

## **Consolidated Financial Statements**

## for the Six Months Ended September 30, 2020

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)

November 12, 2020

CITIZEN WATCH CO., LTD.

Listings: First section of Tokyo Stock Exchange

Code No.: 7762

(URL https://www.citizen.co.jp)

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Scheduled start of dividend payment: December 4, 2020

Scheduled release of fiscal 2020 Quarterly Business Report: November 13, 2020

# 1. Results for the Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)

# (1) Consolidated operating results

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

	Net s	ales	Operatir	ng profit	Ordinar	y profit	Profit attrib	
Six months ended	88,999	(38.4%)	(0.066)		(6.147)		(01 510)	
September 30, 2020	00,999	(30.4%)	(8,266)	-	(6,147)	-	(21,513)	-
Six months ended	144,416	(6.5%)	5,725	(47.8%)	5,890	(55.1%)	2 502	(57.1%)
September 30, 2019	144,416	(0.5%)	5,725	(47.0%)	5,690	(55.1%)	3,593	(37.1%)

Note: Comprehensive income:

Six months ended September 30, 2020: ¥ (20,924) million (-%) Six months ended September 30, 2019: ¥ (1,393) million (-%)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
Six months ended	(60.01)	
September 30, 2020	(68.81)	-
Six months ended	11 20	
September 30, 2019	11.39	-

# (2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Six months ended September 30, 2020	369,154	209,354	54.3	641.65
March 31, 2020	369,575	230,791	60.0	709.21

Reference: Shareholders' Equity:

As of September 30, 2020: ¥ 200,604 million As of March 31, 2020: ¥ 221,725 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, 2020	-	12.00	-	0.00	12.00		
March 31, 2021	-	2.50					
March 31,2020(E)			-	2.50	5.00		

Note: Revision of dividend forecast for quarter in review: Yes

# 3. Projected Consolidated Results for the Year ending March 31, 2021

(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)
Full term	202,000 (27.5%	(14,000)	(10,000) -	(30,000) -	(95.96)

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

#### 5. 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)
  - (i) Number of shares issued and outstanding at the end of term (including treasury stock)
  - (ii) Number of treasury stock at the end of term
  - (iii) Average number of common stocks

	· · ·	T .	
	shares		shares
September 30, 2020	314,353,809	March 31, 2020	314,353,809
September 30, 2020	1,713,451	March 31, 2020	1,714,407
September 30, 2020	312,640,082	September 30, 2019	315,514,970

<sup>\*</sup> 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 Six Months Ended September 30, 2020

(1) Qualitative data on the consolidated financial results

During the first six months of the consolidated fiscal year under review, the Japanese economy declined significantly due to a fall in inbound demand and stagnant consumer activities because of the COVID-19 pandemic, despite signs of recovery beginning to emerge. In the United States, exports and corporate demand for capital expenditures declined sharply and consumer spending remained weak. European economies also suffered low levels of economic activity due to large-scale lockdowns. Recovery of consumer spending was slow despite high expectations for the recovery of the Chinese market that had resumed economic activities ahead of other countries, and other Asian economies also lacked momentum.

In this environment, the Citizen Group posted a decrease in sales and profit in the six months ended September 30, 2020. Net sales stood at 88.9 billion yen (down 38.4% year on year), and operating loss was 8.2 billion yen (compared with operating profit of 5.7 billion yen in the same period of the previous fiscal year). Ordinary loss was 6.1 billion yen (compared with ordinary profit of 5.8 billion yen in the same period of the previous fiscal year) and loss attributable to owners of parent was 21.5 billion yen (compared with profit attributable to owners of parent of 3.5 billion yen in the same period of the previous fiscal year) mainly due to reversing part of deferred tax assets and posting income taxes - deferred of 10.7 billion yen, as a result of carefully examining the recoverability of deferred tax assets taking into account the business outlook of the Group.

#### **Watches**

In the domestic market, sales of CITIZEN brand watches decreased significantly as the Group faced severe challenges with the sharp fall in demand for inbound tourism and consumption due to voluntary restrictions on travel despite signs of recovery observed in some areas.

In overseas markets, sales in the European market was relatively stable thanks to recovery that began after business resumption. However, sales declined in the North American market as the market remained weak and sales particularly at physical stores were sluggish and consumption was limited due to growing uncertainties. In the Asian market, sales decreased as the overall market continued to struggle despite steady progress made toward recovery in China.

In the multiple brand segment, sales of BULOVA brand watches fell significantly in the main North American market among other markets despite signs of a recovery, and sales of other brands also decreased.

Sales of movements declined sharply, reflecting a worldwide fall in consumption despite signs of recovery observed in the sales of analog quartz movements and steady sales of mechanical movements particularly in the Chinese market.

As a result, the watches segment posted a decline in sales with net sales of 38.1 billion yen (down 47.3% year on year), reflecting a substantial decrease in sales caused by the global suspension of economic activities despite accelerated efforts to strengthen e-commerce sales. Operating result deteriorated to a loss of 5.3 billion yen (compared with operating profit of 3.4 billion yen in the same period of the previous fiscal year), profoundly affected by the fall in sales, despite efforts to secure profit primarily by reducing expenses.

# **Machine Tools**

In the domestic market, revenues decreased due to the significant contraction of demand for capital expenditures in the overall economy despite a sense of bottoming out observed in the automobile industry and other industries. In overseas markets, sales to IT and other industries in the China remained strong and orders received in Europe and the Americas began to grow gradually. However, this was insufficient to offset a year-on-year decrease and resulted in a fall in revenues.

As a result, the machine tools segment as a whole posted a decrease in sales with net sales of 20.7 billion yen (down 32.8% year on year) despite the Group's efforts to promote sales with a focus on China and emerging economies. Operating profit fell to 0.5 billion yen (down 87.0% year on year) due to the impact of lower sales.

#### **Devices and Components**

While sales of auto parts as part of precision machining components remained low due to a fall in new car sales, sales to the Europe and American markets began to recover in the second quarter, which helped reduce the

amount of fall. Sales of switches declined due to sluggish sales of those for smartphones.

In opto-devices, sales of LED chips decreased due to a fall in demand in the European and American markets as well as in the Chinese market and sluggish sales of LED for automobiles reflecting the weak market, amid the continued severe price competition in LED for lighting products.

In other products, demand for quartz devices for communication devices increased, while overall sales of other products decreased, reflecting a fall in demand associated with the impact of the COVID-19 pandemic. As a result, net sales in the devices and components segment as a whole decreased to 21.3 billion yen (down 27.3% year on year). An operating loss was 1.0 billion yen (compared with operating profit of 0.7 billion yen in the same period of the previous fiscal year), despite the Group's efforts to increase profitability, including a review of product focus through structural reforms.

## **Electronic and Other Products**

Among information equipment, demand for capital expenditure that includes barcode printers as well as photo printers and POS printers, which are the Group's mainstay products, continued to be weak despite signs of recovery beginning to appear as economic activities have resumed. Consequently, revenues in the overall information equipment sector decreased. Revenues from healthcare products increased mainly due to significant growth in demand for thermometers in the domestic market.

In addition, sales declined due to the Group's withdrawal from the jewelry product business.

As a result, the electronic and other products segment overall recorded decreases in sales and profits, with net sales of 8.8 billion yen (down 25.5% year on year) and an operating loss of 0.1 billion yen (compared with operating profit of 0 billion yen in the same period of the previous fiscal year).

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

Total assets at the end of the second quarter under review stood at 369.1 billion yen, a decrease of 0.4 billion yen from the end of the previous consolidated fiscal year. Current assets increased by 11.9 billion yen, mainly due to increases of 19.5 billion yen in cash and deposits and 0.4 billion yen in inventories, despite a decrease of 3.0 billion yen in notes and accounts receivable-trade. Non-current assets decreased by 12.4 billion yen, reflecting a 9.5 billion yen decrease in deferred tax assets and 1.7 billion yen decrease in investment securities. Liabilities totaled 159.8 billion yen, an increase of 21.0 billion yen from the end of the preceding consolidated fiscal year, reflecting a 35.2 billion yen increase in long-term borrowings and a 1.7 increase in deferred tax liabilities, which was partially offset by a 4.5 billion yen decrease in notes and accounts payable-trade, a 2.4 billion yen decrease in electronically recorded obligations-operating, and a 1.3 billion yen decrease in provision for loss on reorganization.

Net assets decreased by 21.4 billion yen from the end of the previous consolidated fiscal year, to 209.3 billion yen, reflecting a 22.0 billion yen decrease in retained earnings and a 0.5 billion yen decrease in foreign currency translation adjustment, which was partially offset by a 1.3 billion yen increase in valuation difference on available-for-sale securities.

# (3) Qualitative data on the consolidated earnings forecasts

The Group has been postponing the announcement of its earnings forecasts for the fiscal year ending March 31, 2021, due to the difficulties in performing rational calculations as a result of the COVID-19 pandemic. While there is no outlook that COVID-19 will be contained or subside any time soon, the Group has developed its forecasts on information available as of the date of announcement on the assumption that restrictions and other factors significantly limiting economic activities will not increase. The foreign exchange rates in the third quarter of the fiscal year under review and thereafter are assumed to be 105 yen against the U.S. dollar and 125 yen against the euro.

Revision to the consolidated full-year earnings forecasts for the fiscal year ending March 31, 2021

(April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Forecasts announced before (A)	million yen -	million yen -	million yen -	million yen -	yen -
Revised forecasts (B)	202,000	(14,000)	(10,000)	(30,000)	(95.96)
Change (B-A)	-	-	-	-	-
Rate of change (%)	-	-	-	-	-
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2020)	278,531	6,136	7,531	(16,667)	(53.07)

# 2. Consolidated Financial Statements and Primary Notes

# (1) Consolidated Balance Sheet

, 		(Millions of yen)
	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	80,168	99,676
Notes and accounts receivable - trade	43,254	40,213
Electronically recorded monetary claims -	1 205	1.051
operating	1,395	1,351
Merchandise and finished goods	58,708	61,733
Work in process	20,563	19,630
Raw materials and supplies	21,920	20,245
Consumption taxes receivable	2,586	1,253
Other	8,090	4,578
Allowance for doubtful accounts	(1,033)	(1,044)
Total current assets	235,655	247,638
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,222	39,995
Machinery, equipment and vehicles, net	17,014	16,721
Tools, furniture and fixtures, net	6,162	4,937
Land	10,164	10,553
Leased assets, net	1,264	1,128
Construction in progress	3,704	3,931
Total property, plant and equipment	78,532	77,266
Intangible assets		·
Software	3,830	3,781
Leased assets	11	20
Other	710	1,068
Total intangible assets	4,552	4,870
Investments and other assets	<u> </u>	,
Investment securities	33,449	31,724
Long-term loans receivable	408	552
Deferred tax assets	14,604	5,023
Other	2,657	2,448
Allowance for doubtful accounts	(239)	(324)
Allowance for investment loss	(46)	(46)
Total investments and other assets	50,833	39,378
Total non-current assets	133,919	121,515
Total assets	369,575	369,154
10101 055615	309,375	309,134

Liabilities   Current liabilities   Notes and accounts payable - trade   16,485   11,895   Electronically recorded obligations - operating   9,223   6,814   Notes payable - facilities   508   160   Electronically recorded obligations - 784   463   non-operating   784   463   Notes payable - facilities   16,054   160   Electronically recorded obligations - 784   463   None-operating   17,227   16,054   Income taxes payable   1,551   918   Accrued expenses   8,160   8,789   Provision for bonuses   4,855   4,761   Provision for bonuses   4,855   4,761   Provision for bonuses for directors (and other officers)   170   - other officers   1,133   1,162   Provision for product warranties   1,133   1,162   Provision for product warranties   1,133   1,162   Provision for product warranties   1,140   444		As of March 31, 2020	As of September 30, 2020
Notes and accounts payable - trade   16,485   11,895   Electronically recorded obligations - operating   9,223   6,814   Notes payable - facilities   508   160   Electronically recorded obligations - ron-operating   784   463   463   784	Liabilities		
Electronically recorded obligations operating operating   9,223   6,814     Notes payable - facilities   508   160     Electronically recorded obligations - 784   463     non-operating   784   463     Short-term borrowings   17,227   16,054     Income taxes payable   1,551   918     Accrued expenses   8,160   8,789     Provision for bonuses   4,855   4,761     Provision for bonuses for directors (and other officers)   170   - other officers     Provision for product warranties   1,133   1,162     Provision for product warranties   87   1     Provision for product measures   87   1     Provision for loss on reorganization   1,840   444     Other   9,242   4,863     Total current liabilities   71,271   56,327     Non-current liabilities   71,271   56,327     Non-current liabilities   27,929   63,215     Deferred tax liabilities   585   2,236     Provision for loss on reorganozation   829   829     Retirement benefit liability   24,038   23,384     Asset retirement obligations   66   66     Other   4,061   3,649     Total non-current liabilities   67,511   103,472     Total liabilities   33,730   33,741     Retained earnings   154,855   192,835     Treasury shares   (1,069)   (1,068)     Total shareholders' equity   220,165   198,157     Accumulated other comprehensive income   Valuation difference on available-for-sale   3,578   4,931     Foreign currency translation adjustment   (1,095)   (1,623)     Remeasurements of defined benefit plans   (921)   (860)     Total non-controlling interests   3,066   8,749     Non-controlling interests   3,966   8,749			
Electronically recorded obligations operating operating   9,223   6,814     Notes payable - facilities   508   160     Electronically recorded obligations - 784   463     non-operating   784   463     Short-term borrowings   17,227   16,054     Income taxes payable   1,551   918     Accrued expenses   8,160   8,789     Provision for bonuses   4,855   4,761     Provision for bonuses for directors (and other officers)   170   - other officers     Provision for product warranties   1,133   1,162     Provision for product warranties   87   1     Provision for product measures   87   1     Provision for loss on reorganization   1,840   444     Other   9,242   4,863     Total current liabilities   71,271   56,327     Non-current liabilities   71,271   56,327     Non-current liabilities   27,929   63,215     Deferred tax liabilities   585   2,236     Provision for loss on reorganozation   829   829     Retirement benefit liability   24,038   23,384     Asset retirement obligations   66   66     Other   4,061   3,649     Total non-current liabilities   67,511   103,472     Total liabilities   33,730   33,741     Retained earnings   154,855   192,835     Treasury shares   (1,069)   (1,068)     Total shareholders' equity   220,165   198,157     Accumulated other comprehensive income   Valuation difference on available-for-sale   3,578   4,931     Foreign currency translation adjustment   (1,095)   (1,623)     Remeasurements of defined benefit plans   (921)   (860)     Total non-controlling interests   3,066   8,749     Non-controlling interests   3,966   8,749	Notes and accounts payable - trade	16,485	11,895
Notes payable - facilities   508   160	· ·		
Electronically recorded obligations - non-operating   17,227   16,054     Short-term borrowings   17,227   16,054     Income taxes payable   1,551   918     Accrued expenses   8,160   8,789     Provision for bonuses   4,855   4,761     Provision for bonuses for directors (and other officers)   170   - other officers     Provision for product warranties   1,133   1,162     Provision for product warranties   1,133   1,162     Provision for product warranties   1,133   1,162     Provision for product warranties   1,134   444     Other   9,242   4,863     Total current liabilities   71,271   56,327     Non-current liabilities   71,271   56,327     Non-current liabilities   585   2,326     Bonds payable   10,000   10,000     Long-term borrowings   27,929   63,215     Deferred tax liabilities   585   2,326     Provision for loss on reorganozation   829   829     Retirement benefit liability   24,038   23,384     Asset retirement obligations   66   66     Other   4,061   3,649     Total non-current liabilities   138,783   159,800     Net assets   Share capital   32,648   32,648     Capital surplus   33,730   33,741     Retained earnings   154,855   132,835     Treasury shares   (1,069)   (1,068)     Total shareholders' equity   220,165   198,157     Accumulated other comprehensive income   Valuation difference on available-for-sale   3,578   4,931     Remeasurements of defined benefit plans   (1,095)   (1,623)     Remeasurements of defined benefit plans   (1,095)   (1,623)     Remeasurements of defined benefit plans   (1,095)   (1,623)     Total net assets   3,066   8,749     Non-controlling interests   3,066   8,749	operating	9,223	6,814
Non-operating   17,227   16,054	Notes payable - facilities	508	160
Short-term borrowings   17,227   16,054     Income taxes payable   1,551   918     Accrued expenses   8,160   8,789     Provision for bonuses   4,855   4,761     Provision for bonuses for directors (and other officers)   170   -     Provision for product warranties   1,133   1,162     Provision for environmental measures   87   1     Provision for environmental measures   87   1     Provision for loss on reorganization   1,840   444     Other   9,242   4,863     Total current liabilities   71,271   56,327     Non-current liabilities   71,271   56,327     Non-current liabilities   10,000   10,000     Long-term borrowings   27,929   63,215     Deferred tax liabilities   585   2,326     Provision for loss on reorganization   829   829     Retirement benefit liability   24,038   23,384     Asset retirement benefit liability   3,064   3,649     Total non-current liabilities   138,783   159,800     Net assets   138,783   159,800     Net assets   Share-holders' equity   33,730   33,741     Retained earnings   154,855   132,835     Treasury shares   (1,069)   (1,068)     Total shareholders' equity   220,165   198,157     Accumulated other comprehensive income   Valuation difference on available-for-sale securities   3,578   4,931     Remeasurements of defined benefit plans   (1,095)   (1,623)     Remeasurements of defined benefit plans   (1,095)   (1,623)     Remeasurements of defined benefit plans   (1,095)   (2,447)     Non-controlling interests   9,066   8,749     Total net assets   230,791   209,354	Electronically recorded obligations -	70.4	400
Income taxes payable	non-operating	/84	463
Accrued expenses         8,160         8,789           Provision for bonuses         4,855         4,761           Provision for bonuses for directors (and other officers)         170         —           Provision for product warranties         1,133         1,162           Provision for environmental measures         87         1           Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         71,271         56,327           Non-current liabilities         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,844           Asset retirement benefit liabilities         66         66         06           Other         4,061         3,649           Total inon-current liabilities         133,783         159,800           Net assets         Shareholders' equity         33,730         33,741           Retained earnings <td>Short-term borrowings</td> <td>17,227</td> <td>16,054</td>	Short-term borrowings	17,227	16,054
Provision for bonuses         4,855         4,761           Provision for bonuses for directors (and other officers)         170         —           Provision for product warranties         1,133         1,162           Provision for product warranties         87         1           Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         10,000         10,000           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         138,783         159,800           Net assets         Share capital         32,648         32,648           Share capital         32,648         32,648         2,648           Capital surplus         33,730	Income taxes payable	1,551	918
Provision for bonuses for directors (and other officers)         170         —           Provision for product warranties         1,133         1,162           Provision for environmental measures         87         1           Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         80nds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         138,783         159,800           Net assets         3         159,800           Net assets         3         3,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)	Accrued expenses	8,160	8,789
other officers)         1.70         —           Provision for product warranties         1,133         1,162           Provision for environmental measures         87         1           Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         10,000         10,000           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         138,783         159,800           Net assets         Shareholders' equity         32,648         32,648           Capital surplus         33,730         33,741         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)	Provision for bonuses	4,855	4,761
Provision for product warranties         1,133         1,162           Provision for environmental measures         87         1           Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         50,327         56,327           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Share holders' equity         3         3,730         33,741           Retained earnings         154,855         132,835         12,835           Treasury shares         (1,069)         (1,069)         (1,069)           Total shareholders	· · · · · · · · · · · · · · · · · · ·	170	_
Provision for environmental measures         87         1           Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         585         2,326           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         3         159,800           Shareholders' equity         3         3,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated	·	1 133	1 162
Provision for loss on reorganization         1,840         444           Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         8           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         138,783         159,800           Net assets         138,783         159,800           Net assets         Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         3,578         4,931           Valuation difference	· · · · · · · · · · · · · · · · · · ·		1,102
Other         9,242         4,863           Total current liabilities         71,271         56,327           Non-current liabilities         10,000         10,000           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         138,783         159,800           Net assets         138,783         159,800           Net assets         Share capital         32,648         32,648           Capital surplus         33,730         33,741         33,730         33,741           Retained earnings         154,855         132,835         17casury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157         4931         500           Accumulated other comprehensive income         3,578         4,931         4,931           Foreign curren			444
Total current liabilities         71,271         56,327           Non-current liabilities         10,000         10,000           Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Shareholders' equity         32,648         32,648           Capital surplus         33,730         33,741         Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)         (1,068)         10,680           Total shareholders' equity         220,165         198,157         4,931         4,931         4,931         4,931         4,931         4,931         4,931         4,931         4,931         4,931         4,931         4,931         4,931			
Non-current liabilities         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Shareholders' equity         Share capital         32,648         32,648           Capital surplus         33,730         33,741         Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)         10,68)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         3,578         4,931           Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)		<u> </u>	· · · · · · · · · · · · · · · · · · ·
Bonds payable         10,000         10,000           Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Shareholders' equity         32,648         32,648           Share capital         32,648         32,648         32,648           Capital surplus         33,730         33,741         33,741         Retained earnings         154,855         132,835         132,835           Treasury shares         (1,069)         (1,068)         154,855         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)	_	71,271	
Long-term borrowings         27,929         63,215           Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Share capital         32,648         32,648           Capital surplus         33,730         33,741         33,741         Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)         132,835         17         18,157         Accumulated other comprehensive income         3,578         4,931         4,931         8         1,600         1,623)         1,623)         Remeasurements of defined benefit plans         (921)         (860)         2,447         1,560         2,447         1,560         2,447         1,560         2,447         1,560         2,447         1,560         2,447         1,560         2,0,354         1,560         2,0,354         1,560		10 000	10 000
Deferred tax liabilities         585         2,326           Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791 <td< td=""><td>· ·</td><td></td><td></td></td<>	· ·		
Provision for loss on reorganozation         829         829           Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354			
Retirement benefit liability         24,038         23,384           Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         8         32,648           Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354			
Asset retirement obligations         66         66           Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Shared capital         32,648         32,648           Share capital         32,648         32,648         32,648           Capital surplus         33,730         33,741         33,741         Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         3,578         4,931           Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	-		
Other         4,061         3,649           Total non-current liabilities         67,511         103,472           Total liabilities         138,783         159,800           Net assets         Shareholders' equity           Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	· · · · · · · · · · · · · · · · · · ·		
Total liabilities         138,783         159,800           Net assets         Shareholders' equity         32,648         32,648           Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         3,578         4,931           Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	-	4,061	3,649
Total liabilities         138,783         159,800           Net assets         Shareholders' equity         32,648         32,648           Share capital         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	Total non-current liabilities	67,511	103,472
Net assets           Shareholders' equity         32,648         32,648           Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         3,578         4,931           Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	Total liabilities		
Share capital       32,648       32,648         Capital surplus       33,730       33,741         Retained earnings       154,855       132,835         Treasury shares       (1,069)       (1,068)         Total shareholders' equity       220,165       198,157         Accumulated other comprehensive income       3,578       4,931         Valuation difference on available-for-sale securities       3,578       4,931         Foreign currency translation adjustment       (1,095)       (1,623)         Remeasurements of defined benefit plans       (921)       (860)         Total accumulated other comprehensive income       1,560       2,447         Non-controlling interests       9,066       8,749         Total net assets       230,791       209,354	Net assets	,	,
Share capital       32,648       32,648         Capital surplus       33,730       33,741         Retained earnings       154,855       132,835         Treasury shares       (1,069)       (1,068)         Total shareholders' equity       220,165       198,157         Accumulated other comprehensive income       3,578       4,931         Valuation difference on available-for-sale securities       3,578       4,931         Foreign currency translation adjustment       (1,095)       (1,623)         Remeasurements of defined benefit plans       (921)       (860)         Total accumulated other comprehensive income       1,560       2,447         Non-controlling interests       9,066       8,749         Total net assets       230,791       209,354	Shareholders' equity		
Capital surplus         33,730         33,741           Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	· ·	32,648	32,648
Retained earnings         154,855         132,835           Treasury shares         (1,069)         (1,068)           Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	•		
Total shareholders' equity         220,165         198,157           Accumulated other comprehensive income         3,578         4,931           Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354		154,855	132,835
Accumulated other comprehensive income  Valuation difference on available-for-sale securities  Foreign currency translation adjustment (1,095) (1,623)  Remeasurements of defined benefit plans (921) (860)  Total accumulated other comprehensive income 1,560 2,447  Non-controlling interests 9,066 8,749  Total net assets 230,791 209,354	Treasury shares	(1,069)	(1,068)
Accumulated other comprehensive income  Valuation difference on available-for-sale securities  Foreign currency translation adjustment (1,095) (1,623)  Remeasurements of defined benefit plans (921) (860)  Total accumulated other comprehensive income 1,560 2,447  Non-controlling interests 9,066 8,749  Total net assets 230,791 209,354	Total shareholders' equity	220,165	
Valuation difference on available-for-sale securities         3,578         4,931           Foreign currency translation adjustment         (1,095)         (1,623)           Remeasurements of defined benefit plans         (921)         (860)           Total accumulated other comprehensive income         1,560         2,447           Non-controlling interests         9,066         8,749           Total net assets         230,791         209,354	· · ·	·	•
securities       3,578       4,931         Foreign currency translation adjustment       (1,095)       (1,623)         Remeasurements of defined benefit plans       (921)       (860)         Total accumulated other comprehensive income       1,560       2,447         Non-controlling interests       9,066       8,749         Total net assets       230,791       209,354			
Remeasurements of defined benefit plans (921) (860)  Total accumulated other comprehensive income 1,560 2,447  Non-controlling interests 9,066 8,749  Total net assets 230,791 209,354		3,578	4,931
Remeasurements of defined benefit plans (921) (860)  Total accumulated other comprehensive income 1,560 2,447  Non-controlling interests 9,066 8,749  Total net assets 230,791 209,354	Foreign currency translation adjustment	(1,095)	(1,623)
Total accumulated other comprehensive income 1,560 2,447  Non-controlling interests 9,066 8,749  Total net assets 230,791 209,354			
income       1,560       2,447         Non-controlling interests       9,066       8,749         Total net assets       230,791       209,354	•		
Total net assets 230,791 209,354	•	1,560	2,447
Total net assets 230,791 209,354	Non-controlling interests	9,066	8,749
·	-		
	Total liabilities and net assets	369,575	369,154

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income Consolidated Statement of Income for the Six months ended September 30, 2020

	Six months ended	Six months ended
	September 30, 2019	September 30, 2020
Net sales	144,416	88,999
Cost of sales	90,040	62,578
Gross profit	54,375	26,420
Selling, general and administrative expenses	48,649	34,687
Operating profit (loss)	5,725	(8,266)
Non-operating income		
Interest income	253	136
Dividend income	466	449
Share of profit of entities accounted for using	498	106
equity method	430	100
Subsidy income	117	1,962
Other	207	164
Total non-operating income	1,543	2,819
Non-operating expenses		
Interest expenses	223	199
Foreign exchange losses	979	22
Commission for syndicated loans	_	189
Other	175	292
Total non-operating expenses	1,378	700
Ordinary profit (loss)	5,890	(6,147
Extraordinary income		
Gain on sales of non-current assets	42	65
Other	6	32
Total extraordinary income	48	689
Extraordinary losses		
Loss on retirement of non-current assets	188	34
Loss on sales of non-current assets	6	14
Reorganization cost	341	90
Loss on valuation of investment securities	0	1,93
Extra retirement payments	-	33
Loss on COVID-19	_	2,28
Other	179	15
Total extraordinary losses	717	4,850
Profit (loss) before income taxes	5,221	(10,308
Income taxes	1,506	11,47
Profit (loss)	3,715	(21,786
Profit (loss) attributable to non-controlling interests	121	(272
Profit (loss) attributable to owners of parent	3,593	(21,513

CITIZEN WATCH

Consolidated Statement of Comprehensive Income for the Six months ended September 30, 2020

(Millions of yen)

		(	
	Six months ended September 30, 2019	Six months ended September 30, 2020	
Profit (loss)	3,715	(21,786)	
Other comprehensive income			
Valuation difference on available-for-sale	(729)	1,353	
securities	(120)	1,000	
Foreign currency translation adjustment	(4,343)	(442)	
Remeasurements of defined benefit plans, net	54	60	
of tax	54	00	
Share of other comprehensive income of	(90)	(110)	
entities accounted for using equity method	(90)	(110)	
Total other comprehensive income	(5,109)	861	
Comprehensive income	(1,393)	(20,924)	
Comprehensive income attributable to			
Comprehensive income attributable to owners	(1.206)	(00.607)	
of parent	(1,386)	(20,627)	
Comprehensive income attributable to	( <b>7</b> )	(207)	
non-controlling interests	(7)	(297)	

Depreciation   7,322   5,77   Increase (decrease) in provisions   (881)   (1,63)   Increase (decrease) in retirement benefit liability   370   (811   Interest and dividend income   (719)   (588   Interest and dividend income   (719)   (1,986   Interest and dividend income   (719)   (1,986   Subsidy income   (1117)   (1,986   Loss (gain) on sales of investment securities   (1,980   Loss (gain) on sales of non-current assets   (36)   (844   Loss on entirement of non-current assets   (36)   (844   Loss on entirement of non-current assets   (38)   Decrease (increase) in trade receivables   (9,506)   (255   Increase (decrease) in trade payables   (1,849   Class (1,849		Six months ended September 30, 2019	Six months ended September 30, 2020
Profit (loss) before income taxes   5,221   (10,30)	Cash flows from operating activities		
Depreciation   7,322   5,77   Increase (decrease) in provisions   (881)   (1,63)   Increase (decrease) in retirement benefit liability   370   (811   Interest and dividend income   (719)   (588   Interest and dividend income   (719)   (1,986   Interest and dividend income   (719)   (1,986   Subsidy income   (1117)   (1,986   Loss (gain) on sales of investment securities   (1,980   Loss (gain) on sales of non-current assets   (36)   (844   Loss on entirement of non-current assets   (36)   (844   Loss on entirement of non-current assets   (38)   Decrease (increase) in trade receivables   (9,506)   (255   Increase (decrease) in trade payables   (1,849   Class (1,849	· -	5,221	(10,308
Increase (decrease) in retirement benefit liability		7,322	5,773
Increase (decrease) in retirement benefit liability	•		(1,637
Interest and dividend income (719) (588 interest expenses 223 15			(615
Subsidy income		(719)	(585
Loss (gain) on sales of investment securities 0 1,25	Interest expenses	223	19
Loss (gain) on valuation of investment securities         0         1,33           Loss (gain) on sales of non-current assets         188         3           Decrease (increase) in trade receivables         6,248         3,33           Decrease (increase) in trade receivables         (9,506)         (2,55)           Increase (increase) in trade payables         (1,849)         (7,38)           Other, net         1,440         1,00           Subtotal         8,107         (11,09)           Interest and dividends received         715         56           Interest paid         (218)         (16           Income taxes (paid) return         (4,165)         83           Proceeds from subsidy income         117         1,96           Net cash provided by (used in) operating activities         4,556         (7,88)           Purchase of investment securities         (1,970)         (6           Purchase of property, plant and equipment         (10,681)         (6,10)           Proceeds from sales of investment securities         -         1           Purchase of investment securities         (1,970)         (6           Proceeds from sales of property, plant and equipment         568         1,22           Purchase of intangible assets         (668)	Subsidy income	(117)	(1,962
Loss (gain) on sales of non-current assets  Loss on retirement of non-current assets  188 3.3 Decrease (increase) in trade receivables 5.25 Decrease (increase) in trade receivables 6.248 3.32 Decrease (increase) in trade payables (1,849) 1.73 Other, net 1.440 1.04 Subtotal 1.440 1.04 Subtotal 1.440 1.04 Subtotal 1.440 1.05 Subtotal 1.440 1.04 Subtotal 1.440 1.05 Subtotal 1.440 1.06 Subtotal 1.440 1.06 Subtotal 1.440 1.17 1.99 Subtotal 1.45 Subtotal 1.4	Loss (gain) on sales of investment securities	_	(5
Loss on retirement of non-current assets   188   3.2     Decrease (increase) in trade receivables   6,248   3,32     Decrease (flocrease) in inventories   (9,506)   (255     Increase (decrease) in inventories   (1,849)   (7,384     Other, net	Loss (gain) on valuation of investment securities	0	1,93
Decrease (increase) in trade receivables	Loss (gain) on sales of non-current assets	(36)	(643
Decrease (increase) in inventories	Loss on retirement of non-current assets	188	3
Increase (decrease) in trade payables	Decrease (increase) in trade receivables	6,248	3,32
Other, net         1,440         1,04           Subtotal         8,107         (11,09)           Interest and dividends received         715         58           Interest paid         (218)         (166           Income taxes (paid) refund         (4,165)         83           Proceeds from subsidy income         117         1,96           Net cash provided by (used in) operating activities         4,556         (7,88)           2ash flows from investing activities         -         1           Purchase of investment securities         -         1           Purchase of investment securities         -         1           Purchase of property, plant and equipment         (10,81)         (6,10)           Proceeds from sales of property, plant and equipment         568         1,20           Purchase of intangible assets         (668)         1,37           Loan advances         (1)         (14           Collection of loans receivable         1         1           Other, net         (703)         (2           Net cash provided by (used in) investing activities         (13,455)         (6,43)           2ash flows from financing activities         (13,455)         (6,43)           Proceeds from long-term borrowings <td>Decrease (increase) in inventories</td> <td>(9,506)</td> <td>(253</td>	Decrease (increase) in inventories	(9,506)	(253
Subtotal   8,107	Increase (decrease) in trade payables	(1,849)	(7,383
Interest and dividends received 715 58 Interest paid (218) (166) 168 Income taxes (paid) refund (4,165) 88 Proceeds from subsidy income 1117 1,96 Net cash provided by (used in) operating activities 4,556 (7,88) Cash flows from investing activities (1,970) (1,970	Other, net	1,440	1,04
Interest paid   (218)   (168   Income taxes (paid) refund   (4,165)   83   83   83   83   84   84   84   84	Subtotal	8,107	(11,091
Income taxes (paid) refund	Interest and dividends received	715	58
Proceeds from subsidy income         117         1,96           Net cash provided by (used in) operating activities         4,556         (7,88)           Cash flows from investing activities         (1,970)         (0           Purchase of investment securities         (1,970)         (0           Proceeds from sales of investment securities         -         1           Purchase of property, plant and equipment         (568)         1,20           Proceeds from sales of property, plant and equipment         568         1,20           Purchase of intangible assets         (668)         (1,37)           Loan advances         (1)         (144           Collection of loans receivable         1         1           Other, net         (703)         (2           Net cash provided by (used in) investing activities         (13,455)         (6,43)           2ash flows from financing activities         (13,455)         (6,43)           2ash flows from long-term borrowings         268         35,17           Repayments of long-term borrowings         (704)         (20           Dividends paid         (3,183)         (3,183)           Dividends paid to non-controlling interests         (1,49)         (7           Proceeds from sales of treasury shares <t< td=""><td>Interest paid</td><td>(218)</td><td>(169</td></t<>	Interest paid	(218)	(169
Net cash provided by (used in) operating activities         4,556         (7,886)           Cash flows from investing activities         (1,970)         (0           Proceeds from sales of investment securities         —         1           Purchase of property, plant and equipment         (10,681)         (6,10)           Proceeds from sales of property, plant and equipment         568         1,20           Purchase of intangible assets         (668)         (1,375)           Loan advances         (1)         (14           Collection of loans receivable         1         (703)         (2           Other, net         (703)         (2           Net cash provided by (used in) investing activities         (13,455)         (6,43)           Sash flows from financing activities         (13,455)         (6,43)           Net increase (decrease) in short-term borrowings         1,849         (1,09)           Proceeds from long-term borrowings         268         35,17           Repayments of long-term borrowings         (704)         (2           Dividends paid         (3,183)         (3           Dividends paid to non-controlling interests         (149)         (6           Purchase of treasury shares         (3,000)         (6           Payments from c	Income taxes (paid) refund	(4,165)	83
Cash flows from investing activities	Proceeds from subsidy income	117	1,96
Cash flows from investing activities	Net cash provided by (used in) operating activities	4,556	(7,88)
Purchase of investment securities   C1,970   C1   Proceeds from sales of investment securities   -			
Proceeds from sales of investment securities		(1,970)	(1
Proceeds from sales of property, plant and equipment         568         1,20           Purchase of intangible assets         (668)         (1,378           Loan advances         (1)         (144           Collection of loans receivable         1         (703)         (2           Net cash provided by (used in) investing activities         (13,455)         (6,43           Cash flows from financing activities         (1,949)         (1,09)           Proceeds from long-term borrowings         268         35,17           Repayments of long-term borrowings         (704)         (20           Dividends paid         (3,183)         (20           Dividends paid to non-controlling interests         (149)         (0           Purchase of treasury shares         (3,000)         (0           Proceeds from sales of treasury shares         -         -           Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation         (557)         (0           Other, net         (180)         (656	Proceeds from sales of investment securities	` <u> </u>	1
Proceeds from sales of property, plant and equipment         568         1,20           Purchase of intangible assets         (668)         (1,378)           Loan advances         (1)         (144)           Collection of loans receivable         1         (703)         (2           Net cash provided by (used in) investing activities         (13,455)         (6,43)           Cash flows from financing activities         (1,849)         (1,09)           Cash flows from financing activities         (26         35,17           Repayments of long-term borrowings         (26         35,17           Repayments of long-term borrowings         (704)         (26           Dividends paid to non-controlling interests         (149)         (26           Dividends paid to non-controlling interests         (149)         (6           Purchase of treasury shares         (3,000)         (6           Proceeds from sales of treasury shares         (557)         (6           Payments from changes in ownership interests in subsidiaries that do not result in change in scope of <td>Purchase of property, plant and equipment</td> <td>(10,681)</td> <td>(6,105</td>	Purchase of property, plant and equipment	(10,681)	(6,105
Loan advances			1,20
Collection of loans receivable 1 Other, net (703) (2' Net cash provided by (used in) investing activities (13,455) (6,43' Cash flows from financing activities Net increase (decrease) in short-term borrowings Net increase (decrease) in short-term borrowings 1,849 (1,09') Proceeds from long-term borrowings 268 35,17 Repayments of long-term borrowings (704) (2') Dividends paid (3,183) Dividends paid to non-controlling interests (149) (') Purchase of treasury shares (3,000) (') Proceeds from sales of treasury shares - Payments from changes in ownership interests in subsidiaries that do not result in change in scope of (557) (') consolidation Other, net (180) (656) Net cash provided by (used in) financing activities (5,657) 33,39 Effect of exchange rate change on cash and cash equivalents (1,910) Let increase (decrease) in cash and cash equivalents (16,467) 19,08 Cash and cash equivalents at beginning of period 84,533 77,99 Increase (decrease) in cash and cash equivalents resulting of consolidation 524	Purchase of intangible assets	(668)	(1,379
Other, net         (703)         (2°           Net cash provided by (used in) investing activities         (13,455)         (6,43°           Cash flows from financing activities         (13,455)         (6,43°           Cash flows from financing activities         (1,09°           Net increase (decrease) in short-term borrowings         1,849         (1,09°           Proceeds from long-term borrowings         (704)         (2°           Repayments of long-term borrowings         (704)         (2°           Dividends paid         (3,183)         (149)         (°           Dividends paid to non-controlling interests         (149)         (°           Purchase of treasury shares         (3,000)         (°           Proceeds from sales of treasury shares         –         –           Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation         (557)         (°           Other, net         (180)         (650°           Net cash provided by (used in) financing activities         (5,657)         33,39°           Effect of exchange rate change on cash and cash equivalents         (1,910)           set increase (decrease) in cash and cash equivalents         (16,467)         19,08°           cash and cash equivalents at beginning of period         <	Loan advances	(1)	(146
Net cash provided by (used in) investing activities  Cash flows from financing activities  Net increase (decrease) in short-term borrowings  Net increase (decrease) in short-term borrowings  Proceeds from long-term borrowings  Repayments of long-term borrowings  Cividends paid  Dividends paid to non-controlling interests  Dividends paid to non-controlling interests  Cividends paid to non-controlling interests  Purchase of treasury shares  Payments from sales of treasury shares  Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation  Other, net  Cividends paid to non-controlling interests in subsidiaries that do not result in change in scope of the subsidiaries that do not result in the subsidiaries that do not result in the subsidiaries that do not result i	Collection of loans receivable	1	
Net increase (decrease) in short-term borrowings 1,849 (1,098) Proceeds from long-term borrowings 268 35,17 Repayments of long-term borrowings (704) (2010) Dividends paid (3,183) (149) (1900) Purchase of treasury shares (3,000) (1900) Proceeds from sales of treasury shares (3,000) (1900) Proceeds from sales of treasury shares (5,57) (1900) Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (180) (657) Net cash provided by (used in) financing activities (5,657) 33,39 (1,910) Effect of exchange rate change on cash and cash equivalents (16,467) 19,08 (2,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 (1,910) Cash and cash equivalents resulting of period 84,533 77,99 (1,910) Cash and cash equivalents resulting of period 84,533 77,99 (1,910) Cash and cash equivalents resulting of period 84,533 77,99 (1,910)	Other, net	(703)	(27
Cash flows from financing activities  Net increase (decrease) in short-term borrowings  Proceeds from long-term borrowings  Repayments of long-term borrowings  Cividends paid  Dividends paid to non-controlling interests  Cividends paid to non-con	Net cash provided by (used in) investing activities	(13,455)	(6,43
Net increase (decrease) in short-term borrowings Proceeds from long-term borrowings 268 35,17 Repayments of long-term borrowings (704) (20 Dividends paid (3,183) Dividends paid to non-controlling interests (149) (3,000) (40 Purchase of treasury shares (3,000) (40 Proceeds from sales of treasury shares — Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation Other, net (180) (557) (657) (180) Net cash provided by (used in) financing activities (5,657) 33,38 Effect of exchange rate change on cash and cash equivalents (1,910) Set increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation Change in scope of consolidation			
Proceeds from long-term borrowings 268 35,17 Repayments of long-term borrowings (704) (201 Dividends paid (3,183) Dividends paid to non-controlling interests (149) (704) Purchase of treasury shares (3,000) (704) Proceeds from sales of treasury shares — Payments from changes in ownership interests in subsidiaries that do not result in change in scope of (557) (705) Consolidation Other, net (180) (657) Net cash provided by (used in) financing activities (5,657) 33,385 Effect of exchange rate change on cash and cash equivalents Net increase (decrease) in cash and cash equivalents (16,467) 19,085 Cash and cash equivalents at beginning of period 84,533 77,995 Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation	•	1,849	(1,09
Dividends paid (3,183)  Dividends paid to non-controlling interests (149) (1  Purchase of treasury shares (3,000) (1  Proceeds from sales of treasury shares —  Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (557) (1  Consolidation (180) (658)  Net cash provided by (used in) financing activities (5,657) (1,910)  Effect of exchange rate change on cash and cash equivalents (16,467) (19,08)  Cash and cash equivalents at beginning of period (16,467) (19,08)  Consolidation (1,910) (1,910)	Proceeds from long-term borrowings	268	35,17
Dividends paid to non-controlling interests (149) (190 Purchase of treasury shares (3,000) (190 Proceeds from sales of treasury shares ————————————————————————————————————	Repayments of long-term borrowings	(704)	(2)
Purchase of treasury shares (3,000) (0 Proceeds from sales of treasury shares — Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation Other, net (180) (658) Net cash provided by (used in) financing activities (5,657) 33,39 Effect of exchange rate change on cash and cash equivalents Net increase (decrease) in cash and cash equivalents (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation	Dividends paid	(3,183)	-
Proceeds from sales of treasury shares Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation Other, net (180) (656) Net cash provided by (used in) financing activities (5,657) 33,39 Effect of exchange rate change on cash and cash equivalents Net increase (decrease) in cash and cash equivalents (16,467) 19,08 Cash and cash equivalents at beginning of period 84,533 77,99 Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation	Dividends paid to non-controlling interests	(149)	
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation  Other, net (180) (658)  Net cash provided by (used in) financing activities (5,657) 33,39  Effect of exchange rate change on cash and cash equivalents (1,910)  Net increase (decrease) in cash and cash equivalents (16,467) 19,08  Cash and cash equivalents at beginning of period 84,533 77,99  Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation 544	Purchase of treasury shares	(3,000)	(1
subsidiaries that do not result in change in scope of consolidation  Other, net (180) (658)  Net cash provided by (used in) financing activities (5,657) 33,39  Effect of exchange rate change on cash and cash equivalents  Requivalents  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 52  Cash and cash equivalents resulting rom change in scope of consolidation (180) (658)  Cash and cash equivalents at beginning of period (19,910)  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents at beginning of period (16,467) 19,08  Cash and cash equivalents resulting (16,467) 19,08  Cash and cash equivalents resul	Proceeds from sales of treasury shares	_	
consolidation Other, net (180) (658 Net cash provided by (used in) financing activities (5,657) 33,39 Effect of exchange rate change on cash and cash equivalents Net increase (decrease) in cash and cash equivalents (1,910) Cash and cash equivalents at beginning of period 84,533 77,99 Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation	Payments from changes in ownership interests in		
Other, net (180) (658)  Net cash provided by (used in) financing activities (5,657) 33,39  Effect of exchange rate change on cash and cash equivalents  Net increase (decrease) in cash and cash equivalents (16,467) 19,08  Cash and cash equivalents at beginning of period 84,533 77,99  Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation 544	subsidiaries that do not result in change in scope of	(557)	()
Net cash provided by (used in) financing activities (5,657) 33,39  Effect of exchange rate change on cash and cash equivalents (1,910)  Net increase (decrease) in cash and cash equivalents (16,467) 19,08  Cash and cash equivalents at beginning of period 84,533 77,99  Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation 544	consolidation		
Effect of exchange rate change on cash and cash equivalents  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of period  ncrease (decrease) in cash and cash equivalents resulting rom change in scope of consolidation  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)  (1,910)	Other, net	(180)	(658
equivalents  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents at beginning of period  ncrease (decrease) in cash and cash equivalents resulting rom change in scope of consolidation  (1,910)  19,08  84,533  77,99  52	Net cash provided by (used in) financing activities	(5,657)	33,39
Net increase (decrease) in cash and cash equivalents (16,467) 19,08 Cash and cash equivalents at beginning of period 84,533 77,99 Increase (decrease) in cash and cash equivalents resulting rom change in scope of consolidation 544	Effect of exchange rate change on cash and cash	(1.010)	
Net increase (decrease) in cash and cash equivalents (16,467) 19,08 Cash and cash equivalents at beginning of period 84,533 77,99 Increase (decrease) in cash and cash equivalents resulting 544 52 Increase of consolidation	equivalents	(1,910)	
Cash and cash equivalents at beginning of period 84,533 77,99  ncrease (decrease) in cash and cash equivalents resulting 544 552  rom change in scope of consolidation		(16,467)	19,08
ncrease (decrease) in cash and cash equivalents resulting rom change in scope of consolidation  544  52	<del>-</del>		77,99
rom change in scope of consolidation	ncrease (decrease) in cash and cash equivalents resulting		
	rom change in scope of consolidation	544	52
	Cash and cash equivalents at end of period	68,610	97,60

#### (4) 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)

(Application of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

For items for which transition to the group tax sharing system created in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) was made and for which the non-consolidated taxation system was reviewed in step with transition to the group tax sharing system, the Company and some of its consolidated subsidiaries in Japan do not apply the provisions in Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) based on the treatment in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Income Tax Act before amendment.

# (Accounting estimate of the impact of the COVID-19 coronavirus)

COVID-19 continued to affect the Group's business in the six months of the fiscal year under review, and, based on information available as of the last day of the second quarter of the fiscal year under review, the Group re-examined the recoverability of deferred tax assets on the assumption that the impact of COVID-19 will remain for a certain period of time during the fiscal year ending March 31, 2021.

As a result, the Group posted income taxes - deferred of 10,757 million yen due primarily to reversal of a part of deferred tax assets.

The amount of income taxes - deferred is included in income taxes in the consolidated statement of income.

## (Segment information)

(i) Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019) 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 Inter-segment	72,372 51	30,870 434	29,358 950	11,814 455	144,416 1,891	(1,891)	144,416
Total	72,423	31,304	30,309	12,270	146,308	(1,891)	144,416
Segment profit or loss	3,446	4,566	750	65	8,827	(3,102)	5,725

(Notes)

- 1. The 3,102 million yen negative adjustment to segment income (Operating profit) includes 59 million yen in inter-segment eliminations and 3,042 million yen in corporate expenses that could not be allocated to a particular segment.
- 2. Segment profits are adjusted with Operating profit on the consolidated financial statements.
- (ii) Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020) 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	38,114	20,739	21,337	8,807	88,999	-	88,999
Inter-segment	29	116	474	326	947	(947)	-
Total	38,143	20,855	21,811	9,134	89,946	(947)	88,999
Segment profit or loss	(5,387)	591	(1,092)	(184)	(6,072)	(2,194)	(8,266)

(Notes)

- 1. The 2,194 million yen negative adjustment to segment income (Operating profit) includes 61 million yen in inter-segment eliminations and 2,255 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.
- (iii) Matters concerning the change of reportable segments, etc.

Associated with the review of business management categories, the Group has integrated the "Electronic products" segment and the "Other products" segment in the past and changed their names to the "Electronic and other products" segment in the first quarter under review.

Segment information in the first quarter of the previous consolidated fiscal year is disclosed by preparing it based on the categories of reportable segments in the first quarter of the current consolidated fiscal year.