil society attractive, as CITIZEN OF THE YEAR every year.

FY2023 Recipients

Empowering the Visually Impaired to Apply Makeup Independently



The Flowermake Academy's Blainjenne Team

The team seeks to empower visually impaired individuals to apply makeup just like anyone else. Ms. Hojo, who is visually impaired herself, teaches the Blainjenne Makeup technique through both in-person and online sessions, helping participants learn to apply makeup independently. Many participants report that mastering makeup has increased their confidence and happiness.



Using the names of several acupressure points on the face, the makeup lessons emphasize the importance of touching the skin with one's own fingers and palms with an attitude of self-love.

Spreading Seeds of Peace through English for 17 Years



Kosei Mito

For more than 17 years, Mr. Mito has used his fluent English to volunteer in front of the Atomic Bomb Dome, sharing the reality of the atomic bombing with visitors from Japan and abroad. To answer all possible questions, he has read hundreds of books on the subject and continuously gathers new information. To date, he has guided more than 300,000 people, including about 95,000 visitors from 180 countries.



Mr. Mito has created his own illustration and chart-filled booklet summarizing information about the atomic bomb and nuclear weapons. It is now available in eight languages.

Supporting Rwandan Mothers for a Brighter Future



Mio Yamada

In Rwanda, nearly half the population lives in poverty and the number of single mothers is a growing social issue. Ms. Yamada runs a social business called KISEKI in the country. Through various support initiatives, she creates job opportunities and provides vocational training, aiming to establish a society where struggling single mothers can live with smiles on their faces.



Ms. Yamada encourages mothers, noting that KISEKI provides a place for them to learn and that her team is ready and waiting for them to give it a try. She also welcomes many volunteers from Japan.

CITIZEN OF THE YEAR (Japanese)
https://www.citizen.co.jp/coy/index.html

Corporate Governance

Loved by citizens, working for citizens—This is the sentiment from which Citizen Watch Co., Ltd. (“the Company”), derives its name and which it has made its Corporate Philosophy. The Company works to contribute to society and increase its corporate value through sustainable corporate activities, in harmony with the local community and the global environment. To continue to promote its aims, the Company believes it is important to ensure transparency in management and multifaceted management oversight. Accordingly, the Company is striving to expand and enhance its corporate governance.

CITIZEN has implemented all the principles set forth in the Corporate Governance Code revised in June 2021.
Corporate Governance https://www.citizen.co.jp/global/ir/governance.html

Corporate Governance System

CITIZEN has established the following corporate governance system with the aim of ensuring appropriate and efficient execution of duties, transparency of management, and monitoring of management from various perspectives.

Board of Directors

CITIZEN’s Board of Directors comprises five Directors who supervise the corporate group and perform executive duties with regard to major businesses, and three Outside Directors who check and supervise management from an independent standpoint, using their abundant experience and broad-ranging insights as business managers. The Board of Directors makes decisions on and supervises the execution of business.

Nomination Committee
Chairperson: Outside Director

The main duties of the Nomination Committee include deliberating on matters regarding the selection and/or dismissal of Representative Directors, the President and CEO, and/or the Chairperson of the Board of Directors, and offering its proposals to the Board of Directors.

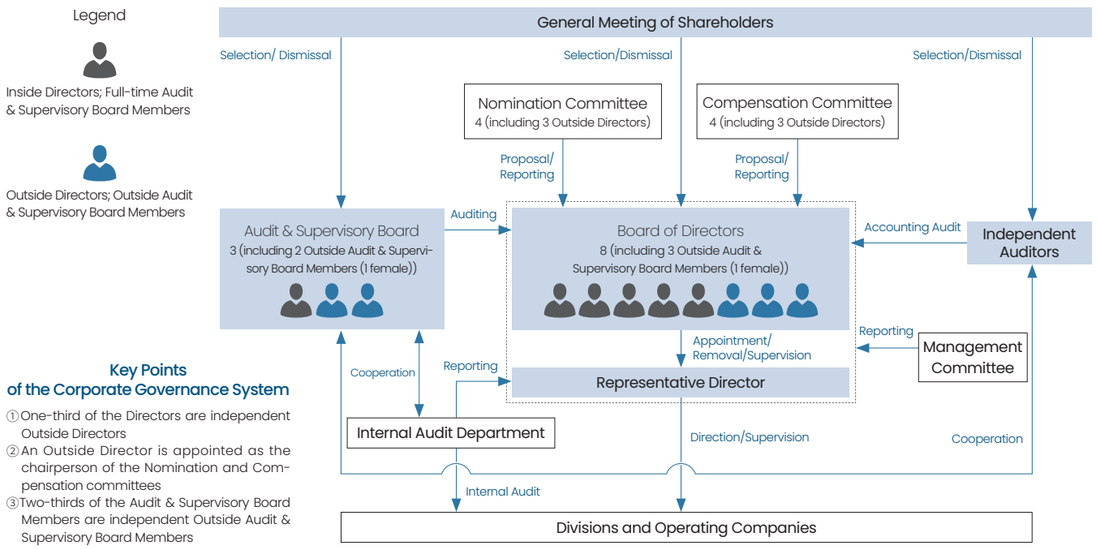
Compensation Committee
Chairperson: Outside Director

The main duties of the Compensation Committee include deliberating on matters relating to policies and standards for compensation, etc., received by Directors and making recommendations to the Board of Directors.

Audit & Supervisory Board and Audit & Supervisory Board Members

Audit & Supervisory Board Members conduct strict audits of the execution of duties by Directors in accordance with the audit policy and audit plan established by the Audit & Supervisory Board, by attending meetings of the Board of Directors, the Management Committee, and individual meetings by business category, making reports on the state of execution of duties by Directors, etc., viewing important approval documents, and investigating the status of operations and assets. They also receive reports on accounting audits from Nihombashi Corporation, cooperate with the accounting auditor to carry out efficient audits of the Company and its subsidiaries, and work to further enhance corporate governance.

Corporate Governance System Schematic Diagram



Officer Compensation

Compensation for Directors of the Company (excluding Outside Directors) consists of fixed compensation and performance-linked compensation. Our policy for setting the payout ratio of these two types of compensation is based on a level that will increase motivation to produce good business performance and enable the Company to attract and retain talent and that will be effective in increasing motivation to contribute to improving business performance and enhancing corporate value in the medium to long term, considering factors such as changes in the business environment, external data, general compensation levels, and the business situation.
Compensation of Outside Directors and Audit & Supervisory Board Members consists only of fixed compensation.

Composition of Compensation for Directors

Fixed compensation

The Company sets the amount of fixed compensation at a level that will motivate Directors to fully demonstrate their qualities and abilities and to strive for sustainable growth based on the Company’s corporate philosophy and that will enable it to attract and retain talent, while considering changes in the business environment, external data, general compensation levels, and the business situation.

Performance-linked compensation

The ratio of performance-linked remuneration exceeds 50% when the results of performance evaluations are at a maximum, and performance-linked share-based compensation accounts for approximately 15% of that. In some cases, performance-linked compensation might not be paid, as a result of performance evaluations, etc.

① **Bonuses**
The Company determines bonus amounts based on financial evaluation criteria (e.g., net sales, operating profit) and non-financial evaluation criteria (e.g., global situation, disasters, M&A) stipulated in the Directors’ bonus payment standards.

② **Performance-linked share-based compensation**
Shares of the Company are acquired through a trust funded by amounts of Directors’ compensation contributed by the Company according to position, and shares of the Company or cash in the amount equivalent to the conversion value of the shares are delivered or paid (“delivered, etc.”) according to the level of achievement of business targets.

Total Amount of Compensation, etc., Officer Category, Total Amount by Type of Compensation, etc., and Number of Eligible Officers (139th fiscal period)

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible officers (persons)
		Fixed compensation	Bonuses	Performance-linked share-based compensation	
Directors (excluding Outside Directors)	283	135	95	52	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	19	19	—	—	1
Outside Officers	60	60	—	—	5

The performance-linked share-based compensation of 52 million yen for Directors (excluding outside directors and non-residents in Japan) is the amount of expenses posted for the current fiscal year.

Evaluation of Effectiveness

CITIZEN aims to continuously improve its governance system and function effectively through analysis and evaluation of the effectiveness of its Board of Directors.

FY2023 Initiatives

Held a seminar on compliance as training for Directors and Audit & Supervisory Board Members.

Surveys Conducted

From February to March 2024 We conducted a questionnaire survey of the Board of Directors for all Directors and Audit & Supervisory Board Members through an external organization using tools to evaluate effectiveness.

Evaluation of Effectiveness

Directors and Audit & Supervisory Board Members generally gave high grades, and it was confirmed that the Board of Directors functioned effectively.

Challenges for FY2024

We will continue working to increase corporate value by improving upon the issues raised in this effectiveness evaluation, revitalizing deliberations, and increasing effectiveness.

Skills Matrix

The Company has specified the knowledge, experience, and skills needed to fulfill the roles and duties of the Board of Directors effectively for achieving business strategies and discloses the skills matrix as an indicator of the overall balance of knowledge, experience, and skills, and diversity of its Board of Directors as a whole.

The expected roles that each Director will take on are as follows.

	Corporate Management/ Management Strategy	Sales/Marketing/DX	R&D/Technology	Global Business	HR Development/ Diversity	Finance/Accounting	ESG/Sustainability
President and CEO Toshihiko Sato	●		●				●
Managing Director Toshiyuki Furukawa	●	●				●	
Managing Director Yoshitaka Oji	●	●		●			
Director Yoshiaki Miyamoto	●				●		●
Director Hideo Ina	●		●	●			
Outside Director Toshiko Kuboki				●	●		●
Outside Director Yoshio Osawa	●	●		●			
Outside Director Katsuhiko Yoshida	●	●			●		

Note: Up to three items are listed as the role expectations for each Director.

Group Risk Management

The Group is actively engaged in initiatives that lead to the enhancement of Group governance in order to centrally manage and respond promptly to risks throughout the Group. The Sustainability Committee—established in FY2020—is chaired by the President and CEO of the Company, and has established subcommittees according to major risk themes, including ESG risks such as quality, human rights and labor practices, environmental issues, and procurement and supply chain risks. The committee enables top-level management to ascertain and respond to material risks.

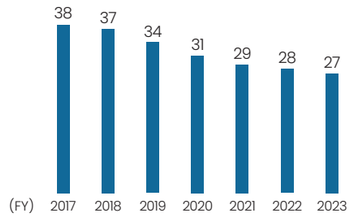
In addition to financial risks, by placing committees and organizations for risks directly related to compliance, BCP (Business Continuity Planning), intellectual property, information, and cybersecurity-related management infrastructure under the direct control of the Management Committee, we share information on important risks common to the Group and risks specific to each company throughout the Group. In addition to sharing risk management know-how among Group companies, this enables us to achieve consistent risk management throughout the Group.

The Group will continue to make continuous improvements to enhance risk management throughout the Group.

Cross-Shareholding

The Company will hold shares when it is judged, comprehensively, to contribute to the maintenance and enhancement of the Group's medium- to long-term business relationships, the smooth operation of the Company's business operations, and business development. Regarding verification of individual cross-shareholdings, the Board of Directors follows a basic policy of verifying the rationality and necessity of such cross-shareholdings every year considering factors such as the relationships between business partners and the Group and the possibility of mutual enhancement of corporate value and strives to reduce holdings of shares for which the significance of continuous retention has been diluted.

Number of Cross-Shareholdings



Message from an Outside Director

Further challenge and communication, emphasizing value we can talk about

Citizen Watch Co., Ltd.
Outside Director
Toshiko Kuboki

Q. Please tell us about the initiatives of the Medium-term Management Plan 2024.

In its core Watches and Machine Tools businesses, CITIZEN has been able to steadily implement the strategies outlined in its Medium-term Management Plan. The impact of the COVID-19 pandemic was significant, but through tireless efforts and doing everything that could be done at the time amid uncertainty for the future, the Company was able to ride the wave of recovery of consumer spending that followed, and achieve a positive outcome. I believe this was a gift that came from responding to changes in the business environment, as a company that has been in business for more than 100 years, and I am proud of CITIZEN for its contributions to manufacturing. In addition, I feel positive that the company is driving initiatives to improve diversity, such as conducting ongoing training for female managers to promote active participation and advancement for women in the workplace.

Q. What do you think about the role required of you as an Outside Director?

I give advice from a legal perspective based on my experience as a lawyer, of course. But more than just that, I also try to ask simple questions. What is taken for granted within the company might actually be valuable to society. I would like to help with such realizations. When I think about things, I try to think not only about what they were like in the past and what they will be like in the future, but also about what it would be like if they were in a different place, or if I were a competitor or a person in another industry. I try to consider things from a different perspective, and I recommend this way of thinking. I believe that bringing free ideas and introducing some fresh air into the company is an important role for outside directors.

Q. What are your expectations for CITIZEN in the future?

Rapid changes in the business environment can provide both risks and opportunities. Even if you miss a change, you might still be able to make a breakthrough with the next change. Throughout all of our businesses, it is important to focus on the seeds and sprouts that can grow into future profitability, and to take on the challenges of responding quickly to new trends. We are now in an era where communication is considered a form of value. As a company that has been in business for more than 100 years, the CITIZEN Group has a lot to say. I believe that by noticing the value right in front of us and actively communicating that to the outside world, we will become a company that is more open, can be recognized by more customers, and can make even greater contributions.





Front row, from left:
Toshiyuki Furukawa, Toshihiko Sato, and Yoshitaka Oji
Back row, from left:
Yoshio Osawa, Hideo Ina, Yoshiaki Miyamoto, Toshiko Kuboki, and Katsuhiko Yoshida

Directors

President and CEO

Toshihiko Sato

Toshihiko Sato, with his record of achievements and experience including running the Devices and Components business and being responsible for watch manufacturing, continues to contribute to the advancement of the CITIZEN Group's businesses. He assumed his current role in 2019.

Managing Director
In charge of Corporate Planning Division, Accounting Department, Public & Investor Relations Department, and IT Management Department

Toshiyuki Furukawa

As General Manager of the Corporate Planning Division, Toshiyuki Furukawa has a record of achievements in formulating Group management strategy, and as Director has experience leading the Corporate Planning Division, the Accounting Department, and the Public & Investor Relations Department. He assumed his current post in 2022.

Managing Director
Senior General Manager of Watch Business Division

Yoshitaka Oji

After being involved in watch and clock sales at one of the Company's overseas subsidiaries, Yoshitaka Oji gained experience as General Manager of the Corporate Planning Division, promoting management strategy in the Watch business and product development of watches. He assumed his current post in 2022.

Director
Group Risk Management, General Manager of General Affairs Division and in charge of Personnel Division, CSR Department, and Environmental Management Department

Yoshiaki Miyamoto

After being involved in the start-up of new plants at Group overseas subsidiaries engaged in watch and clock manufacturing, Yoshiaki Miyamoto managed overseas subsidiaries responsible for watch and clock sales. He also has experience as Director with responsibility for Group risk management, general affairs, and personnel. He assumed his current post in 2018.

Director

Hideo Ina

Hideo Ina has been involved in the Machine Tools business for many years and has a record in sales, technical support, and the promotion of solution services utilizing ICT at our subsidiaries. He assumed his current post in 2024.

Outside Director **Independent**

Toshiko Kuboki

Career Summary

1987 Registered as an attorney-at-law
2002 Conciliation commissioner of Tokyo Family Court (present)
2009 Retirement Benefit Examination Committee member of Board of Audit of Japan (present)
2012 Visiting Professor of Graduate School of Law, Chuo University (present)
2015 Outside Director of QoL Co., Ltd. (Currently QoL Holdings Co, Ltd.) (present)
2015 Outside Auditor of Kyodo News (present)
2016 Outside Audit & Supervisory Board Member of the Company
2019 Outside Director of the Company (present)
2021 Chuo-ku Specially Appointed Civil Servant Remuneration, etc. Council Member (present)
2023 Vice President of Tokyo Medical and Dental University (present)
2023 Outside Director of Asahi Yukizai Corporation (Audit and Supervisory Committee Member)(present)

Outside Director **Independent**

Yoshio Osawa

Career Summary

2003 Corporate Officer and General Manager of Network Division of Sumitomo Corporation
2005 Executive Officer and General Manager of Network Division of Sumitomo Corporation
2007 Executive Officer and General Manager of Media Division of Sumitomo Corporation
2008 Managing Executive Officer and General Manager of Media, Network & Lifestyle Retail Business Unit of Sumitomo Corporation
2008 Representative Director and Managing Executive Officer of Sumitomo Corporation
2011 Representative Director and Senior Managing Executive Officer of Sumitomo Corporation
2013 Representative Director, President and Chief Operating Officer of SCSK Corporation
2015 Representative Director and President of SCSK Corporation
2016 Director and Chairman of the Board of SCSK Corporation
2017 Director of SCSK Corporation
2018 Outside Director of Canon Marketing Japan Inc. (present)
2019 Outside Director of the Company (present)
2024 Outside Director of Fujitsu General Limited (present)

Outside Director **Independent**

Katsuhiko Yoshida

Career Summary

2007 Executive Officer of Kao Corporation
2012 Managing Executive Officer of Kao Corporation
2014 Representative Director, Managing Executive Officer of Kao Corporation
2015 Representative Director, Senior Managing Executive Officer of Kao Corporation
2019 President of Japan Childcare Support Association (present)
2022 Outside Director of Kawasaki Heavy Industries, Ltd. (present)
2022 Outside Director of the Company (present)

Auditors

Audit & Supervisory Board Member (Full-time)
Outside Audit & Supervisory Board Member **Independent**

Noboru Akatsuka

Career Summary

1981 Joined Dai-Ichi Kangyo Bank, Limited.
2005 General Manager of Asia Corporate Banking of Mizuho Corporate Bank, Ltd. (Currently Mizuho Bank, Ltd.)
2007 General Manager of Overseas Business Promotion Division of Mizuho Corporate Bank, Ltd.
2008 General Manager of Corporate Banking Division No. 18 of Mizuho Corporate Bank, Ltd.
2009 Executive Officer of Mizuho Corporate Bank, Ltd.
2011 Managing Executive Officer of Century Tokyo Leasing Corporation
2016 Counselor of Century Tokyo Leasing Corporation
2016 Chairman of Fujitsu Leasing Co., Ltd.
2018 Full-time Audit & Supervisory Board Member (Outside) of the Company (present)

Audit & Supervisory Board Member (Full-time)

Kazunori Yanagi

Career Summary

1986 Joined the Company
2007 General Manager of Accounting Department, Administration Division of Citizen Watch Co., Ltd.
2011 General Manager of Accounting Department of Citizen Watch Co., Ltd.
2012 Executive Officer of Citizen Jewelry Co., Ltd.
2014 Director of ROYAL TIME CITI CO., LTD.
2014 Representative Director and President of ROYAL TIME CITI CO., LTD.
2017 Director of ROYAL TIME CITI CO., LTD.
2019 Director of Citizen Watch Manufacturing Co., Ltd.
2022 Full-time Audit & Supervisory Board Member (Outside) of the Company (present)

Outside Audit & Supervisory Board Member **Independent**

Yaeko Ishida

Career Summary

2000 Registered as an attorney-at-law
2007 Judicial Commissioner of Tokyo Summary Court
2016 Conciliation Commissioner of Tachikawa Branch of Tokyo Family Court (present)
2019 Outside Audit & Supervisory Board Member of the Company (present)
2021 Outside Director of Inageya Co., Ltd. (present)
2023 Outside Director of Shindengen Electric Manufacturing Co., Ltd. (present)

Note: Ms. Yaeko Ishida, an Outside Audit & Supervisory Board Member, uses the name Yaeko Kitadai in her profession as an attorney-at-law.

Independent Independent officer pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

Corporate Information

Company Overview (as of March 31, 2024)

Corporate name	Citizen Watch Co., Ltd.
Established	May 28, 1930
Headquarters	6-1-12, Tanashi-cho, Nishi-Tokyo-shi, Tokyo 188-8511, Japan
Representative	Toshihiko Sato, President and CEO
Capital	¥32,648 million
Employees	14,817 (consolidated)
Business description	Manufacturing and sale of watches and their components, and as a holding company, planning and implementation of Group management strategies, Group business auditing, development of Group technologies, intellectual property management, and other administrative operations.

Stock Information (as of March 31, 2024)

Securities code	7762
Stock exchange listing	Tokyo Stock Exchange Prime Market
Number of shareholders	84,182
Total number of shares issued	246,000,000

Editorial Policy

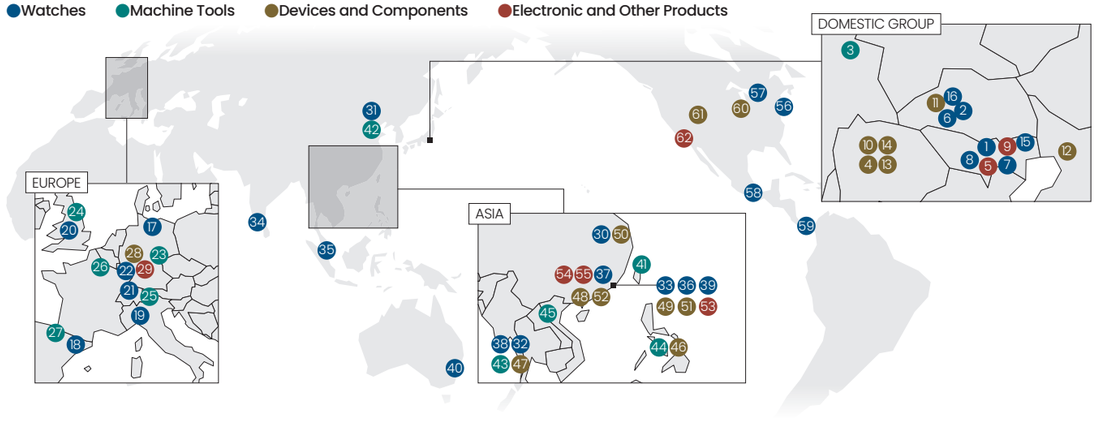
The CITIZEN REPORT aims to summarize and communicate the profile and activities of the CITIZEN Group in an easily understandable format with consideration for the environment. For more information, please visit our official website.

Forward-looking Statements

The forward-looking statements in this report are based on information currently available and involve various risks and uncertainties.
Readers should understand that actual results might differ from forecasts due to changes in the market environment and other factors.

Principal Places of Business and Group Companies

●Watches ●Machine Tools ●Devices and Components ●Electronic and Other Products



Works

1 Headquarters, Tokyo Works
2 Tokorozawa Works

Domestic Group

3 CITIZEN MACHINERY CO., LTD.
4 CITIZEN FINEDEVICE CO., LTD.
5 CITIZEN SYSTEMS JAPAN CO., LTD.
6 CITIZEN WATCH MANUFACTURING CO., LTD.
7 CITIZEN RETAIL PLANNING CO., LTD.
8 CITIZEN T.I.C. CO., LTD.
9 TOKYO BIJUTSU CO., LTD.
10 CITIZEN ELECTRONICS CO., LTD.
11 CITIZEN MICRO CO., LTD.
12 CITIZEN CHIBA PRECISION CO., LTD.
13 FUJIMI CORPORATION
14 CITIZEN ELECTRONICS TIMEL CO., LTD.
15 CITIZEN CUSTOMER SERVICE CO., LTD.
16 CITIZEN LOGISTICS SERVICE CO., LTD.

Overseas Group

EUROPE

17 CITIZEN WATCH EUROPE G.M.B.H.
18 CITIZEN WATCH IBÉRICA S.A.U.
19 CITIZEN WATCH ITALY S.P.A.
20 CITIZEN WATCH UNITED KINGDOM, LTD.
21 MANUFACTURE LA JOUX-PERRET S.A.
22 FREDERIQUE CONSTANT HOLDING S.A.
23 CITIZEN MACHINERY EUROPE G.M.B.H.
24 CITIZEN MACHINERY UK LTD.
25 CITIZEN MACCHINE ITALIA S.R.L.
26 CITIZEN MACHINERY FRANCE S.A.S.
27 EGASCA, S.A.
28 C-E (DEUTSCHLAND) G.M.B.H.
29 CITIZEN SYSTEMS EUROPE G.M.B.H.

ASIA, OCEANIA

30 CITIZEN (SHANGHAI) TRADING CO., LTD.
西鉄城(上海)貿易有限公司
31 CITIZEN WATCH (CHINA) CO., LTD.
西鉄城(中国)鐘表有限公司
32 CITIZEN WATCH MANUFACTURING (THAILAND) CO., LTD.
33 CITIZEN WATCHES (H.K.) LTD.
星辰表(香港)有限公司
34 CITIZEN WATCHES (INDIA) PVT. LTD.
35 CITIZEN WATCHES (MALAYSIA) SDN. BHD.
36 CIVIS MANUFACTURING LTD.
37 GUANGZHOU MOST CROWN ELECTRONICS LTD.
広州務冠電子有限公司
38 ROYAL TIME CITI CO., LTD.
39 SUNCITI MANUFACTURERS LTD.
新星工業有限公司
40 CITIZEN WATCHES AUSTRALIA PTY LTD.
41 CINCOM MIYANO TAIWAN CO., LTD.
42 CITIZEN (CHINA) PRECISION MACHINERY CO., LTD.
西鉄城(中国)精密机械有限公司
43 CITIZEN MACHINERY ASIA CO., LTD.
44 CITIZEN MACHINERY PHILIPPINES INC.
45 CITIZEN MACHINERY VIETNAM CO., LTD.
46 CITIZEN FINEDEVICE PHILIPPINES CORP.
47 CITIZEN SEIMITSU (THAILAND) CO., LTD.
48 MASTER CROWN ELECTRONICS (WUZHOU) LTD.
領冠電子(梧州)有限公司
49 C-E (HONG KONG) LTD.
西鉄城電子(香港)有限公司
50 CITIZEN ELECTRONICS (CHINA) CO., LTD.
西鉄城電子貿易(上海)有限公司
51 FIRSTCOME ELECTRONICS LTD.
首軒電子有限公司
52 JIANG XING ELECTRONICS LTD.
江門市江星電子有限公司
53 CITIZEN SYSTEMS (H.K.) LTD.
西鉄城精電科技(香港)有限公司
54 CITIZEN SYSTEMS (JIANGMEN) CO., LTD.
西鉄城精電科技(江門)有限公司
55 CITIZEN SYSTEMS (DONGGUAN) CO., LTD.
西鉄城精電科技(東莞)有限公司

NORTH AMERICA, SOUTH AMERICA

56 CITIZEN WATCH COMPANY OF AMERICA, INC.
57 CITIZEN WATCH CANADA, LTD.
58 CITIZEN DE MEXICO, S. DE R. L DE C. V.
59 CITIZEN LATINAMERICA CORPORATION
60 CECOL, INC.
61 MIYOTA DEVELOPMENT CENTER OF AMERICA INC.
62 CITIZEN SYSTEMS AMERICA CORP.

FINANCIAL DATA FY2023

Analysis of Operating Results

Fiscal Year-End Operating Results

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year change	%
Net sales	301,366	312,830	+11,464	+3.8%
Operating profit or loss	23,708	25,068	+1,360	+5.7%
Ordinary profit or loss	29,096	30,810	+1,714	+5.9%
Profit or loss attributable to owners of parent	21,836	22,958	+1,122	+5.1%

During the consolidated fiscal year 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 fiscal year under review showed increases in sales and profits, with net sales of 312.8 billion yen (up 3.8% year on year) and operating profit of 25.0 billion yen (up 5.7 year on year). These results were driven mainly by strong performance in Watches. Ordinary profit increased to 30.8 billion yen (up 5.9% year on year), while profit attributable to owners of parents came to 22.9 billion yen (up 5.1% year on year).

Analysis of Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, total assets had increased by 25.4 billion yen from the end of the previous consolidated fiscal year, to 415.4 billion yen. Current assets increased by 8.0 billion yen, mainly reflecting rise of 4.0 billion yen and 7.5 billion yen in notes and accounts receivable – trade and inventories, more than offsetting a 1.1 billion yen decrease in cash and deposits and inventories. Non-current assets increased by 17.3 billion yen, reflecting an 8.4 billion yen increase in total property, plant and equipment and a 7.5 billion yen increase in investment securities.

Liabilities had increased by 2.1 billion yen from the end of the previous consolidated fiscal year, to 159.3 billion yen. This was primarily due to increases of 1.6 billion yen in electronically recorded obligations - non-operating and 2.7 billion yen in lease liabilities, which was partly offset by a decrease of 3.8 billion yen in electronically recorded obligations - operating.

Net assets increased by 23.3 billion yen from the end of the previous consolidated fiscal year, to 256.1 billion yen, primarily reflecting a 15.8 billion yen increase in foreign currency translation adjustment and a 6.4 billion yen increase in valuation difference on available-for-sale securities.

(ii) Cash Flows

For the cash status of the Citizen Group, cash provided from operating For the cash status of the Citizen Group, cash provided from operating activities was 34.5 billion yen an increase of 17.9 billion yen in income from the previous fiscal year. This was attributable primarily to factors of increase such as 29.3 billion yen in profit before income taxes and 12.3 billion yen in depreciation, which more than offset factors of decrease such as a decrease of 8.6 billion yen in trade payables and 6.2 billion in income taxes paid.

Cash used in investing activities was 12.6 billion yen, a decrease of 0.8 billion yen in expenditure from the previous fiscal year. This was due to factors including 1.9 billion yen in purchase of property, plant and equipment, which more than offset factors such as proceeds from the sale of investment securities of 2.7 billion yen.

Cash used in financing activities was 26.9 billion yen, a decrease of 13.0 billion yen in expenditure from the previous fiscal year. This resulted chiefly from factors such as 12.8 billion yen in purchase of treasury shares, and 9.8 billion yen in dividends paid.

As a result, cash and cash equivalents increased 1.1 billion yen year on year to total 80.3 billion yen at the end of the fiscal year under review.

(iii) Fundamental Policy Regarding the Distribution of Profits and Dividends for the Fiscal Year under Review and the Fiscal Year Ending March 2024

The Company considers the distribution of profits to shareholders to be an extremely important management issue, and as part of its three-year Medium-term Management Plan 2024, covering the period from FY2022 (fiscal year ended March 31, 2023) to FY2024 (fiscal year ending March 31, 2025), its fundamental policy is to emphasize stable and continuous dividends and to aim for a payout ratio of 50%.

The year-end dividend for the fiscal year under review will be 20.00 yen per share. Consequently, the full-year dividend for the fiscal year under review will be 40.00 yen per share.

In the next and subsequent fiscal years, the Group will emphasize the stable and continuous payment of dividends as its shareholder return policy in Medium-term Management Plan 2024, and aim for a dividend payout ratio of approximately 50%. The Company expects that the full-year dividend for the next fiscal year will be 45.00 yen per share, comprehensively taking into consideration stable dividend payments and results trends, among other factors.

Business Risks

Of the matters regarding business and accounting situations, etc., described in the financial statements in security reports, the main risks that the operator recognizes as having the possibility of significantly impacting the financial condition, business performance, or cash flow condition of consolidated companies are as follows.

1. Risks in Each of the Group's Businesses

The Citizen Group's main business is to manufacture and sell watches, machine tools, electronic devices, and electronic products. The Group operates its business all over the world, and our customers include both individuals and various manufacturers. Therefore, our operating results are influenced by various factors, some of which are listed below.

Watches

Competition in the watch market is intensifying, not only from Japanese brands but also from high-end Swiss brands, low-end Chinese manufacturers, and smartwatch manufacturers, along with alternative products such as smartphones with watch functions. With respect to movements, demand for analog quartz movements is trending downward, primarily in the low-end range, reflecting an increase in demand for smartwatches. In addition, unit prices are falling due to an intensifying competitive environment resulting mainly from the rise of Chinese manufacturers. Consequently, there is a risk of a decline in the quantity and market share.

Machine Tools

The machine tools business is susceptible to the effects of decline in demand for capital investment caused by economic fluctuations; soaring natural resource and raw material prices; regulations or significant changes in laws and regulations in countries and regions in which the Group operates its business. There is a risk that the Group's business performance could be adversely affected by the above in the future.

Devices and Components

The devices and components business is characterized by the rapid pace of technological innovation, changes in customer requirements, and high rates of new product and service introduction. Accordingly, declining sales prices, etc., caused by the obsolescence of existing products and services could significantly affect the Group's business performance. Precision machining components are susceptible to the trends of technical innovation among customers, including automotive and smart phone manufacturers. As for opto-devices, patent licensing agreements are concluded for manufacturing certain products. Our business results could be affected should a cooperative relationship underpinning a patent agreement break down and access to the patent be lost.

Electronics and Other Products

The electronic and other products business is susceptible to declining capital expenditure, customer business activities, and personal spending as a result of changing economic conditions, as well as stricter product safety–related laws, regulations, and standards, that might affect future business performance. Intense competition from electronics manufacturers in China and other countries in addition to domestic manufacturers, as well as rapid technological innovation, a drop in sales prices, and delays in development, could affect our business performance.

2. Overseas Sales

Overseas sales account for a high percentage of the Group's overall product sales. As our products are sold worldwide, our operating results might be affected by economic and consumer trends in each area, as well as by political and socioeconomic factors.

(Millions of yen)

	(April 1, 2022, to March 31, 2023)		(April 1, 2023, to March 31, 2024)	
	Net sales	Composition rate (%)	Net sales	Composition rate (%)
Japan	76,502	25.4	82,745	26.5
Asia	78,859	26.2	71,535	22.9
U.S.	80,426	26.7	85,720	27.4
Europe	62,287	20.7	69,914	22.4
Other	3,291	1.1	2,914	0.9
Total overseas sales	224,864	74.6	230,084	73.6
Total	301,366	100.0	312,830	100.0

3. Foreign Currency Fluctuation Risk

As overseas sales account for a high percentage of the Group's product sales, as mentioned in 2. above, we enter into foreign currency contracts, currency options, and other such transactions to hedge against risks. Although we are expanding and strengthening our overseas production, currency fluctuations might still affect the Group's operating results.

4. Manufacturing in China

China is one of main production bases for the Group's products. It is therefore possible for our operating results to be affected by factors in China, such as the suspension of production due to problems, the enactment of new regulations that could affect production, or the sharp appreciation of the Chinese yuan.

5. Impairment Loss

An impairment loss would be applicable if the market value of the Group's assets were to decline significantly or the profitability of our business were to deteriorate. This might affect the Group's operating results and financial position.

6. Patent and Intangible Property

As part of the Group's R&D and production activities, we make use of a variety of technologies covered by intellectual property rights. These include intellectual property rights that are owned by the Citizen Group, and others for which we believe we have legitimately received licenses to use. Nevertheless, should a third party claim, based on grounds of which we are unaware, that its intellectual property rights have been violated, a dispute could arise that could affect the Group's business results. For some products in particular, manufacturing is based on patent licensing agreements. If a cooperative relationship underpinning such an agreement were to break down, or access to the relevant patent were to be lost, it could affect our business results.

7. Risk Related to Natural Disaster Such as Earthquakes

We have established a Group risk management system to avoid any injury or damage to facilities in the event of a fire, an earthquake, or other disaster through drills and other safety activities at our headquarters and works. In the event of a particularly serious earthquake or other such disaster, however, our production activities and product supplies could be affected. There might also be a significant impact on our operating results and financial position due to reconstruction costs, for example.

8. Risks Related to M&As and Business Alliances
We are committed to strengthening the Group's business foundations through M&A and business alliances. When undertaking such activities, we carry out comprehensive research into and examinations of the companies involved. Nevertheless, there might be risks that we discover later, such as unrealized liabilities or obstacles in implementing projects, which could materially affect the Group's operating results and financial position.

9. Risk Related to Borrowings
The Group's borrowings include syndicated loans and commitment line agreements with financial institutions. Any violation of financial restrictions under such agreements could result in demands for the accelerated repayment of the relevant borrowings, which could affect the Group's financial position.

10. Risks Related to Information Security
With the number of illegitimate accesses and external cyberattacks continuously growing globally, the Group has been working to strengthen information security. However, in the event of any damages to its information system function due to an external cyberattack or for other reasons, or the occurrence of incidents such as the suspension of services by service providers, the Group's business activities, business performance, and financial conditions could be seriously affected.

The Group holds and manages, in a variety of forms, personal information obtained from customers and other sources, as well as confidential information related to the technologies, research and development, manufacturing, and sales of the Group and customers. The Group has been taking measures to protect such confidential information. Even so, such measures might not work effectively if any matters that are not expected to occur arise. If, therefore, such information is disclosed without any authority, the Group might be asked for compensation for losses and damages, or face lawsuits, which might affect the business performance, financial conditions, reputation, and credibility of the Group.

11. Other Risks
The Group's operating results might be affected by a variety of factors in addition to the above, including changes in social infrastructure and market competition as a result of rapid advances in technology, changes in the Group's financial or managerial situation as a result of ongoing restructuring initiatives, trading restrictions in major markets in Japan or overseas, international taxation risk including the transfer pricing taxation system, or substantial changes in stock or bond markets.

Consolidated Balance Sheets

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2023 and 2024

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	¥ 82,490	¥ 81,312
Notes and accounts receivable—trade	*1 53,718	*1*6 57,754
Electronically recorded monetary claims—operating	2,081	*6 3,056
Merchandise and finished goods	58,604	64,977
Work in process	24,291	26,472
Raw materials and supplies	25,595	24,600
Consumption taxes refund receivable	3,052	2,659
Other	10,907	8,178
Allowance for doubtful accounts	(1,099)	(1,272)
Total current assets	259,642	267,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*4*5 41,808	*4*5 43,146
Machinery, equipment and vehicles, net	*4 15,868	*4 18,634
Tools, furniture and fixtures, net	3,899	4,477
Land	10,367	10,529
Leased assets, net	5,134	7,722
Construction in progress	2,443	3,477
Total property, plant and equipment	*2 79,521	*2 87,987
Intangible assets		
Software	3,951	4,368
Other	799	837
Total intangible assets	4,751	5,206
Investments and other assets		
Investment securities	*3 39,021	*3 46,602
Long-term loans receivable	163	182
Deferred tax assets	5,581	6,058
Other	1,675	1,979
Allowance for doubtful accounts	(236)	(313)
Allowance for investment loss	(138)	—
Total investments and other assets	46,066	54,510
Total non-current assets	130,340	147,703
Total assets	¥ 389,982	¥ 415,445

Consolidated Statements of Income

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2023 and 2024

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 18,889	¥ 18,712
Electronically recorded obligations—operating	13,325	9,482
Notes payable—facilities	18	115
Electronically recorded obligations—non-operating	384	2,057
Short-term borrowings	*7 3,787	*7 10,077
Current portion of bonds payable	10,000	—
Income taxes payable	2,179	2,315
Accrued expenses	10,997	12,252
Provision for bonuses	6,156	6,548
Provision for bonuses for directors (and other officers)	303	328
Provision for product warranties	1,244	1,264
Provision for loss on reorganization	110	104
Other	*8 11,918	*8 12,381
Total current liabilities	79,317	75,641
Non-current liabilities		
Bonds payable	—	10,000
Long-term borrowings	*7 51,328	*7 42,433
Deferred tax liabilities	3,628	5,334
Provision for loss on reorganization	6	5
Retirement benefit liability	16,572	16,777
Lease liabilities	4,679	7,380
Other	1,673	1,737
Total non-current liabilities	77,889	83,668
Total liabilities	157,206	159,310
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,740	33,739
Retained earnings	150,483	124,466
Treasury shares	(28,581)	(1,698)
Total shareholders' equity	188,290	189,156
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,161	16,561
Foreign currency translation adjustment	25,659	41,558
Remeasurements of defined benefit plans	67	382
Total accumulated other comprehensive income	35,888	58,502
Non-controlling interests	8,596	8,475
Total net assets	232,775	256,134
Total liabilities and net assets	¥ 389,982	¥ 415,445

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	¥ *1 301,366	¥ *1 312,830
Cost of sales	*9 179,186	*9 181,447
Gross profit	122,180	131,383
Selling, general and administrative expenses	*2*3 98,472	*2*3 106,314
Operating profit	23,708	25,068
Non-operating income		
Interest income	851	1,364
Dividend income	1,563	1,292
Rental income	111	105
Share of profit of entities accounted for using equity method	1,248	1,361
Foreign exchange gains	1,237	2,879
Subsidy income	233	81
Other	1,002	328
Total non-operating income	6,248	7,413
Non-operating expenses		
Interest expenses	297	334
Loss on sale of notes receivable—trade	26	12
Depreciation of assets for rent	19	40
Commission for purchase of treasury shares	86	586
Bond issuance costs	—	53
Non-deductible consumption tax	126	—
Provision of allowance for doubtful accounts	—	173
Other	303	469
Total non-operating expenses	860	1,670
Ordinary profit	29,096	30,810
Extraordinary income		
Gain on sale of investment securities	1,530	554
Gain on sale of shares of subsidiaries	—	414
Gain on sale of non-current assets	*4 1,761	*4 45
Other	427	12
Total extraordinary income	3,719	1,026
Extraordinary losses		
Loss on sale of non-current assets	*6 17	*6 28
Loss on retirement of non-current assets	*5 501	*5 559
Impairment losses	*7 3,887	*7 1,677
Reorganization cost	*8 32	*8 13
Other	138	228
Total extraordinary losses	4,576	2,507
Profit before income taxes	28,240	29,329
Income taxes—current	6,400	8,213
Income taxes—deferred	809	(1,689)
Total income taxes	7,210	6,524
Profit	21,029	22,805
Loss attributable to non-controlling interests	(807)	(152)
Profit attributable to owners of parent	¥ 21,836	¥ 22,958

Consolidated Statements of Comprehensive Income

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2023 and 2024

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Profit	¥ 21,029	¥ 22,805
Other comprehensive income		
Valuation difference on available-for-sale securities	1,183	6,400
Foreign currency translation adjustment	8,731	15,411
Remeasurements of defined benefit plans, net of tax	460	345
Share of other comprehensive income of entities accounted for using equity method	446	772
Total other comprehensive income	* 10,823	* 22,930
Comprehensive income	31,852	45,736
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,496	45,572
Comprehensive income attributable to non-controlling interests	¥ (643)	¥ 163

Consolidated Statements of Changes in Equity

Financial year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	33,740	145,912	(8,225)	204,076
Changes during period					
Purchase of shares of consolidated subsidiaries					—
Dividends of surplus			(7,078)		(7,078)
Profit attributable to owners of parent			21,836		21,836
Cancellation of treasury shares		(10,199)		10,199	—
Purchase of treasury shares				(30,611)	(30,611)
Disposal of treasury shares		11		55	66
Transfer from retained earnings to capital surplus		10,188	(10,188)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	4,570	(20,356)	(15,785)
Balance at end of period	32,648	33,740	150,483	(28,581)	188,290

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,977	16,646	(394)	25,228	9,367	238,673
Changes during period						
Purchase of shares of consolidated subsidiaries						—
Dividends of surplus						(7,078)
Profit attributable to owners of parent						21,836
Cancellation of treasury shares						—
Purchase of treasury shares						(30,611)
Disposal of treasury shares						66
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	1,183	9,013	462	10,659	(770)	9,888
Total changes during period	1,183	9,013	462	10,659	(770)	(5,897)
Balance at end of period	10,161	25,659	67	35,888	8,596	232,775

Financial year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	33,740	150,483	(28,581)	188,290
Changes during period					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(9,809)		(9,809)
Profit attributable to owners of parent			22,958		22,958
Cancellation of treasury shares		(39,166)		39,166	—
Purchase of treasury shares				(12,305)	(12,305)
Disposal of treasury shares		0		22	22
Transfer from retained earnings to capital surplus		39,166	(39,166)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	(0)	(26,017)	26,883	865
Balance at end of period	32,648	33,739	124,466	(1,698)	189,156

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	10,161	25,659	67	35,888	8,596	232,775
Changes during period						
Purchase of shares of consolidated subsidiaries						(0)
Dividends of surplus						(9,809)
Profit attributable to owners of parent						22,958
Cancellation of treasury shares						—
Purchase of treasury shares						(12,305)
Disposal of treasury shares						22
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	6,400	15,898	315	22,614	(121)	22,493
Total changes during period	6,400	15,898	315	22,614	(121)	23,358
Balance at end of period	16,561	41,558	382	58,502	8,475	256,134

Consolidated Statements of Cash Flows

Citizen Watch Co., Ltd., and Consolidated Subsidiaries
March 31, 2023 and 2024

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	¥ 28,240	¥ 29,329
Depreciation	11,200	12,327
Increase (decrease) in provision for loss on reorganization	(319)	(8)
Increase (decrease) in allowance for doubtful accounts	(58)	103
Increase (decrease) in other provisions	321	27
Increase (decrease) in retirement benefit liability	(3,465)	245
Interest and dividend income	(2,415)	(2,657)
Subsidy income	(233)	(81)
Interest expenses	297	334
Loss (gain) on valuation of investment securities	—	62
Loss (gain) on sale of investment securities	(1,530)	(549)
Loss (gain) on sale of shares of subsidiaries	—	(414)
Loss (gain) on sale of non-current assets	(1,744)	(16)
Loss on retirement of non-current assets	501	559
Impairment losses	3,887	1,677
Decrease (increase) in trade receivables	(1,302)	972
Decrease (increase) in inventories	(7,699)	(74)
Increase (decrease) in trade payables	(2,573)	(8,627)
Other, net	146	5,215
Subtotal	23,251	38,427
Interest and dividends received	2,426	2,659
Interest paid	(299)	(331)
Income taxes refund (paid)	(9,035)	(6,272)
Subsidies received	233	81
Net cash provided by (used in) operating activities	16,576	34,564
Cash flows from investing activities		
Purchase of investment securities	(0)	(1)
Proceeds from sale of investment securities	1,811	2,721
Purchase of property, plant and equipment	(15,091)	(15,915)
Proceeds from sale of property, plant and equipment	1,827	210
Purchase of intangible assets	(1,465)	(1,946)
Loan advances	(5)	(3)
Proceeds from collection of loans receivable	4	3
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(0)
Other, net	(607)	2,233
Net cash provided by (used in) investing activities	(13,526)	(12,697)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,653	(2,645)
Proceeds from long-term borrowings	1,000	1,000
Repayments of long-term borrowings	(3,755)	(1,029)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Dividends paid	(7,078)	(9,809)
Proceeds from share issuance to non-controlling shareholders	25	—
Dividends paid to non-controlling interests	(147)	(233)
Purchase of treasury shares	(30,697)	(12,891)
Proceeds from sale of treasury shares	66	0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(0)
Other, net	(1,129)	(1,385)
Net cash provided by (used in) financing activities	(40,062)	(26,994)
Effect of exchange rate change on cash and cash equivalents	4,976	6,264
Net increase (decrease) in cash and cash equivalents	(32,036)	1,137
Cash and cash equivalents at beginning of period	111,237	79,201
Cash and cash equivalents at end of period	¥ 79,201	¥ 80,338

Notes
(Significant Matters That Serve as the Basis for the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 72
Deconsolidation: 2 companies
Effective the consolidated fiscal year under review, East Eagle Watch (Shanghai) Co., LTD and CITIZEN WATCH DO BRASIL LTDA, which were consolidated subsidiaries of the Company, are no longer included in the scope of consolidation. East Eagle Watch (Shanghai) Co., LTD has been liquidated, and the shares of CITIZEN WATCH DO BRASIL LTDA that were held have been sold. HESTIKA FRANCE S.A.S. changed its name to CITIZEN MACHINERY FRANCE S.A.S.

(2) Non-consolidated subsidiaries: 11
Major non-consolidated subsidiaries
Citizen Customer Service Co., Ltd.
(Reason for exclusion from scope of consolidation)
They were excluded from the scope of consolidation because the sum of total assets, net sales, current term net profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity), etc., of each of the deconsolidated subsidiaries is negligible compared to the overall total assets, net sales, current term net profit or loss, retained earnings, etc., in the consolidated financial statements and does not have significant impact on the said statements as a whole.

2. Matters Related to the Application of the Equity Method

(1) Number of affiliates accounted for using the equity method: 1
Marubeni Citizen-Cincom Inc.,
Effective the consolidated fiscal year, First Cainta Resources Corporation, which was an affiliate of the Company accounted for using the equity method, is no longer an equity-method affiliate due to a transfer of shares.

(2) Non-consolidated subsidiaries (Citizen Customer Service Co., Ltd.) and affiliates (VELDT Inc., etc.) that are not accounted for using the equity method are excluded from the scope of application of the equity method because they have minimal impact on the consolidated financial statements in light of their respective current term net profit or loss (amount corresponding to equity), retained earnings (amount corresponding to equity), etc., and because they are not material as a whole.

3. Fiscal Years of Consolidated Subsidiaries

(1) Consolidated subsidiaries for which the account closing dates are different from the consolidated account settlement date are as follows:
December 31 closing dates: 49 companies

(2) The Company makes necessary adjustments for formulating consolidated financial statements on the account closing date, by preparing financial statements that are the basis for consolidated financial statements.

4. Matters Related to Accounting Policies

Accounting policies adopted by consolidated subsidiaries conform to the standards used by the Company, in principle, and there are no differences to be specified. Major accounting policies adopted by the Company and its consolidated subsidiaries are as follows:

(1) Valuation standards and methods for important assets
(i) Securities
Other securities
Securities other than shares, etc., without market prices
These securities are stated using market value method. (Unrealized gains and losses are reported as a component of net assets, and cost of sales is computed primarily by the moving-average method.)
Shares, etc., without market prices
These securities are stated using the moving-average cost method.
(ii) Derivatives
These securities are stated using the market value method.
(iii) Inventories
Inventories are stated at cost mainly using the periodic average method. (The amount stated in the balance sheet is calculated using the book value write-down method based on a reduction in profitability.)

(2) Depreciation method of important depreciable assets
(i) Property, plant and equipment (excluding lease assets)
The straight-line method is applied.
The principal useful lives of property, plant and equipment are as follows:
Buildings and structures: 2 to 60 years
Machinery, equipment and vehicles: 1 to 10 years
(ii) Intangible assets (excluding lease assets)
The straight-line method is applied.
(iii) Leased assets
For depreciation of leased assets for finance lease transactions other than those involving ownership transfer, the useful life is based on the duration of the lease period, and the straight-line method is applied with an assumed residual value of zero.

(3) Accounting method for significant deferred assets.
Bond issuance costs
They are collectively amortized in the fiscal year in which they are incurred.

(4) Accounting for significant allowances and reserves
(i) Allowance for doubtful accounts
To reserve for losses on doubtful accounts such as trade receivables and loans, the Company and its consolidated subsidiaries in Japan provide an allowance, based on historical write-off rates for ordinary receivables and estimated amounts of irrecoverable debt for specified receivables such as debt with a possibility of default which takes into account the recoverability of individual debt. Moreover, estimated amounts of allowance are recorded for overseas consolidated subsidiaries, considering the recoverability of individual receivables.
(ii) Allowance for investment loss
To provide for potential losses on investments in the stock of non-consolidated subsidiaries or other investments, the Company records an amount it deems necessary in consideration of the investee's financial position.
(iii) Provision for bonuses
To provide for the payment of bonuses to employees of the Company and certain of its consolidated subsidiaries, allowance for bonuses is provided based on estimated future payments.
(iv) Provision for bonuses for directors (and other officers)
To provide for the payment of bonuses to officers of the Company and certain of its consolidated subsidiaries, allowance for bonuses is provided based on estimated future payments.
(v) Provision for product warranties
A portion of sales is provided for costs for after-sale services, etc., of products at certain consolidated subsidiaries.
(vi) Provision for loss on business reorganization and liquidation
To reserve for expenses and losses from business restructuring, an estimated required amount is recorded.

(5) Accounting method for retirement benefits
(i) Method for attributing expected retirement benefits to periods of service
In calculating projected benefits obligations, the periodic allocation of projected retirement benefits up to the end of the current period is based mainly on the benefit formula basis.
(ii) Treatment of unrecognized actuarial differences and past service costs
Actuarial differences are to be charged to expenses from the fiscal year following the year in which the past service costs occur, over a fixed number of years (using the declining balance method on the basis of 5 years, in principle) within the average remaining years of service of employees as of each fiscal year in which the past service costs occur.
Past service cost is treated as an expense over a fixed number of years (using the declining balance method on the basis of 5 years, in principle) within the average remaining years of service of employees as of the year in which the past service costs occur.
(iii) Adoption of the simplified method by companies that are small in size
Some consolidated subsidiaries adopt, for the purpose of calculating retirement benefit liability and retirement benefit expenses, a simplified method involving the recognition of retirement benefit obligations as the amount of retirement benefit payable at fiscal year-end due to voluntary termination.

(6) Accounting standards for income and expenses
The Citizen Group's main business is to manufacture and sell watches, machine tools, electronic devices, and electronic products.
The Company believes that its performance obligation regarding the recognition of revenues from sale of goods is satisfied when the control over the goods is transferred to customers and revenues are recognized at the time of the transfer.
Transaction prices are calculated by deducting variable consideration, including future sales returns and other rebates, from the consideration the customer promises in a contract. Variable consideration is estimated based on the past track record and information available as of the end of the consolidated fiscal year under review, and is revaluated at every fiscal year-end.
In the watches segment, membership-based inspection services are provided to customers. In the said services, performance obligations related to the sale of products and performance obligations related to inspection services are identified separately and revenue is recognized when each performance obligation is satisfied. As considerations regarding these performance obligations are generally paid within one year from the time they are satisfied, no significant financing component is involved.

(7) Standard for translation of significant foreign currency denominated assets or liabilities into yen
Foreign currency monetary assets and liabilities are translated into yen at the year-end spot exchange rate, and translation adjustments are accounted for as profit or loss. For overseas subsidiaries, etc., assets and liabilities are converted into yen based on the spot exchange rate on consolidated account settlement day, and revenue and expenses are converted into yen by using the average exchange rate during the fiscal year, while the difference arising from the conversion is shown in the net assets section as foreign currency translation adjustment and non-controlling interests.

(8) Scope of funds in the consolidated statement of cash flows
Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value, with redemption due dates arriving within three months from the acquisition date.

(Significant Accounting Estimates)

1. Impairment Loss on Non-Current Assets

(1) Amounts posted to the consolidated financial statements for the fiscal year under review
The amount of impairment loss on non-current assets is the same as that described in Notes (Consolidated Statement of Income) 8. Impairment losses.

(2) Information about important accounting estimates related to items identified
Regarding assets or assets group that are determined to show indications of having suffered impairment losses based on market prices of non-current assets and gains/losses stemming from business activities that use the said assets or assets group, if the carrying amount of the said asset or asset group exceeds the sum of the undiscounted future cash flows, the Group reduces the book value to their recoverable value and recognizes the reduction as impairment loss. The recoverable value is the higher of the net selling price or the value in use. The net sale price is calculated rationally. The value in use is calculated as the discounted present value of future cash flows. Expected future cash flows are calculated based on business plans approved by the board of directors, etc., markets outlook, etc.

The Group carefully monitors signs of impairment and recognizes and measures impairment losses. However, any changes in conditions or assumptions for impairment loss estimates due to changes in business plans or the market environment could have significant effects on the consolidated financial statements for the next fiscal year.

2. Valuation of Inventories

(1) Amounts posted to the consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Merchandise and finished goods	58,604	64,977
Work in process	24,291	26,472
Raw materials and supplies	25,595	24,600

(2) Information about important accounting estimates related to items identified
The main inventories at the Group are inventories in watches, and they are stated at cost mainly using the periodic average method. (The amount stated in the balance sheet is calculated using the book value write-down method based on reduction in profitability.) If the net selling price of inventories is below the book value, the book value is lowered to the net selling price. For backlogged inventories that are no longer in the operating cycle or inventories expected to be disposed of the write-down is calculated using a book value write-down rate that is determined according to the length of time the inventories have been retained, which is set mainly based on past sales and disposal records. Through this, the book values are regularly reduced and factors for declining profitability are reflected. The assumptions used to set the book value write-down rate are affected by changes in the market environment and are uncertain. Any changes in the assumptions used in the valuation of inventories that become necessary could significantly affect the amount of inventories that will be posted in the consolidated financial statements for the next fiscal year.

(Change in Accounting Policies)

(Application of implementation guidance on accounting standard for fair value measurement)
Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance"). It therefore has decided to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application of the accounting standard has no impact on the consolidated financial statements.

(Adoption of ASC 842 lease accounting)
The Citizen Group's subsidiaries that have adopted US GAAP began adopting ASC 842 lease accounting in the current consolidated fiscal year under review
Accordingly, all leasing transactions of lessees are recorded under assets and liabilities in the balance sheet, in principle. In adopting these standards, the method of recognizing the cumulative impact of their adoption as of the date of the adoption is used as an approved interim measure.

With the adoption of these accounting standards, leased assets (net) under property, plant and equipment increased 4,121 million yen, and lease obligations under other of current liabilities increased 921 million yen, while lease obligations under non-current liabilities increased 3,712 million yen in the consolidated balance sheet of the fiscal year under review. The impact of this change on profit and loss for the consolidated fiscal year under review was immaterial.

(Issued but not yet adopted accounting standards)
- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview
The accounting standards and revised implementation guidance set forth an accounting classification of income taxes levied on other comprehensive income and tax effect related to the sale of shares of subsidiaries, etc., if group taxation rules apply.

(2) Scheduled date of application
Scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impacts of the application of the relevant accounting standards
The Group is assessing the effects of the application of the Accounting Standard for Current Income Taxes, etc., on the consolidated financial statements.

(Change in Presentation Method)

(Notes to Consolidated Statement of Income)
Commission for syndicated loans that was shown separately under non-operating expenses in the previous fiscal year are included in other in the fiscal year under review, because it has become insignificant in monetary terms. To reflect the change in presentation, it has made reclassification in the consolidated financial statements for the previous year.
As a result, both commission for syndicated loans amounting to 48 million yen and other amounting to 255 million yen that were shown separately under non-operating expenses in consolidated statement of Income of the previous fiscal year are reclassified under other, amounting to 303 million yen.

(Additional Information)

(Performance-linked stock remuneration plan)
(1) Transaction overview
The Company has introduced a performance-linked compensation system (the "System") for its Directors (excluding Outside Directors and non-residents in Japan; hereinafter referred to as "Directors") for the purpose of further clarifying the link between the compensation to the Directors and the value of the Company's stock and giving them greater motivation to make contributions to improve business performance and increase enterprise value over the medium and long term.
The System employs a framework called the Board Incentive Plan trust (hereinafter "the BIP Trust"). The BIP Trust is similar to the performance-based stock compensation (Performance Share) plan and the restricted stock compensation (Restricted Stock) plan in the United States. Under the BIP Trust, shares of the Company's stock are issued, and money obtained by realizing the said shares is delivered to Directors according to their positions and degree of contribution to achievement of the Company's performance targets.
(2) The Company's shares remaining in the BIP Trust
The Company's shares remaining in the BIP Trust are posted as treasury shares in the net assets section. The book value and number of such treasury shares were 241 million yen and 373,362 shares, respectively, at the end of the previous consolidated fiscal year, and 308 million yen and 483,762 shares, respectively, at the end of the consolidated fiscal year under review.

(Notes to Consolidated Balance Sheets)

*1. Of notes receivable—trade and accounts receivable—trade, the amounts of those receivables arising from contracts with customers are as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Notes receivable	544	365
Accounts receivable	53,173	57,388

*2. The accumulated depreciation of property, plant and equipment is as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Accumulated depreciation	236,172	242,104

*3. Items provided to non-consolidated subsidiaries and affiliates are as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Investment securities (shares)	5,861	6,394

*4. The accumulated amount of tax purpose reduction entry of property, plant and equipment due to the acceptance of national subsidies, etc., is as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Buildings and structures	230	229
Machinery, equipment and vehicles	12	11

*5. Assets pledged as collateral and secured liabilities Assets pledged as collateral are as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Buildings and structures	1,334	1,267

*6. Bills and electronically recorded monetary claims - operating that matured on the last day of the consolidated fiscal year Although the last day of the consolidated fiscal year under review was a holiday for financial institutions, the bills and electronically recorded monetary claims – operating that matured on that day are accounted for as if they had been settled on the maturity date. The values of notes that matured on the last day of the fiscal year under review and electronically recorded monetary claims - operating are as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Notes receivable-trade	-	24
Electronically recorded monetary claims	-	45

*7. The Group has signed overdraft agreements and commitment line agreements with four correspondent banks in order to efficiently procure operating funds. The unused balance of borrowings under these agreements at the consolidated fiscal year-end is as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Total of overdraft limit and loan commitment	59,484	59,680
Outstanding borrowing balance	2,600	–
Difference	56,884	59,680

*8. Of Other, contract liabilities are as shown below.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Contract liabilities	2,360	1,631

(Notes to Consolidated Statements of Income)

*1. Revenue from contracts with customers
Net sales are not broken down into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in Notes to the Consolidated Financial Statements (Revenue Recognition) 1. Information on the breakdown of revenue from contracts with customers.

*2. Major components of selling, general and administrative expenses and their amounts are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Depreciation	4,276	4,680
Provision of allowance for doubtful accounts	(10)	(58)
Provision for bonuses	2,871	3,091
Provision for bonuses for directors (and other officers)	262	303
Retirement benefit expenses	1,692	1,935
Personnel expenses	32,561	35,370
Advertising expenses	18,768	20,666
Provision for product warranties	40	69
Research and development expenses	5,693	5,807

*3. The total amount of research and development expenses included in general and administrative expenses is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Research and development expenses	5,693	5,807

*4. Gain on sale of non-current assets mainly consisted of the following.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Machinery, equipment and vehicles	31	43
Land	1,721	–

*5. Loss on retirement of non-current assets mainly consisted of the following.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings and structures	389	375
Machinery, equipment and vehicles	26	124
Tools, furniture and fixtures	31	18

*6. Loss on sale of non-current assets mainly consisted of the following.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings and structures	0	20
Machinery, equipment and vehicles	10	8
Tools, furniture and fixtures	2	0

*7. Impairment losses
The Group posted an impairment loss in the asset groups below.
Fiscal year ended March 31, 2023

Location	Use	Type
Japan	Electronic device production facilities, Software, etc.	Buildings and structures, machinery equipment and vehicles, construction in progress, tools, furniture and fixtures, software, land, etc.
China	Electronic device production facilities, etc.	Equipment and vehicles, tools, furniture and fixtures, etc.
Philippines	Quarts production facilities, etc.	Equipment and vehicles, tools, furniture and fixtures, etc.

Fiscal year ended March 31, 2024

Location	Use	Category
Japan	Furniture, opto-devices production facilities, software, etc.	Tools, funiture and fixtures, machinery equipment and vehicles, software, etc.
Switzerland	Watch production facilities, etc.	Machinery equipment and vehicles, etc.
China	Electronic device production facilities, Healthcare device production facilities, etc.	Machinery equipment and vehicles, tools, furniture and fixtures, etc.

The Company and its consolidated subsidiaries are grouped by business unit based on managerial accounting categories, and these groups are regarded as the smallest units that generate cash flows, in principle. Regarding certain consolidated subsidiaries, each subsidiary is designated part of a group based on its size. Moreover, assets for which the association with a specific business is not clear, such as those for the head office, are considered shared assets.
In the previous consolidated fiscal year, carrying amounts, have been reduced to recoverable amounts, mainly for assets with no plan to be used in the future, operating assets with aggravated profitability, and operating assets for a business whose management environment has been significantly deteriorated, and the said reduction was recorded as impairment loss (3,887 million yen) under extraordinary losses. It mainly consisted of machinery, equipment and vehicles amounting to 1,835 million yen, buildings and structures amounting to 1,265 million yen, construction in progress amounting to 387 million yen, tools, furniture and fixtures amounting to 228 million yen, software amounting to 98 million yen and land amounting to 70 million yen. In the consolidated fiscal year under review, carrying amounts have been reduced to recoverable amounts, mainly for assets with no plan to be used in the future and operating assets with deteriorated profitability, and the said reduction was recorded as impairment loss (1,677 million yen) under extraordinary losses. This mainly consisted of machinery, equipment and vehicles amounting to 676 million yen, tools, furniture and fixtures amounting to 393 million yen, software amounting to 230 million yen, construction in progress amounting to 187 million yen, and buildings and structures amounting to 87 million yen.
The recoverable value is calculated based on the net realizable sale price or value in use. The net realizable sale price is calculated rationally. The value in use is calculated by discounting future cash flow using mainly a discount rate of 8%.

*8. Reorganization cost comprises the following.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reorganization cost	32	13

Reorganization cost in the previous consolidated fiscal year mainly comprised business structural reform expenses for the watches segment.
Reorganization cost in the consolidated fiscal year under review mainly comprises business structural reform expenses for the watches segment.

*9. Year-end inventories indicate an amount after the carrying amount is lowered due to a decline in profitability, and the following loss on valuation of inventories is included in cost of sales. The amounts below indicate those obtained by offsetting against reversals.

(Millions of yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
46	(792)

(Notes to Consolidated Statements of Comprehensive Income)

*Reclassification adjustment and tax effect related to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Amount that occurred in the fiscal year under review	229	8,667
Reclassification adjustment	1,524	554
Before tax effect adjustment	1,753	9,222
Amount of tax effect	(569)	(2,821)
Valuation difference on available-for-sale securities	1,183	6,400
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	9,029	15,832
Reclassification adjustment	(297)	(420)
Before tax effect adjustment	8,731	15,411
Amount of tax effect	–	–
Foreign currency translation adjustment	8,731	15,411
Remeasurements of defined benefit plans, net of tax:		
Amount that occurred in the fiscal year under review	488	287
Reclassification adjustment	100	113
Before tax effect adjustment	589	400
Amount of tax effect	(128)	(54)
Remeasurements of defined benefit plans, net of tax	460	345
Share of other comprehensive income of entities accounted for using equity method:		
Amount that occurred in the fiscal year under review	446	777
Reclassification adjustment	–	(4)
Share of other comprehensive income of entities accounted for using equity method	446	772
Total other comprehensive income	10,823	22,930

(Notes to Consolidated Statements of Changes in Equity)

Fiscal year ended March 31, 2023

1. Class and Number of Issued Shares and Class and Number of Treasury Shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at end of consolidated fiscal year under review
Issued shares				
Common shares	314,353,809	–	20,353,809	294,000,000
Total	314,353,809	–	20,353,809	294,000,000
Treasury shares				
Ordinary shares (Notes 2, 3, 4, 5)	16,137,900	39,550,127	20,353,837	35,334,190
Total	16,137,900	39,550,127	20,353,837	35,334,190

Notes:
1. The decrease in the total number of outstanding shares, 20,353,809, is due to the cancellation of treasury stock.
2. The increase of 39,550,127 shares in the number of treasury stock resulted from an increase of 39,547,400 shares through market purchases and an increase of 2,727 shares through purchases of shares less than one unit.
3. The decrease of 20,353,837 in the number of treasury stock resulted from a decrease of 20,353,809 due to the cancellation of treasury stock and a decrease of 28 due to requests for additional purchases of shares less than one unit.
4. The number of treasury stock at the beginning of the consolidated fiscal year under review includes 373,362 shares held by the executive compensation BIP trust.
5. The number of treasury stock at the end of the consolidated fiscal year under review includes 483,762 shares held by the executive compensation BIP trust.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2022	Common shares	2,687	9.00	March 31, 2022	June 29, 2022
Board of Directors meeting on November 14, 2022	Common shares	4,391	15.00	September 30, 2022	December 6, 2022

Notes:
1. Total dividends resolved at the ordinary general meeting of shareholders on June 28, 2022, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 3 million yen.
2. Total dividends resolved at the Board of Directors' meeting on November 14, 2022, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 5 million yen.

(2) Of dividends for which the record date is in the consolidated fiscal year under review, those for which the effective date is in the next consolidated fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2023	Common shares	Retained earnings	4,923	19.00	March 31, 2023	June 29, 2023

Note: Total dividends resolved at the ordinary general meeting of shareholders on June 28, 2023, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 9 million yen.

Fiscal year ended March 31, 2024

1. Class and Number of Issued Shares and Class and Number of Treasury Shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at end of consolidated fiscal year under review
Issued shares				
Common shares	294,000,000	–	48,000,000	246,000,000
Total	294,000,000	–	48,000,000	246,000,000
Treasury shares				
Ordinary shares (Notes 1, 2, 3, 4)	35,334,190	14,879,042	48,034,631	2,178,601
Total	35,334,190	14,879,042	48,034,631	2,178,601

Notes: 1. The decrease in the total number of outstanding shares, 48,000,000, is due to the cancellation of treasury stock.

2. The increase of 4,879,042 shares in the number of treasury stock resulted from an increase of 14,875,100 shares through market purchases and an increase of 3,942 shares through purchases of shares less than one unit.

3. The 48,034,631-share decrease in treasury stock is attributed to a decrease of 48,000,000 shares due to the cancellation of treasury stock, a decrease of 34,508 shares due to the delivery and sale of shares to former directors by the BIP trust, and a decrease of 123 shares due to requests for the purchase of shares less than one unit.

4. The number of treasury stock at the beginning of the consolidated fiscal year under review includes 483,762 shares held by the executive compensation BIP Trust.

5. The number of treasury stock at the end of the consolidated fiscal year under review includes 449,254 shares held by the executive compensation BIP Trust.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2023	Common shares	4,923	19.00	March 31, 2023	June 29, 2023
Board of Directors meeting on November 13, 2023	Common shares	4,885	20.00	September 30, 2023	December 5, 2023

Notes: 1.Total dividends resolved at the ordinary general meeting of shareholders on June 28, 2023, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 9 million yen.

2.Total dividends resolved at the Board of Directors' meeting on November 13, 2023, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

(2) Of dividends for which the record date is in the consolidated fiscal year under review, those for which the effective date is in the next consolidated fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2024	Common shares	Retained earnings	4,885	20.00	March 31, 2024	June 26, 2024

Note: Total dividends resolved at the ordinary general meeting of shareholders on June 25, 2024, included dividends associated with shares of the Company held by the executive compensation BIP Trust amounting to 8 million yen.

(Notes to Consolidated Statements of Cash Flows)

*Relationship between "Cash and cash equivalents at end of year" and account items listed in the Consolidated Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash and deposits	82,490	81,312
"Other" under current assets (deposits paid to securities firms)	96	–
Time deposits for which the deposit period is more than three months	(3,378)	(952)
Specified deposits for the BIP Trust	(5)	(21)
Cash and cash equivalents	79,201	80,338

(Lease Transactions)

(Lessee)

1. Finance Lease Transactions

Non-ownership-transfer finance lease transactions

(i) Leased assets

Property, plant and equipment

They mainly consist of buildings and structures.

(ii) Method of depreciation/amortization of leased assets

As stated in 2. Depreciation method of important depreciable assets and 4. Matters related to accounting policies under Significant Matters That Serve as the Basis for the Preparation of Consolidated Financial Statements.

2. Operating Lease Transactions

Noncancelable future operating lease payments

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Within 1 year	9	8
Over 1 year	9	18
Total	18	27

(Financial Instruments)

1. Matters Related to the Status of Financial Instruments

(1) Policy on financial instruments

The Group has the policy of limiting its fund management activities to short-term deposits and the like and to conduct fund procurement primarily through loans from banks and other financial institutions and the issuance of bonds. The Group uses derivative transactions only for the purpose of avoiding the risks described below and does not conduct derivative transactions for speculative purposes.

(2) Description of financial instruments and their risks

Notes and accounts receivable—trade, which are operating receivables, are exposed to the credit risk of customers. Foreign currency–denominated trade receivables arising from conducting business in overseas markets are exposed to foreign exchange fluctuation risk. Investment securities consist primarily of stock of business partners and are exposed to market price fluctuation risk. Moreover, the Group provides long-term loans to business partners, etc.

Most of the notes payable—trade and accounts payable—trade, which are operating payables, mature in one year or less. Borrowings and bonds are mainly for procuring funds that are used for working capital, refinancing for long-term loans, and strategic investment. The Group is exposed to liquidity risk from its operating payables and loans payable. Regarding derivative transactions, the Group uses forward foreign exchange contracts for the purpose of hedging currency fluctuation risk associated with foreign currency–denominated trade receivables and payables.

(3) Risk management system related to financial instruments

(i) Credit risk (risk related to business connections' contract nonperformance) management

In accordance with the receivable management rules, the Company and its consolidated subsidiaries have systems enabling the management of due dates and balances and periodic assessment of major trading partners' credit standing.

In using derivative transactions, the Group uses financial institutions with high credit standing to mitigate credit risk in the event of nonperformance by counterparties.

(ii) Market risk management

Regarding foreign currency–denominated trade receivables arising from conducting business in overseas markets, the Group uses forward foreign exchange contracts for the purpose of hedging certain currency fluctuation risk, in principle, excluding trade receivables denominated in the same currencies.

Regarding investment securities, their market values are periodically reported to the Board of Directors. Moreover, the shareholding status is continually reviewed, taking into consideration relationships with, and the financial conditions, etc., of, business partners.

Derivative transactions are executed and managed by the sections in charge in accounting divisions, etc., of the respective companies, and the results of transactions are reported to executives in charge of accounting or the relevant general managers.

(iii) Management of liquidity risk in financing (risk of failure to pay on due dates)

The Company and the Group prepare and update cash flow plans in a timely manner based on reports from the Group companies and manage liquidity risk by such means as maintaining liquidity on hand.

(4) Supplementary explanation regarding the fair value of financial instruments

The fair value of financial instruments is based on market prices or reasonable calculations in the absence of market quotations. Because the calculations of fair values include variable factors, fair values could change when different assumptions are used. In addition, the contract amounts, etc., of derivative transactions described in (Note to derivative transactions) are not an indicator of risk associated with derivative transactions.

2. Matters Related to the Market Prices of Financial Instruments, etc.

Consolidated Balance Sheet Amounts, Market Prices, and Differences Between Them Are as Follows:

As of March 31, 2023

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities*2			
Available-for sale securiteis	22,382	22,382	-
(2) Long-term loans receivable	163		
Allowance for doubtful accounts*3	(142)		
	20	20	-
Total assets	22,403	22,403	-
(1) Bonds payable (including current portion of bonds payable)	10,000	9,994	(6)
(2) Long-term borrowings (including current portion of long-term borrowings payable)	52,514	51,843	(670)
Total liabilities	62,514	61,837	(676)
Derivative transactions*4	(83)	(83)	-

Notes: 1.Information regarding "cash and deposits," "notes and accounts receivable—trade," "electronically recorded monetary claims—operating," "notes and accounts payable—trade," "electronically recorded obligations—operating," "electronically recorded obligations—non-operating," and "short-term borrowings" has been omitted because these items are cash and their fair values are proximate to their book values due to settlement in short periods.

2.Stocks and others without quoted market prices are not included in (1) Investment securities. The said financial instrument's consolidated balance sheet amount is as follows:

Category	Fiscal year ended March 31, 2023 (Millions of yen)
Unlisted shares	16,639

3. The allowances for doubtful accounts recorded for individual long-term receivables are subtracted.

4.Net claims and obligations resulting from derivative transactions are shown at net amounts. Net obligations are shown in parentheses.

As of March 31, 2024

(Millions of yen)

	Consolidated balance shee amount	Fair value	Difference
(1) Investment securities*2			
Available-for-sale securities	29,426	29,426	-
(2) Long-term loans receivable	182		
Allowance for doubtful accounts*3	(182)		
	-	-	-
Total assets	29,426	29,426	-
(1) Bonds payable (including current portion of bonds payable)	10,000	9,974	(26)
(2) Long-term borrowings (including current portion of long-term borrowings payable)	52,443	51,777	(666)
Total liabilities	62,443	61,751	(692)
Derivative transactions*4	(189)	(189)	-

*1. Information regarding “cash and deposits,” “notes and accounts receivable—trade,” “electronically recorded monetary claims—operating,” “notes and accounts payable—trade,” “electronically recorded obligations—operating,” “electronically recorded obligations—non-operating,” and “short-term borrowings” has been omitted because these items are cash and their fair values are proximate to their book values due to settlement in short periods.

*2. As the financial instruments below do not have market quotations and as it is considered extremely difficult to assess their fair values, they are not included in (1) Investment securities.

Category	Fiscal year ended March 31, 2024 (Millions of yen)
Unlisted shares	17,175

*3. The allowances for doubtful accounts recorded for individual long-term receivables are subtracted.

*4. Net claims and obligations resulting from derivative transactions are shown at net amounts. Net obligations are shown in parentheses.

Note: Amount of money claims to be redeemed after consolidated closing date

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	82,490	–	–	–
Notes and accounts receivable—trade	53,687	31	–	–
Electronically recorded monetary claims—operating	2,081	–	–	–
Long-term loans receivable	–	163	–	–
Total	138,259	194	–	–

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year but within 5years	Over 5 years but within 10years	Over 10 years
Cash and deposits	81,312	–	–	–
Notes and accounts receivable—trade	57,717	36	–	–
Electronically recorded monetary claims—operating	3,056	–	–	–
Long-term loans receivable	–	182	–	–
Total	142,086	218	–	–

Note : Scheduled redemption amounts of bonds, long-term borrowings, lease obligations, and other interest-bearing liabilities with maturity after the consolidated accounts settlement date.

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	2,602	–	–	–	–	–
Bonds payable	10,000	–	–	–	–	–
Long-term borrowings	1,185	10,067	15,064	10,064	16,045	86
Lease liabilities	1,164	1,142	947	682	582	1,323
Total	14,952	11,210	16,011	10,747	16,628	1,410

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	67	–	–	–	–	–
Bonds payable	–	–	–	–	10,000	–
Long-term borrowings	10,010	15,073	10,073	16,051	1,027	206
Lease liabilities	1,452	1,762	1,301	950	812	2,553
Total	11,530	16,836	11,374	17,001	11,840	2,760

3. Breakdown of Financial Instruments by Level of Market Value

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1 fair value:
Fair value calculated using market prices, on an active market, of assets or liabilities for which the fair value is calculated of the observable inputs related to the calculation of fair value

Level 2 fair value:
Fair value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of fair value

Level 3 fair value:
Fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs for which the priority is lowest in the calculation of fair value.

(1) Financial instruments stated at fair value in the consolidated balance sheet

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	22,382	–	–	22,398
Derivative transactions				
Currency	–	16	–	16
Total assets	22,382	16	–	22,398
Derivative transactions				
Currency	–	99	–	99
Total liabilities	–	99	–	99

As of March 31, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	29,426	–	–	29,426
Derivative transactions				
Currency	–	16	–	16
Total assets	29,426	16	–	29,443
Derivative transactions				
Currency	–	205	–	205
Total liabilities	–	205	–	205

(2)Financial instruments other than those stated at fair value in the consolidated balance sheet

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	–	20	–	20
Total assets	–	20	–	20
Bonds payable	–	9,994	–	9,994
Long-term borrowings	–	51,843	–	51,843
Total liabilities	–	61,837	–	61,837

As of March 31, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	–	9,974	–	9,974
Long-term borrowings	–	51,777	–	51,777
Total liabilities	–	61,751	–	61,751

Note: Explanations about assessment techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investment securities

Listed shares are assessed using fair values. Listed shares are traded on an active market and their fair values are categorized into Level 1.

Derivative transactions

Fair values of exchange contracts are calculated by the present discounted value method, using interest rates, foreign exchange rates, and other observable inputs and are categorized under Level 2 fair value.

Long-term loans receivable

Fair values of long-term loans receivables are grouped by a certain period of time and calculated by present discounted value method, using future cash flows and individual rates based on the category of credit risks in credit management which consist of appropriate indicators such as government bond yield, and credit spreads. These loan receivables are categorized under Level 2 fair value.

Bonds payable

Fair values of bonds issued by the Company are calculated by the present discounted value method, using the total amount of principal and interest and a rate adjusted by remaining periods of the said bonds and credit risk. These bonds are categorized under Level 2 fair value.

Long-term borrowings

Fair values of long-term borrowings are calculated by the present discounted value method, using the total amount of principal and interest and a rate adjusted by remaining periods of the said borrowings and credit risk. These borrowings are categorized under Level 2 fair value.

(Notes to Securities)

1. Available-for-Sale Securities

As of March 31, 2023

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Other securities for which the book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	22,074	9,084	12,990
	(2) Bonds			
	(i)Government bonds, local government bonds, etc.	–	–	–
	(ii)Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	22,074	9,084	12,990
Other securities for which the book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	307	309	(1)
	(2) Bonds			
	(i)Government bonds, local government bonds, etc.	–	–	–
	(ii)Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	307	309	(1)
Total		22,382	9,393	12,988

As of March 31, 2024

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Other securities for which the book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	29,426	7,216	22,210
	(2) Bonds			
	(i)Government bonds, local government bonds, etc.	–	–	–
	(ii)Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	29,426	7,216	22,210
Other securities for which the book carrying amounton the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	(i)Government bonds, local government bonds, etc.	–	–	–
	(ii)Bonds payable	–	–	–
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		29,426	7,216	22,210

2. Available-for-Sale Securities That Were Sold

Fiscal year ended March 31, 2023

(Millions of yen)

Type	Sale price	Total gain on sales	Total loss on sales
(1) Stocks	1,811	1,530	–
(2) Bonds			
(i)Government bonds, local government bonds, etc.	–	–	–
(ii)Bonds payable	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	1,811	1,530	–

Fiscal year ended March 31, 2024

(Millions of yen)

Type	Sale price	Total gain on sales	Total loss on sales
(1) Stocks	2,721	554	–
(2) Bonds			
(i)Government bonds, local government bonds, etc.	–	–	–
(ii)Bonds payable	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	2,721	554	–

3. Investment securities on which impairment losses were posted Fiscal year ended March 31, 2023
Not applicable
Fiscal year ended March 31, 2024
Not applicable

(Notes to Derivative Transactions)

1. Derivative Transactions to Which Hedge Accounting Is Not Applied

Currencies

As of March 31, 2023

(Millions of yen)

Category	Type	Contract value, etc.	Value of contract for more than one year	Fair value	Valuation gains or losses
Transactions other than market transactions	Forward exchange contracts				
	Long position				
	USD	309	—	0	0
	EUR	1,855	—	(65)	(65)
	CNY	970	—	5	5
	Short position				
	JPN	735	—	(23)	(23)
Total		3,870	—	(83)	(83)

As of March 31, 2024

(Millions of yen)

Category	Type	Contract value, etc.	Value of contract for more than one year	Fair value	Valuation gains or losses
Transactions other than market transactions	Forward exchange contracts				
	Long position				
	USD	285	—	9	9
	EUR	2,390	—	(136)	(136)
	CNY	1,151	—	(8)	(8)
	THB	983	—	(11)	(11)
	Short position				
	USD	310	—	(5)	(5)
	JPY	666	—	(36)	(36)
Total		5,788	—	(189)	(189)

2. Fair Values to Which Hedge Accounting Is Applied

Notes related to interest rates
As of March 31, 2023
Not applicable.
As of March 31, 2024
Not applicable.

(Retirement Benefits)

1. Outline of the Retirement Benefits System

The Company and its domestic consolidated subsidiaries have adopted lump-sum withdrawal payment systems and retirement benefit systems under defined contribution systems.
In addition, some of the overseas consolidated subsidiaries have adopted defined benefit systems or defined contribution systems.
In calculating their retirement benefits obligations, some of the consolidated subsidiaries have adopted the simplified method under which an amount required to be paid for voluntary resignations at fiscal year-end is assumed to be equal to retirement benefits obligations.
Moreover, the Company has instituted a retirement benefit trust.

2. Defined Benefit Plans

(1) Reconciliation of defined benefit obligation at beginning and end of period

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Defined benefit obligation at beginning of period	25,820	26,045
Service costs	1,299	1,060
Interest costs	136	130
Amount of net actuarial gain/loss	(529)	24
Retirement benefits paid	(1,310)	(1,155)
Exchange adjustments	491	928
Other	138	62
Defined benefit obligation at end of period	26,045	27,097

Note: Retirement benefit expenses are included in service cost at consolidated subsidiaries using the simplified method.

(2) Reconciliation of balance of plan assets at beginning and end of period

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Plan assets at beginning of period	5,538	9,473
Expected return on plan assets	140	107
Amount of net actuarial gain/loss	(204)	298
Employer contribution	173	–
Retirement benefits paid	(74)	(147)
Exchange adjustments	262	586
Amount of retirement benefit trust	3,500	–
Others	136	–
Plan assets at end of period	9,473	10,319

(3) Reconciliation of retirement benefit obligation and plan assets with net retirement benefit liabilities and assets reflected on the consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Defined benefit obligation for funded plan	5,518	6,487
Plan assets	(9,473)	(10,319)
	(3,955)	(3,831)
Retirement benefit obligation for unfunded plan	20,527	20,609
Net amount of liabilities and assets on the consolidated balance sheets	16,572	16,777
Retirement benefit liability	16,572	16,777
Net amount of liabilities and assets on the consolidated balance sheets	16,572	16,777

(4) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Service costs	1,299	1,060
Interest costs	136	130
Expected return on plan assets	(140)	(107)
Expense for actuarial losses	97	110
Amortization of prior service costs	3	2
Retirement benefit expenses related to defined benefit plans	1,396	1,196

Note: Retirement benefit expenses are included in service cost at consolidated subsidiaries using the simplified method.

(5) Remeasurements of defined benefit plans, net of tax
Breakdown of remeasurements of defined benefit plans, net of taxes, is as shown below.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Prior service costs	(3)	(2)
Actuarial gains and losses	(585)	(398)
Total	(589)	(400)

(6) Remeasurements of defined benefit plans
Breakdown of items posted as remeasurements of defined benefit plans (before deduction of tax effect) is as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Unrecognized prior service costs	211	208
Unrecognized actuarial gains and losses	(292)	(690)
Total	(81)	(481)

(7) Pension plan assets
(i) Breakdown of plan assets
The ratios of each of the major categories to total pension assets are as follows:

	As of March 31, 2023	As of March 31, 2024
Stocks	12.2%	12.7%
Bonds	8.9%	9.3%
Cash and deposits	1.4%	1.4%
General account in life insurance	18.6%	19.6%
Investment trusts	57.0%	54.8%
Others	1.9%	2.2%
Total	100.0%	100.0%

Note: The retirement benefit trust accounts for 57.0% and 54.8% of total pension plan assets in the previous consolidated fiscal year and the consolidated fiscal year under review, respectively.

(ii) Method for setting expected long-term rate of return
To determine the expected long-term rate of return on pension plan assets, the Company takes into consideration the current and expected pension plan asset mix and expected long-term rates of return on a variety of pension plan assets.

(8) Basis for the calculation of actuarial gains and losses
Major assumptions for the calculation of actuarial gains and losses (weighted average)

	As of March 31, 2023	As of March 31, 2024
Discount rate	0.32%–3.45%	0.31%–4.85%
Expected long-term rate of return	0.15%–4.00%	0.31%–4.00%

3. Defined Contribution Plan

The required contribution amounts for the Company and its consolidated subsidiaries were 1,174 million yen and 1,233 million yen for the fiscal years ended March 31, 2023 and 2024, respectively.

(Tax Effect Accounting)

1.Breakdown of Key Factors Contributing to Deferred Tax Assets and Deferred Tax Liabilities

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Depreciable assets	4,011	2,650
Inventory write-down and unrealized gain	5,147	6,322
Retirement benefit liability	5,793	5,423
Allowance for doubtful accounts	383	664
Provision for bonuses	1,644	1,708
Losses carried forward (Note)	10,435	9,457
Investment securities	2,032	2,374
Provision for loss on business reorganization and liquidation	15	21
Others	6,907	7,729
Deferred tax assets subtotal	36,371	36,352
Valuation allowance related to tax losses carried forward (Note)	(9,565)	(7,838)
Valuation allowance related to deductible temporary differences	(17,790)	(17,751)
Valuation allowance subtotal	(27,355)	(25,589)
Total deferred tax assets	9,015	10,762
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,780)	(5,601)
Undistributed profits of overseas affiliated companies	(3,831)	(4,005)
Reserve for special depreciation	(164)	(146)
Others	(286)	(284)
Total deferred tax liabilities	(7,062)	(10,038)
Net deferred tax assets	1,953	724

Note: Tax losses carried forward and the related deferred tax assets allocated to each fiscal year when carryforwards expired.

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year but within 2years	Over 2 years but within 3years	Over 3 years but within 4 years	Over 4 years but within 5years	Over 5 years	Total
Tax losses carried forward*	271	295	300	214	216	9,137	10,435
Valuation allowance	(161)	(254)	(282)	(214)	(216)	(8,436)	(9,565)
Deferred tax assets	110	41	18	—	—	700	870

* The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year but within 2years	Over 2 years but within 3years	Over 3 years but within 4 years	Over 4 years but within 5years	Over 5 years	Total
Tax losses carried forward*	527	318	312	299	195	7,804	9,457
Valuation allowance	(386)	(184)	(284)	(299)	(195)	(6,487)	(7,838)
Deferred tax assets	140	134	27	—	—	1,317	1,619

* The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

2. Breakdown of Major Items That Caused a Significant Difference Between an Effective Statutory Tax Rate and a Percentage of Income Taxes After the Application of Tax Effect Accounting

	As of March 31, 2023	As of March 31, 2024
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible for tax purposes	0.3%	0.4%
Dividends income, etc., that is excluded from taxable income	(0.1%)	(1.6%)
Change in valuation allowance	2.8%	(2.2%)
Differences in tax rates between the parent and subsidiaries	(4.0%)	(4.5%)
Increase/decrease in amount of tax consequences pertaining to overseas retained earnings	(1.1%)	(0.6%)
Others	(3.0%)	0.2%
Percentage of effective income tax rate after the application of tax effect accounting	25.5%	22.3%

3. Accounting Method for Income Taxes and Local Corporate Taxes or Accounting Method for the Related Tax Effect Accounting

The Company and certain domestic consolidated subsidiaries are using the Group Tax Sharing System. Their accounting for income taxes and local corporate taxes and the related tax effect accounting and disclosure are in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force No. 42 issued on August 12, 2021).

(Revenue Recognition)

1. Information on the Breakdown of Revenue from Contracts with Customers

Fiscal year ended March 31, 2023

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronics and Other Products	Total
Japan	25,194	19,685	22,175	9,385	76,440
Asia	33,390	25,960	14,794	4,714	78,859
U.S.	66,015	8,397	3,413	2,599	80,426
Europe	23,404	30,918	4,318	3,645	62,287
Others	1,997	1,209	35	48	3,291
Others Revenue from contracts with customers	150,002	86,171	44,737	20,392	301,305
Other revenue	-	-	-	61	61
Sales to external customers	150,002	86,171	44,737	20,454	301,366

Note: Other income comprises real estate rents, etc.

Fiscal year ended March 31, 2024

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronics and Other Products	Total
Japan	27,522	19,462	23,178	12,382	82,545
Asia	35,773	19,931	12,605	3,224	71,535
U.S.	72,513	8,800	2,258	2,147	85,720
Europe	28,015	32,799	4,434	4,665	69,914
Others	2,240	635	10	28	2,914
Others Revenue from contracts with customers	166,065	81,629	42,487	22,448	312,630
Other revenue	140	-	-	59	199
Sales to external customers	166,205	81,629	42,487	22,507	312,830

Note: Other income comprises income in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Basic Information for Understanding Revenue fromContracts with Customers

Information that serves as a basis for understanding revenue is as stated in Notes to consolidated financial statements, Significant matters for preparing consolidated financial statements, 4. Matters regarding accounting policies, (6) Standards for recognition of significant revenues and expenses.

3. Information About the Relationship Between the Fulfillment of Performance Obligations Based on the Contract with the Customer and the Cash Flow Generated from the Contract, and the Amount of Revenue Expected to Be Recognized from the Contract with the Customer Existing at the End of the Current Fiscal Year After the Next Fiscal Year and the Timing of Cash Flows

(1) Balance of contract liabilities

(Millions of yen)

	Fiscal year ended March 31, 2023	
	Balance at beginning of period	Balance at end of period
Contract liabilities	2,071	2,360

Contract liabilities are presented under "Other" in current liabilities in the consolidated balance sheet. Contract liabilities are recognized mainly when consideration for transactions accompanying the sale of products is received as advances prior to delivery of products and when consideration for transactions accompanying sales of products is received as advances in a lump sum in relation to membership-based inspection services in the watches segment. Contract liabilities are reversed as revenue is recognized.
The amount of revenue recognized in the previous fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is 1,648 million yen.

(2) Transaction prices allocated to outstanding performance obligations
The Company and its consolidated subsidiaries apply the practical expedient to notes on the transaction prices allocated to outstanding performance obligations, and information with respect to contracts that have an original expected duration of one year or less is not included in the scope of notes. The sum of transaction value allocated to remaining performance obligations and the period of expected income recognition are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2023
Within 1 year	123
Over 1 year	382
Total	505

(1) Balance of contract liabilities

(Millions of yen)

	Fiscal year ended March 31, 2024	
	Balance at beginning of period	Balance at end of period
Contract liabilities	2,360	1,631

Contract liabilities are presented under "Other" in current liabilities in the consolidated balance sheet. Contract liabilities are recognized mainly when consideration for transactions accompanying the sale of products is received as advances prior to delivery of products and when consideration for transactions accompanying sales of products is received as advances in a lump sum in relation to membership-based inspection services in the watches segment. Contract liabilities are reversed as revenue is recognized.
The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is 1,978 million yen.

(2) Transaction prices allocated to outstanding performance obligations
The Company and its consolidated subsidiaries apply the practical expedient to notes on the transaction prices allocated to outstanding performance obligations, and information with respect to contracts that have an original expected duration of one year or less is not included in the scope of notes. The sum of transaction value allocated to remaining performance obligations and the period of expected income recognition are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024
Within 1 year	95
Over 1 year	365
Total	460

(Segment Information)

1. Outline of Reportable Business Segments

The Citizen Group's reportable segments are group components for which separate financial information can be obtained. Each segment is subject to periodic examinations to allow the Board of Directors to decide how to allocate management resources and assess performance.
The Citizen Group has adopted an operating holding company structure and comprehensive strategies are proposed and businesses are pursued by individual operating companies.

Consequently, the Citizen Group, starting from a foundation of operating companies, manages its businesses through four reportable segments—Watches, Machine Tools, Devices and Components, and Electronic products—based on factors like similarity of types and characteristics of products.
Each segment and its major products are as shown below.

Segment	Major products
Watches	Watches, Movements
Machine Tools	CNC lathes
Devices and Components	Auto parts, Quartz crystals, Motors, Chip LEDs
Electronics and Other Products	Printers, Health care equipments, etc.

2. Method for Calculating Sales, Profit/Loss, Assets, Liabilities, and Other Items for Reportable Segments

The accounting methods applied to the business segments reported are generally the same as those described under Basis of Presenting the Consolidated Financial Statements.
Reportable segment income is based on operating profit.
Inter-segment earnings and transfers are based on market prices.

3. Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Fiscal year ended March 31, 2023

(Millions of yen)

	Watches	Machine Tools	Devices	Electronics and Other Products
Net sales				
Sales to external customers	150,002	86,171	44,737	20,454
Inter-segment sales and transfers	94	236	1,369	630
Total	150,097	86,408	46,107	21,084
Segment income or loss	16,632	12,203	(818)	1,145
Segment assets	189,683	92,622	66,362	21,233
Other items				
Depreciation	4,239	2,203	3,355	306
Investment in equity method affiliates	-	5,437	-	-
Increase in property, plant and equipment and intangible assets	5,235	8,493	2,012	614

	Total	Adjustments (Note 1)	Amount posted in the consolidated financial statements (Note 2)
Net sales			
Sales to external customers	301,366	-	301,366
Inter-segment sales and transfers	2,331	(2,331)	-
Total	303,697	2,331	301,366
Segment income	29,162	(5,454)	23,708
Segment assets	369,901	20,080	389,982
Other items			
Depreciation	10,105	1,094	11,200
Investment in equity method affiliates	5,437	-	5,437
Increase in property, plant and equipment and intangible assets	16,356	1,071	17,428

Notes: 1.The following is descriptions of the adjustments.
(1)The 5,454 million yen negative adjustment to segment income (operating profit) includes 133 million yen in inter-segment eliminations and 5,588 million yen in corporate expenses that could not be allocated to a particular segment.
(2)The 20,080 million yen positive adjustment to segment assets includes 52,217 million yen in corporate assets that could not be allocated to a particular segment and 32,136 million yen to eliminate inter-segment obligations.
(3)Depreciation cost adjustments apply to the entire company.
(4)The adjusted increases in property, plant and equipment and intangible assets apply to the entire company.
2.Segment income is adjusted with operating profit on the consolidated financial statements.

Fiscal year ended March 31, 2024

(Millions of yen)

	Watches	Machine Tools	Devices	Electronics and Other Products
Net sales				
Sales to external customers	166,205	81,629	42,487	22,507
Inter-segment sales and transfers	80	304	1,769	636
Total	166,286	81,934	44,256	23,144
Segment income or loss	19,851	9,029	463	1,588
Segment assets	212,331	93,534	66,410	23,366
Other items				
Depreciation	5,409	2,834	2,661	377
Investment in equity method affiliates	-	6,169	-	-
Increase in property, plant and equipment and intangible assets	11,281	6,054	2,933	493

	Total	Adjustments (Note 1)	Amount posted in the consolidated financial statements (Note 2)
Net sales			
Sales to external customers	312,830	-	312,830
Inter-segment sales and transfers	2,791	(2,791)	-
Total	315,621	(2,791)	312,830
Segment income	30,933	(5,864)	25,068
Segment assets	395,643	19,801	415,445
Other items			
Depreciation	11,283	1,044	12,327
Investment in equity method affiliates	6,169	-	6,169
Increase in property, plant and equipment and intangible assets	20,762	1,257	22,020

Notes: 1.The following is descriptions of the adjustments.
(1)The 5,864 million yen negative adjustment to segment income (operating profit) includes 118 million yen in inter-segment eliminations and 5,983 million yen in corporate expenses that could not be allocated to a particular segment.
(2)The 19,801 million yen positive adjustment to segment assets includes 60,018 million yen in corporate assets that could not be allocated to a particular segment and 40,216 million yen to eliminate inter-segment obligations.
(3)Depreciation cost adjustments apply to the entire company.
(4)The adjusted increases in property, plant and equipment and intangible assets apply to the entire company.
2.Segment income is adjusted with operating profit on the consolidated financial statements.

(Reference Information)

Fiscal year ended March 31, 2023

1. Information by Product/Service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by Region

(1) Net sales

(Millions of yen)

Japan	Asia	Of which, China	U.S.	Of which, the United States	Europe	Others	Total
76,502	78,859	53,747	80,426	67,410	62,287	3,291	301,366

Note: Net sales are based on the geographical area of the customers and categorized by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Of which, Thailand	Others	Total
47,832	19,631	7,996	12,057	79,521

3. Information by Major Customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statement of income.

Fiscal year ended March 31, 2024

1. Information by Product/Service

This information is omitted because the same information is disclosed in the segment information section.

2. Information by Region

(1) Net sales

(Millions of yen)

Japan	Asia	Of which, China	U.S.	Of which, the United States	Europe	Others	Total
82,745	71,535	48,924	85,720	72,970	69,914	2,914	312,830

Note: Net sales are based on the geographical area of the customers and categorized by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Of which, Thailand	U.S.	Of which, the United States	Others	Total
50,812	20,964	8,101	9,477	8,561	6,732	87,987

3. Information by Major Customer

There is no information to state because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statement of income.

Impairment Loss on Non-Current Assets by Reportable Segment

Fiscal year ended March 31, 2023

(Millions of yen)

	Watches	Machine Tools	Devices and Compo-nents	Electronics and Other Products	Corporate/ elimination	Total
Impairment loss	146	–	3,740	–	–	3,887

Fiscal year ended March 31, 2024

(Millions of yen)

	Watches	Machine Tools	Devices and Compo-nents	Electronics and Other Products	Corporate/ elimination	Total
Impairment loss	898	–	581	197	–	1,677

Information Related to Amortization of Goodwill and Unamortized Balance by Reportable Segment

Fiscal year ended March 31, 2023
Not applicable.

Fiscal year ended March 31, 2024
Not applicable.

Information on Negative Goodwill Generated for Each Reportable Segment

Fiscal year ended March 31, 2023
Not applicable.

Fiscal year ended March 31, 2024
Not applicable.

Related Party Information

Fiscal year ended March 31, 2023

(1) Transactions between the company submitting consolidated financial statements and related parties
No applicable significant matter.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties
No applicable significant matter.

Fiscal year ended March 31, 2024

(1) Transactions between the company submitting consolidated financial statements and related parties
No applicable significant matter.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties
No applicable significant matter.

(Per Share Information)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	866.68 yen	1,015.74 yen
Earnings (loss) per share	75.25 yen	93.60 yen

The basis for calculation of earnings (loss) per share is as shown below.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	21,836	22,958
Amount not attributed to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent in relation to common shares (Millions of yen)	21,836	22,958
Average number of shares of common stock outstanding during the period (thousand shares)	290,183	245,277

The basis for calculating net assets per share is as follows:

	As of March 31, 2023	As of March 31, 2024
Net assets (Millions of yen)	232,775	256,134
Amount deducted from total net assets (Millions of yen)	8,596	8,475
Non-controlling interests (Millions of yen)	(8,596)	(8,475)
Net assets related to common shares at the end of the fiscal year (Millions of yen)	224,179	247,659
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	258,665	243,821

The computation of the amount of net assets per share is based on the number of shares calculated by deducting the number of treasury shares at the end of a term and the number of shares owned under the BIP Trust at the end of the term from the total number of outstanding shares at the end of that term. The calculation of earnings per share or loss per share is based on the number of shares calculated by deducting the average number of treasury shares during a term and the average number of shares owned under the BIP Trust during the said term from the average total number of outstanding shares during the said term.
The average number of the Company's shares owned under the BIP Trust for the previous consolidated fiscal year was 408,352 and the number of the Company's shares at the end of the fiscal year was 483,762. The average number of the Company's shares owned under the BIP Trust for the consolidated fiscal year under review was 459,171 and the number of the Company's shares at the end of the fiscal year was 449,254.

Consolidated Supplementary Schedules

Bonds Schedule

Company name	Stock	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Collateral	Maturity date
Citizen Watch Co., Ltd.	3rd unsecured bonds	September 25, 2018	10,000	10,000	0.130	None	September 25, 2023
Citizen Watch Co., Ltd.	4th unsecured bonds (Sustainability-Linked Bond)	September 20, 2023	-	10,000	0.578	None	20-Sep-28
Total	–	–	10,000	10,000	–	–	–

Note: The scheduled amount of depreciation for five years from the consolidated account settlement date is as follows:

(Millions of yen)

Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
–	–	–	–	10,000

Borrowings Schedule

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Due date
Short-term borrowings	2,602	67	1.3	–
Current portion of long-term borrowings	1,185	10,010	0.3	–
Current portion of lease liabilities	1,164	1,452	–	–
Long-term borrowings (excluding current portion of long-term borrowings)	51,328	42,433	0.4	2025–2039
Lease liabilities (excluding current portion of lease liabilities)	4,679	7,380	–	2025–2065
Other interest-bearing debt	–	–	–	–
Total	60,960	61,343	–	–

Notes:
1. The average number for the period is used to calculate the average rate.
2. The average interest rate for lease obligations is not stated because lease obligations before the deduction of interest included in total lease payments are posted in the consolidated balance sheets.
3. Lease obligations are accounted for by including the amounts in Other (current liabilities) and Other (non-current liabilities).
4. Long-term borrowings and lease liabilities (excluding the current portion of them) scheduled to be repaid within five years of the end of the fiscal year are as shown below.

(Millions of yen)

Category	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years
Long-term borrowings	15,073	10,073	16,051	1,027
Lease liabilities	1,762	1,301	950	812

Asset Retirement Obligations Schedule

The amount of asset retirement obligations at both the beginning and end of the fiscal year ended March 31, 2023, are less than 1% of the combined total of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2023, and so have been omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

Other

Quarterly information in the fiscal year under review

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended March 31, 2023
Net sales (Millions of yen)	72,695	152,924	238,894	312,830
Profit (loss) before income taxes (Millions of yen)	8,508	17,721	27,541	29,329
Profit (loss) attributable to owners of parent (Millions of yen)	6,280	13,388	20,690	22,958
Earnings (loss) per share (yen)	25.16	54.26	84.19	93.60

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (yen)	25.16	29.15	29.95	9.30

English Translation

Independent Auditors' Audit Report and Internal Control Audit Report

June 25, 2024

To the Board of Directors of
Citizen Watch Co., Ltd.

Nihombashi Corporation
Chuo-Ku, Tokyo

Shigehiro Chiba
Designated and Engagement Partner
Certified Public Accountant

Tatsuya Oritoya
Designated and Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Law of Japan, we have audited the consolidated financial statements of Citizen Watch Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of judgments regarding indications of impairment of non-current assets and the need for recognition of impairment losses

Details of key issues of the audit and reasons for decision	How our audit addressed the issues
As stated in the consolidated statement of income, notes to consolidated statement of income(7) impairment losses, and segment information, the Company recorded impairment losses of 1,667 million yen in the consolidated fiscal year under review regarding the assets of businesses with declining profitability. The Company considers each business unit or company unit, categorized for management accounting purposes ("Business Units, etc.") as the smallest entity that generates cash flows. If there are any signs of impairment due to continued negative operating profit or loss within a Business Unit, etc. the carrying amount of the asset or asset group is compared with the total amount of undiscounted future cash flows from the asset or asset group to determine whether an impairment loss should be recognized. If it is determined that an impairment loss should be recognized, the carrying amount of the asset or asset group is reduced to its recoverable amount, and the reduction is recorded as an impairment loss. Since the determination of whether an impairment loss is recognized is based on profit and loss information for each Business Unit, etc. it is important to prepare materials that appropriately reflect the overall profit and loss results from the operating activities of each Business Unit, etc., as well as the existence of any significant deterioration in the business environment and other relevant events. The undiscounted future cash flows used to determine whether an impairment loss should be recognized are estimated based on the business plans of each Business Unit, etc. taking into account past performance and other factors. Significant assumptions used in estimating the undiscounted future cash flows include the sales growth rate and gross profit margin. The estimates are highly uncertain, and management's judgment has a significant impact on the estimates of future cash flows. Based on the above, the Audit Corporation concluded that these matters were particularly important in our audit of the consolidated financial statements for the consolidated fiscal year under review and constituted our principal audit consideration.	In evaluating the appropriateness of the Company's judgments regarding indications of the impairment of non-current assets and the need for the recognition of impairment, the Audit Corporation primarily conducted the following audit procedures. • Assessed the effectiveness of the design and operation of internal controls related to determining indications of impairment of non-current assets and the need to recognize impairment losses. • Reviewed the minutes of the meetings of the Board of Directors, etc., and examined whether the events identified were appropriately reflected in the determination of impairment to identify the events affecting the determination of impairment. • Reviewed the actual and projected profit and loss from the operating activities of each Business Unit, etc. as aggregated in the materials for the determination of impairment losses by comparing them with the relevant materials. • Reviewed the future cash flows to ensure they align with the business plan approved by the Board of Directors. • Assessed the degree of reliability and uncertainty of management's estimates by comparing actual cash flows with future cash flows estimated in prior fiscal years, analyzing any deviations, and asking management about the causes of discrepancies. • Asked management about the basis for their projections to evaluate the appropriateness of the key assumptions used in estimating undiscounted future cash flows, such as sales growth rates. - Evaluated the reasonableness of the assumptions by reviewing the evidence used for the assumptions, comparing the assumptions with projections published by external organizations, and analyzing them.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor's reports thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board and its member for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

• Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Member and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Member and the Audit & Supervisory Board with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is merely an English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader. The original Auditor's Report shows an audit opinion for the full set of consolidated financial statements based on the Financial Instrumentals and Exchange Act of Japan. Therefore this English audit report does not show our opinion for this English annual report which is only the abbreviation of the above full set of consolidated financial statements.