



CITIZEN WATCH

Consolidated Financial Statements**for the Year Ended March 31, 2023**

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

May 12, 2023

CITIZEN WATCH CO., LTD.

Code No.: 7762

Representative: Toshihiko Sato, President and CEO

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Scheduled ordinary general meeting of shareholders: June 28, 2023

Scheduled start of dividend payment: June 29, 2023

Scheduled release of fiscal 2022 Business Report: June 29, 2023

Listings: Prime section of Tokyo Stock Exchange

(URL <https://www.citizen.co.jp>)**1. Results for the Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)****(1) Consolidated operating results**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
March 31, 2023	310,366	7.1%	23,708	6.4%	29,096	6.4%	21,836	(1.4%)
March 31, 2022	281,417	36.2%	22,273	-	27,342	-	22,140	-

Note: Comprehensive income:

As of March 31, 2023: ¥ 31,852 million (-15.3%) As of March 31, 2022: ¥ 37,610 million (-%)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)	Return on equity	Ratio of Ordinary profit to total assets	Ratio of Operating profit to net sales
March 31, 2023	75.25	-	9.6%	7.4%	7.9%
March 31, 2022	71.38	-	10.2%	7.2%	7.9%

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:

As of March 31, 2023: ¥ 1,248 million As of March 31, 2022: ¥ 813 million

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
March 31, 2023	389,982	232,775	57.5%	866.68
March 31, 2022	394,962	238,673	58.1%	768.92

Reference: Shareholders' Equity:

As of March 31, 2023: ¥ 224,179 million As of March 31, 2022: ¥ 229,305 million

(3) Consolidated cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
March 31, 2023	16,576	(13,526)	(40,062)	79,201
March 31, 2022	34,693	(9,550)	(19,956)	111,237

2. Dividends

	Dividends per share(Yen)					Total dividends paid (annual) (Millions of yen)	Pay-out ratio (Consolidated)	Dividends to consolidated net assets
	First quarter	Second quarter	Third quarter	Year-end	Full year			
March 31, 2022	-	9.00	-	9.00	18.00	5,504	25.2%	2.5%
March 31, 2023	-	15.00	-	19.00	34.00	9,315	45.2%	4.2%
March 31, 2024 (E)	-	20.00	-	20.00	40.00		51.7%	

3. Projected Consolidated Results for the Year ending March 31, 2024

(Millions of yen)

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

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share (Yen)
Interim term	153,000	3.6%	12,600	2.0%	12,700	(24.4%)	9,700	(23.3%)	37.50
Full term	310,000	2.9%	25,000	5.4%	26,000	(10.6%)	20,000	(8.4%)	77.32

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)	March 31, 2023	294,000,000	March 31, 2022	314,353,809
(ii) Number of treasury stock at the end of term	March 31, 2023	35,334,190	March 31, 2022	16,137,900
(iii) Average number of common stocks	March 31, 2023	290,183,268	March 31, 2022	310,189,190

** 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 8 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. ANALYSIS OF OPERATING RESULTS

(1) Fiscal Year End Operating Results

During the consolidated fiscal year under review, the Japanese economy, while affected by the higher cost of living, among other factors, continued to experience a moderate recovery in consumer spending, reflecting the normalization of economic activity. There was growing concern in the North American and European markets about an economic recession given uncertain circumstances such as geopolitical instability and inflation linked to rising resource prices, although consumer spending remained firm. Looking at the Asian market, China remained very slow, despite an about-face in the country's zero-COVID policy, while other Asian countries experienced weak economic recoveries due to the impact of sharp price increases.

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 301.3 billion yen (up 7.1% year on year) and operating profit of 23.7 billion yen (up 6.4% year on year). These results were driven mainly by the growth of its core businesses, Watches and Machine Tools. Ordinary profit increased to 29.0 billion yen (up 6.4% year on year), while profit attributable to owners of parents came to 21.8 billion yen (down 1.4% year on year).

Watches

In the domestic market, sales of Citizen brand watches increased, reflecting the steady performance of premium brands such as The CITIZEN, the CITIZEN ATTESA Eco-Drive watch equipped with the Satellite Wave GPS and the brand's 35th anniversary limited edition models, despite growth in saving consciousness linked to an increase in the cost of living.

Looking at overseas markets, in the North American market sales continued to grow, largely reflecting the strong performance of main distribution channels, including jewelry chain stores and department stores, as well as an increase in sales aboard cruise ships due to a recovery in tourism demand. The European market suffered significant price increases. Despite that, sales climbed due to solid performance recorded in the UK and Germany, among other countries. In the Asian market, sales decreased, reflecting the significant impact of restrictions linked to lockdowns in China, despite signs of an improvement, mainly in Southeast Asia and India.

Sales of Bulova brand watches increased, helped by growth in sales via online stores and tourism distribution, as well as solid sales at department stores in the mainstay North American market.

Sales of movements decreased, reflecting weak demand for mechanical movements partly due to a decline in the Chinese market, as well as slow sales of analog quartz movements on growing concern about a recession in the North American and European markets in particular.

As a result, the watches segment posted an increase in sales, with net sales of 150.0 billion yen (up 14.4 % year on year), reflecting the strong performance of overseas markets due to the effective launch of products, efforts to increase the number of stores that carry the Company's products, and the weakening of the yen, although there were concerns over the decline in consumer confidence linked to a global increase in the cost of living. Operating profit increased 61.4% year on year, to 16.6 billion yen, given an increase in net sales and ongoing efforts to improve profitability.

Machine Tools

In the domestic market, sales of automobile-related products remained weak as automakers reduced production due to the prolonged impact of the shortage of parts, particularly semiconductors. Even so, revenue increased, reflecting firm demand from industries such as construction machinery and housing equipment. In overseas markets, the Chinese market grew sluggishly due to the repeated implementation of lockdowns and the chaotic situation in the wake of the abolishment of its zero-COVID policy. However, sales climbed, reflecting continued strength in sales related to medical equipment in Europe and the Americas, even amid growing concern about future economic conditions.

As a result, the machine tools segment as a whole posted an increase in sales, with net sales of 86.1 billion yen (up 6.4% year on year). Operating profit decreased to 12.2 billion yen (down 3.1% year on year), due mainly to rises in raw material prices and transportation expenses.

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. In addition, there were signs of a plateauing in demand for crystal devices, which had been consistently brisk. Sales of small motors increased, reflecting a solid performance against the backdrop of growing demand for use in a broad range of areas, including medical and semiconductor-related products. However, sales decreased in precision components as a whole.

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 the disruption of markets in connection with lockdowns in China and the shortage of parts and materials such as semiconductors, resulting in a decline in sales overall.

As a result, the devices and components segment recorded a decrease in both sales and profits with net sales of 44.7 billion yen (down 10.6% year on year) and an operating loss of 0.8 billion yen (compared to operating profit of 2.8 billion yen in the same period of the previous fiscal 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. Sales of healthcare products decreased, mainly reflecting a decline in demand for thermometers in individual markets as a result of the end of COVID-19 as well as a fall in sales in blood pressure monitors linked to price increases.

As a result, the electronic and other products segment overall recorded increase in sales and decrease in profits, with net sales of 20.4 billion yen (up 6.0% year on year) and operating profit of 1.1 billion yen (down 2.4% year on year).

(2) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, total assets had decreased by 4.9 billion yen from the end of the previous consolidated fiscal year, to 389.9 billion yen. Of assets, current assets decreased 10.4 billion yen, mainly due to a decrease of 28.4 billion yen in cash and deposits due to purchases of treasury stock, etc., offsetting increases in inventories of 11.4 billion yen. Fixed assets increased 5.5 billion yen, mainly attributable to an increase of 4.1 billion yen in leased assets (net) under property, plant and equipment, because subsidiaries that have adopted the accounting principles generally accepted in the United States (US GAAP) changed their accounting policies.

Liabilities had increased by 0.9 billion yen from the end of the previous consolidated fiscal year, to 157.2 billion yen. This was primarily due to increases of 0.9 billion yen in other under current liabilities and 3.9 billion yen in other under non-current liabilities, which was partly offset by decreases of 3.7 billion yen in retirement benefit liability. Moreover, 10.0 billion yen was transferred to current portion of bonds payable under current liabilities from bonds payable under non-current liabilities, due to the corporate bonds becoming redeemable within one year.

Net assets amounted to 232.7 billion yen, down 5.8 billion yen from the end of the previous fiscal year. Foreign currency translation adjustment increased 9.0 billion yen, reflecting the weaker yen. Retained earnings increased by 4.5 billion yen, as a result of recording 21.8 billion yen in profit attributable to owners of the parent, which was partly offset by a decrease of 17.2 billion yen in dividend payments and treasury share cancellation. On the other hand, treasury shares increased by 20.3 billion yen. This mainly resulted from the cancellation of treasury shares of 10.1 billion yen and purchases of treasury shares totaling 30.6 billion yen.

(3) Cash Flows at Fiscal Year End

For the cash status of the Citizen Group, cash provided from operating activities was 16.5 billion yen a decrease of 18.1 billion yen in income from the previous fiscal year. This was attributable primarily to factors of increase such as 28.2 billion yen in profit before income taxes, 11.2 billion yen in depreciation, and 3.8 billion yen in loss on impairment, which more than offset factors such as an increase of 7.6 billion yen in inventories, decrease of 3.4 billion yen in liabilities for retirement benefits and 9.0 billion in income taxes paid.

Cash used in investing activities was 13.5 billion yen due to an increase of 3.9 billion yen in expenditure from the previous fiscal year. Contributing factors include 1.8 billion yen in proceeds from sales of investment securities and 1.8 billion yen in purchase of property, plant and equipment and 15.0 billion yen in purchase of intangible assets, which more than offset factors such as proceeds from the sale of property, plant and equipment of 1.4 billion yen.

Cash used in financing activities was 40.0 billion yen due to an increase of 20.1 billion yen in expenditure from the previous fiscal year. This resulted chiefly from factors such as 3.7 billion yen in repayments of long-term borrowings, 30.6 billion yen in purchase of treasury shares, and 7.0 billion yen in dividends paid, which more than offset factors such as 1.0 billion yen in proceeds from long-term debt

As a result, cash and cash equivalents decreased 32.0 billion yen year on year to total 79.2 billion yen at the end of the fiscal year under review.

(4) Prospects for the Year ending March 31, 2024

Millions of yen	Year ended March 31,		Year-on-year change	%
	2023	2024		
Net sales	301,366	310,000	+8,634	+2.9%
Operating profit or loss	23,708	25,000	+1,292	+5.4%
Ordinary profit or loss	29,096	26,000	(3,096)	(10.6%)
Profit or loss attributable to owners of parent	21,836	20,000	(1,836)	(8.4%)

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2023	2024		
Watches	150,002	155,000	+4,998	+3.3%
Machine Tools	86,171	87,000	+829	+1.0%
Devices and components	44,737	47,500	+2,763	+6.2%
Electronic and Other Products	20,454	20,500	+46	+0.2%
Total net sales	301,366	310,000	+8,634	+2.9%

Breakdown of operating profit by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2023	2024		
Watches	16,632	17,000	+368	+2.2%
Machine Tools	12,203	12,500	+297	+2.4%
Devices and components	(818)	700	+1,518	-
Electronic and Other Products	1,145	800	(345)	(30.1%)
Eliminations or general corporate	(5,454)	(6,000)	(546)	-
Total Operating profit or loss	23,708	25,000	+1,292	+5.4%

The Group expects that economic conditions will trend toward a recovery going forward, reflecting the normalization of economic activity in line with the progress toward the end of COVID-19. The Group projects that inbound tourism-related demand will recover to a certain degree in Japan, while overseas, consumer spending will remain firm despite concerns over the deterioration of financial conditions.

Taking this situation into account, the Group forecasts net sales of 310.0 billion yen (up 2.9% year on year), operating profit of 25.0 billion yen (up 5.4% year on year), ordinary profit of 26.0 billion yen (down 10.6% year on year) and profit attributable to owners of parent of 20.0 billion yen (down 8.4% year on year) for consolidated financial results for the next fiscal year.

The foreign exchange rates are assumed to be 130 yen against the U.S. dollar and 140 yen against the euro.

Actual foreign exchange rates were 135 yen against the U.S. dollar and 141 yen against the euro in the consolidated fiscal year under review.

2. Fundamental Views on Selecting Accounting Standards

The Citizen Group will continue to compile its consolidated financial statements using Japanese standards for the foreseeable future, as they enable comparison of fiscal years in the consolidated financial statements as well as a comparison among companies.

The Group has the policy of appropriately dealing with the application of IFRS, by taking into consideration circumstances in Japan and overseas.

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

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	110,901	82,490
Notes and accounts receivable - trade	49,308	53,718
Electronically recorded monetary claims - operating	2,037	2,081
Merchandise and finished goods	50,979	58,604
Work in process	22,749	24,291
Raw materials and supplies	23,315	25,595
Consumption taxes refund receivable	2,661	3,052
Other	9,254	10,907
Allowance for doubtful accounts	(1,069)	(1,099)
Total current assets	<u>270,139</u>	<u>259,642</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,893	41,808
Machinery, equipment and vehicles, net	16,567	15,868
Tools, furniture and fixtures, net	3,616	3,899
Land	10,371	10,367
Leased assets, net	975	5,134
Construction in progress	2,437	2,443
Total property, plant and equipment	<u>74,862</u>	<u>79,521</u>
Intangible assets		
Software	3,879	3,951
Leased assets	1	—
Other	954	799
Total intangible assets	<u>4,834</u>	<u>4,751</u>
Investments and other assets		
Investment securities	37,275	39,021
Long-term loans receivable	184	163
Deferred tax assets	5,894	5,581
Other	2,151	1,675
Allowance for doubtful accounts	(236)	(236)
Allowance for investment loss	(144)	(138)
Total investments and other assets	<u>45,125</u>	<u>46,066</u>
Total non-current assets	<u>124,823</u>	<u>130,340</u>
Total assets	<u>394,962</u>	<u>389,982</u>

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	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,354	18,889
Electronically recorded obligations - operating	13,910	13,325
Notes payable - facilities	25	18
Electronically recorded obligations - non-operating	598	384
Short-term borrowings	4,773	3,787
Income taxes payable	2,826	2,179
Accrued expenses	10,604	10,997
Provision for bonuses	5,821	6,156
Provision for bonuses for directors (and other officers)	279	303
Provision for product warranties	1,181	1,244
Provision for environmental measures	1	—
Current portion of bonds payable	—	10,000
Provision for loss on reorganization	362	110
Other	10,597	11,918
Total current liabilities	<u>69,338</u>	<u>79,317</u>
Non-current liabilities		
Bonds payable	10,000	—
Long-term borrowings	51,382	51,328
Deferred tax liabilities	2,772	3,628
Provision for loss on reorganization	74	6
Retirement benefit liability	20,281	16,572
Other	2,442	6,353
Total non-current liabilities	<u>86,951</u>	<u>77,889</u>
Total liabilities	<u>156,289</u>	<u>157,206</u>
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,740	33,740
Retained earnings	145,912	150,483
Treasury shares	(8,225)	(28,581)
Total shareholders' equity	<u>204,076</u>	<u>188,290</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,977	10,161
Foreign currency translation adjustment	16,646	25,659
Remeasurements of defined benefit plans	(394)	67
Total accumulated other comprehensive income	<u>25,228</u>	<u>35,888</u>
Non-controlling interests	<u>9,367</u>	<u>8,596</u>
Total net assets	<u>238,673</u>	<u>232,775</u>
Total liabilities and net assets	<u>394,962</u>	<u>389,982</u>

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

Consolidated Statement of Income

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	281,417	301,366
Cost of sales	174,578	179,186
Gross profit	<u>106,839</u>	<u>122,180</u>
Selling, general and administrative expenses	<u>84,565</u>	<u>98,472</u>
Operating profit	<u>22,273</u>	<u>23,708</u>
Non-operating income		
Interest income	276	851
Dividend income	1,369	1,563
Rental income	161	111
Share of profit of entities accounted for using equity method	813	1,248
Foreign exchange gains	2,192	1,237
Subsidy income	484	233
Other	505	1,002
Total non-operating income	<u>5,804</u>	<u>6,248</u>
Non-operating expenses		
Interest expenses	294	297
Loss on sale of notes receivable - trade	17	26
Depreciation of assets for rent	8	19
Commission for syndicate loans	71	48
Commission for purchase of treasury shares	1	86
Other	341	382
Total non-operating expenses	<u>735</u>	<u>860</u>
Ordinary profit	<u>27,342</u>	<u>29,096</u>
Extraordinary income		
Gain on sale of investment securities	94	1,530
Gain on sale of non-current assets	1,033	1,761
Other	93	427
Total extraordinary income	<u>1,221</u>	<u>3,719</u>
Extraordinary losses		
Loss on sale of non-current assets	38	17
Loss on retirement of non-current assets	79	501
Impairment losses	742	3,887
Loss on valuation of inventories	346	—
Reorganization cost	209	32
Other	454	138
Total extraordinary losses	<u>1,869</u>	<u>4,576</u>
Profit before income taxes	<u>26,694</u>	<u>28,240</u>
Income taxes - current	5,342	6,400
Income taxes - deferred	(1,075)	809
Total income taxes	<u>4,266</u>	<u>7,210</u>
Profit	<u>22,427</u>	<u>21,029</u>
Profit attributable to non-controlling interests	286	(807)
Profit attributable to owners of parent	<u>22,140</u>	<u>21,836</u>

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Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Profit	22,427	21,029
Other comprehensive income		
Valuation difference on available-for-sale securities	2,474	1,183
Foreign currency translation adjustment	11,578	8,731
Remeasurements of defined benefit plans, net of tax	692	460
Share of other comprehensive income of entities accounted for using equity	438	446
Total other comprehensive income	<u>15,182</u>	<u>10,823</u>
Comprehensive income	<u>37,610</u>	<u>31,852</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	37,096	32,496
Comprehensive income attributable to non-controlling interests	513	(643)

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(3) Consolidated Statements of Changes in Equity

Financial year ended March 31, 2022

(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	128,393	(1,069)	193,713
Cumulative effects of changes in accounting policies			(1,068)		(1,068)
Restated balance	32,648	33,740	127,324	(1,069)	192,644
Changes during period					
Increase by merger			46		46
Dividends of surplus			(3,599)		(3,599)
Cancellation of treasury shares					-
Purchase of treasury shares				(7,157)	(7,157)
Disposal of treasury shares		(0)		0	0
Transfer of loss on disposal of treasury shares		0	(0)		-
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	18,588	(7,156)	11,431
Balance at end of period	32,648	33,740	145,912	(8,225)	204,076

	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	6,503	4,871	(1,100)	10,273	8,878	212,864
Cumulative effects of changes in accounting policies						(1,068)
Restated balance	6,503	4,871	(1,100)	10,273	8,878	211,796
Changes during period						
Increase by merger						46
Dividends of surplus						(3,599)
Profit (loss) attributable to owners of parent						22,140
Cancellation of treasury shares						-
Purchase of treasury shares						(7,157)
Disposal of treasury shares						0
Transfer of loss on disposal of treasury shares						-
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	2,474	11,774	706	14,955	489	15,444
Total changes during period	2,474	11,774	706	14,955	489	26,876
Balance at end of period	8,977	16,646	(394)	25,228	9,367	238,673

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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
Cumulative effects of changes in accounting policies					-
Restated balance	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 (loss) 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 of loss on disposal of treasury shares					-
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
Cumulative effects of changes in accounting policies						-
Restated balance	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 (loss) attributable to owners of parent						21,836
Cancellation of treasury shares						-
Purchase of treasury shares						(30,611)
Disposal of treasury shares						66
Transfer of loss on disposal of treasury shares						-
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)	9,888
Balance at end of period	10,161	25,659	67	35,888	8,596	232,775

(4) Consolidated Statement of Cash Flow

	(Millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	26,694	28,240
Depreciation	11,191	11,200
Increase (decrease) in provision for loss on reorganization	(387)	(319)
Increase (decrease) in allowance for doubtful accounts	(251)	(58)
Increase (decrease) in other provisions	1,405	321
Increase (decrease) in retirement benefit liability	(1,790)	(3,465)
Interest and dividend income	(1,645)	(2,415)
Subsidy income	(484)	(233)
Interest expenses	294	297
Loss (gain) on sale of investment securities	(94)	(1,530)
Loss (gain) on sale of non-current assets	(995)	(1,744)
Loss on retirement of non-current assets	79	501
Impairment losses	742	3,887
Decrease (increase) in trade receivables	(2,025)	(1,302)
Decrease (increase) in inventories	(1,800)	(7,699)
Increase (decrease) in trade payables	3,920	(2,573)
Other, net	1,143	146
Subtotal	<u>35,996</u>	<u>23,251</u>
Interest and dividends received	1,633	2,426
Interest paid	(300)	(299)
Income taxes refund (paid)	(3,120)	(9,035)
Subsidies received	484	233
Net cash provided by (used in) operating activities	<u>34,693</u>	<u>16,576</u>
Cash flows from investing activities		
Purchase of investment securities	(1)	0
Proceeds from sale of investment securities	165	1,811
Purchase of property, plant and equipment	(9,566)	(15,091)
Proceeds from sale of property, plant and equipment	2,338	1,827
Purchase of intangible assets	(2,117)	(1,465)
Loan advances	(23)	(5)
Proceeds from collection of loans receivable	309	4
Other, net	(656)	(607)
Net cash provided by (used in) investing activities	<u>(9,550)</u>	<u>(13,526)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(737)	1,653
Proceeds from long-term borrowings	—	1,000
Repayments of long-term borrowings	(8,048)	(3,755)
Dividends paid	(3,599)	(7,078)
Proceeds from share issuance to non-controlling shareholders	—	25
Dividends paid to non-controlling interests	(55)	(147)
Purchase of treasury shares	(7,157)	(30,697)
Proceeds from sale of treasury shares	0	66
Other, net	(359)	(1,129)
Net cash provided by (used in) financing activities	<u>(19,956)</u>	<u>(40,062)</u>
Effect of exchange rate change on cash and cash equivalents	6,430	4,976
Net increase (decrease) in cash and cash equivalents	<u>11,616</u>	<u>(32,036)</u>
Cash and cash equivalents at beginning of period	99,561	111,237
Increase (decrease) in cash and cash equivalents resulting from change in sc	59	—
Cash and cash equivalents at end of period	<u>111,237</u>	<u>79,201</u>

(5) Notes on the Consolidated Financial Statements

(Notes related to of going concern assumptions)

Not applicable

(Change in accounting policies)

(Application of implementation guidance on accounting standard for fair value measurement)

Effective from the beginning of the fiscal year under review, the Group applied the Implementation 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 other of 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.

(Change in presentation method)

(Notes to Consolidated Balance Sheets)

Asset retirement obligations that were shown separately under current liabilities in the previous fiscal year are included in other in the fiscal year under review because they have 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 asset retirement obligations amounting to 26 million yen and other amounting to 10,571 million yen that were shown separately under current liabilities in consolidated balance sheet of the previous fiscal year are reclassified under other, amounting to 10,597 million yen.

Asset retirement obligations that were shown separately under non-current liabilities in the previous fiscal year are included in other in the fiscal year under review, because they have 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 asset retirement obligations amounting to 49 million yen and other amounting to 2,392 million yen that were shown separately under non-current liabilities in consolidated balance sheet of the previous fiscal year are reclassified under other, amounting to 2,442 million yen.

(Notes to Consolidated Statement of Income)

Loss on COVID and extra retirement allowance that were shown separately under extraordinary loss in the previous fiscal year is included in other in the fiscal year under review, because they have 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, extra retirement allowance to 15 million yen, loss on COVID amounting to 166 million yen and other amounting to 272 million yen that were shown separately under extraordinary loss in consolidated statement of Income of the previous fiscal year are reclassified under other, amounting to 454 million yen.

(Segment information)

a. Business segment

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 five reportable segments – Watches, Machine tools, Devices and components, Electronic products, and Other 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	NC automatic lathes
Devices and Components	Auto parts, Switches , Chip LEDs, micro LCDs, Quartz crystals
Electronic and Other Products	Printers, Health care equipment, etc.

b. Method for calculating sales, income/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.

CITIZEN WATCH

d. Net sales, income/loss, assets, liabilities, and other items by segment

Year ended March 31, 2022

Millions of yen	Watches	Machine tools	Devices and components	Electronic and Other Products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales							
Customers	131,072	81,011	50,045	19,288	281,417	-	281,417
Inter-segment	83	60	1,479	669	2,292	(2,292)	-
Total	131,155	81,071	51,525	19,958	283,710	(2,992)	281,417
Operating profit	10,305	12,591	2,864	1,172	26,934	(4,661)	22,273
Assets	169,526	82,904	75,206	20,455	348,092	46,870	394,962

Notes:

1. Adjustments were made as described below.

- (1) The 4,661 million yen negative adjustment to segment income (Operating profit) includes 121 million yen in inter-segment eliminations and 4,782 million yen in corporate expenses that could not be allocated to a particular segment.
- (2) The 46,870 million yen positive adjustment to segment assets includes 73,692 million yen in corporate assets that could not be allocated to a particular segment and 26,821 million yen to eliminate inter-segment obligations.

2. Segment profits and losses are adjusted with Operating profit on the consolidated financial statements.

Year ended March 31, 2023

Millions of yen	Watches	Machine tools	Devices and components	Electronic and Other Products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales							
Customers	15,002	86,171	44,737	20,454	301,366	-	301,366
Inter-segment	94	236	1,369	630	2,331	(2,331)	-
Total	150,097	86,408	46,107	21,084	303,697	(2,331)	301,366
Operating profit	16,632	12,203	(818)	1,145	29,162	(5,454)	23,708
Assets	189,683	92,622	66,362	21,233	369,901	20,080	389,982

Notes:

1. Adjustments were made as described below.

- (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.

2. Segment profits and losses are adjusted with Operating profit on the consolidated financial statements.

(Per Share Information)

	Year ended March 31, 2022	Year ended March 31, 2023
Net assets per share	768.92 yen	866.68 yen
Earnings per share	71.38 yen	75.25 yen

Note: 1. Diluted earnings per share is not reported because there were no dilutive shares.

Note: 2. The basis of calculation of earnings per share information is as follows:

Earnings per share	Year ended March 31, 2022	Year ended March 31, 2023
Profit attributable to owners of parent (millions of yen)	22,140	21,836
Amount not attributed to common stock (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	22,140	21,836
Average number of common stocks (thousand shares)	310,189	290,183

Note: 3. The basis of calculation of net assets per share is as follows:

	Year ended March 31, 2022	Year ended March 31, 2023
Net assets (millions of yen)	238,673	232,775
Amount deducted from total net assets (millions of yen)	9,367	8,596
(Non-controlling interests (millions of yen))	(9,367)	(8,596)
Net assets on common stock at end of term (millions of yen)	229,305	224,179
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	298,215	258,665

Note: 4. 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 373,686 and the number of the Company's shares at the end of the fiscal year was 373,362. The average number of the Company's shares owned under the BIP trust for the consolidated fiscal year under review was 408,352 and the number of the Company's shares at the end of the fiscal year was 483,762.

(Significant Subsequent Events)

Not applicable