



CITIZEN WATCH

**Consolidated Financial Statements**  
for the Three Months Ended June 30, 2022

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

August 12, 2022

**CITIZEN WATCH CO., LTD.**

Code No.: 7762

Representative: Toshihiko Sato, President and CEO

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Scheduled start of dividend payment: -

Scheduled release of fiscal 2022 Quarterly Business Report: August 12, 2022

Listings: Prime section of Tokyo Stock Exchange

(URL <https://www.citizen.co.jp>)**1. Results for the Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)****(1) Consolidated operating results**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended June 30, 2022	71,358	8.5	5,587	32.0	8,558	68.6	7,260	65.2
Three months ended June 30, 2021	65,759	78.4	4,232	-	5,076	-	4,396	-

Note: Comprehensive income:

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

Three months ended June 30, 2021: ¥ 5,088 million (-%)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
Three months ended June 30, 2022	24.72	-
Three months ended June 30, 2021	14.06	-

**(2) Consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Three months ended June 30, 2022	415,801	252,023	58.3%	829.36
March 31, 2022	394,962	238,673	58.1%	768.92

Reference: Shareholders' Equity:

As of June 30, 2022: ¥ 242,483 million

As of March 31, 2022: ¥ 229,305 million

**2. Dividends**

	Dividends per share (Yen)				
	End of the three-month period	End of the six-month period	End of the nine-month period	End of the year	Full year
March 31, 2022	-	9.00	-	9.00	18.00
March 31, 2023					
March 31, 2023(E)		15.00	-	15.00	30.00

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

**3. Projected Consolidated Results for the Year ending March 31, 2023**

(Millions of yen)

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

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share (Yen)
Interim term	142,500	5.0%	10,500	(1.7%)	13,000	7.6%	9,000	(8.8%)	30.78
Full term	293,500	4.3%	22,500	1.0%	26,000	(4.9%)	19,000	(14.2%)	64.99

Note: Revision of consolidated forecasts for quarter in review: Yes

**4. Others**

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

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

	shares		shares	
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	June 30, 2022	314,353,809	March 31, 2022	314,353,809
(ii) Number of treasury stock at the end of term	June 30, 2022	21,980,769	March 31, 2022	16,137,900
(iii) Average number of common stocks	June 30, 2022	293,784,881	June 30, 2021	312,638,493

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

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

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

*Please refer to the attached "Qualitative data on the consolidated earnings forecasts" on page 7 for assumptions underlying the above forecasts and precautions regarding their use.*

(Attached Documents)

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## 1. Qualitative Information on the Consolidated Financial Results for the Three Months Ended June 30, 2022

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

During the first quarter under review, the Japanese economy experienced a recovery in consumer spending, albeit a moderate one, reflecting the normalization of economic activity. In North America and Europe, the market remained weak due to the downward pressure on business conditions as the result of the strict monetary measures that have been taken rapidly in countries in response to accelerated inflation attributable to surging resource prices. In Asia, the Chinese market continued to be stagnant, reflecting a decline in consumer spending caused by strict restrictions on activities, and in addition, other Asian regions saw a weak recovery due to the impact of sharp price increases.

In this environment, the Citizen Group's consolidated results for the first quarter of the fiscal year under review showed increases in sales and profits, with net sales of 71.3 billion yen (up 8.5 % year on year) and operating profit of 5.5 billion yen (up 32.0% year on year). These results were driven mainly by the growth of its core businesses, Watches and Machine Tools. Ordinary profit and profit attributable to owners of parents also increased to 8.5 billion yen (up 68.6% year on year) and 7.2 billion yen (up 65.2% year on year), respectively.

### Watches

In the domestic market, sales of Citizen brand watches gradually recovered due to the relaxation of a range of restrictions including the suspension of business despite a decline in consumer confidence linked to price increases. Consequently, sales were on par with the previous year, reflecting the steady performance of premium brands such as The CITIZEN and Eco-Drive One.

Looking at overseas markets, uncertainty about the future grew in the North American market due to historic inflation in a broad range of business areas. Even so, sales continued to rise significantly, reflecting higher sales for main distribution including department stores continued to be strong, and sales aboard cruise ships, aided by an increase in tourism demand which had been limited during the COVID-19 pandemic. The European market also suffered significant price increases. Despite that, sales climbed due to the solid performance of the U.K, Germany and Italy. In the Asian market, sales were improving in Taiwan and India in particular, but sales in the Chinese market, which appears to be bottoming out, recorded a sharp decline due to the significant impact of lockdowns and movement restrictions.

Meanwhile, sales of Bulova brand watches increased, aided by a significant recovery in sales for tourism distribution, as well as the continuing growth of sales at physical stores such as jewelry chains in the mainstay North American market.

Sales of movements rose, driven by steady results of high value-added quartz movements for the North American market in particular, although sales of mechanical movements did not grow as expected mainly due to the slowdown of the Chinese market.

As a result, the watches segment posted an increase in sales, with net sales of 35.1 billion yen (up 21.1% year on year) due to the accelerated efforts to increase online sales and the offering of products in a way that is suitable for distribution, coupled with the weakening of the yen, although there were concerns over a decline in consumer confidence linked to global price increases. Operating profit increased 163.9% year on year, to 3.9 billion yen, mainly reflecting the contribution of increased net sales and the ongoing efforts to improve profitability.

## Machine Tools

In the domestic market, the shortage of materials including semiconductors continued to affect a range of industries. Even so, sales grew because there was strong demand from industries such as those associated with semiconductors, construction machinery and housing equipment, namely, industries other than the automotive industry that was affected due to respective car manufacturers reducing production. In overseas markets, sales climbed, reflecting higher sales in Europe and the Americas due to continuing efforts to capturing strong demand related to capital expenditures pertaining to medical equipment in particular, although sluggish market conditions were seen in China due to the implementation of lockdowns.

As a result, the machine tools segment as a whole posted an increase in sales, with net sales of 19.9 billion yen (up 6.9% year on year). Operating profit also rose to 2.7 billion yen (up 1.0% year on year) due to significant growth in sales following the strong market conditions.

## Devices and Components

In precision components, sales of automotive parts decreased due to the impact of car manufacturers reducing production in response to semiconductor shortages. Sales of quartz devices remained firm, although some signs of a slowdown were seen related to the continuing strong demand, and demand for small motors continued to rise in a wide range of areas including those related to medical equipment and semiconductors. But growth was sluggish due to the impact of parts procurement difficulties. Sales of precision components overall decreased.

Among opto-devices, sales of chip LEDs for game consoles remained solid, but sales of in-vehicle LEDs and LEDs for lighting fell due to lockdowns in China and other factors, resulting in a decline in sales overall.

As a result, net sales in the devices and components segment as a whole decreased to 10.9 billion yen (down 16.4% year on year) and operating loss stood at 0 billion yen (compared with operating profit of 0.9 billion yen in the same period of the previous year).

## Electronic and Other Products

Sales of information equipment increased, reflecting a recovery in demand for POS printers and bar code printers, coupled with the delivery of a number of photo printers, offsetting the impact of delays in parts procurement and distribution due to the shortage of semiconductors. Revenue from healthcare products decreased overall. This reflected a significant fall in sales of thermometers due to the absence of special demand that existed in the previous year due to the COVID-19 pandemic, despite solid sales of blood pressure monitors against the backdrop of growing health consciousness.

As a result, the electronic and other products segment overall recorded an increase in sales and profit, with net sales of 5.2 billion yen (up 6.9% year on year) and operating profit of 0.3 billion yen (down 3.5% year on year).

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

Total assets at the end of the first quarter under review stood at 415.8 billion yen, an increase of 20.8 billion yen from the end of the previous consolidated fiscal year. Current assets increased 19.1 billion yen, mainly reflecting a 10.1 billion yen increase in inventories, a 2.7 billion yen increase in notes and accounts receivable - trade. Non-current assets increased 1.6 billion yen, attributable chiefly to a 0.9 billion yen increase in machinery, equipment and vehicles and a 0.7 billion yen increase in buildings and structures.

Liabilities totaled 163.7 billion yen, an increase of 7.4 billion yen from the end of the previous fiscal year, mainly reflecting increases of 2.3 billion yen in notes and accounts payable - trade and 1.9 billion yen in provision for bonuses.

Net assets increased 13.3 billion yen from the end of the previous fiscal year, to 252.0 billion yen, primarily reflecting a 11.4 billion yen increase in foreign currency translation adjustment and a 4.5 billion yen increase in retained earnings, coupled with the acquisition of treasury shares totaling 2.8 billion yen.

(3) Qualitative data on the consolidated earnings forecasts

In conjunction with forecasts for consolidated financial results, uncertainty related to consumption trends is increasing against the backdrop of growing concern about global inflation. Moreover, since there are no significant changes in the basic outlook, the Company has decided to leave net sales and operating profit unchanged from the consolidated results forecast presented in the Consolidated Financial Statements for the Year Ended March 31, 2022 announced on May 12, 2022. It has however revised its forecast for ordinary profit upward 2.0 billion yen from the previous forecast, to 26.0 billion yen, reflecting foreign exchange gains posted in the first quarter of the fiscal year ending March 31, 2023, and revised its forecast for its profit for the current period upward 1.0 billion yen from the previous forecast, to 19.0 billion yen.

Based on the above, the Company forecasts net sales of 293.5 billion yen (up 4.3% year on year), operating profit of 22.5 billion yen (up 1.0% year on year), ordinary profit of 26.0 billion yen (down 4.9% year on year) and profit attributable to owners of parent of 19.0 billion yen (down 14.2% year on year) for its consolidated financial results for the fiscal year ending March 31, 2023.

The foreign exchange rates in the second quarter of the fiscal year under review and thereafter are assumed to be 120 yen against the U.S. dollar and 130 yen against the euro.

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

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	110,901	104,778
Notes and accounts receivable - trade	49,308	52,106
Electronically recorded monetary claims - operating	2,037	2,079
Securities	—	10,000
Merchandise and finished goods	50,979	56,824
Work in process	22,749	24,689
Raw materials and supplies	23,315	25,669
Consumption taxes refund receivable	2,661	4,274
Other	9,254	10,042
Allowance for doubtful accounts	(1,069)	(1,171)
Total current assets	<u>270,139</u>	<u>289,294</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,893	41,622
Machinery, equipment and vehicles, net	16,567	17,532
Tools, furniture and fixtures, net	3,616	3,694
Land	10,371	10,429
Leased assets, net	975	884
Construction in progress	2,437	2,501
Total property, plant and equipment	<u>74,862</u>	<u>76,664</u>
Intangible assets		
Software	3,879	3,902
Leased assets	1	0
Other	954	959
Total intangible assets	<u>4,834</u>	<u>4,862</u>
Investments and other assets		
Investment securities	37,275	37,060
Long-term loans receivable	184	173
Deferred tax assets	5,894	5,904
Other	2,151	2,216
Allowance for doubtful accounts	(236)	(255)
Allowance for investment loss	(144)	(119)
Total investments and other assets	<u>45,125</u>	<u>44,979</u>
Total non-current assets	<u>124,823</u>	<u>126,506</u>
Total assets	<u>394,962</u>	<u>415,801</u>



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(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,354	20,721
Electronically recorded obligations - operating	13,910	14,007
Notes payable - facilities	25	65
Electronically recorded obligations - non-operating	598	821
Short-term borrowings	4,773	6,402
Income taxes payable	2,826	3,113
Accrued expenses	10,604	12,420
Provision for bonuses	5,821	7,762
Provision for bonuses for directors (and other officers)	279	—
Provision for product warranties	1,181	1,185
Provision for environmental measures	1	0
Provision for loss on reorganization	362	156
Asset retirement obligations	26	26
Other	10,571	11,754
Total current liabilities	<u>69,338</u>	<u>78,439</u>
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	51,382	50,342
Deferred tax liabilities	2,772	3,158
Provision for loss on reorganization	74	74
Retirement benefit liability	20,281	19,325
Asset retirement obligations	49	49
Other	2,392	2,388
Total non-current liabilities	<u>86,951</u>	<u>85,338</u>
Total liabilities	<u>156,289</u>	<u>163,778</u>
<b>Net assets</b>		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,740	33,740
Retained earnings	145,912	150,486
Treasury shares	(8,225)	(11,069)
Total shareholders' equity	<u>204,076</u>	<u>205,805</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,977	9,021
Foreign currency translation adjustment	16,646	28,064
Remeasurements of defined benefit plans	(394)	(407)
Total accumulated other comprehensive income	<u>25,228</u>	<u>36,677</u>
Non-controlling interests	<u>9,367</u>	<u>9,539</u>
Total net assets	<u>238,673</u>	<u>252,023</u>
Total liabilities and net assets	<u>394,962</u>	<u>415,801</u>

## CITIZEN WATCH

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

## Consolidated Statement of Income for the three months ended June 30, 2022

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	65,759	71,358
Cost of sales	42,011	42,921
Gross profit	<u>23,747</u>	<u>28,436</u>
Selling, general and administrative expenses	<u>19,515</u>	<u>22,848</u>
Operating profit	<u>4,232</u>	<u>5,587</u>
Non-operating income		
Interest income	63	119
Dividend income	339	450
Share of profit of entities accounted for using equity method	169	336
Subsidy income	118	76
Foreign exchange gains	219	2,115
Other	141	111
Total non-operating income	<u>1,051</u>	<u>3,210</u>
Non-operating expenses		
Interest expenses	80	63
Commission for purchase of treasury shares	—	79
Other	126	96
Total non-operating expenses	<u>207</u>	<u>239</u>
Ordinary profit	<u>5,076</u>	<u>8,558</u>
Extraordinary income		
Gain on sale of non-current assets	865	1,740
Other	71	117
Total extraordinary income	<u>936</u>	<u>1,857</u>
Extraordinary losses		
Loss on retirement of non-current assets	9	167
Loss on sale of non-current assets	9	8
Reorganization cost	40	7
Extra retirement payments	34	—
Loss on COVID19	75	2
Other	4	9
Total extraordinary losses	<u>173</u>	<u>195</u>
Profit before income taxes	<u>5,839</u>	<u>10,220</u>
Income taxes	<u>1,420</u>	<u>3,010</u>
Profit	<u>4,419</u>	<u>7,210</u>
Profit (loss) attributable to non-controlling interests	<u>23</u>	<u>(50)</u>
Profit attributable to owners of parent	<u>4,396</u>	<u>7,260</u>

## CITIZEN WATCH

## Consolidated Statement of Comprehensive Income for the three months ended June 30, 2022

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	4,419	7,210
Other comprehensive income		
Valuation difference on available-for-sale securities	269	43
Foreign currency translation adjustment	370	11,180
Remeasurements of defined benefit plans, net of tax	36	(13)
Share of other comprehensive income of entities accounted for using equity method	(7)	505
Total other comprehensive income	<u>669</u>	<u>11,716</u>
Comprehensive income	<u>5,088</u>	<u>18,926</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,046	18,709
Comprehensive income attributable to non-controlling interests	41	216

## (3) Notes on the Consolidated Financial Statements

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

Not applicable

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

Not applicable

**(Additional Information)**

The Company and some of its consolidated subsidiaries in Japan shifted from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year under review. Consequently, regarding accounting processing and disclosures for income taxes, local corporate income taxes and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter "PITF No. 42"). In addition, based on Paragraph 32(1) of PITF No. 42, the Company believes the changes in its accounting policy resulting from the application of PITF No. 42 will not impact the Group's financial results.

**(Segment information)**

(i) Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Watches	Machine Tools	Devices and components	Electronic and other products	Segment totals	Eliminations or general corporate (Note 1)	Totals on consolidated statement of income (Note 2)
Net sales							
Customers	29,031	18,682	13,143	4,901	65,759	-	65,759
Inter-segment	23	13	362	158	558	(558)	-
Total	29,055	18,695	13,506	5,060	66,317	(558)	65,759
Segment profit or loss	1,496	2,678	932	360	5,467	(1,234)	4,232

(Notes)

1. The 1,234 million yen negative adjustment to segment income (Operating profit) includes 23 million yen in inter-segment eliminations and 1,258 million yen in corporate expenses that could not be allocated to a particular segment.

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

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

Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

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

(Notes)

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

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

**(Significant Subsequent Events)**

(Cancellation of Treasury Stock)

Citizen Watch Co., Ltd. completed the cancellation of treasury stock on July 29, 2022, in accordance with a resolution passed at the Board of Directors meeting held on June 21, 2022, it completed cancellation of treasury stock pursuant to the provisions of Article 178 of the Companies Act.

1. Type of shares cancelled Common shares of the Company
2. Number of shares cancelled 20,353,809 shares  
(Percentage of the total number of issued shares before the cancellation: 6.47%)
3. The date of cancellation July 29, 2022