



CITIZEN WATCH

Consolidated Financial Statements**for the Year Ended March 31, 2021**

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 13, 2021

CITIZEN WATCH CO., LTD.

Code No.: 7762

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Scheduled ordinary general meeting of shareholders: June 25, 2021

Scheduled start of dividend payment: June 28, 2021

Scheduled release of fiscal 2020 Business Report: June 28, 2021

Listings: First section of Tokyo Stock Exchange

(URL <https://www.citizen.co.jp>)**1. Results for the Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)****(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, 2021	206,641	(25.8%)	(9,551)	-	(4,143)	-	(25,173)	-
March 31, 2020	278,531	(13.4%)	6,136	(72.6%)	7,531	(71.7%)	(16,667)	-

Note: Comprehensive income:

As of March 31, 2021: ¥ (16,622) million (-%)

As of March 31, 2020: ¥ (26,523) 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, 2021	(80.52)	-	(11.8%)	(1.1%)	(4.6%)
March 31, 2020	(53.07)	-	(7.0%)	1.9%	2.2%

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:

As of March 31, 2021: ¥ 440 million As of March 31, 2020: ¥ 801 million

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
March 31, 2021	365,811	212,864	55.8%	652.47
March 31, 2020	369,575	230,791	60.0%	709.21

Reference: Shareholders' Equity:

As of March 31, 2021: ¥ 203,986 million

As of March 31, 2020: ¥ 221,725 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, 2021	7,489	(7,627)	18,336	99,561
March 31, 2020	17,347	(15,498)	(7,049)	77,996

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, 2020	-	12.00	-	0.00	12.00	3,751	-	1.6%
March 31, 2021	-	2.50	-	2.50	5.00	1,565	-	0.7%
March 31, 2022 (E)	-	7.00	-	7.00	14.00		48.6	

Note:

No decision has been made at present with respect to dividends for the fiscal year ending March 31, 2021.

3. Projected Consolidated Results for the Year ending March 31, 2022

(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	122,000	37.1	3,500	-	4,000	-	4,000	-	12.78
Full term	260,000	25.8	10,000	-	11,000	-	9,000	-	28.79

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)

	shares		shares	
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	March 31, 2021	314,353,809	March 31, 2020	314,353,809
(ii) Number of treasury stock at the end of term	March 31, 2021	1,714,879	March 31, 2020	1,714,407
(iii) Average number of common stocks	March 31, 2021	312,639,880	March 31, 2020	314,081,534

** 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. ANALYSIS OF OPERATING RESULTS/FINANCIAL POSITION

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

Millions of yen	Year ended March 31,		Year-on-year change	%
	2020	2021		
Net sales	278,531	206,641	(71,890)	(25.8%)
Operating profit or loss	6,136	(9,551)	(15,687)	-
Ordinary profit or loss	7,531	(4,143)	(11,674)	-
Profit or loss attributable to owners of parent	(16,667)	(25,173)	(8,505)	-

During the fiscal year ended March 31, 2021, the Japanese economy faced severe conditions, reflecting a fall in demand for inbound tourism and a sustained period of weak consumer activity due to the COVID-19 pandemic. In the United States, the economy recovered moderately, with a resurgence in new COVID-19 cases becoming a burden on the economic recovery. European economies also suffered low levels of economic activity, partly due to a severe limitation on movement re-imposed in many countries. In Asia, while a recovery was taking place in China, other Asian economies lacked momentum.

In this environment, the Citizen Group instituted a range of initiatives according to the Medium-Term Management Plan 2021 which was established in February 2019, such as facilitating the growth of the Watch business and Machine Tools business, promoting sustainable management and strengthening compliance with quality, with a view to raising the level of traditional manufacturing and addressing the challenge of new value creation. The consolidated financial results for the fiscal year under review showed a decline in both sales and profit. Net sales stood at 206.6 billion yen (down 25.8% year on year), and the operating loss was 9.5 billion yen (compared with operating profit of 6.1 billion yen in the previous fiscal year). The ordinary loss was 4.1 billion yen (compared with the ordinary profit of 7.5 billion yen in the previous fiscal year), and a loss attributable to owners of parent came to 25.1 billion yen (loss attributable to owners of parent of 16.6 billion yen in the previous year) due to the posting of an extraordinary loss.

Watches

In the domestic market, sales of Citizen brand watches decreased significantly, reflecting a sharp fall in demand for inbound tourism and a decline in consumer confidence due to voluntary restrictions on travel, despite the launch of a website for direct sales and a rise in sales of certain product lines such as the Cosmic Blue Collection, or the titanium-technology 50th anniversary models, planned and developed on a cross-brand basis as well as other new products.

In overseas markets, sales in the European market remained relatively stable, despite the impact of prolonged lockdowns. Sales declined in the North American market given sluggish sales, particularly at real stores due to restrictions on travel and sales activities, although online distribution, among other areas, began showing signs of recovery during the shopping season. 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 at real stores declined mainly in the North American market, and sales of other brands also decreased, although online sales of Bulova brand watches remained firm.

With respect to movements, despite a decline in sales due to a worldwide fall in consumption, demand for mechanical movements remained firm, particularly in the Chinese market, while demand for analog quartz movements was on an upward trend.

As a result, the watches segment posted a significant decline in sales with net sales of 95.6 billion yen (down 32.5% year on year) due to the global suspension of economic activities, despite accelerated efforts to strengthen online sales. Operating results also deteriorated to a loss of 8.1 billion yen (compared with operating profit of 3.9 billion yen in the previous fiscal year), profoundly affected by lower sales, despite efforts to secure profit primarily by reducing expenses.

Machine Tools

In the domestic market, revenues decreased due to sluggish demand for capital expenditures in the first half, despite a sense of bottoming out observed in orders received from the automobile industry and other industries. In overseas markets, sales for IT and other industries in China continued to be strong. On top of that, orders received from the automobile-related industry grew sharply in Europe, and in Americas, orders received from the medical industry in particular were on the upturn. However, these trends were insufficient to offset a year-on-year decrease and resulted in a fall in sales.

As a result, the machine tools segment as a whole posted a decrease in sales with net sales of 46.7 billion yen (down 20.2% year on year) despite new efforts by the Group to receive orders, including the holding of online exhibitions, amid the market following the recovery trend. Operating profit also fell to 2.9 billion yen (down 59.6% year on year).

Devices and Components

Sales of auto parts as part of precision machining components came to levels in the previous fiscal year due to gradual growth in sales associated with the recovery of new car sales. However, 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, amid the continued severe price competition in LED for lighting products, despite the recovering market for LED for automobiles.

In other products, demand for quartz devices for communication devices increased, but overall sales of other products decreased, reflecting a fall in global 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 45.9 billion yen (down 17.9% year on year). An operating loss was 0.4 billion yen (compared with operating profit of 0.9 billion yen in 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, there were signs of recovery in bar code printers and other products, and in addition, sales of photo printers and POS printers, which are the Group's mainstay products, have recently increased, particularly in China. However, sales in the overall information equipment sector decreased, reflecting the significant impact of a fall in appetite for capital expenditure in the first half. 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 a decrease in sales and remained unprofitable, with net sales of 18.3 billion yen (down 18.0% year on year) and operating profit of 0.3 billion yen (compared with a loss of 0.2 billion yen in the previous year).

(ii) Prospects for the Year ending March 31, 2021

Millions of yen	Year ended March 31,		Year-on-year change	%
	2021	2022		
Net sales	206,641	26,000	+53,358	+25.8%
Operating profit or loss	(9,551)	10,000	+19,551	-
Ordinary profit or loss	(4,143)	11,000	+15,143	-
Profit or loss attributable to owners of parent	(25,173)	9,000	+34,173	-

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2021	2022		
Watches	95,625	124,000	+28,374	+29.7%
Machine Tools	46,707	67,000	+20,292	+43.4%
Devices and components	45,919	51,000	+5,080	+11.1%
Electronic and Other Products	18,389	18,000	(389)	(2.1%)
Total net sales	206,641	260,000	+53,358	+25.8%

Breakdown of operating profit by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2021	2022		
Watches	(8,192)	4,000	+12,192	-
Machine Tools	2,935	9,000	+6,064	+206.6%
Devices and components	(493)	1,500	+1,993	-
Electronic and Other Products	394	500	+105	+26.8%
Eliminations or general corporate	(4,195)	(5,000)	(804)	-
Total Operating profit or loss	(9,551)	10,000	+19,551	-

Looking ahead to economic conditions in the coming months, the Group expects that activities will continue to be weak globally, although there will be a recovery from the significant deterioration caused by the COVID-19 pandemic. In particular, consumer spending is expected to further fall in Japan due to the announcement of another state of emergency. However, although there is still a great deal of uncertainty over the economic situation, it is expected that consumer confidence will improve substantially in China and that economic activity will pick up in North America, reflecting a rise in expectations for an economic recovery given the start of additional economic stimulus measures and an increase in vaccinations.

Taking this situation into account, the Group forecasts net sales of 260.0 billion yen (up 25.8% year on year), operating profit of 10.0 billion yen (compared with a loss of 9.5 billion yen in the previous year), ordinary profit of 11.0 billion yen compared with the ordinary profit of 4.1 billion yen in the previous fiscal year and profit attributable to owners of parent of 9.0 billion yen (loss attributable to owners of parent of 25.1 billion yen in the previous year) for consolidated financial results for the next fiscal year.

The foreign exchange rates are assumed to be 105 yen against the U.S. dollar and 125 yen against the euro.

Actual foreign exchange rates were 106 yen against the U.S. dollar and 123 yen against the euro in the

consolidated fiscal year under review.

(2) Analysis of Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, total assets had decreased by 3.7 billion yen from the end of the previous consolidated fiscal year, to 365.8 billion yen. Current assets increased by 8.7 billion yen, mainly due to increases of 21.6 billion yen in cash and deposits, despite a decrease of 10.9 billion yen in inventories. Non-current assets decreased by 12.5 billion yen, mainly reflecting a 9.3 billion yen decrease in deferred tax assets and a 1.8 billion yen decrease in tools, furniture and fixtures.

Liabilities totaled 152.9 billion yen, an increase of 14.1 billion yen from the end of the previous consolidated fiscal year, chiefly reflecting a 27.2 billion yen increase in long-term borrowings and a 1.6 billion yen increase in deferred tax liabilities, which was partially offset by a 7.5 billion yen decrease in short-term borrowings.

Net assets decreased by 17.9 billion yen from the end of the previous consolidated fiscal year, to 212.8 billion yen, primarily reflecting a 5.9 billion yen increase in foreign currency translation adjustment and a 2.9 billion yen increase in valuation difference on available-for-sale securities, which was more than offset by a 26.4 billion yen decrease in retained earnings.

(ii) Cash Flows

Net cash provided by operating activities decreased by 9.8 billion yen year on year, to 7.4 billion yen. Major factors contributing to this result included 13.7 billion yen in decrease in inventories, 11.5 billion yen in depreciation and 3.2 billion yen in subsidy income, despite 13.7 billion yen in loss before income taxes, 3.5 billion yen in decrease in trade payables and 1.8 billion yen in decrease in provision for loss on reorganization.

Net cash used in investing activities decreased by 7.8 billion year on year, to 7.6 billion yen. Major factors contributing to this result included 3.1 billion yen for proceeds from sale of investment securities, 1.5 billion yen in proceeds from sale of property, plant and equipment offsetting 9.2 billion yen in purchase of property, plant and equipment and 2.8 billion yen in purchase of intangible assets.

Net cash used in financing activities increased by 25.3 billion yen year on year, to 18.3 billion yen. Major factors contributing to this result include 35.1 billion yen in proceeds from long-term borrowings, in spite of factors for an decrease such as 13.7 billion yen in Repayments of long-term borrowings

For the consolidated fiscal year under review, cash and cash dividends increased by 21.5 billion yen year on year, to 99.5 billion yen as of the end of the year.

(3) Fundamental Policy Regarding the Distribution of Profits and Dividends for the Fiscal Year Under Review and the Fiscal Year Ending March 2022

The Company considers the proportion of the total amount of dividends and share buybacks to profit attributable to owners of parent as the ratio of return to shareholders. Based on this concept, it established a basic policy of ensuring that the ratio of the return to shareholders is at least 60% on average for three years. It determines dividends by considering the balance between consolidated results-based dividend payments and stable dividend payments.

The year-end dividend for the fiscal year under review will be 2.50 yen per share. Consequently, the full-year dividend for the fiscal year under review will be 5.00 yen per share.

The Company expects that the full-year dividend for the next fiscal year will be xxx yen per share, comprehensively taking into consideration stable dividend payments and results trends, among other factors.

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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	80,168	101,816
Notes and accounts receivable - trade	43,254	44,102
Electronically recorded monetary claims - operating	1,395	1,371
Merchandise and finished goods	58,708	52,018
Work in process	20,563	19,372
Raw materials and supplies	21,920	18,857
Consumption taxes receivable	2,586	2,129
Other	8,090	5,926
Allowance for doubtful accounts	(1,033)	(1,150)
Total current assets	235,655	244,444
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	※ 3 , ※ 4 40,222	※ 3 , ※ 4 39,877
Machinery, equipment and vehicles, net	※ 3 17,014	※ 3 15,811
Tools, furniture and fixtures, net	6,162	4,275
Land	10,164	10,649
Leased assets, net	1,264	1,249
Construction in progress	3,704	4,085
Total property, plant and equipment	※ 1 78,532	※ 1 75,948
Intangible assets		
Software	3,830	3,590
Leased assets	11	2
Other	710	1,059
Total intangible assets	4,552	4,652
Investments and other assets		
Investment securities	※ 2 33,449	※ 2 33,341
Long-term loans receivable	408	251
Deferred tax assets	14,604	5,293
Other	2,657	2,185
Allowance for doubtful accounts	(239)	(306)
Allowance for investment loss	(46)	—
Total investments and other assets	50,833	40,765
Total non-current assets	133,919	121,366
Total assets	369,575	365,811

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	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,485	15,576
Electronically recorded obligations - operating	9,223	9,041
Notes payable - facilities	508	241
Electronically recorded obligations - non-operating	784	395
Short-term borrowings	※ 6 17,227	※ 6 9,648
Income taxes payable	1,551	1,381
Accrued expenses	8,160	9,451
Provision for bonuses	4,855	4,778
Provision for bonuses for directors (and other officers)	170	157
Provision for product warranties	1,133	984
Provision for environmental measures	87	2
Provision for loss on reorganization	1,840	715
Other	9,242	7,369
Total current liabilities	71,271	59,745
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	※ 6 27,929	※ 6 55,212
Deferred tax liabilities	585	2,281
Provision for loss on reorganization	829	103
Retirement benefit liability	24,038	22,590
Asset retirement obligations	66	75
Other	4,061	2,937
Total non-current liabilities	67,511	93,201
Total liabilities	138,783	152,946
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,730	33,740
Retained earnings	154,855	128,393
Treasury shares	(1,069)	(1,069)
Total shareholders' equity	220,165	193,713
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,578	6,503
Foreign currency translation adjustment	(1,095)	4,871
Remeasurements of defined benefit plans	(921)	(1,100)
Total accumulated other comprehensive income	1,560	10,273
Non-controlling interests	9,066	8,878
Total net assets	230,791	212,864
Total liabilities and net assets	369,575	365,811

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

Consolidated Statement of Income

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Net sales	278,531	206,641
Cost of sales	※ 9 177,431	※ 9 140,742
Gross profit	101,100	65,898
Selling, general and administrative expenses	※ 1, ※ 5 94,964	※ 1, ※ 5 75,450
Operating profit	6,136	(9,551)
Non-operating income		
Interest income	479	256
Dividend income	1,378	1,129
Rental income	171	166
Share of profit of entities accounted for using equity method	801	440
Foreign exchange gains	—	854
Subsidy income	230	3,357
Other	396	297
Total non-operating income	3,459	6,501
Non-operating expenses		
Commission for syndicated loans	—	215
Interest expenses	406	415
Loss on sale of notes receivable - trade	88	16
Depreciation of assets for rent	39	51
Foreign exchange losses	919	—
Bad debt expenses	213	—
Other	396	394
Total non-operating expenses	2,063	1,093
Ordinary profit	7,531	(4,143)
Extraordinary income		
Gain on sale of investment securities	1,860	1,452
Gain on sale of non-current assets	※ 2 75	※ 2 819
Other	5	491
Total extraordinary income	1,941	2,762
Extraordinary losses		
Loss on sale of non-current assets	※ 4 34	※ 4 19
Loss on retirement of non-current assets	※ 3 252	※ 3 241
Impairment losses	※ 6 19,272	※ 6 2,857
Loss on valuation of investment securities	1	1,220
Reorganization cost	※ 7 1,404	※ 7 238
Extra retirement payments	※ 8 2,835	※ 8 4,374
Loss on COVID	—	3,034
Other	758	394
Total extraordinary losses	24,559	12,381
Profit before income taxes	(15,086)	(13,761)
Income taxes - current	4,126	920
Income taxes - deferred	(1,754)	10,756
Total income taxes	2,371	11,677
Profit	(17,458)	(25,439)
Profit attributable to non-controlling interests	(790)	(265)
Profit attributable to owners of parent	(16,667)	(25,173)

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Profit	(17,458)	(25,439)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,533)	2,924
Foreign currency translation adjustment	(4,403)	6,000
Remeasurements of defined benefit plans, net of tax	(65)	(174)
Share of other comprehensive income of entities accounted for using equity	(63)	66
Total other comprehensive income	※ (9,065) ※	8,817
Comprehensive income	(26,523)	(16,622)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(25,666)	(16,460)
Comprehensive income attributable to non-controlling interests	(856)	(161)

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(3) Consolidated Statements of Changes in Equity

Financial year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	34,019	181,995	(1,773)	246,889
Cumulative effects of changes in accounting policies			(199)		(199)
Restated balance	32,648	34,019	181,796	(1,773)	246,690
Changes during period					
Purchase of shares of consolidated subsidiaries		0			0
Increase by merger			363		363
Change in scope of consolidation		(289)	5		(283)
Dividends of surplus			(6,936)		(6,936)
Profit (loss) attributable to owners of parent			(16,667)		(16,667)
Cancellation of treasury shares		(3,703)		3,703	—
Purchase of treasury shares				(3,001)	(3,001)
Disposal of treasury shares		(2)		2	0
Transfer of loss on disposal of treasury shares		2	(2)		—
Transfer from retained earnings to capital surplus		3,703	(3,703)		—
Net changes in items other than shareholders' equity					
Total changes during period		(288)	(26,940)	704	(26,525)
Balance at end of period	32,648	33,730	154,855	(1,069)	220,165

	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	8,111	3,303	△855	10,559	10,098	267,547
Cumulative effects of changes in accounting policies						(199)
Restated balance	8,111	3,303	△855	10,559	10,098	267,348
Changes during period						
Purchase of shares of consolidated subsidiaries						0
Increase by merger						363
Change in scope of consolidation						(283)
Dividends of surplus						(6,936)
Profit (loss) attributable to owners of parent						(16,667)
Cancellation of treasury shares						—
Purchase of treasury shares						(3,001)
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	(4,533)	(4,399)	(66)	(8,999)	(1,032)	(10,031)
Total changes during period	(4,533)	(4,399)	(66)	(8,999)	(1,032)	(36,556)
Balance at end of period	3,578	(1,095)	(921)	1,560	9,066	230,791

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Financial year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	33,730	154,855	(1,069)	220,165
Cumulative effects of changes in accounting policies					-
Restated balance	32,648	33,730	154,855	(1,069)	220,165
Changes during period					
Purchase of shares of consolidated subsidiaries		9			9
Increase by merger					
Change in scope of consolidation			(506)		(506)
Dividends of surplus			(782)		(782)
Profit (loss) attributable to owners of parent			(25,173)		(25,173)
Cancellation of treasury shares					-
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1	1
Transfer of loss on disposal of treasury shares					-
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity					
Total changes during period	-	9	(26,462)	0	(26,451)
Balance at end of period	32,648	33,740	128,393	(1,069)	193,713

	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	3,578	(1,095)	(921)	1,560	9,066	230,791
Cumulative effects of changes in accounting policies						-
Restated balance	3,578	(1,095)	(921)	1,560	9,066	230,791
Changes during period						
Purchase of shares of consolidated subsidiaries						9
Increase by merger						-
Change in scope of consolidation						(506)
Dividends of surplus						(782)
Profit (loss) attributable to owners of parent						(25,173)
Cancellation of treasury shares						-
Purchase of treasury shares						(0)
Disposal of treasury shares						1
Transfer of loss on disposal of treasury shares						-
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	2,924	5,966	(179)	8,712	(187)	8,524
Total changes during period	2,924	5,966	(179)	8,712	(187)	(17,927)
Balance at end of period	6,503	4,871	(1,100)	10,273	8,878	212,864

(4) Consolidated Statement of Cash Flow

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2020
Cash flows from operating activities		
Profit before income taxes	(15,086)	(13,761)
Depreciation	15,438	11,557
Increase (decrease) in provision for loss on reorganization	1,375	(1,849)
Increase (decrease) in allowance for doubtful accounts	(91)	132
Increase (decrease) in other provisions	(1,211)	(441)
Increase (decrease) in retirement benefit liability	639	(1,683)
Interest and dividend income	(1,858)	(1,386)
Subsidy income	(230)	(3,357)
Interest expenses	406	415
Loss (gain) on valuation of investment securities	1	1,220
Loss (gain) on sale of investment securities	(1,858)	(1,452)
Loss (gain) on sale of non-current assets	(40)	(799)
Loss on retirement of non-current assets	252	241
Impairment losses	19,272	2,857
Decrease (increase) in trade receivables	20,214	1,402
Decrease (increase) in inventories	(4,096)	13,737
Increase (decrease) in trade payables	(8,999)	(3,559)
Other, net	(1,351)	(201)
Subtotal	22,774	3,072
Interest and dividends received	1,858	1,380
Interest paid	(408)	(421)
Income taxes paid	(7,107)	212
Subsidies received	230	3,245
Net cash provided by (used in) operating activities	17,347	7,489
Cash flows from investing activities		
Purchase of investment securities	(1,971)	(0)
Proceeds from sale of investment securities	4,061	3,163
Purchase of property, plant and equipment	(16,851)	(9,240)
Proceeds from sale of property, plant and equipment	773	1,534
Purchase of intangible assets	(2,254)	(2,892)
Loan advances	(2)	(153)
Proceeds from collection of loans receivable	173	103
Other, net	572	(141)
Net cash provided by (used in) investing activities	(15,498)	(7,627)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(518)	(1,785)
Proceeds from long-term borrowings	15,270	35,180
Repayments of long-term borrowings	(10,717)	(13,738)
Dividends paid	(6,936)	(782)
Dividends paid to non-controlling interests	(170)	(34)
Purchase of treasury shares	(3,001)	(0)
Proceeds from sale of treasury shares	—	1
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(557)	(0)
Other, net	(416)	(503)
Net cash provided by (used in) financing activities	(7,049)	18,336
Effect of exchange rate change on cash and cash equivalents	(1,880)	2,843
Net increase (decrease) in cash and cash equivalents	(7,080)	21,042
Cash and cash equivalents at beginning of period	84,533	77,996
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	544	522
Cash and cash equivalents at end of period	※ 77,996 ※	99,561

(5) Notes on the Consolidated Financial Statements

(Notes related to of going concern assumptions)

Not applicable

(Additional Information)

(Accounting estimates on the impact of the COVID-19 pandemic)

The Group conducts accounting estimates for the next fiscal year, based on the assumption that activity will remain weak globally, although there will be a recovery from the significant deterioration caused by the COVID-19 pandemic.

In the meantime, with considerable uncertainty surrounding this assumption, the Group's profitability may deteriorate going forward, if the pandemic continues to have an impact for a prolonged period time or becomes more serious.

(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.

c. Matters regarding reportable segments, etc.

As a result of a review of the classification of business management, the Group integrated the previous Electronic products segment and the Other products segment, renaming it the Electronic and Other Products segment.

Segment information for the previous fiscal year is disclosed after it is reclassified according to the reportable segment classification applicable to the consolidated fiscal year under review.

CITIZEN WATCH

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

Year ended March 31, 2020

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	141,620	58,545	55,946	16,875	278,531	-	278,531
Inter-segment	99	549	1,867	96	3,391	(3,391)	-
Total	141,719	59,094	57,814	16,972	281,923	(3,391)	278,531
Operating profit	3,938	7,261	926	(257)	11,911	(5,775)	6,136
Assets	173,621	61,208	77,152	13,931	332,252	37,323	369,575

Notes:

1. Adjustments were made as described below.

(1) The 5,775 million yen negative adjustment to segment income (Operating profit) includes 23 million yen in inter-segment eliminations and 5,799 million yen in corporate expenses that could not be allocated to a particular segment.

(2) The 37,323 million yen positive adjustment to segment assets includes 72,247 million yen in corporate assets that could not be allocated to a particular segment and 34,923 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, 2021

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	95,625	46,707	45,919	18,389	206,641	-	206,641
Inter-segment	64	161	922	630	1,779	(1,779)	-
Total	95,690	46,869	46,841	19,019	208,421	(1,779)	206,641
Operating profit	(8,192)	2,935	(493)	394	(5,355)	(4,195)	(9,551)
Assets	155,522	63,318	71,486	18,908	309,235	56,575	365,811

Notes:

1. Adjustments were made as described below.

(1) The 4,195 million yen negative adjustment to segment income (Operating profit) includes 139 million yen in inter-segment eliminations and 4,335 million yen in corporate expenses that could not be allocated to a particular segment.

(2) The 56,575 million yen positive adjustment to segment assets includes 83,143 million yen in corporate assets that could not be allocated to a particular segment and 26,567 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, 2020	Year ended March 31, 2021
Net assets per share	709.21 yen	652.47 yen
Earnings per share	(53.07) yen	(80.52) 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, 2020	Year ended March 31, 2021
Profit attributable to owners of parent (millions of yen)	(16,667)	(25,173)
Amount not attributed to common stock (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	(16,667)	(25,173)
Average number of common stocks (thousand shares)	314,081	312,639
Summary of residual securities not included in diluted earnings per share as they have no dilution effect	-	-

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

	Year ended March 31, 2020	Year ended March 31, 2021
Net assets (millions of yen)	230,791	212,864
Amount deducted from total net assets (millions of yen)	9,066	8,878
(Non-controlling interests (millions of yen))	9,066	8,878
Net assets on common stock at end of term (millions of yen)	221,725	203,986
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	312,639	312,638

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 178,494 and the number of the Company's shares at the end of the fiscal year was 376,600. The average number of the Company's shares owned under the BIP trust for the consolidated fiscal year under review was 375,140 and the number of the Company's shares at the end of the fiscal year was 374,652.

(Significant Subsequent Events)

Not applicable