



CITIZEN WATCH

Consolidated Financial Statements
for the Six Months Ended September 30, 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)

November 11, 2021

CITIZEN WATCH CO., LTD.

Code No.: 7762

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Scheduled start of dividend payment: December 3, 2021

Scheduled release of fiscal 2021 Quarterly Business Report: November 12, 2021

Listings: First section of Tokyo Stock Exchange

(URL <https://www.citizen.co.jp>)**1. Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 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	
Six Months Ended September 30, 2021	135,737	52.5%	10,682	-	12,079	-	9,870	-
Six Months Ended September 30, 2020	88,999	(38.4%)	(8,266)	-	(6,147)	-	(21,513)	-

Note: Comprehensive income:

Six Months Ended September 30, 2021: ¥ 11,055 million (-%)

Six Months Ended September 30, 2020: ¥ (20,924) million (-%)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
Six Months Ended September 30, 2021	31.57	-
Six Months Ended September 30, 2020	(68.81)	-

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Six Months Ended September 30, 2021	384,506	222,113	55.4	681.53
March 31, 2021	365,811	212,864	55.8	652.47

Reference: Shareholders' Equity:

Six Months Ended September 30, 2021: ¥ 213,073 million As of March 31, 2021: ¥ 203,986 million

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(Note) The Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020) has been applied since the beginning of the first quarter of the consolidated fiscal year under review. For details, please see "(4) Notes on Consolidated Financial Statements (Changes in accounting policies)."

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, 2021	-	2.50	-	2.50	5.00
March 31, 2022		9.00			
March 31, 2022(E)			-	9.00	18.00

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

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)
Full term	273,000	32.1%	17,200	-	19,000	-	14,500	-	46.38

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

4. Others

- (1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): None
- (2) Adoption of simplified accounting method and special accounting methods: None
- (3) Changes in principles, procedures and classifications of accounting standards associated with the preparation of consolidated financial statements.
- (i) Changes associated with revised accounting standards: Yes
 - (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)	September 30, 2021	314,353,809	March 31, 2021	314,353,809
(ii) Number of treasury stock at the end of term	September 30, 2021	1,715,615	March 31, 2021	1,714,879
(iii) Average number of common stocks	September 30, 2021	312,638,635	September 30, 2020	312,640,082

** 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, 2021

(1) Qualitative data on the consolidated financial results

During the first six months of the consolidated fiscal year under review, the economic recovery in Japan remained modest as demand for inbound tourism disappeared and domestic demand continued to be weak due to the prolonged impact of the COVID-19 pandemic, including the extension of a state of emergency. The North American economy saw rising consumer confidence associated with the progress of vaccination and resumption of economic activities, despite continued concerns over the spread of COVID-19 variants and shortages of semiconductors and other parts and materials. European economies maintained a steady recovery with a gradual relaxation of restrictions on activities. In Asia, while the Chinese market maintained a recovery trend despite concerns over an economic slowdown, economic performance varied among other countries in the region depending on the level of infection control.

In this environment, the Citizen Group's consolidated results for the first six months of the consolidated fiscal year under review showed increases in sales and profits, with net sales of 135.7 billion yen (up 52.5 % year on year) and operating profit of 10.6 billion yen (compared with an operating loss of 8.2 billion yen in the same period of the previous fiscal year). These results were driven mainly by the recovery of its core businesses, Watches and Machine Tools. Ordinary profit and profit attributable to owners of parent also increased to 12.0 billion yen (compared with an ordinary loss of 6.1 billion yen in the same period of the previous fiscal year) and 9.8 billion yen (compared with a loss attributable to owners of parent of 21.5 billion yen in the same period of the previous fiscal year), respectively.

The Company has applied the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020) since the beginning of the first quarter of the consolidated fiscal year under review. For details, please see "(4) Notes on Consolidated Financial Statements (Changes in accounting policies)."

Watches

In the domestic market, the recovery in the sales of Citizen brand watches was limited due to the control of human traffic, including restrictions on entering stores and reduced business hours, associated with the extension of a state of emergency. Meanwhile, any recovery in demand for inbound tourism was unlikely, despite the release of new products in the high-price range, including a mechanical model of the top-of-the-line brand, The CITIZEN, and the mechanical watch brand, CITIZEN Series 8, to create new demand. Among overseas markets, consumer spending continued to recover in the North American market, with online sales remaining strong and also sales at physical stores such as jewelry chains and department stores growing steadily. Sales in the European market remained stable as the economy recovered, despite differences in recovery levels among the countries. In the Asian market, sales both on the internet and at physical stores remained steady despite concerns over an economic slowdown in the Chinese market. Other Asian economies also indicated a moderate recovery albeit at different levels depending on the COVID-19 situation.

Sales of Bulova brand watches increased with substantial growth both online and at physical stores in the mainstay North American market.

Sales of movements increased thanks to growth in sales of high value-added analog quartz movements in North America and other markets in addition to steady sales of mechanical movements.

As a result, the watches segment posted an increase in sales with net sales of 62.0 billion yen (up 62.8% year on year) as a result of accelerating efforts to strengthen online sales and promoting product development suitable for distribution, although the impact of the COVID-19 pandemic persisted.

Operating results also improved to profit of 4.8 billion yen (compared with an operating loss of 5.3 billion yen in the same period of the previous fiscal year), mainly due to the recovery of sales in overseas markets and the contribution of the effects of business structural reforms instituted in fiscal 2020.

Machine Tools

In the domestic market, revenue increased thanks to a recovery in orders received from a wide range of industries, including semiconductors, construction machinery, housing equipment, and related businesses, offsetting a slow recovery in sales of automobile-related products. In overseas markets, sales recovered substantially, led by strong sales particularly of products related to communications and automobiles in the Chinese market and orders driven by strong demand for capital expenditure, particularly in Germany and Italy in

the European market. In Americas, sales also increased based on continuously active capital expenditure, primarily for products related to medical equipment.

As a result, the machine tools segment overall posted net sales of 38.3 billion yen (up 84.7% year on year), driven by an increase in products equipped with the low-frequency vibration-cutting (LFV) technology the Company had been developing for some time. Operating profit also rose to 5.8 billion yen (up 894.5% year on year) due to significant growth in sales following the strong market conditions.

Devices and Components

Sales of precision machining components grew with the support of steady demand, despite concerns over auto parts deriving from the global semiconductor supply shortage, which forced automakers to reduce production. Sales of switches decreased due to a fall in sales for smartphone-related products, which was affected by customers' inventory adjustment.

Among opto-devices, sales of LED chips increased in response to growth in sales of LEDs for lighting products following the recovery of the European, US, and Chinese markets and higher sales of LEDs for amusement products and automobiles.

In other products, demand for quartz devices for communication devices such as smartphones continued to increase, and sales of small motors related to medical care and semiconductors also remained solid.

Consequently, overall sales of other products increased.

As a result, net sales in the devices and components segment as a whole increased to 25.5 billion yen (up 19.7% year on year). Operating profit was 1.5 billion yen (compared with an operating loss of 1.0 billion yen in the same period of the previous fiscal year), attributable to the contribution of recovering sales.

Electronic and Other Products

Sales of information equipment increased, which was led by a recovery in sales of POS printers and bar code printers in the European and Japanese markets along with the resumption of economic activities, while demand for photo printers remained weak. Revenues from healthcare products increased as sales of thermometers remained firm, although there was a lull in the special demand for thermometers. The strong performance of blood pressure monitors, which were increasingly used by individuals due to growing health consciousness, were another contributing factor.

As a result, the electronic and other products segment overall recorded an increase in sales and profit, with net sales of 9.8 billion yen (up 11.4% year on year) and operating profit of 0.7 billion yen (compared with an operating loss of 0.1 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 first six months of the consolidated fiscal year under review stood at 384.5 billion yen, an increase of 18.6 billion yen from the end of the previous consolidated fiscal year.

Current assets increased by 21.1 billion yen, mainly reflecting a 11.2 billion yen increase in cash and deposits and a 7.5 billion yen increase in notes and accounts receivable – trade. Non-current assets decreased by 2.4 billion yen, primarily reflecting increases of 1.2 billion yen in buildings and structures and 0.7 billion yen in investment securities, which were more than offset by decreases of 2.4 billion yen in construction in progress and 0.4 billion yen in land.

Liabilities totaled 162.3 billion yen, an increase of 9.4 billion yen from the end of the previous fiscal year, mainly reflecting increases of 2.6 billion yen in notes and accounts payable - trade and 4.7 billion yen in electronically recorded obligations - operating.

Net assets increased by 9.2 billion yen from the end of the previous fiscal year, to 222.1 billion yen, chiefly reflecting increases of 8.0 billion yen in retained earnings and 0.7 billion yen in valuation difference on available-for-sale securities.

(3) Qualitative data on the consolidated earnings forecasts

The economic outlook remains generally uncertain, considering new uncertainties such as a steep rise in raw material prices and the delayed procurement of materials. However, the impact of the COVID-19 pandemic is gradually diminishing and economic activities in many countries are beginning to resume in earnest.

In the Company's businesses, the result of the mainstay watches segment, particularly in the North American market, continued to exceed the forecast, and sales of CITIZEN brand and Bulova brand watches remained strong. In the machine tools segment, sales also expanded significantly following a worldwide recovery of orders. Given these conditions, the Company has revised its full-year financial forecasts to take the results in excess of forecasts in the first half of the fiscal year into consideration, including an addition of 4.0 billion yen to the previous forecast for net sales, making it 129.0 billion yen, and an addition of 2.1 billion yen to the previous forecast for operating profit, making it 7.6 billion yen, in the Watches segment and an addition of 1.4 billion yen to the previous forecast for net sales, making it 74.4 billion yen, and an addition of 0.6 billion yen to the previous forecast for operating profit, making it 10.9 billion yen, in the Machine Tools segment. In the meantime, it is keeping the forecasts for both the Watches and Machine Tools segments from the second half of the fiscal year unchanged from the previous forecasts.

As a result of the above, for its financial results for the current fiscal year, the Company forecasts net sales of 273.0 billion yen (up 32.1% year on year), operating profit of 17.2 billion yen (compared with an operating loss of 9.5 billion yen in the previous fiscal year), ordinary profit of 19.0 billion yen (compared with an ordinary loss of 4.1 billion yen in the previous fiscal year), and profit attributable to owners of parent of 14.5 billion yen (compared with a loss attributable to owners of parent of 25.1 billion yen in the previous fiscal year).

The foreign exchange rates in the second six months of the fiscal year under review and thereafter are assumed to be 110 yen against the U.S. dollar and 125 yen against the euro.

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

	(Millions of yen)	
	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	101,816	113,089
Notes and accounts receivable - trade	44,102	51,690
Electronically recorded monetary claims - operating	1,371	1,565
Merchandise and finished goods	52,018	49,313
Work in process	19,372	21,307
Raw materials and supplies	18,857	21,053
Consumption taxes receivable	2,129	1,798
Other	5,926	6,822
Allowance for doubtful accounts	(1,150)	(1,077)
Total current assets	<u>244,444</u>	<u>265,564</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,877	41,130
Machinery, equipment and vehicles, net	15,811	15,800
Tools, furniture and fixtures, net	4,275	3,835
Land	10,649	10,150
Leased assets, net	1,249	994
Construction in progress	4,085	1,590
Total property, plant and equipment	<u>75,948</u>	<u>73,502</u>
Intangible assets		
Software	3,590	3,564
Leased assets	2	11
Other	1,059	991
Total intangible assets	<u>4,652</u>	<u>4,566</u>
Investments and other assets		
Investment securities	33,341	34,058
Long-term loans receivable	251	152
Deferred tax assets	5,293	5,000
Other	2,185	1,976
Allowance for doubtful accounts	(306)	(313)
Total investments and other assets	<u>40,765</u>	<u>40,873</u>
Total non-current assets	<u>121,366</u>	<u>118,942</u>
Total assets	<u>365,811</u>	<u>384,506</u>

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(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,576	18,200
Electronically recorded obligations - operating	9,041	13,791
Notes payable - facilities	241	90
Electronically recorded obligations - non-operating	395	429
Short-term borrowings	9,648	9,089
Income taxes payable	1,381	2,155
Accrued expenses	9,451	10,701
Provision for bonuses	4,778	5,460
Provision for bonuses for directors (and other officers)	157	—
Provision for product warranties	984	1,087
Provision for environmental measures	2	—
Provision for loss on reorganization	715	716
Other	7,369	7,323
Total current liabilities	59,745	69,046
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	55,212	55,205
Deferred tax liabilities	2,281	2,697
Provision for loss on reorganization	103	103
Retirement benefit liability	22,590	22,429
Asset retirement obligations	75	75
Other	2,937	2,834
Total non-current liabilities	93,201	93,346
Total liabilities	152,946	162,392
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,740	33,740
Retained earnings	128,393	136,459
Treasury shares	(1,069)	(1,069)
Total shareholders' equity	193,713	201,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,503	7,222
Foreign currency translation adjustment	4,871	5,056
Remeasurements of defined benefit plans	(1,100)	(985)
Total accumulated other comprehensive income	10,273	11,293
Non-controlling interests	8,878	9,040
Total net assets	212,864	222,113
Total liabilities and net assets	365,811	384,506

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

Consolidated Statement of Income for the Six Months Ended September 30, 2021

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	88,999	135,737
Cost of sales	62,578	85,381
Gross profit	<u>26,420</u>	<u>50,355</u>
Selling, general and administrative expenses	<u>34,687</u>	<u>39,672</u>
Operating profit (loss)	<u>(8,266)</u>	<u>10,682</u>
Non-operating income		
Interest income	136	132
Dividend income	449	388
Share of profit of entities accounted for using equity method	106	358
Foreign exchange gains	—	322
Subsidy income	1,962	320
Other	164	198
Total non-operating income	<u>2,819</u>	<u>1,721</u>
Non-operating expenses		
Commission for syndicated loans	189	3
Interest expenses	195	152
Foreign exchange losses	22	—
Other	292	168
Total non-operating expenses	<u>700</u>	<u>324</u>
Ordinary profit (loss)	<u>(6,147)</u>	<u>12,079</u>
Extraordinary income		
Gain on sale of non-current assets	657	1,019
Gain on sale of investment securities	—	6
Other	32	83
Total extraordinary income	<u>689</u>	<u>1,108</u>
Extraordinary losses		
Impairment losses	—	6
Loss on retirement of non-current assets	34	17
Loss on sale of non-current assets	14	35
Reorganization cost	93	85
Loss on valuation of investment securities	1,934	—
Extra retirement payments	335	15
Loss on COVID19	2,280	162
Other	158	20
Total extraordinary losses	<u>4,850</u>	<u>344</u>
Profit (loss) before income taxes	<u>(10,308)</u>	<u>12,844</u>
Income taxes	<u>11,477</u>	<u>2,850</u>
Profit (loss)	<u>(21,786)</u>	<u>9,993</u>
Profit (loss) attributable to non-controlling interests	<u>(272)</u>	<u>122</u>
Profit (loss) attributable to owners of parent	<u>(21,513)</u>	<u>9,870</u>

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Consolidated Statement of Comprehensive Income for the Six Months Ended September 30, 2021

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit (loss)	(21,786)	9,993
Other comprehensive income		
Valuation difference on available-for-sale securities	1,353	718
Foreign currency translation adjustment	(442)	192
Remeasurements of defined benefit plans, net of tax	60	111
Share of other comprehensive income of entities accounted for using equity method	(110)	39
Total other comprehensive income	<u>861</u>	<u>1,062</u>
Comprehensive income	<u>(20,924)</u>	<u>11,055</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(20,627)	10,891
Comprehensive income attributable to non-controlling interests	(297)	164

(3) Consolidated Statement of Cash Flow

	(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	(10,308)	12,844
Depreciation	5,773	5,732
Increase (decrease) in allowance for doubtful accounts	91	(78)
Increase (decrease) in other provisions	(1,728)	591
Increase (decrease) in retirement benefit liability	(615)	(48)
Interest and dividend income	(585)	(520)
Subsidy income	(1,962)	(320)
Interest expenses	195	152
Loss (gain) on valuation of investment securities	1,934	—
Loss (gain) on sale of investment securities	(5)	(6)
Loss (gain) on sale of non-current assets	(643)	(983)
Loss on retirement of non-current assets	34	17
Impairment losses	—	6
Decrease (increase) in trade receivables	3,321	(7,557)
Decrease (increase) in inventories	(253)	(1,296)
Increase (decrease) in trade payables	(7,383)	7,310
Other, net	1,046	606
Subtotal	<u>(11,091)</u>	<u>16,448</u>
Interest and dividends received	583	509
Interest paid	(169)	(151)
Income taxes refund (paid)	834	(2,005)
Subsidies received	1,962	320
Net cash provided by (used in) operating activities	<u>(7,880)</u>	<u>15,121</u>
Cash flows from investing activities		
Purchase of investment securities	0	(0)
Proceeds from sale of investment securities	16	8
Purchase of property, plant and equipment	(6,105)	(4,837)
Proceeds from sale of property, plant and equipment	1,209	2,118
Purchase of intangible assets	(1,379)	(965)
Loan advances	(146)	(1)
Proceeds from collection of loans receivable	2	209
Other, net	(27)	(507)
Net cash provided by (used in) investing activities	<u>(6,431)</u>	<u>(3,976)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,095)	(568)
Proceeds from long-term borrowings	35,178	—
Repayments of long-term borrowings	(20)	(30)
Dividends paid	—	(782)
Dividends paid to non-controlling interests	(7)	(7)
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	1	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	—
Other, net	(658)	(183)
Net cash provided by (used in) financing activities	<u>33,396</u>	<u>(1,573)</u>
Effect of exchange rate change on cash and cash equivalents	2	1,161
Net increase (decrease) in cash and cash equivalents	<u>19,086</u>	<u>10,733</u>
Cash and cash equivalents at beginning of period	77,996	99,561
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	522	59
Cash and cash equivalents at end of period	<u>97,605</u>	<u>110,354</u>

(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

(Change in accounting policies)

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter under review and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer. Major changes in the application of Revenue Recognition Accounting Standard, etc. are shown below.

1. Recognition of revenue related to membership-based inspection services

Revenue related to membership-based inspection services in the watches segment was not recognized in the past, but the Company has changed this to the method of identifying performance obligations related to the sale of products and performance obligations related to the inspection services and recognizing revenue when each performance obligation is satisfied.

2. Variable considerations

Variable considerations such as rebates in product sales were in the past deducted from net sales when the amount was fixed, but the Company has changed this to the method of estimating the amount of the variable portion of the consideration for a transaction and including in the transaction price only the portion that is highly unlikely to cause a significant reduction in the recognized revenue.

3. Considerations to be paid to customers

Considerations to be paid to customers, such as sales commissions, were accounted for as selling, general and administrative expenses in the past, but the Company has changed it to the method of reducing them from transaction prices.

4. Sales with return rights

For transactions of products that could be returned, the Company has changed to the method of not recognizing revenue at the time of sales in accordance with the provisions regarding variable considerations.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to before the beginning of the first quarter under review are adjusted in retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from this initial balance. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the first quarter under review.

In addition, applying the method prescribed in the note (1) for Paragraph 86 of the Revenue Recognition Accounting Standard, the Company accounts for contract changes made prior to the beginning of the first quarter under review based on the contract terms after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the first quarter under review.

As a result, during the first six months of the consolidated fiscal year under review, net sales decreased by 86 million yen, the cost of sales increased by 71 million yen, selling, general, and administrative expenses dropped by 197 million yen, while operating profit, ordinary profit, and profit before income taxes each decreased by 40 million yen. In addition, retained earnings at the beginning of the current fiscal year was decreased by 1,068 million yen.

(Application of Accounting Standard for Fair Value Measurement and other standards)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") from the beginning of the first quarter under review. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the provisional treatment stipulated in Paragraph 19 of the same Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the accounting standard has no impact on the consolidated quarterly financial statements.

(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)

There is no significant change in the assumptions on the impact of the COVID-19 pandemic described in the securities report for the previous consolidated fiscal year as additional information regarding accounting estimates on the impact of the COVID-19 pandemic.

(Segment information)

(i) 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.

(ii) Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Watches	Machine Tools	Devices and components	Electronic and other products	Segment totals	Eliminations or general corporate (Note 1)	Totals on consolidated statement of income (Note 2)
Net sales							
Customers	62,067	38,309	25,550	9,809	135,737	-	135,737
Inter-segment	42	27	714	335	1,120	(1,120)	-
Total	62,109	38,337	26,265	10,145	136,857	(1,120)	135,737
Segment profit or loss	4,838	5,885	1,523	742	12,989	(2,306)	10,682

(Notes)

1. The 2,306 million yen negative adjustment to segment income (Operating profit) includes 46 million yen in inter-segment eliminations and 2,353 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.