



CITIZEN WATCH
Consolidated Financial Statements
for the Year Ended March 31, 2022

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

May 12, 2022

CITIZEN WATCH CO., LTD.

Listings: Prime section of Tokyo Stock Exchange

Code No.: 7762

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

Representative: Toshihiko Sato, President and CEO

Contact: Toshiyuki Furukawa, Managing Director, In charge of Public & Investor Relations Department

Tel: +81 -42 -468 -4934

Scheduled ordinary general meeting of shareholders: June 28, 2022

Scheduled start of dividend payment: June 29, 2022

Scheduled release of fiscal 2021 Business Report: June 29, 2022

1. Results for the Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

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

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
March 31, 2022	281,417 36.2	22,273 -	27,342 -	22,140 -
March 31, 2021	206,641 (25.8%)	(9,551) -	(4,143) -	(25,173) -

Note: Comprehensive income:

As of March 31, 2022: ¥ 37,610 million (-%) As of March 31, 2021: ¥ (16,622) 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, 2022	71.38	-	10.2%	7.2%	7.9%
March 31, 2021	(80.52)	-	(11.8%)	(1.1%)	(4.6%)

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:

As of March 31, 2022: ¥ 813 million As of March 31, 2021: ¥ 440 million

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
March 31, 2022	394,962	238,673	58.1%	768.92
March 31, 2021	365,811	212,864	55.8%	652.47

Reference: Shareholders' Equity:

As of March 31, 2022: ¥ 229,305 million As of March 31, 2021: ¥ 203,986 million

(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 "(3) Notes on Consolidated Financial Statements (Changes in accounting policies)."

(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, 2022	34,693	(9,550)	(19,956)	111,237
March 31, 2021	7,489	(7,627)	18,336	99,561

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, 2021	-	2.50	-	2.50	5.00	1,565	-	0.7%
March 31, 2022	-	9.00	-	9.00	18.00	5,504	25.2%	2.5%
March 31, 2023 (E)	-	15.00	-	15.00	30.00		49.7%	

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

(Millions of yen)

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

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share (Yen)
Interim term	142,500	5.0%	10,500	(1.7%)	11,000	(8.9%)	9,000	(8.8%)	26.83
Full term	293,500	4.3%	22,500	1.0%	24,000	(12.2%)	18,000	(18.7%)	60.36

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)	March 31, 2022	314,353,809	March 31, 2021	314,353,809
(ii) Number of treasury stock at the end of term	March 31, 2022	16,137,900	March 31, 2021	1,714,879
(iii) Average number of common stocks	March 31, 2022	310,189,190	March 31, 2021	312,639,880

** 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	%
	2021	2022		
Net sales	206,641	281,417	+74,775	+36.2%
Operating profit or loss	(9,551)	22,273	+31,824	-
Ordinary profit or loss	(4,143)	27,342	+31,485	-
Profit or loss attributable to owners of parent	(25,173)	22,140	+47,314	-

During the fiscal year under review, the Japanese economy faced an increasingly uncertain situation partly due to the spread of new variants and a shortage of parts, mainly semiconductors, offsetting signs of a gradual recovery from the impact of COVID-19. In North America and Europe, where concern had also been growing over a decline in consumer spending due to the resurgence of COVID-19 and an overall increase in consumer prices, the economy generally remained on a recovery path. In Asia, economic activity remained weak given economic weakness in response to uncertainties surrounding business conditions in the Chinese market, attributable to restrictions on economic activity in that country, and varying levels of recovery in other Asian regions, depending on the extent of infection control.

In this environment, the Citizen Group instituted a range of initiatives 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.

As a result, the consolidated financial results for the fiscal year under review showed an increase in sales and profits, with net sales of 281.4 billion yen (up 36.2% year on year) and operating profit of 22.2 billion yen (compared with an operating loss of 9.5 billion yen in the same period of the previous fiscal year). Ordinary profit and profit attributable to owners of parent also increased to 27.3 billion yen (compared with an ordinary loss of 4.1 billion yen in the same period of the previous fiscal year) and 22.1 billion yen (compared with a loss attributable to owners of parent of 25.1 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 "(3) Notes on Consolidated Financial Statements (Changes in accounting policies)."

Watches

In the domestic market, new products, including a mechanical model of the top-of-the-line brand, The CITIZEN, and the CITIZEN Series 8 mechanical watch brand were released and received significant recognition. However, the recovery in consumption weakened, largely because of repeated measures to prevent infection, which meant that the recovery in sales was sharply limited.

Among the overseas markets, consumer spending steadily recovered in the North American market despite negative factors such as the disruption of distribution and rapid inflation, and e-commerce sales remained strong in addition to steady sales at physical stores such as jewelry chain stores and department stores. Sales remained stable in the European market as well, against the backdrop of a shift toward the resumption of economic activities, although the pace of recovery has slowed somewhat recently. Recovery in the Asian market gradually slowed in response to a decline in business confidence despite a year-on-year increase in revenue maintained in the Chinese market. In other Asian regions, recovery remained moderate, although there are differences among countries 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 131.0 billion yen (up 37.1 % 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 10.3 billion yen (compared with an operating loss of 8.1 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 of the Machine Tools business, revenue increased as strong orders continued to be received from a wide range of industries, including those associated with semiconductors, construction machinery, and housing equipment, offsetting a slow recovery in sales of automobile-related products amid the increasingly long time to delivery due to global shortages of materials. Looking at overseas markets, sales grew in the Chinese market, led by strong sales particularly of products related to medical equipment, communications and automobiles. Also, in the European market, sales rose significantly in Germany and Italy in particular, reflecting solid demand for automobile-related products. 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 81.0 billion yen (up 73.4 % 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 12.5 billion yen (up 328.9 % year on year) due to significant growth in sales following the strong market conditions.

Devices and Components

Among precision machining components, sales of automotive parts increased despite difficult conditions due to the impact of production reductions by car manufacturers in response to the global shortage of semiconductors. Sales of switches decreased due to a fall in sales for smartphone-related products, which was affected by customers' inventory adjustment.

Sales of opto-devices increased with a steady rise in sales of in-vehicle LEDs and LEDs for lighting, offsetting a decline in orders for LED chips for amusement products.

In other components, demand for quartz devices continued to increase in a broad range of areas given the popularization of IoT products and progress in digitization, and sales of small motors related to medical care and semiconductors also remained solid. Consequently, overall sales of other components increased.

As a result, net sales in the devices and components segment as a whole increased to 50.0 billion yen (up 9.0 % year on year). Operating profit was 2.8 billion yen (compared with an operating loss of 0.4 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 growth in sales of POS printers and bar code printers in the European and Japanese markets along with the resumption of economic activities, despite a fall in sales of photo printers partly due to delays in component supply, offsetting the trend of recovering demand. 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 19.2 billion yen (up 4.9 % year on year) and operating profit of 1.1 billion yen (up 197.5 % year on year).

(ii) Prospects for the Year ending March 31, 2022

Millions of yen	Year ended March 31,		Year-on-year change	%
	2022	2023		
Net sales	281,417	293,500	+12,082	+4.3
Operating profit or loss	22,273	22,500	+226	+1.0
Ordinary profit or loss	27,342	24,000	(3,342)	(12.2)
Profit or loss attributable to owners of parent	22,140	18,000	(4,140)	(18.7)

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2022	2023		
Watches	131,072	142,000	+10,927	+8.3
Machine Tools	81,011	82,000	+988	+1.2
Devices and components	50,045	51,000	+954	+1.9
Electronic and Other Products	19,288	18,500	(788)	(4.1)
Total net sales	281,417	293,500	+12,082	+4.3

Breakdown of operating profit by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2022	2023		
Watches	10,305	11,500	+1,194	+11.6
Machine Tools	12,591	12,800	+208	+1.7
Devices and components	2,864	2,900	+35	+1.2
Electronic and Other Products	1,172	800	(372)	(31.8)
Eliminations or general corporate	(4,661)	(5,500)	(838)	-
Total Operating profit or loss	22,273	22,500	+226	+1.0

Future economic conditions, overall, remain largely unclear due to a steep rise in raw material prices, delays in material procurement, and other uncertainties despite expectations for a recovery following the lifting of restrictions on economic activity in response to an increase in COVID-19 infections. In the domestic market, an increase in costs due to a rapid fall in the yen affects consumer spending. In overseas markets, a surge in the prices of raw materials and fuels is spreading on a global scale.

Taking this situation into account, the Group forecasts net sales of 293.5 billion yen (up 4.3% year on year), operating profit of 22.5 billion yen (up 1.0% year on year), ordinary profit of 24.0 billion yen (down 12.2% year on year) and profit attributable to owners of parent of 18.0 billion yen (down 18.7% year on year) for consolidated financial results for the next fiscal year.

The foreign exchange rates are assumed to be 120 yen against the U.S. dollar and 130 yen against the euro. Actual foreign exchange rates were 112 yen against the U.S. dollar and 130 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 increased by 29.1 billion yen to 394.9 billion yen. Total assets increased by 29.1 billion yen to 394.9 billion yen. Total assets increased by 29.1 billion yen to 394.9 billion yen. Noncurrent assets increased 3.4 billion yen due to increases of 3.9 billion yen in investment securities and 1.0 billion yen in buildings and structures, and a decrease of 1.6 billion yen in construction in progress. Total fixed assets increased by 3.4 billion yen, mainly due to a 1.6 billion yen decrease in construction in progress.

Liabilities increased by 3.4 billion yen, mainly due to increases of 2.7 billion yen in notes and accounts payable-trade and 4.8 billion yen in electronically recorded liabilities, and decreases of 4.8 billion yen in short-term loans payable and 1.6 billion yen in long-term loans payable. Total liabilities amounted to 156.2 billion yen, up 3.3 billion yen, mainly due to decreases of 4.8 billion yen in short-term loans payable and 3.8 billion yen in long-term loans payable.

Net assets amounted to 156.2 billion yen, up 3.3 billion yen, due to increases of 11.7 billion yen in foreign currency translation adjustments and 17.5 billion yen in retained earnings, respectively. Net assets amounted to 238.6 billion yen, up 25.8 billion yen, mainly due to a 7.1 billion yen repurchase of treasury stock, while foreign currency translation adjustments and retained earnings increased by 11.7 billion yen and 17.5 billion yen, respectively.

(ii) Cash Flows

The cash status of the Citizen Group includes an increase of 34.6 billion yen in cash flow from operating activities from the previous fiscal year due to an increase of 27.2 billion yen in income. This was attributable primarily to factors of increase such as 26.6 billion yen in profit before income taxes, 3.9 billion yen in trade payables, and 11.1 billion yen in depreciation, which more than offset factors such as an increase of 2 billion yen in trade receivables and 3.1 billion in income taxes paid.

Cash used in investing activities was 9.5 billion yen due to an increase of 1.9 billion yen in expenditure from the previous fiscal year. Contributing factors include 9.5 billion yen in purchase of property, plant and equipment and 2.1 billion yen in purchase of intangible assets, which more than offset factors such as proceeds from the sale of property, plant and equipment of 2.3 billion yen.

Cash used in financing activities was 19.9 billion yen due to an increase of 38.2 billion yen in expenditure from the previous fiscal year. This resulted chiefly from factors such as 8 billion yen in repayments of long-term borrowings, 7.1 billion yen in purchase of treasury shares, and 3.5 billion yen in dividends paid.

As a result, cash and cash equivalents increased 11.6 billion yen year on year to total 111.2 billion yen at the end of the fiscal year under review.

(3) Fundamental Policy Regarding the Distribution of Profits and Dividends for the Fiscal Year Under Review and the Fiscal Year Ending March 2023

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 9.00 yen per share. Consequently, the full-year dividend for the fiscal year under review will be 18.00 yen per share.

In the next and subsequent fiscal years, the Group will emphasize the stable and continuous payment of dividends as its shareholder return policy in the Medium-term Management Plan 2024, and aim for a dividend payout ratio of approximately 50%. The Company expects that the full-year dividend for the next fiscal year will be 30.00 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	101,816	110,901
Notes and accounts receivable - trade	44,102	49,308
Electronically recorded monetary claims - operating	1,371	2,037
Merchandise and finished goods	52,018	50,979
Work in process	19,372	22,749
Raw materials and supplies	18,857	23,315
Consumption taxes refund receivable	2,129	2,661
Other	5,926	9,254
Allowance for doubtful accounts	(1,150)	(1,069)
Total current assets	244,444	270,139
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,877	40,893
Machinery, equipment and vehicles, net	15,811	16,567
Tools, furniture and fixtures, net	4,275	3,616
Land	10,649	10,371
Leased assets, net	1,249	975
Construction in progress	4,085	2,437
Total property, plant and equipment	75,948	74,862
Intangible assets		
Software	3,590	3,879
Leased assets	2	1
Other	1,059	954
Total intangible assets	4,652	4,834
Investments and other assets		
Investment securities	33,341	37,275
Long-term loans receivable	251	184
Deferred tax assets	5,293	5,894
Other	2,185	2,151
Allowance for doubtful accounts	(306)	(236)
Allowance for investment loss	—	(144)
Total investments and other assets	40,765	45,125
Total non-current assets	121,366	124,823
Total assets	365,811	394,962

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(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,576	18,354
Electronically recorded obligations - operating	9,041	13,910
Notes payable - facilities	241	25
Electronically recorded obligations - non-operating	395	598
Short-term borrowings	9,648	4,773
Income taxes payable	1,381	2,826
Accrued expenses	9,451	10,604
Asset retirement obligations	—	26
Provision for bonuses	4,778	5,821
Provision for bonuses for directors (and other officers)	157	279
Provision for product warranties	984	1,181
Provision for environmental measures	2	1
Provision for loss on reorganization	715	362
Other	7,369	10,571
Total current liabilities	59,745	69,338
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	55,212	51,382
Provision for loss on guarantees	—	23
Deferred tax liabilities	2,281	2,772
Provision for loss on reorganization	103	74
Retirement benefit liability	22,590	20,281
Asset retirement obligations	75	49
Other	2,937	2,369
Total non-current liabilities	93,201	86,951
Total liabilities	152,946	156,289
Net assets		
Shareholders' equity		
Share capital	32,648	32,648
Capital surplus	33,740	33,740
Retained earnings	128,393	145,912
Treasury shares	(1,069)	(8,225)
Total shareholders' equity	193,713	204,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,503	8,977
Foreign currency translation adjustment	4,871	16,646
Remeasurements of defined benefit plans	(1,100)	(394)
Total accumulated other comprehensive income	10,273	25,228
Non-controlling interests	8,878	9,367
Total net assets	212,864	238,673
Total liabilities and net assets	365,811	394,962

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

Consolidated Statement of Income

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	206,641	281,417
Cost of sales	140,742	174,578
Gross profit	65,898	106,839
Selling, general and administrative expenses	75,450	84,565
Operating profit (loss)	(9,551)	22,273
Non-operating income		
Interest income	256	276
Dividend income	1,129	1,369
Rental income	166	161
Share of profit of entities accounted for using equity method	440	813
Foreign exchange gains	854	2,192
Subsidy income	3,357	484
Other	297	505
Total non-operating income	6,501	5,804
Non-operating expenses		
Commission for syndicated loans	215	71
Interest expenses	415	294
Loss on sale of notes receivable - trade	16	17
Depreciation of assets for rent	51	8
Provision of allowance for doubtful accounts	125	—
Other	268	343
Total non-operating expenses	1,093	735
Ordinary profit (loss)	(4,143)	27,342
Extraordinary income		
Gain on sale of investment securities	1,452	94
Gain on sale of non-current assets	819	1,033
Gain on sale of businesses	350	—
Other	141	93
Total extraordinary income	2,762	1,221
Extraordinary losses		
Loss on sale of non-current assets	19	38
Loss on retirement of non-current assets	241	79
Impairment losses	2,857	742
Loss on valuation of investment securities	1,220	—
Loss on valuation of inventories	—	346
Reorganization cost	238	209
Extra retirement payments	4,374	15
Loss on COVID	3,034	166
Other	394	272
Total extraordinary losses	12,381	1,869
Profit before income taxes	(13,761)	26,694
Income taxes - current	920	5,342
Income taxes - deferred	10,756	(1,075)
Total income taxes	11,677	4,266
Profit (loss)	(25,439)	22,427
Profit (loss) attributable to non-controlling interests	(265)	286
Profit (loss) attributable to owners of parent	(25,173)	22,140

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Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Profit (loss)	(25,439)	22,427
Other comprehensive income		
Valuation difference on available-for-sale securities	2,924	2,474
Foreign currency translation adjustment	6,000	11,578
Remeasurements of defined benefit plans, net of tax	(174)	692
Share of other comprehensive income of entities accounted for using equity method	66	438
Total other comprehensive income	8,817	15,182
Comprehensive income	(16,622)	37,610
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(16,460)	37,096
Comprehensive income attributable to non-controlling interests	(161)	513

(3) Consolidated Statements of Changes in Equity

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
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						-
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

Financial year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	32,648	33,740	128,393	(1,069)	193,713
Cumulative effects of changes in accounting policies			(1,068)		(1,068)
Restated balance	32,648	33,740	127,324	(1,069)	192,644
Changes during period					
Purchase of shares of consolidated subsidiaries					-
Increase by merger			46		46
Dividends of surplus			(3,599)		(3,599)
Profit (loss) attributable to owners of parent			22,140		22,140
Cancellation of treasury shares				(7,157)	(7,157)
Purchase of treasury shares		(0)		0	0
Disposal of treasury shares		0	(0)		
Net changes in items other than shareholders' equity					
Total changes during period	-	-	18,588	(7,156)	11,431
Balance at end of period	32,648	33,740	145,912	(8,225)	204,076

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,503	4,871	(1,100)	10,273	8,878	212,864
Cumulative effects of changes in accounting policies						(1,068)
Restated balance	6,503	4,871	(1,100)	10,273	8,878	211,796
Changes during period						
Purchase of shares of consolidated subsidiaries						-
Increase by merger						46
Dividends of surplus						(3,599)
Profit (loss) attributable to owners of parent						22,140
Purchase of treasury shares						(7,157)
Disposal of treasury shares						0
Transfer of loss on disposal of treasury shares						-
Net changes in items other than shareholders' equity	2,474	11,774	706	14,955	489	15,444
Total changes during period	2,474	11,774	706	14,955	489	26,876
Balance at end of period	8,977	16,646	(394)	25,228	9,367	238,673

(4) Consolidated Statement of Cash Flow

	(Millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(13,761)	26,694
Depreciation	11,557	11,191
Increase (decrease) in provision for loss on reorganization	(1,849)	(387)
Increase (decrease) in allowance for doubtful accounts	132	(251)
Increase (decrease) in other provisions	(441)	1,427
Increase (decrease) in retirement benefit liability	(1,683)	(1,790)
Interest and dividend income	(1,386)	(1,645)
Subsidy income	(3,357)	(484)
Interest expenses	415	294
Loss (gain) on valuation of investment securities	1,220	—
Loss (gain) on sale of investment securities	(1,452)	(94)
Loss (gain) on sale of non-current assets	(799)	(995)
Loss on retirement of non-current assets	241	79
Impairment losses	2,857	742
Decrease (increase) in trade receivables	1,402	(2,025)
Decrease (increase) in inventories	13,737	(1,800)
Increase (decrease) in trade payables	(3,559)	3,920
Other, net	(201)	1,121
Subtotal	3,072	35,996
Interest and dividends received	1,380	1,633
Interest paid	(421)	(300)
Income taxes refund (paid)	212	(3,120)
Subsidies received	3,245	484
Net cash provided by (used in) operating activities	7,489	34,693
Cash flows from investing activities		
Purchase of investment securities	(0)	(1)
Proceeds from sale of investment securities	3,163	165
Purchase of property, plant and equipment	(9,240)	(9,566)
Proceeds from sale of property, plant and equipment	1,534	2,338
Purchase of intangible assets	(2,892)	(2,117)
Loan advances	(153)	(23)
Proceeds from collection of loans receivable	103	309
Other, net	(141)	(656)
Net cash provided by (used in) investing activities	(7,627)	(9,550)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,785)	(737)
Proceeds from long-term borrowings	35,180	—
Repayments of long-term borrowings	(13,738)	(8,048)
Dividends paid	(782)	(3,599)
Dividends paid to non-controlling interests	(34)	(55)
Purchase of treasury shares	(0)	(7,157)
Proceeds from sale of treasury shares	1	0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	—
Other, net	(503)	(359)
Net cash provided by (used in) financing activities	18,336	(19,956)
Effect of exchange rate change on cash and cash equivalents	2,843	6,430
Net increase (decrease) in cash and cash equivalents	21,041	11,616
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	99,561	111,237

(5) Notes on the Consolidated Financial Statements

(Notes related to of going concern assumptions)

Not applicable

(Notes regarding significant changes in shareholders' equity accounts)

The Company acquired 14,421,100 own shares based on the resolution at the meeting of the board of directors held on November 25, 2021. As a result, the amount of treasury stock increased by 7,155 million yen during the consolidated fiscal year under review, to a total of 8,225 million yen at the end of the consolidated fiscal year.

(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 Nine months of the consolidated fiscal year under review, net sales decreased by 252 million yen, the cost of sales increased by 79 million yen, selling, general, and administrative expenses dropped by 308 million yen, while operating profit, ordinary profit, and profit before income taxes each decreased by 22 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)**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.

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

Year ended March 31, 2021

	Watches	Machine tools	Devices and components	Electronic and Other Products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Millions of yen							
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.

Year ended March 31, 2022

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

Notes:

1. Adjustments were made as described below.

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

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

(Per Share Information)

	Year ended March 31, 2021	Year ended March 31, 2022
Net assets per share	652.47 yen	768.92 yen
Earnings per share	(80.52) yen	71.38 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, 2021	Year ended March 31, 2022
Profit attributable to owners of parent (millions of yen)	(25,173)	22,140
Amount not attributed to common stock (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	(25,173)	22,140
Average number of common stocks (thousand shares)	312,639	310,189
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, 2021	Year ended March 31, 2022
Net assets (millions of yen)	212,864	238,673
Amount deducted from total net assets (millions of yen)	8,878	9,367
(Non-controlling interests (millions of yen))	(8,878)	(9,367)
Net assets on common stock at end of term (millions of yen)	203,986	229,305
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	312,638	298,215

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 375,140 and the number of the Company's shares at the end of the fiscal year was 374,652. The average number of the Company's shares owned under the BIP trust for the consolidated fiscal year under review was 373,686 and the number of the Company's shares at the end of the fiscal year was 373,362.

(Significant Subsequent Events)

Not applicable