



Consolidated Financial Statements for the Year Ended March 31, 2019

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, 2019

CITIZEN WATCH CO., LTD.

Code No.: 7762

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Scheduled ordinary general meeting of shareholders: June 26, 2019

Scheduled start of dividend payment: June 27, 2019

Scheduled release of fiscal 2018 Business Report: June 27, 2019

Listings: First section of Tokyo Stock Exchange

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

1. Results for the Year ended March 31, 2019

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Net income	
March 31, 2019	321,652	0.5%	22,411	(10.1%)	26,602	(0.2%)	13,369	(30.7%)
March 31, 2018	320,047	2.4%	24,920	15.9%	26,664	21.3%	19,303	16.5%

Note: Comprehensive income:

As of March 31, 2019: ¥ 11,489 million (-43.3%) As of March 31, 2018: ¥ 20,258million (15.6%)

	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, 2019	42.00	-	5.2%	6.5%	7.0%
March 31, 2018	60.65	-	7.8%	6.6%	7.8%

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:

As of March 31, 2019: ¥ 896 million As of March 31, 2018: ¥ 498 million

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
March 31, 2019	413,911	267,547	62.2%	808.87
March 31, 2018	409,909	263,713	61.9%	797.75

Reference: Shareholders' Equity:

As of March 31, 2019: ¥ 257,449 million As of March 31, 2018: ¥ 253,912 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, 2019	19,897	(19,861)	(5,888)	84,533
March 31, 2018	32,539	(7,862)	(11,716)	90,655

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, 2018	-	8.50	-	13.50	22.00	7,002	36.3%	2.8%
March 31, 2019	-	10.00	-	10.00	20.00	6,365	47.6%	2.5%
March 31, 2020 (E)	-	12.00	-	12.00	24.00		52.7%	

3. Projected Consolidated Results for the Year ending March 31, 2020

(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	152,000 (1.6%)	9,000 (17.9%)	10,000 (23.9%)	7,000 (16.4%)	21.99
Full term	318,000 (1.1%)	20,000 (10.8%)	22,000 (17.3%)	14,500 8.5%	45.56

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) 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

(3) Number of shares issued and outstanding (common stock)

(shares)	March 2019	March 2018
Number of shares issued and outstanding at the end of term (including treasury stock)	320,353,809	320,353,809
Number of treasury stock at the end of term	2,070,969	2,068,553
Average number of common stocks	318,284,058	318,287,076

(Reference) Overview of Nonconsolidated Financial Results
Nonconsolidated Results for the Year ended March 31, 2019

(1) Nonconsolidated operating results

(Millions of yen; the percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
March 31, 2019	100,055	(0.9%)	490	(86.6%)	10,818	10.0	4,876	(49.9%)
March 31, 2018	100,965	100.9	3,654	(30.4%)	9,833	20.1	9,731	(66.2%)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
March 31, 2019	15.32	-
March 31, 2018	30.58	-

(2) Nonconsolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share(Yen)
March 31, 2019	221,302	144,191	65.2%	453.03
March 31, 2018	230,612	150,572	65.3%	473.07

Reference: Shareholders' Equity:

As of March 31, 2019: ¥ 144,191 million As of March 31, 2018: ¥ 150,572 million

※ 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 "Analysis of Operating Results" on page 6 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	%
	2018	2019		
Net sales	320,047	321,652	+1,604	+0.5%
Operating profit	24,920	22,411	(2,509)	(10.1%)
Ordinary profit	26,664	26,602	(62)	(0.2%)
Profit attributable to owners of parent	19,303	13,369	(5,934)	(30.7%)

During the fiscal year under review, the Japanese economy maintained a moderate recovery, although consumer spending continued to be weak. In the United States, capital spending and consumer spending remained steady, despite concern over developments in conjunction with trade with other countries. Meanwhile, the recovery of the European economy slowed due to the growing seriousness of trade issues and political uncertainties. The Asian economy maintained a trend of overall strength and recovery, despite some weakness indicated in the Chinese market.

Against the backdrop of such conditions in the final year of the Citizen Global Plan 2018, which is a medium-term management plan prepared in February 2013, the Citizen Group sought to facilitate the implementation of new growth strategies, mainly in the watch business, to create a solid global company, while simultaneously strengthening its earning capacity through manufacturing innovations.

The Citizen Group's consolidated results for the fiscal year under review showed an increase in sales and a decrease in profit, with net sales of 321.6 billion yen (up 0.5% year on year) and operating profit of 22.4 billion yen (down 10.1% year on year). Ordinary profit decreased 0.2% year on year, to 26.6 billion yen, and profit attributable to owners of parent declined 30.7% year on year, to 13.3 billion yen, due to the posting of an extraordinary loss.

Watches

In the domestic market, CITIZEN branded watches showed growth, driven mainly by THE CITIZEN in high-end product lines. Mid-range products also contributed to sales because mainstay products such as xC, ATTESTA, and PROMASTER continued to record solid results.

In the overseas market, although the European market showed some weakness, the North American market and the China/Asian regions remained firm, resulting in an overall increase in overseas sales. In the North American market, sales at department stores and retail jewelry chains showed signs of recovery and online sales continued to expand, contributing to an increase in sales of new products such as PROMASTER and Satellite Wave GPS. In the European market, the main regions mostly experienced difficult conditions such as the negative impact of growing political uncertainties on consumer spending. In the Asian market, sales grew mainly in China because economic conditions had been strong since the beginning of the fiscal year, despite increasing concern about a slowdown in the upcoming months.

In the multiple brand segment, sales climbed overall, reflecting certain results achieved by the Frederique Constant brand in North America and Italy as well as strong sales of new BULOVA brand products, among other products, in North America, which is the main market.

Sales of movements declined, reflecting sluggish demand for high value-added products under ongoing tough conditions characterized by a weak market recovery.

As a result, the watches segment posted a decline in sales with net sales of 163.5 billion yen (down 0.1% year on year), reflecting difficulties due to a slower-than-expected recovery of demand in the movement market, despite signs of a pick-up in demand for finished products supported by the aggressive release of new products and the acceleration of advertising investments. Operating profit decreased to 12.4 billion yen (down 23.1% year on year) due to poor sales of movements, which was unable to be offset by the growth of high-end products that were promoted as one of the priority measures.

Machine Tools

In the domestic market, revenues increased thanks to solid capital expenditures in a wide range of industries, including products related to automobiles, medical equipment, construction equipment, and housing facilities. In the overseas market, growth in capital expenditures continued, mainly in medical-related industries, in the Americas although there were some signs of a slowdown, partly due to a reaction to orders that remained at high levels. Revenues from the European market rose owing to its strength maintained by solid sales primarily of automobile-related products in Germany and strong sales in Switzerland and Italy, although there were growing uncertainties over the future, primarily because of unstable political conditions. In the Asian market, revenues remained flat as a result of growing signs of holding back on purchases due to the impact of the US-China trade dispute, despite its robustness that had been maintained mainly by automobile-related products until the second quarter.

As a result, the machine tools segment as a whole posted a significant increase in sales with net sales of 72.1 billion yen (up 12.7% year on year), which was supported by favorable market conditions both in Japan and abroad and increased sales of machines equipped with low frequency vibration (LFV) cutting, one of the Group's unique technologies. Operating profit increased sharply, to 13.0 billion yen (up 25.3% year on year), in response to a considerable rise in net sales against the background of strong market conditions.

Devices and Components

Among auto parts as part of precision machining components, sales of engine parts rose in Japan and abroad in line with the steady expansion of the automobile market, while sales of switches remained sluggish, mainly due to a weak smartphone market. Reflecting these conditions, overall revenues from precision machining components increased slightly.

Among opto-devices, sales of LED chips for automobiles continued to be solid; however, chips for lighting remained sluggish as a result of efforts focused on proposing differentiating lighting products instead of making pricing compromises despite intensifying price competition. This resulted in a decrease in overall revenues from opto-devices.

Sales of quartz devices, among other products, remained sluggish, mainly reflecting a decline in the

smartphone market. Sales of ferroelectric micro LCDs were affected by the stagnant state of the digital camera market, given that it is their main market. As a result, overall revenues in the other parts segment decreased.

As a consequence, the devices and components segment as a whole recorded a decrease in sales, with net sales of 60.8 billion yen (down 7.3% year on year) due to a fall in sales of opto-devices in particular. Operating profit decreased to 2.5 billion yen (down 8.6% year on year) due to a decline in sales, despite the implementation of strategies with a focus on profitability.

Electronic Products

Among information equipment, sales of media and the main bodies of photo printers fell significantly, although existing POS printers grew and new barcode printers remained solid. Consequently, revenues in the overall information equipment sector declined.

Revenues from healthcare products decreased due to poor domestic sales, which was unable to be offset by growth of products for Asia, China and the Americas in the overseas market.

Consequently, sales in the overall electronic products segment decreased, affected by sluggish sales growth of mainstay information equipment. Net sales declined 6.1% year on year, to 19.3 billion yen, and operating profit fell 14.6% year on year, to 0.4 billion yen.

Other Products

Revenues from jewelry products declined, mainly due to the impact of channel inventory clearance implemented in light of ongoing harsh conditions where there were no signs of recovery in consumer interest.

As a result, the other products segment as a whole posted decreases in sales and profit with net sales of 5.8 billion yen (down 4.5% year on year) and operating profit of 0.1 billion yen (down 53.0% year on year), mainly reflecting the sluggish sales growth of jewelry products.

(ii) Prospects for the Year ending March 31, 2020

Millions of yen	Year ended March 31,		Year-on-year change	%
	2019	2020		
Net sales	321,652	318,000	(3,652)	(1.1%)
Operating profit	22,411	20,000	(2,411)	(10.8%)
Ordinary profit	26,602	22,000	(4,602)	(17.3%)
Net income	13,369	14,500	+1,130	+8.5%

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2019	2020		
Watches	163,525	167,000	+3,474	+2.1%
Machine Tools	72,164	67,000	(5,164)	(7.2%)
Devices and components	60,807	59,000	(1,807)	(3.0%)
Electronic products	19,330	19,000	(330)	(1.7%)
Other products	5,824	6,000	+175	+3.0%
Total net sales	321,652	318,000	(3,652)	(1.1%)

Breakdown of operating profit by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2019	2020		
Watches	12,440	13,000	+559	+4.5%
Machine Tools	13,082	10,500	(2,582)	(19.7%)
Devices and components	2,543	2,100	(443)	(17.4%)
Electronic products	438	500	+61	+14.1%
Other products	146	300	+153	+104.9%
Eliminations or general corporate	(6,240)	(6,400)	(159)	-
Total Operating profit	22,411	20,000	(2,411)	(10.8%)

In terms of the future financial outlook, the domestic economy continues to show a trend of moderate recovery, although overall consumption remains weak. Overseas, the U.S. economy remains solid, as indicated by a range of statistical indicators, despite concern over future prospects due to the U.S. – China trade dispute, among other issues. The European economy is expected to remain at a standstill due to ongoing political uncertainties. In Asia, there are signs of economic slowdown in some countries, including China.

Under these circumstances, for the next consolidated fiscal year, the Citizen Group forecasts net sales of 318.0 billion yen (down 1.1% year on year), operating profit of 20.0 billion yen (down 10.8% year on year),

ordinary profit of 22.0 billion yen (down 17.3% year on year) and profit attributable to owners of parent of 14.5 billion yen (up 8.5% year on year).

The forecasts are based on an exchange rate assumption for the year of 110 yen/US dollar and 120 yen/euro.

The exchange rates for the consolidated fiscal year under review were 111 yen/US dollar and 129 yen/euro.

(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 increased by 4.0 billion yen year on year, to 413.9 billion yen. Current assets increased by 5.9 billion yen, mainly attributable to factors such as a rise of 7.6 billion yen in inventories and an increase of 2.1 billion yen in notes and accounts receivable – trade, despite a decline of 5.2 billion in cash and deposits. Non-current assets decreased by 1.9 billion yen, primarily due to a decrease of 6.0 billion yen in investment securities and a decline of 4.3 billion yen in goodwill, offsetting increases of 2.2 billion yen, 1.6 billion yen and 1.4 billion yen in deferred tax assets, machinery, equipment and vehicles – net, and construction in progress, respectively.

Liabilities increased by 0.1 billion yen year on year, to 146.3 billion yen, mainly reflecting an increase of 2.0 billion yen in total in long-term and short-term loans payable and a rise of 0.7 billion yen in electronically recorded obligations – operating, in spite of a 2.7 billion yen decrease in income taxes payable.

Net assets increased by 3.8 billion yen year on year, to 267.5 billion yen, mainly as a result of a 5.8 billion yen rise in retained earnings and a 1.2 billion yen increase in foreign currency translation adjustment, in spite of a decline of 3.7 billion yen in valuation difference on available-for-sale securities.

(ii) Cash Flows

Net cash provided by operating activities decreased by 12.6 billion yen year on year, to 19.8 billion yen. Major factors contributing to this result included 19.2 billion yen in income before income taxes, 13.9 billion yen in depreciation, and 5.6 billion yen in impairment loss, in spite of a 7.0 billion yen increase in inventories and 9.6 billion yen in income taxes paid.

Net cash used in investing activities increased by 11.9 billion yen year on year, to 19.8 billion yen. Major factors contributing to this result included 19.3 billion yen for the purchase of property, plant and equipment, in spite of 4.1 billion yen in proceeds from sales of investment securities and 0.7 billion yen in proceeds from sales of property, plant and equipment.

Net cash used in financing activities decreased by 5.8 billion yen year on year, to 5.8 billion yen. Major factors contributing to this result include 3.7 billion yen in the repayment of long-term loans payable and 7.4 billion yen in cash dividends paid, in spite of factors for an increase such as 5.0

billion yen in proceeds from long-term loans payable.

For the consolidated fiscal year under review, cash and cash equivalents decreased by 6.1 billion yen year on year, to 84.5 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 2020

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, and established a basic policy of maintaining a ratio of 30% or higher on average for three years. The ratio is determined in consideration of the balance between dividend payments based on consolidated results and stable dividend payments. The year-end dividend for the fiscal year under review will be 10.00 yen per share. As a result, the full-year dividend for the fiscal year under review will be 20.00 yen per share.

For the next fiscal year and beyond, the Company has decided to take steps to ensure that the ratio of the return to shareholders exceeds 60% on average for the three-year period of the Medium-term Management Plan 2021. It plans to pay a full-year dividend of 24.00 yen per share in the next fiscal year by comprehensively taking into consideration stable dividend payments and expectations for its business performance for the next year, 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**(1) Consolidated Balance Sheet**

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	92,079	86,875
Notes and accounts receivable - trade	62,013	64,139
Electronically recorded monetary claims - operating	914	1,225
Merchandise and finished goods	52,737	55,614
Work in process	20,590	22,982
Raw materials and supplies	17,213	19,605
Consumption taxes receivable	2,413	3,131
Other	5,991	6,522
Allowance for doubtful accounts	△957	△1,111
Total current assets	252,997	258,985
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	41,784	42,496
Machinery, equipment and vehicles, net	21,013	22,685
Tools, furniture and fixtures, net	6,557	7,364
Land	10,293	10,326
Leased assets, net	1,358	1,360
Construction in progress	3,971	5,437
Total property, plant and equipment	84,979	89,669
Intangible assets		
Goodwill	4,356	—
Software	3,940	4,402
Leased assets	9	7
Other	3,744	4,323
Total intangible assets	12,051	8,732
Investments and other assets		
Investment securities	46,043	39,974
Long-term loans receivable	931	942
Deferred tax assets	9,583	11,847
Other	3,546	4,050
Allowance for doubtful accounts	△199	△268
Allowance for investment loss	△26	△23
Total investments and other assets	59,880	56,524
Total non-current assets	156,911	154,926
Total assets	409,909	413,911

CITIZEN WATCH

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,267	20,496
Electronically recorded obligations - operating	14,164	14,896
Notes payable - facilities	192	246
Electronically recorded obligations - non-operating	755	859
Short-term loans payable	6,880	13,987
Current portion of bonds	10,000	—
Income taxes payable	4,884	2,139
Accrued expenses	13,509	13,395
Provision for bonuses	5,936	5,712
Provision for bonuses for directors (and other officers)	279	247
Provision for product warranties	1,159	1,428
Provision for environmental measures	22	0
Provision for loss on reorganization	822	484
Other	6,943	7,846
Total current liabilities	86,818	81,741
Non-current liabilities		
Bonds payable	—	10,000
Long-term loans payable	32,146	27,077
Deferred tax liabilities	1,587	791
Provision for environmental measures	4	—
Provision for loss on reorganization	913	816
Retirement benefit liability	22,721	23,328
Asset retirement obligations	74	74
Other	1,930	2,534
Total non-current liabilities	59,377	64,622
Total liabilities	146,195	146,363
Net assets		
Shareholders' equity		
Capital stock	32,648	32,648
Capital surplus	34,000	34,019
Retained earnings	176,117	181,995
Treasury shares	△1,783	△1,773
Total shareholders' equity	240,983	246,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,909	8,111
Foreign currency translation adjustment	2,067	3,303
Remeasurements of defined benefit plans	△1,047	△855
Total accumulated other comprehensive income	12,928	10,559
Non-controlling interests	9,801	10,098
Total net assets	263,713	267,547
Total liabilities and net assets	409,909	413,911

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	320,047	321,652
Cost of sales	195,653	198,094
Gross profit	124,393	123,557
Selling, general and administrative expenses	99,473	101,146
Operating profit	24,920	22,411
Non-operating income		
Interest income	401	525
Dividend income	1,348	1,775
Rent income	180	190
Share of profit of entities accounted for using equity method	498	896
Foreign exchange gains	—	492
Subsidy income	766	754
Other	479	598
Total non-operating income	3,675	5,232
Non-operating expenses		
Interest expenses	470	387
Loss on sales of notes receivable - trade	61	88
Depreciation of assets for rent	45	46
Foreign exchange losses	343	—
Compensation expenses	331	—
Other	678	518
Total non-operating expenses	1,930	1,041
Ordinary profit	26,664	26,602
Extraordinary income		
Gain on sales of investment securities	1,480	2,195
Gain on sales of shares of subsidiaries	14	—
Gain on sales of non-current assets	2,389	279
Reversal of allowance for investment loss	112	—
Other	32	334
Total extraordinary income	4,028	2,809
Extraordinary losses		
Loss on sales of non-current assets	20	40
Loss on retirement of non-current assets	528	884
Impairment loss	378	5,688
Reorganization cost	1,532	2,507
Special compliance expense, etc.	312	216
Other	478	823
Total extraordinary losses	3,251	10,160
Profit before income taxes	27,442	19,251
Income taxes - current	7,633	7,010
Income taxes - deferred	108	△1,550
Total income taxes	7,741	5,459
Profit	19,700	13,792
Profit attributable to non-controlling interests	397	422
Profit attributable to owners of parent	19,303	13,369

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	19,700	13,792
Other comprehensive income		
Valuation difference on available-for-sale securities	1,577	Δ3,797
Foreign currency translation adjustment	Δ990	1,159
Remeasurements of defined benefit plans, net of tax	122	209
Share of other comprehensive income of entities accounted for using equity method	Δ151	126
Total other comprehensive income	557	Δ2,302
Comprehensive income	20,258	11,489
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,979	11,000
Comprehensive income attributable to non-controlling interests	278	488

(3) Consolidated Statements of Changes in Equity

Financial year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	32,648	34,074	162,224	Δ1,780	227,168
Changes of items during period					
Purchase of shares of consolidated subsidiaries		Δ74			Δ74
Dividends of surplus			Δ5,410		Δ5,410
Profit attributable to owners of parent			19,303		19,303
Purchase of treasury shares				Δ3	Δ3
Disposal of treasury shares		Δ0		0	0
Transfer of loss on disposal of treasury shares		0	Δ0		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	Δ74	13,892	Δ2	13,815
Balance at end of current period	32,648	34,000	176,117	Δ1,783	240,983

	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 current period	10,332	3,088	Δ1,168	12,252	9,795	249,215
Changes of items during period						
Purchase of shares of consolidated subsidiaries						Δ74
Dividends of surplus						Δ5,410
Profit attributable to owners of parent						19,303
Purchase of treasury shares						Δ3
Disposal of treasury shares						0
Transfer of loss on disposal of treasury shares						—
Net changes of items other than shareholders' equity	1,577	Δ1,021	120	676	6	682
Total changes of items during period	1,577	Δ1,021	120	676	6	14,497
Balance at end of current period	11,909	2,067	Δ1,047	12,928	9,801	263,713

C I T I Z E N W A T C H

Financial year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	32,648	34,000	176,117	Δ1,783	240,983
Changes of items during period					
Purchase of shares of consolidated subsidiaries		19			19
Dividends of surplus			Δ7,480		Δ7,480
Profit attributable to owners of parent			13,369		13,369
Purchase of treasury shares				Δ1	Δ1
Disposal of treasury shares		Δ10		10	0
Transfer of loss on disposal of treasury shares		10	Δ10		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	19	5,877	9	5,906
Balance at end of current period	32,648	34,019	181,995	Δ1,773	246,889

	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 current period	11,909	2,067	Δ1,047	12,928	9,801	263,713
Changes of items during period						
Purchase of shares of consolidated subsidiaries						19
Dividends of surplus						Δ7,480
Profit attributable to owners of parent						13,369
Purchase of treasury shares						Δ1
Disposal of treasury shares						0
Transfer of loss on disposal of treasury shares						—
Net changes of items other than shareholders' equity	Δ3,797	1,236	192	Δ2,368	297	Δ2,071
Total changes of items during period	Δ3,797	1,236	192	Δ2,368	297	3,834
Balance at end of current period	8,111	3,303	Δ855	10,559	10,098	267,547

(4) Consolidated Statement of Cash Flow

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	27,442	19,251
Depreciation	13,795	13,947
Increase (decrease) in provision for loss on reorganization	△882	△429
Increase (decrease) in allowance for doubtful accounts	△91	216
Increase (decrease) in other provision	683	△4
Increase (decrease) in retirement benefit liability	840	817
Amortization of goodwill	1,579	400
Interest and dividend income	△1,750	△2,300
Interest expenses	470	387
Loss (gain) on sales of investment securities	△1,480	△2,195
Loss (gain) on sales of shares of subsidiaries	△14	—
Loss (gain) on sales of non-current assets	△2,368	△239
Loss on retirement of non-current assets	480	863
Decrease (increase) in notes and accounts receivable - trade	△1,480	△1,646
Decrease (increase) in inventories	△6,705	△7,051
Increase (decrease) in notes and accounts payable - trade	2,669	△415
Impairment loss	378	5,688
Other, net	2,959	329
Subtotal	36,527	27,622
Interest and dividend income received	1,753	2,300
Interest expenses paid	△480	△388
Income taxes paid	△5,260	△9,636
Net cash provided by (used in) operating activities	32,539	19,897
Cash flows from investing activities		
Purchase of investment securities	△1	△305
Proceeds from sales of investment securities	2,158	4,194
Purchase of property, plant and equipment	△15,583	△19,350
Proceeds from sales of property, plant and equipment	5,288	764
Purchase of intangible assets	△1,346	△3,884
Payments of loans receivable	△4	△160
Collection of loans receivable	107	146
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	75	—
Other, net	1,445	△1,266
Net cash provided by (used in) investing activities	△7,862	△19,861

CITIZEN WATCH

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	Δ152	794
Proceeds from long-term loans payable	8,689	5,063
Repayments of long-term loans payable	Δ3,221	Δ3,719
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	Δ10,000	Δ10,000
Cash dividends paid	Δ5,410	Δ7,480
Dividends paid to non-controlling interests	Δ192	Δ136
Purchase of treasury shares	Δ3	Δ76
Proceeds from sales of treasury shares	0	74
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	Δ199	Δ172
Other, net	Δ1,225	Δ235
Net cash provided by (used in) financing activities	Δ11,716	Δ5,888
Effect of exchange rate change on cash and cash equivalents	Δ192	Δ270
Net increase (decrease) in cash and cash equivalents	12,768	Δ6,122
Cash and cash equivalents at beginning of period	77,887	90,655
Cash and cash equivalents at end of period	90,655	84,533

(5) Notes to the Consolidated Financial Statements

(Notes related to of going concern assumptions)

Not applicable

(Change of the indication method)

(Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The company, effective from the beginning of the consolidated first quarter of this fiscal year, adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018),” etc.

Deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as non-current liabilities respectively.

Accordingly, with respect to the consolidated balance sheet for the previous consolidated fiscal year, deferred tax assets posted as current assets decreased by 6,673 million yen, while deferred tax assets posted as investments and other assets increased by 4,416 million yen. Deferred tax liabilities recorded as current liabilities declined by 197 million yen, while deferred tax liabilities recorded as non-current liabilities decreased by 2,059 million yen.

In addition, total assets decreased by 2,256 million yen because deferred tax assets and deferred tax liabilities were offset to the extent that they were considered to be taxed on the same entity.

(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 products	Printers, Health care equipment, Calculators
Other products	Jewelry

b. Method for calculating sales, income/loss, assets, liabilities, and other items for reportable segments

The accounting methods applied to the business segments reported are generally the same as those described under

“Basis of Presenting the Consolidated Financial Statements.”

Reportable segment income is based on Operating profit.

Inter-segment earnings and transfers are based on market prices.

CITIZEN WATCH

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

Year ended March 31, 2018

Millions of yen	Watches	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	163,718	64,049	65,596	20,580	6,102	320,047	-	320,047
Inter-segment	83	357	2,223	107	826	3,599	(3,599)	-
Total	163,801	64,407	67,820	20,687	6,929	323,646	(3,599)	320,047
Operating profit	16,183	10,443	2,782	513	311	30,234	(5,313)	24,920
Assets	188,924	59,176	81,382	15,822	6,819	352,124	57,784	409,909

Notes:

1. Adjustments were made as described below.

(1) The 5,313 million yen negative adjustment to segment income (Operating profit) includes 19 million yen in inter-segment eliminations and 5,333 million yen in corporate expenses that could not be allocated to a particular segment.

(2) The 57,784 million yen positive adjustment to segment assets includes 96,043 million yen in corporate assets that could not be allocated to a particular segment and 38,258 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, 2019

Millions of yen	Watches	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	163,525	72,164	60,807	19,330	5,824	321,652	-	321,652
Inter-segment	108	1,201	1,930	115	829	4,185	(4,185)	-
Total	163,633	73,365	62,737	19,446	6,654	325,837	(4,185)	321,652
Operating profit	12,440	13,082	2,543	438	146	28,651	(6,240)	22,411
Assets	189,683	66,558	82,501	15,761	6,770	361,276	52,635	413,911

Notes:

1. Adjustments were made as described below.

(1) The 6,240 million yen negative adjustment to segment income (Operating profit) includes 191 million yen in inter-segment eliminations and 6,048 million yen in corporate expenses that could not be allocated to a particular segment.

(2) The 52,635 million yen positive adjustment to segment assets includes 90,717 million yen in

corporate assets that could not be allocated to a particular segment and 38,082 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, 2018	Year ended March 31, 2019
Net assets per share	797.75 yen	808.87 yen
Earnings per share	60.65 yen	42.00 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, 2018	Year ended March 31, 2019
Profit attributable to owners of parent (millions of yen)	19,303	13,369
Amount not attributed to common stock (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	19,303	13,369
Average number of common stocks (thousand shares)	318,287	318,284
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, 2018	Year ended March 31, 2019
Net assets (millions of yen)	263,713	267,547
Amount deducted from total net assets (millions of yen)	9,801	10,098
(Non-controlling interests (millions of yen))	(9,801)	(10,098)
Net assets on common stock at end of term (millions of yen)	253,912	257,449
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	318,285	318,282

(Significant Subsequent Events)

Not applicable