



# **CITIZEN**

CITIZEN REPORT  
2019

# CITIZEN

Our Corporate Philosophy

**"Loved by citizens, working for citizens."**

CITIZEN's corporate philosophy,  
"Loved by citizens, working for citizens,"  
is to deeply contribute to the lives of people around the world  
through the manufacturing of products that are loved and  
trusted by citizens.

Our Strategy

Medium-Term Management Plan 2021

**Innovation for the next**

Sense the Time and Create an Impression for the Future

Our Strength

**Manufacture**

Never matched  
Creating the one and only  
Outstanding technology and skills



## The CITIZEN Group Corporate Story

The CITIZEN Group was founded in 1918 with the dream of producing a watch made in Japan. This year marks the Group's 101st anniversary. We have grown into a *manufacture d'horlogerie* capable of integrated in-house manufacture of everything from individual parts to completed products. Through our core Watches and Machine Tools businesses, we have contributed to the lives of people around the world. The company name "CITIZEN" embodies the aspiration of our Corporate Philosophy, "Loved by citizens, working for citizens." As such, our mission is to be sensitive to changing times, and to create inspiration for a sustainable future. We will continue to go beyond conventional manufacturing as we take on the challenge of creating new value.

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### Editorial Policy

Citizen Watch Co., Ltd. publishes the *CITIZEN REPORT* to communicate the mid- to long-term corporate value of the CITIZEN Group. This report has been compiled to convey the Group's position and business direction in plain terms to stakeholders.

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### Forward-Looking Statements

This report contains forward-looking statements regarding the CITIZEN Group's future performance. These statements are based on information currently available. Statements regarding future forecasts involve risks and uncertainties such as exchange rate fluctuations and changes in demand for products. Readers should understand that actual Group performance may differ from the outlook provided in this report.

## Message from the President & CEO



CITIZEN

“Loved by citizens,  
working for citizens.”

We will renew our connection to  
our Corporate Philosophy as  
we create new value.

Toshihiko Sato  
President & CEO  
Citizen Watch Co., Ltd.

As the CITIZEN Group marks its 101st anniversary, we have established a new medium-term management plan aimed at achieving further growth while looking to the long-term over the next 100 years. We will take on the challenge of creating new value as we respond to changes in the business environment and social conditions.

## Realizing Our Corporate Philosophy

### Looking to Our Roots as We Trace a Path to Growth

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I became president of the CITIZEN Group in April 2019. Assuming the post at this juncture—our 101st anniversary—I am firmly committed to leading the CITIZEN Group in achieving solid growth as it embarks on its next 100 years as a major global player.

The Company was founded with the ambitious goal of producing a watch made in Japan. We are proud of and confident in the experience and results that have grown from our century-long commitment to manufacturing. With that pride and confidence, it is time for each of us to look to our roots, and envision the future. It is not enough to simply acknowledge the Corporate Philosophy of “Loved by citizens, working for citizens.” We must recapture its meaning, and ask ourselves who these “citizens” are, what they “love,” and how we are expected to “work” for them. As a company whose very name is “CITIZEN,” I believe we must be even more sensitive to these questions because every one of our products touches the lives of “citizens” in some way. Even products for commercial customers made by the Machine Tools and Devices and Components businesses are used in other products, or used in their processing and manufacture. While that may happen out of our sight, I believe that ultimately the aspirations embodied in our products endure, eventually finding their way to the customer. For this reason, we must stay conscious of how CITIZEN Group products support the day-to-day lives of people everywhere.

Another of our goals is to realize manufacturing that is “Loved by citizens, working for citizens.” Therefore, it is essential to future growth that we confront global environmental and social issues and treat them as our own. We have included promotion of sustainable management (including activities addressing the United Nations’ Sustainable Development Goals (SDGs)) among our key strategies for achieving our management vision under the new medium-term management plan. We will fulfill our social responsibility by contributing to the realization of a sustainable society through our business activities and processes, which will also lead to the creation of value aligned with rapidly changing social trends. I believe that this will ensure that we continue to be a company in which every employee can have pride and confidence.

## Medium-Term Management Plan 2021: Innovation for the next—Sense the Time and Create an Impression for the Future

### Enhancing Development of Personnel Able to Respond to Changing Times

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In FY2019, the CITIZEN Group launched the new medium-term management plan with the vision, Innovation for the next—Sense the Time and Create an Impression for the Future. Over the years, we have continued our era-defining technology development and released many world firsts, including radio-controlled and waterproof watches. I am proud of our outstanding passion for innovative technology and products. That passion is not limited to the Watches business, but has spread to encompass the entire Group, with Group companies aggressively taking on new technical challenges. Our in-house development is making solid progress, and we will continue to innovate in production technology, technology development, and basic development—fundamental platforms for the Group.

Looking at global markets, we are seeing a shift from competition to collaboration. The CITIZEN Group also intends to be proactive in moving toward open innovation, including collaboration with other industries. We are looking at a variety of ways to do this, among them technology exchanges with partner companies as well as the assignment of development personnel to work with universities and research institutions. These efforts will lead to the cultivation of development personnel with a broad perspective who have an extensive understanding of new markets. Proactive collaborations with partner companies will play an important role as we work to understand the present and anticipate the future, rather than constantly playing catch-up.

As the emphasis of consumer behavior shifts from the tangible to the intangible, companies must transition from a technology-driven development approach, to manufacturing centered on the individual and society. People do not need technology for its own sake; rather, they are looking for value to be gained from a product. Developers must therefore avoid a nearsighted approach that sees technology as the end goal. We can only create new customer value and achieve technological innovation when we set our sights beyond technology; on the goal of bringing customers inspiring experiences.

The “next” in “Innovation for the next” refers to trends and changing times. We need to identify the “next” that will serve as our path forward. Encountering new technologies and ideas through open innovation and exchange with external partners enables us to change our perspective and our focus. My hope is that through such experiences, employees will cultivate the ability to see things for what they really are. A variety of experiences outside the Company provides employees with insights they might have missed otherwise—insights into reading markets or tracking changes in values. One example is the CITIZEN Social Contribution Dispatch System, launched in 2018 to mark our centenary. Under this program, employees travel to locations in Japan and overseas to support activities targeting social issues in local communities. Participants share their experiences after their return, thereby contributing to internal change. This acts to boost employee awareness, and through such dialogue we can turn untapped information into shareable knowledge. We are thus working to foster a rich communicative environment in the Group, built on mutual understanding.

One issue in creating new markets and establishing new businesses is how to change our conventional thinking and embrace new values. The key is diversity. We believe that people with diverse values, understanding each other and working together, are capable of creating competitive products with high added value. Therefore, we are strengthening our efforts in this area. In particular, we plan to make bold advances throughout the Group in promoting active roles for women.



## CITIZEN Group Initiatives for FY2019

### Promoting Digital Innovation by Enhancing Communication

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Targeting further growth, the whole CITIZEN Group is working together to promote digital innovation. Our focus is on enhancing communication to drive the creation of unprecedented new value.

Organization-wide revitalization is essential to promoting this strategy. I am personally working to enliven employee communication—following my appointment as president, I have continued my practice of visiting the front lines. My presence can facilitate communication, and encourages both bottom-up and top-down communication. In innovation, it is also important to think in terms of a goal point. Based on my own experience, I believe it is vital to establish a goal and stay focused on working toward it, rather than trying to solve individual problems as they arise. Having a big-picture perspective also enables those on the front lines to devise optimal processes based on an ultimate goal. This means that our business can take action with greater speed. Communication is an important key in that process as well. We will put these ideas into practice as we look to enliven communication between frontline workers and management in ways that transcend the barriers between divisions and positions.

Backed by stronger communication, we aim for digital innovation through the application of digital technology in manufacturing innovation and operational reforms. In manufacturing innovation, the automation of our manufacturing process will enable us to concentrate human resources on operations that generate added value, while allowing us the scope to further advance craftsmanship skills that require a human hand. In operational reforms, we will work toward faster, more sophisticated management decision-making, while streamlining back-office operations by optimizing the allocation of Group human resources to high-value-added work.

A sense of unity and brand enhancement will be a natural product of the embodiment of our Corporate Philosophy of “Loved by citizens, working for citizens.” Further, to “Sense the Time and Create an Impression for the Future,” the CITIZEN Group will work to anticipate change in a timely manner, evolving ourselves as we embrace that change.

**Toshihiko Sato**  
President & CEO

# Sustainable Management

## The CITIZEN Group's Commitment

For over a century, the CITIZEN Group has conducted its business based on the Corporate Philosophy, "Loved by citizens, working for citizens." To continue growing sustainably in tandem with society for the next hundred years, we will realize further business expansion by contributing to the solution of social issues, including achieving the United Nations' SDGs, through our operations. We identify social issues to address with reference to our Corporate Philosophy, Code of Conduct, Sustainability Strategy, CITIZEN Environmental Vision 2050 and business domains, take actions to solve them, and proactively disclose our progress.



### Our Approach to Sustainable Management

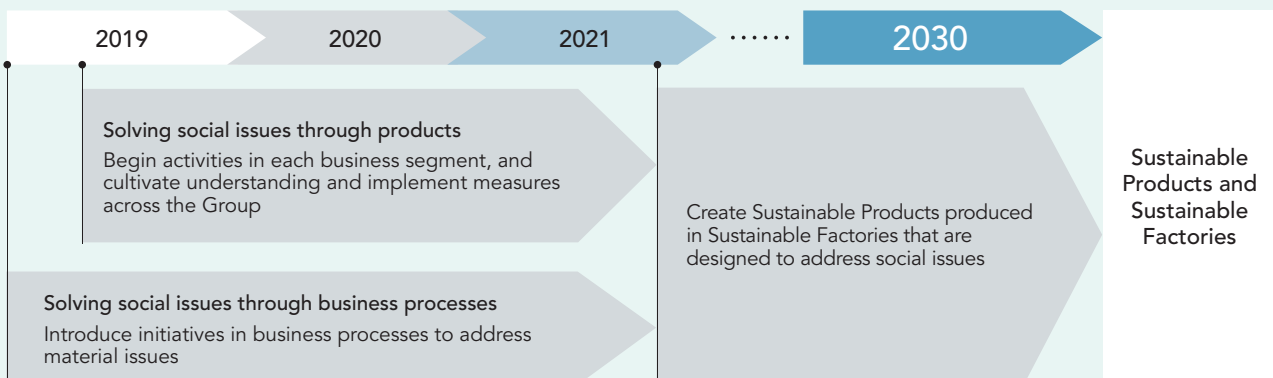
For the CITIZEN Group to earn a place in the hearts and lives of people around the world, we must gain society's acceptance of our underlying business approach, as well as our products and services. We view sustainable management as more than simply providing quality products and services. Through sustainable management that takes into consideration social issues such as human rights and the environment, we will secure the trust of stakeholders as we enhance corporate value and pursue business expansion. Under the new medium-term management plan beginning in FY2019, we are pursuing sustainable management that will bring us closer to the citizens of the world and earn a place in their hearts.

### Overview of Sustainability Strategy

The CITIZEN Group's Sustainability Strategy is based on two approaches: solving social issues through products and solving social issues through business processes (i.e. addressing material issues).

In solving social issues through products, each of the Group's business segments will work through 2030 to create Sustainable Products and achieve Sustainable Factories through comprehensive measures considering human rights, the environment, the workplace, compliance, business continuity planning, productivity and other topics.

To address the task of solving social issues through business processes, under the new medium-term management plan formulated in FY2019 the Group refined its previous approach to materiality by defining six categories based on trends in global social conditions. Through efforts encompassing all of its business activities, including the supply chain, the CITIZEN Group will contribute to achieving the SDGs.































## The CITIZEN Group's Approach to Materiality

Based on the Corporate Philosophy, "Loved by citizens, working for citizens," the CITIZEN Group works to fulfill its responsibility as a member of international society and as a Solid Global Company, and to grow sustainably. We have identified priority material issues accordingly.

To ensure the effectiveness of our efforts, we have established the Sustainability Committee. This committee

makes decisions about important matters regarding Group-wide SDG-related activities. Acting as the secretariat of the committee, the Corporate Planning Division and CSR Department of Citizen Watch Co., Ltd. advance the SDG-related activities of the Group, and in addition to running the committee, handle duties including progress management and external disclosure of information.

### The CITIZEN Group's Priority Material Issues

	Material Issues	Relevant SDGs
Strengthening Corporate Governance	We aim to continually enhance the CITIZEN Group's corporate value by improving the internal control system to ensure transparent and sound management, streamlining operational processes across the Group and administering appropriate supervision.	 
Commitment to Quality	Defining the maintenance and improvement of reliability and safety as the core of our Corporate Philosophy of "Loved by citizens, working for citizens," we strive to maintain and improve effective quality assurance systems in all manufacturing processes.	  
Respecting Human Rights and Labor Practices	As a globally operating corporate group, we are committed to fulfilling our responsibility for respecting human rights throughout our value chain. We will reinforce a corporate culture that embraces diversity and where we help one another to hone our abilities. We will create a safe and supportive work environment for all employees.	   
Advancing Responsible Procurement	With the aim of optimizing procurement activities throughout the Group, we are working to resolve social issues throughout our value chain.	     
Promoting Environmental Innovation	We endeavor to create value through environmentally friendly innovation and in business processes throughout our value chain.	    
Pursuing Social Contribution Activities	CITIZEN Group employees, coming face to face with social issues in communities around Japan and across the world, and engaging in social contribution activities in the fields of learning and education, environment, sports, and disaster relief, aim to live in harmony with local communities.	     

### Policies toward Achieving the SDGs

#### The CITIZEN Group's Human Rights Policy

In April 2005, the CITIZEN Group joined the United Nations Global Compact (UNGC), and we adopt a Group-wide approach to practicing the Ten Principles of the UNGC. Specifically, we strive to fulfill our responsibility to respect the rights of all people throughout the value chain.

#### The CITIZEN Group's Policy on Conflict Minerals

The CITIZEN Group's policy forbids the use of conflict minerals mined or brokered by armed groups. We work with our suppliers to ensure that the proceeds of transactions are not used to finance human rights violations, including child labor and forced labor, committed by armed groups.

#### Statement on Modern Slavery and Human Trafficking

In FY2018, we established the CITIZEN Group Human Rights Policy to clarify our approach to ensuring respect for human rights. We have also issued a statement in accordance with the requirements of the U.K.'s Modern Slavery Act 2015. We strive to ensure that we are not complicit in human rights violations, either in our own businesses or anywhere in our supply chain. We work to eliminate such risks in our supply chain, including measures to eradicate modern slavery and human trafficking.

#### The CITIZEN Group's Social Contribution Policy

As a good corporate citizen, the CITIZEN Group strives to contribute to and work in harmony with the local communities in which it operates under the Corporate Philosophy, "Loved by citizens, working for citizens." We provide and support opportunities that encourage employees to take the initiative in engaging with social issues.

## FY2018 Material Issue Highlights

### Strengthening Quality Compliance

#### Strengthening Group Governance

We established the Group Risk Management Committee as a framework for centralized management of and rapid response to Group-wide risks, which is essential for ensuring the achievement of business targets and sustainable development. This committee is responsible for verifying the progress of measures to enhance Group

governance and quality compliance, ascertaining the status of measures to address priority risks common across the Group, and responding to new risks. Through this framework, we are working to share expertise among Group companies and ensure uniform risk management across the Group.



Quality compliance research at Citizen Finedevice



#### Quality Initiatives

In FY2018, we established the Group Quality Compliance Committee. In addition to formulating the CITIZEN Group Quality Assurance Code of Conduct to serve as unified guidelines, we are creating a framework for reducing risks involving quality. We also plan to enhance our quality audit function by conducting regular monitoring

and audits. Moreover, we have implemented organizational changes to ensure the independence of the quality department. Among key efforts in FY2018 was the formation of a quality department working team, which has been conducting discussions regarding compliance from the perspective of quality control.

### Establishing CITIZEN Environmental Vision 2050

#### Promoting Environmental Innovation

In CITIZEN Group Medium-Term Environmental Plan 2024, we set goals for practicing sustainable management. This represents our commitment to engaging in sustainable manufacturing that encompasses the environment, human rights, compliance, and business continuity planning across the Group, not only at our own Sustainable Factories, but throughout the supply chain. In April 2019, we established Long-Term Environmental Goals 2030 and Environmental Vision 2050, both intended to clarify the direction of environmental initiatives over the long term.

Long-Term Environmental Goals 2030 consists of five goals to contribute to achieving the SDGs, while Environmental Vision 2050 aims to contribute to enriching society through a focus on decarbonization, resource recycling, safety and security. With this long-term perspective, we will continue to evolve toward our goals of creating Sustainable Products and working for citizens through the practice of sustainable management.

## The CITIZEN Social Contribution Dispatch System

### Promoting Social Contribution Activities

The CITIZEN Group engages in social contribution to achieve harmony with local communities as a good corporate citizen. In 2018, our centenary year, we launched the CITIZEN Social Contribution Dispatch System, a new initiative aimed at further evolution and development of our activities. Under this program, employees travel to locations in Japan and overseas to support activities targeting social issues in local communities. The system gives participating employees an opportunity to broaden

their horizons and acquire new values beyond the confines of their everyday lives and work. In doing so, our aim is that employees will return to their workplaces with new ideas and new energy for creating products and services that will be loved by citizens and society. In FY2018, activities were conducted in seven locations, including Miyagi Prefecture, which was affected by the Great East Japan Earthquake, and Thailand, where we operate. A total of 210 people from across the CITIZEN Group participated.



In the Philippines, where we operate, the CITIZEN Social Contribution Dispatch System conducted the CITIZEN First Watch Project, a watchmaking workshop that offers satisfying and fun make-and-learn experiences to children living apart from their families as a result of delinquency or abuse.



Ogatsu-cho, part of Ishinomaki City in Miyagi Prefecture, suffered serious tsunami damage in the Great East Japan Earthquake. Group employees gave assistance at the Ogatsu Rose Factory Garden, a project established with the goal of regional vitalization and local community building.



Contributing to biodiversity preservation by planting mangrove trees in Cambodia

## Formulating Human Rights Policies That Include Human Rights in the Supply Chain

### Respect for Human Rights and Labor Practices

"Manufacturing products that are loved and trusted by citizens" is our basis for ensuring dignity and respect for the rights of all people throughout the value chain. We support and respect international norms regarding human rights, including the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and comply

with all laws and regulations that apply to the countries and regions in which we operate. In the event of a conflict between local laws or regulations and internationally recognized human rights, we seek approaches that respect principles of international human rights.

### Advancing Responsible Procurement

We are strengthening our ties with suppliers in procurement activities based on an awareness of corporate responsibility in the manufacturing process, and in accordance with the CITIZEN Group CSR Procurement Guidelines. We also participate in the GCNJ Supply Chain Working Group of the Global Compact Network Japan, and assisted in the

preparation of a specialized publication on supply chain management and CSR procurement issued by the working group. In FY2019, we will conduct a supplier survey at operating subsidiaries to further advance CSR procurement.

# Our Businesses

- 1918 Company founded

“We want to produce a watch made in Japan.”

In 1918, at a time when imports dominated, Shokosha Watch Research Institute, the forerunner of Citizen Watch, was founded with the goal of producing a watch made in Japan. The finished pocket watch, based on an original design, was given the name “CITIZEN” by the Mayor of Tokyo, Count Shinpei Goto, in the hope that it would be widely loved by citizens over the ages. This became the inspiration for the company name we have today.



The CITIZEN Caliber 0100 (Watches)



Multi-function movements (Movements)



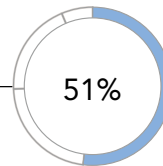
**1924**  
The company's first pocket watch, CITIZEN, after which the company was later named.

## A Portfolio of Watchmaking Assets

- 1956 Parashock  
First Japanese-made watch featuring a shock-proof mechanism (Parashock)
- 1959 Parawater  
First fully waterproof Japanese-made watch
- 1971 Hi-sonic  
First Japanese-made tuning fork electronic watch
- 1973 Citizen Quartz  
CITIZEN's first quartz watch
- 1976 Chrystron Solar Cell  
World's first analog light-powered watch
- 1993 Radio-Controlled Watch  
World's first multi-band radio-controlled watch (Japan, Germany, U.K.)
- 2003 ATTESA Eco-Drive Radio-Controlled Watch  
World's first thin-type radio-controlled watch with a full-metal case (Eco-Drive)
- 2011 Eco-Drive Satellite Wave  
World's first satellite system analog watch
- 2016 Eco-Drive One  
World's thinnest\* analog light-powered watch (2.98 millimeters)
- 2018 Announcement of Caliber 0100  
World's most precise\* light-powered movement with timekeeping accuracy of ±1 second per year (Eco-Drive)

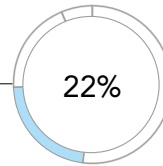


## Watches



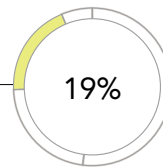
Inspiring people through beautiful designs perfected with the latest technology—the fusion of technology and beauty guides CITIZEN in providing citizens around the world with better watches. We are one of the world's few *manufactures d'horlogerie*, capable of integrated in-house manufacture of everything from individual parts to completed products.

## Machine Tools



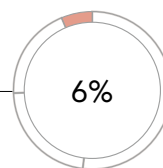
We began the production of machine tools in 1936, leveraging technology and expertise gained in the manufacture of watch parts, which must be compact and extremely precise. Machine tools for creating components essential for a wide range of industries—including the medical, automotive, semiconductor and IT fields—support today's technology advances and social development.

## Devices and Components



We leverage our core technologies developed through the Watches business, including miniaturization, precision processing and low power consumption technologies, to manufacture devices for use as components in everyday electronic products. Our devices enable lower power consumption and longer product lifespan, thus reducing environmental impact and creating more comfortable and convenient lifestyles.

## Electronic Products



We apply precision processing and assembly technologies developed through the Watches business to manufacture point-of-sales systems, barcode printers and high-resolution digital photo printers, which play important roles in retail stores, factories and society in general. Electronic thermometers and electronic blood pressure monitors assist people in managing their health, and contribute to healthy living.

## Other Products

Jewelry products, leisure services and others

## Business Characteristics

\* As a light-powered watch. As of June 2019, CITIZEN survey.



Cincom  
(Machine tools)



LEDs for lighting  
(Opto-devices)



Automotive components  
(Precision processed components)



Line thermal printer  
(Electronic products)

Main Products

Main Customers

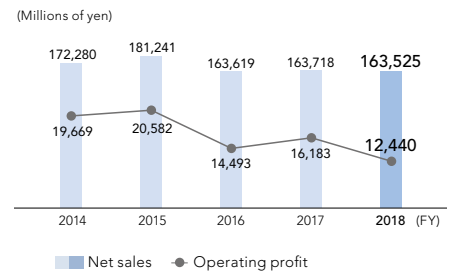
Net Sales and Operating Profit

- > Top share of the U.S. mid-priced market
- > A global leader in movement sales

- Watches
- Movements
- System clocks

- General consumers
- Retail stores
- Dealers

and others

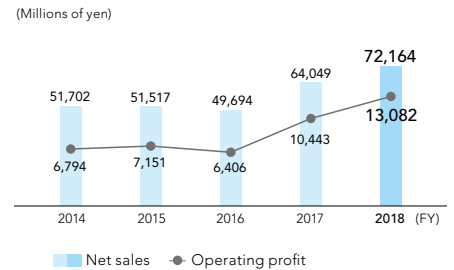


- > A leader in global share for small- and mid-sized computer numerical control (CNC) automatic lathes

- Cincom, sliding headstock type CNC automatic lathe
- Miyano, fixed headstock type CNC automatic lathe
- MC20, multi-station machining cell
- alkappysolution, solution service utilizing IoT

- Automotive manufacturers
- Semiconductor manufacturers
- Medical device manufacturers

and others

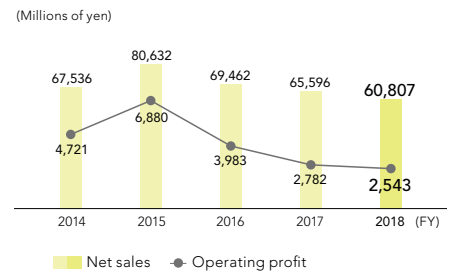


- > A global leader in compact chip LEDs

- Automotive components
- Compact switches
- Chip LEDs
- LEDs for lighting
- Crystal devices
- Ferroelectric LCDs

- Automotive manufacturers
- Lighting manufacturers
- Home appliance manufacturers
- Consumer electronics manufacturers

and others

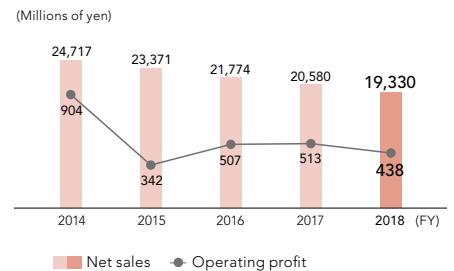


- > Application of compact precision technology

- Digital photo printers
- Line thermal printers
- Calculators
- Electronic thermometers
- Electronic blood pressure monitors

- Retailers
- Wholesalers
- Household appliance retailers

and others





We will focus on improving capital efficiency and accelerate growth in Watches and Machine Tools.

Toshiyuki Furukawa Director

## CITIZEN Global Plan 2018: Achievements and Issues

### Promoting Structural Reforms to Become a Solid Global Company

Beginning in FY2013, the CITIZEN Group advanced the CITIZEN Global Plan 2018, a six-year medium-term management plan aimed at making CITIZEN a Solid Global Company capable of competing successfully around the world. During the first three years of the plan, we worked to implement thorough structural reforms and organizational improvements in order to cultivate a lean management foundation. We pursued a selection and concentration strategy, reorganizing and expanding our manufacturing capabilities inside and outside Japan, primarily in Watches, to ensure we can respond flexibly to changes in demand, withdrawing from unprofitable businesses and merging device companies.

During the second three years of the plan, we focused further on strengthening our manufacturing capabilities, with the goal of improving profitability to ensure our ability to win in the midst of increasingly intense global competition.

Other measures to improve our performance included active growth investments. Despite our efforts, we fell short of our targets for FY2018, primarily due to the impact of changes in conditions surrounding the Watches business.

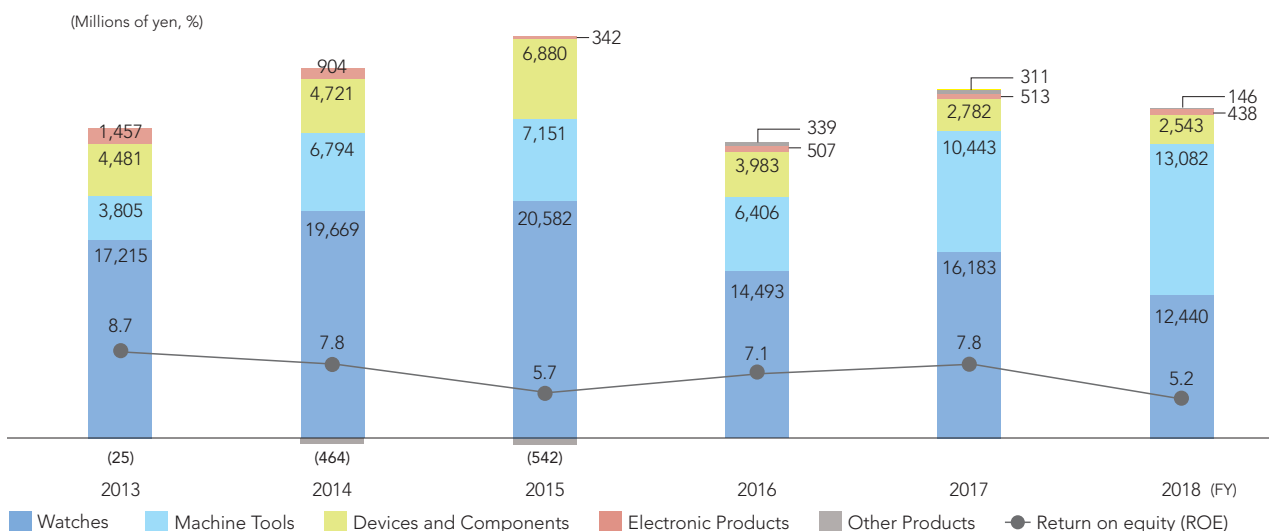
Nonetheless, to build a business portfolio capable of executing our growth strategy, we strategically developed Machine Tools into the Group's second core business, delivering significant results and achieving our goal in this regard. The Machine Tools business grew from the in-house manufacture of machines for making precision watch components, and carries with it CITIZEN's DNA. A hundred years on from our founding, the Machine Tools business is now established as our second core business—an accomplishment of substantial significance.

Over the past six years, we have laid the foundations for dramatic growth. Under the new medium-term management plan beginning this fiscal year, we will accelerate our efforts to create new value, thereby improving corporate value.

### Environment Surrounding the Citizen Group

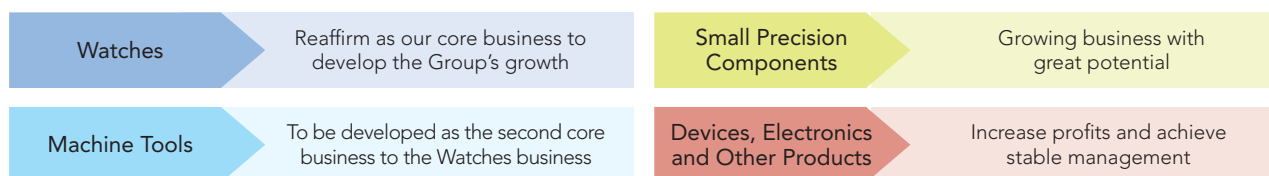
Macro Environment	Changes in lifestyle	<ul style="list-style-type: none"> <li>• Rapid development of digital innovation, including IoT and AI</li> <li>• Social changes due to environmental regulations and super aging</li> <li>• Changes and diversification in lifestyle</li> <li>• Labor force in Japan will peak in 2021, resulting in a serious labor shortage</li> </ul>
Business Environment	Changes and diversification in business environment	<ul style="list-style-type: none"> <li>• Changes and diversification in distribution due to the development of e-commerce</li> <li>• Need for sustainable management, including on SDGs and ESG issues</li> <li>• Intensified competition globally and diversified axis of competition</li> <li>• End of labor-intensive manufacturing</li> </ul>
Market Environment	Changes in drivers of growth	<ul style="list-style-type: none"> <li>• Deceleration trend for growth rates in North America, Europe and China in the medium term</li> <li>• Negative economic impact of trade friction between the U.S. and China</li> <li>• Countries in Asia emerging as a growth center</li> <li>• Demand in Japan will change significantly due to the consumption tax hike and hosting of the Olympic Games</li> </ul>

## Business Results (Operating Profit by Segment, ROE)



## CITIZEN Global Plan 2018

Aiming to be a Solid Global Company—A business group with speed and dynamics



### Key Strategies

○ = Achieved    △ = Partially achieved

- 1 Comprehensive organizational improvements and enhancement of manufacturing capabilities
  - Improved organization through structural reconfiguration, including consolidation or elimination of production sites in Japan and overseas, primarily in the Watches business
  - △ Progress with manufacturing innovations was behind schedule
  - Integrated six watch-related companies and established Citizen Watch Manufacturing
  - Consolidated or eliminated overseas production sites
  - Shifted to a holding company structure, adopting a single Group organization
- 2 Proactive investment and enhancement of marketing capabilities aimed at business growth
  - Acquired brands and signed licensing agreements as growth investments in the Watches business
  - Consolidated and established sales companies to boost marketing
  - △ Shift to digital marketing was behind schedule
  - Completed Miyota Saku Factory, the world's largest movement assembly factory, and consolidated movement manufacturing lines
  - Acquired Frederique Constant, a Swiss luxury watchmaker
  - Signed a partnership agreement with Fossil Group, Inc. for hybrid smartwatches
- 3 Selection and concentration in products and businesses
  - Promoted selection and concentration by withdrawing from unprofitable businesses and merging device companies
  - Merged two device companies to establish Citizen Finedevice
  - Withdrew from the large dot-matrix printer business, among other measures
- 4 Employee productivity improvements and strengthening human resources
  - Switched to a compensation system better aligned with roles and results
  - Began Group-wide hiring, rotation of Group executive candidates and other measures

Medium-Term Management Plan 2021

Innovation for the next  
Sense the Time and Create an Impression for the Future

Sensitive to changes over time, CITIZEN will take on the challenge of creating new, unique value, not merely continuing manufacturing as in the past, and moving toward a sustainable future.

Medium-Term Management Plan FY2021 Targets

Net Sales	Operating Profit	ROE <sup>1</sup>
<b>370.0</b> billion yen	<b>30.0</b> billion yen	<b>8.0%</b>

1. ROE = Annual net profit / Net worth

Key Strategies

Promotion of growth in Watches and Machine Tools ▶ P. 16	Promotion of sustainable management ▶ P. 6	Enhancement of quality compliance ▶ P. 8
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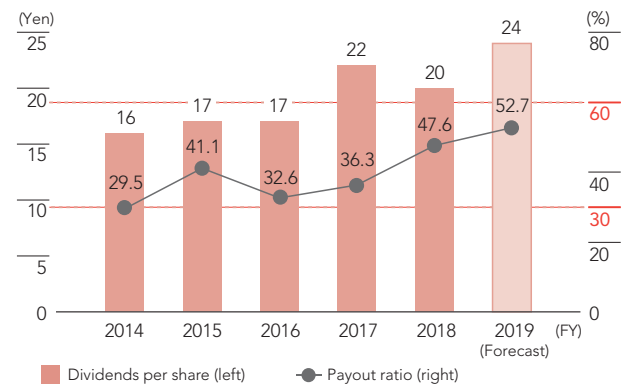
Shareholder Return Policy

**CITIZEN Global Plan 2018**  
Basic policy: Payout ratio of 30% or more on average for three years

**Medium-Term Management Plan 2021**  
Basic policy: Payout ratio<sup>2</sup> of 60% or more on average for three years  
Dividend policy: Decided in consideration of the balance of performance-based and stable dividend

2. Payout ratio = The ratio of the total amount of dividends and share buybacks to profit attributable to owners of parent

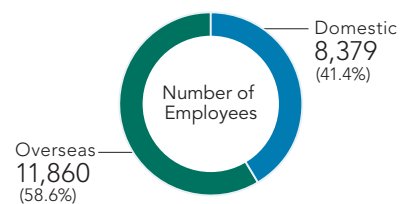
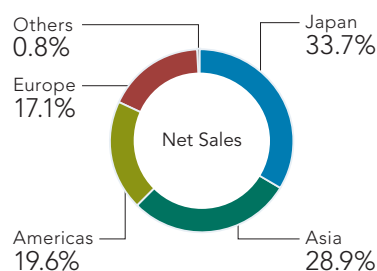
Dividends per Share and Payout Ratio



FY2018 Results

Net Sales	Operating Profit	Profit Attributable to Owners of Parent	ROE
<b>321.6</b> billion yen (up 0.5% year-on-year)	<b>22.4</b> billion yen (down 10.1% year-on-year)	<b>13.3</b> billion yen (down 30.7% year-on-year)	<b>5.2%</b> (down 2.6 pts. year-on-year)

Data by Region





## Financial Strategy for Medium-Term Management Plan 2021

### Background and Key Points of Medium-Term Management Plan 2021

The Group's vision under Medium-Term Management Plan 2021 is Innovation for the next—Sense the Time and Create an Impression for the Future. It expresses our determination to be sensitive to changes over time as we take on the challenge of creating completely new value, not merely continuing manufacturing as in the past, and moving toward a sustainable future.

Year after year, conditions faced by the CITIZEN Group are changing at an increasingly rapid pace. In Watches, those changes demand that we gain a grasp of transformations in lifestyles and the diversification of values. This means not only proposing personalized products suited to individual lifestyles, but offering highly attractive customer experiences that include the time spent in anticipation of those products. To accomplish this, we plan to make a number of digital marketing-related investments in the Watches business. We will also expand our product range, which will include making a full-scale entry into the growing smartwatch sector. Overall, we plan to focus resources on achieving results through the multi-brand strategy advanced under CITIZEN Global Plan 2018, our previous medium-term management plan. Through these efforts, we will return Watches to a growth path. Furthermore, in watch manufacturing, we will strengthen our efforts to pursue high-mix, low-volume production in line with changes in our marketing strategy, and improve productivity through rationalization and automation. As we pursue manufacturing innovation, we will also work with Group companies to achieve greater synergies, including with the Machine Tools business, which is championing the concept of *Ko No Ryosan* (mass customization in CITIZEN's style).

Now positioned as a core business, Machine Tools will aim for even greater growth by enhancing production innovation and management efficiency, and by expanding sales in emerging markets.

### Capital Policy

Under CITIZEN Global Plan 2018, funds generated through structural reforms in the first three years were allocated to active growth investments. In addition to establishing a brand portfolio to propel our multi-brand strategy forward—including our acquisition of Frederique Constant of Switzerland and our sponsorship agreement with The Walt Disney Company to be the Official Timepiece for its theme parks outside of Japan—we moved ahead with the integration of our overseas sales companies, putting in place a solid foundation in preparation for expanding sales using a multi-brand strategy, centered on the CITIZEN brand. We also made focused investments in the next stage of growth, including building the world's largest movement assembly factory in Saku, Nagano Prefecture.

Under Medium-Term Management Plan 2021, our policy of putting growth investment first will remain unchanged. We will continue making proactive capital investments in production innovation. However, following the completion of our latest round of large-scale investments, we will reexamine the balance between investment and shareholder returns, based on our policy of delivering an average total return ratio of 60% or greater for the three years of the plan.

Another of the target indicators set in Medium-Term Management Plan 2021 is ROE. Internally, we will also apply return on invested capital (ROIC) as another key performance indicator. Use of these indicators will enhance investment efficiency in each of our businesses and build a stronger awareness of the balance sheet, with the goal of enhancing capital efficiency and earning power. We will put the assets we have built to date to best use and focus on increasing profitability as we work to balance growth investment with shareholder returns.

### Business Portfolio Concept

Core	Watches	<ul style="list-style-type: none"> <li>Actively invest Group management resources to promote the growth of the CITIZEN Group</li> </ul>
	Machine Tools	<ul style="list-style-type: none"> <li>Accelerate growth through continued investment in line with the expansion of the market</li> </ul>
Generate profit	Automotive business (metal parts and LEDs)	<ul style="list-style-type: none"> <li>Generate profit in parts processing business for automotive market</li> <li>Achieve top manufacturing capacity in the category</li> </ul>
Improve profitability	Devices and Components, Electronic Products and Other Products	<ul style="list-style-type: none"> <li>Selection and concentration of business and products</li> </ul>

# Our Business Portfolio

## Watches

### Main Operating Companies

Citizen Watch Co., Ltd.; Citizen Watch Manufacturing Co., Ltd.;  
Citizen Retail Planning Co., Ltd.; Citizen T.I.C. Co., Ltd.



## Create New Value and Experience over Time

### Target Indices (FY2021)

Net Sales

**187.0** billion yen

Operating Profit

**17.0** billion yen

### Key Strategies

- 1 Promote digital marketing
- 2 Expand product range
- 3 Achieve results of multi-brand strategy centered on the CITIZEN brand
- 4 Improve the cost competitiveness of watch movements and finished products through manufacturing innovation

## Review of CITIZEN Global Plan 2018

During the first three years (FY2013–FY2015) of the previous medium-term management plan, CITIZEN Global Plan 2018, the Watches business strengthened its brand marketing under the slogan “From ‘Product’ to ‘Brand,’” and promoted a multi-brand strategy. In the early 2000s, the watch market entered an era of “brand business,” as Swiss companies with powerful brands, and fashion brands took center stage. A plethora of brands emerged worldwide, each brand with its own pedigree and character. Foreseeing limits in its ability to expand by meeting diverse needs solely with its own brands, CITIZEN shifted its business strategy to a multi-brand strategy. Central to that shift was M&A. Starting in 2008 with the acquisition of Bulova Corporation, which held a unique position in the mid-price market segment in the U.S., CITIZEN went on to acquire Prothor Holding SA, a Swiss company with luxury brands as well as techniques for making high-end mechanical watches, in 2012, and Frederique Constant Holding SA,

a Swiss high-end watchmaker, in 2016. In this way, CITIZEN built a powerful brand portfolio extending from the mid- to the high-price range.

In the second three years (FY2016–FY2018) of the plan, we focused on active investments to grow earnings. In the U.S., we integrated sales companies across brands, establishing a dominant share of the mid-price market segment in North America. The first success of the multi-brand strategy was substantial sales growth for BULOVA. In FY2014, we began worldwide marketing activities for our core CITIZEN brand, whose brand statement “Better Starts Now” encapsulates our beliefs. We are poised to become a Solid Global Company capable of competing successfully around the world. Centered on the CITIZEN brand, we intend to communicate a compelling story for each brand to accelerate our segmentation strategy, which aims to respond in detail to market needs down to the distribution level, while further advancing our multi-brand strategy.

Message from the  
Director in Charge

## Our aim is to discover new expressions of “Time” to realize “Better Starts Now”

Norio Takeuchi Managing Director



### Areas of Focus under Medium-Term Management Plan 2021

In the Watches business, we forecast steady demand in the market for luxury watches, particularly Swiss brands, and mechanical watches, as well as continued growth of the smartwatch market. In Medium-Term Management Plan 2021, we are aiming for full entry into smartwatches—a sector that is growing in popularity among consumers worldwide. To execute this key strategy, we are collaborating with Fossil Group, Inc. of the U.S. in the area of hybrid smartwatches. We will work on our new IoT platform service, Riiiver, as a completely new business model that creates organic links between products, including a wide variety of devices across B2B and B2C, and watches, services, and people. This autumn, we plan to launch a Riiiver compatible smartwatch: the Eco-Drive Riiiver. At the same time, we will continue to enhance initiatives in the mechanical and luxury watch fields from a medium-to-long-term perspective.



Eco-Drive Riiiver

While we remain firmly committed to the value of traditional watches, we have a flexible and innovative culture and do not hesitate to take on challenges in new fields. In the early 2000s, we launched our first products that might be described as the forerunners of today's smartwatches. Since then, we have consistently been at the forefront of each new wave of technology, as exemplified by the world's first Bluetooth watch, i:VIRT, launched in 2006.

Even in areas such as smartwatches, where functionality is the top priority, our strategy is not to compromise on product aesthetics. Our strength is in our technological and development prowess and the high quality we have maintained as a *manufacture d'horlogerie* with a history of over 100 years of integrated in-house manufacture of everything from individual parts to finished products. These strengths have enabled us to offer many “world firsts.” We have created new value that only we are capable of, broadening the range of possibilities for watches, for example, the ability to receive time signals from GPS satellites with the world's fastest signal reception speed. In March 2019 in Switzerland, at the world's largest trade fair for watches and jewelry, Baselworld 2019, we unveiled the Caliber 0100, an Eco-Drive watch that is accurate to  $\pm 1$  second per year—under the theme of “We Explore Time.”

The watch industry is now facing a major paradigm shift that will redefine the times. To realize our vision for this business, we will further refine the value of the products that emerge from our evolution as a *manufacture d'horlogerie*. At the same time, we will explore an expanding world of possibilities for watches, overhauling our entire value chain to provide new experiences and valuable services for all of today's active citizens leading innovative lifestyles. Furthermore, we will update the value of the analog watch, with the aim of creating novel expressions of “Time” for the new digital era.



Baselworld 2019

## Multi-Brand Strategy

Luxury



### ANGELUS

Angelus, a Swiss watchmaker founded in 1891, has developed a succession of watches with innovative movements, including high-precision chronographs and complicated mechanical watches.



### ARNOLD & SON

Arnold & Son is a Swiss *manufacture d'horlogerie* with a long heritage of English craftsmanship and expertise in the making of luxury watches. Boasting unique designs with innovative flair, the brand offers aesthetic elegance and technical sophistication.

High



### The CITIZEN

As the premier CITIZEN brand, The CITIZEN watches feature expertly designed movements based on reliable technology and the strictest standards of accuracy. With this brand we strive for designs that transcend passing trends. In autumn 2019, we will launch the world's most precise light-powered watch, equipped with an Eco-Drive movement "Caliber 0100"—accurate to  $\pm 1$  second per year. The CITIZEN expresses our ardent pursuit of the essence of the watch.



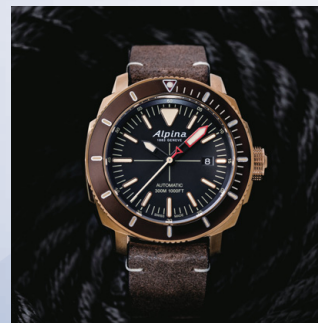
### Frederique Constant

The watches of Frederique Constant, which began innovating over three decades ago in 1988, are inspired by the concept of "accessible luxury," and all aspects of watch production are conducted in-house, from design and development to final assembly. Since 2004, Frederique Constant has developed, manufactured and assembled 28 original calibers. The brand's mission is to use outstanding manufacturing to offer high-quality watches at sensible prices to a broader selection of watch enthusiasts.



### CAMPANOLA

CAMPANOLA offers a selection of creative models that combine the ultimate in watch mechanisms and beauty under the concept of "Enjoy time. Enjoy daily life. Enjoy individuality."



### Alpina

With a proud history dating back more than 130 years, this pioneer of the Swiss watchmaking industry holds numerous patents and has developed a number of innovative calibers.

## Focus Areas

### 1 Smartwatches

To establish its position in the smartwatch industry, in 2019 CITIZEN will launch the IoT platform service "Riiiver" and the Eco-Drive Riiiver, a smartwatch compatible with the Riiiver platform.

We have also entered into a business alliance with Fossil Group, Inc., a U.S.-based

fashion watch brand and lifestyle accessories company, to step up the development, manufacture and sale of hybrid smartwatch movements and complete watches. CITIZEN intends to lead the smartwatch market.

### 2 Mechanical Watches

CITIZEN is a true *manufacture d'horlogerie*, capable of in-house production of everything from hairsprings—which few companies are capable of producing—to jewels and gears. Through our integrated in-house manufacturing, we have produced a total of more than 100 million mechanical



Eco-Drive One

**CITIZEN**

CITIZEN was founded in 1918, and its watches are now available in about 140 countries and regions around the world. From pioneering light-powered technology with Eco-Drive to Satellite Wave GPS that enables a watch to receive time signals from a GPS satellite, CITIZEN's watch development is constantly driven by exploration of the new potential of the watch. Core product lines include ATTESA, a watch for business use that continues to evolve with the times; xC, offering high performance in tune with the lifestyles of women today; and CITIZEN L, a new style of luxury watch.



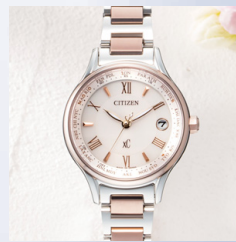
ATTESA



PROMASTER



CITIZEN L



xC



Eco-Drive Bluetooth



**BULOVA**

BULOVA's achievements in the development and modernization of watches are expressed in the brand message "A History of Firsts." Since 1875, BULOVA's various advanced technological capabilities have been a driving force in the market. For over 140 years, BULOVA has marked many firsts in the industry, including the world's first tuning fork electronic watch and the first curved chronograph, and has played an innovative and important role in the history of timepieces.



**Q&Q**

Beginning with Q&Q SmileSolar, a light-powered watch that does not require periodic battery replacement and developed under the concept "Creating the Moments of Happiness to the World. TIME FOR EVERYONE," this brand sells more than 10 million watches per year in 120 countries.



**wicca**

The name brings to mind a magic through which dreams come true. This brand supports young women who strive every day to enjoy life in their own way.

watch movements. Leveraging the technological capabilities of other brands, including La Joux-Perret and Frederique Constant, we have relentlessly pursued innovation in the manufacture of mechanical movements and other components.

**3 Premium Segment Watches**

Our core technologies support watch aesthetics. While demonstrating unparalleled innovation and originality, CITIZEN has continuously emphasized technology. Focusing on luxury watches that offer value unique to CITIZEN, such as CITIZEN

Eco-Drive One and Frederique Constant, we aim for the fusion of technology and beauty on a higher plane.

# Advanced Manufacturing

## Light-Power Technology

Eco-Drive technology is one of CITIZEN's core technologies. In 1976, CITIZEN was the first in the world to work with this technology, in which light passing through the watch dial is converted to electrical energy by a solar cell. This charges a secondary battery which conveys power to the motor that moves the hands. Sunlight will charge the battery, but even a minuscule amount of artificial light will suffice. With Eco-Drive, a watch can run for six months or more on a single full charge, and periodic battery replacement is unnecessary. We are engaged in a variety of efforts in pursuit of further possibilities.

- Three Features of Eco-Drive**
1. Runs even in dim light
  2. No need for regular battery replacement
  3. Runs for over six months even in darkness



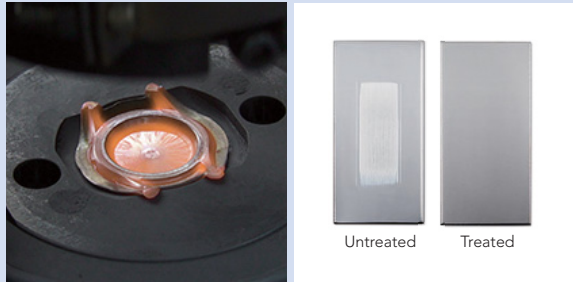
## Radio-Control Technology

CITIZEN has developed a number of radio-controlled watches, including the world's thinnest analog quartz radio-controlled model made with full-metal watch case and a watch featuring the world's smallest movement (less than 20 millimeters diameter). We have also developed Eco-Drive radio-controlled watches that can receive radio signals in four regions around the world. We are the leader of radio-controlled watch evolution. We also developed Eco-Drive Satellite Wave, the world's first analog light-powered watch that receives time signals from GPS satellites orbiting the earth at an altitude of approximately 20,000 kilometers. In addition to receiving time signals, the Eco-Drive Satellite Wave GPS watch is equipped with a function to receive position information that enables the watch to automatically identify the time zone and update time and date information.

## Technologies for Watch Exteriors

Anti-reflection coating is a surface treatment technology that enhances dial visibility. Thin film is stacked in multiple layers with a thickness of just a few nanometers to reduce glare on the crystal (glass surface) of the watch. Coating is generally applied to the inside of the crystal, but CITIZEN has developed a thin, highly transparent film that is scratch- and stain-resistant, making double anti-reflective coating a reality.

Duratect is a surface-hardening technology. Applied to a material's surface it can increase the surface hardness of the material by three to five times, making it possible to maintain a beautiful, long-lasting shine.

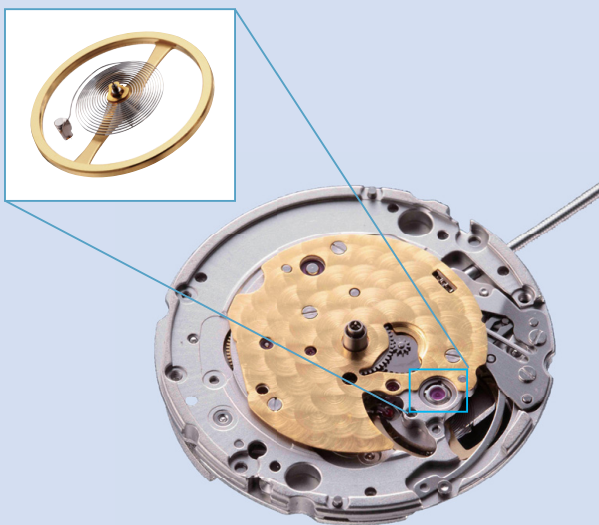


Titanium pressing

Duratect scratch comparison

## Watch Assembly Techniques

“Super Meister” is the title given to our highest-ranking craftsman—someone who has acquired the most advanced skills and successfully completed a challenging skill examination program. The Super Meister is responsible for assembling high-end product line items, including The CITIZEN and high-end radio-controlled watches. A serial number is engraved on the back of each watch, making it possible to identify the watchmaker. Among past and present Super Meisters, one has been awarded the Medal with Yellow Ribbon by the Emperor of Japan, and two have been selected for the Contemporary Master Craftsman Award by Japan’s Ministry of Health, Labour and Welfare. CITIZEN continues to uphold the tradition of passing down the techniques of its craftspeople person-to-person, which machines cannot hope to reproduce.



## Technologies for Mechanical Movements

CITIZEN has not only developed processing and assembly equipment exclusively for manufacturing watches, but is a true *manufacture d’horlogerie* that can carry out in-house production of everything from hairsprings—critical parts that require highly advanced technology and few companies are capable of producing—to jewels and gears. Our original manufacturing technologies have enabled us to achieve high productivity and the high level of quality our customers trust. These technologies are also used in quartz watches and Eco-Drive products.

## Movements

The movement is the controller at the heart of a watch. CITIZEN’s sales of movements to outside customers are among the highest in the industry. They are highly regarded in the global market for quality and reliability. In Japan, we apply rigorous quality control to produce mechanical and quartz movements, which incorporate high-precision metal parts, for use in a variety of watch brands. We have made continuous improvements to the long-selling Cal. 2035, which has a 30-year history, and in mechanical movements, we are developing the Cal. 9000 series. As a pioneer in the movement industry, we will continue to create new value.



## Machine Tools

### Main Operating Companies

Citizen Machinery Co., Ltd.;  
Miyano Service Engineering, Inc.



## Establish a Position as a “New Manufacturing (*Monozukuri*) Company” Creating the World’s Most Advanced Solution for Innovative Manufacturing

### Target Indices (FY2021)

Net Sales

**80.0** billion yen

Operating Profit

**13.0** billion yen

### Key Strategies

- 1 Establish a firm business base through innovative manufacturing
- 2 Promote sales in existing businesses
- 3 Expand business tailored to the age of IoT and ICT (solutions business)

## Review of CITIZEN Global Plan 2018

Under the previous medium-term business plan, CITIZEN Global Plan 2018, we faced a difficult start in FY2013, a period when customers were reining in capital investments. Our business vision was to establish a position as a “new manufacturing (*monozukuri*) company” creating the world’s most advanced solution for innovative manufacturing, to build Machine Tools into CITIZEN’s second core business. As a result, with an upturn in the domestic and global machine tools market as the impetus, we were able to achieve the quantitative goals of CITIZEN Global Plan 2018 ahead of schedule, generating solid performance both in Japan and globally. We outperformed the market in terms of growth, enabling Machine Tools to take its place as CITIZEN’s second core business.

Following its establishment, Citizen Machinery has undergone a number of organization and business transformations. Since 2013, we have strived to realize the business vision formulated at that time, achieving

alignment between employees with different backgrounds and vectors to act as a single unit. Our successes are the result of those efforts.

*Ko No Ryosan* (mass customization in CITIZEN’s style) is the key to realizing our vision. This concept combines the efficiency of mass production with the flexibility of giving customers “what they want, as much as they want, when they want it, where they want it.” That is what we mean by the world’s most advanced solution for innovative manufacturing. In product development, our basic philosophy is that the answer can always be found in the field. Listening to what our customers say is a source of development insights. A good example of this is our development of low frequency vibration cutting (LFV) technology, an innovative way to deal with cuttings, which are a common issue in lathing. Rolling out this innovation across a range of products was a major success.

At the Japan International Machine Tool Fair in 2018, we proposed integrating “machinery,” “IoT,” and “mastering technology” into one solution, representing our theme for the fair “Leveraging engineers, leveraging machines, leveraging technology,” and unveiled new products aimed at solving customer issues.



Message from the  
Director in Charge

Our aim is to provide customers  
with total solutions that offer  
the best possible performance.

Keiichi Nakajima Director



## Areas of Focus under Medium-Term Management Plan 2021

For the past few years, the machine tools sector has seen brisk activity worldwide, but in the second half of 2018 it showed signs of slowing down. In some ways, the Machine Tools business is susceptible to economic trends, but in the medium-to-long term, we think IoT, automation and emerging markets will spur new demand, and becoming established under our business vision as a “new manufacturing (*monozukuri*) company” will lead us to a new period of growth.

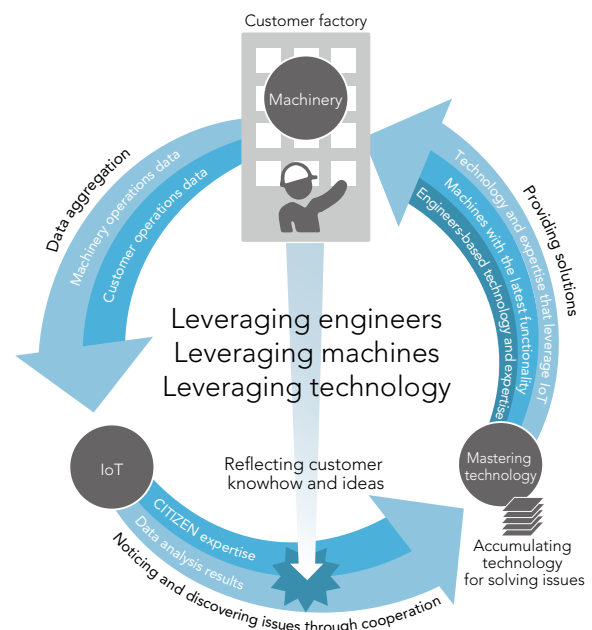
Under Medium-Term Management Plan 2021, to support the creation of customer value, we will take steps to realize three priorities: 1) Establish a firm business base through innovative manufacturing; 2) Promote sales in existing businesses; and 3) Expand business tailored to the age of IoT and ICT (solutions business).

To establish a firm business base, we will realize innovative manufacturing that maximizes the efficiency of current management resources, and thereby promote the creation of a framework for growth. We will review and revise processes for manufacturing and operations to promote transformation toward robust profitability. More specifically, we need to identify what optimization means. We will promote automation and smart technologies in our factories in Japan and worldwide, and eliminate waste in all processes, including development, production, sales and service. Our employees must take responsibility and realize that their own evolution is the source of our customers’ competitiveness, and they must act quickly and resolutely to maximize our customers’ ability to create value, seeing themselves as partners and contributors in this process.

Promoting sales in existing businesses will entail increasing sales in China, India and the ASEAN region. We must focus on promoting sales of low-priced models, LFV models, automation equipment and mid-priced models capable of process integration. In Japan, the U.S. and Europe, our goal is to maintain or increase market share. We are focused on trends in the automotive sector, which has the greatest influence on sales of automatic lathes. Our plan is to strengthen global sales and service systems

for the MC20 Multi-Station Machining Cell, which has a strong record in the machining of automobile parts. We will continue to focus our efforts on the MC20, which, as a next-generation automatic lathe capable of both mass production and high-mix, variable-volume production, combines the strengths of the Cincom and Miyano ranges.

Expanding business tailored to the age of IoT and ICT (solutions business) will require us to provide greater added value to our customers. This means not simply products, but solutions that combine “machinery,” “IoT,” and “mastering technology.” In all of this, we will remain a step ahead. More specifically, as part of our “alkappliesolution” concept for building up stock-type services, we will develop new kinds of services for machinery, such as support for greater capacity utilization and program creation. By promoting this approach, we will continue to provide total solutions that contribute to customers’ growth.



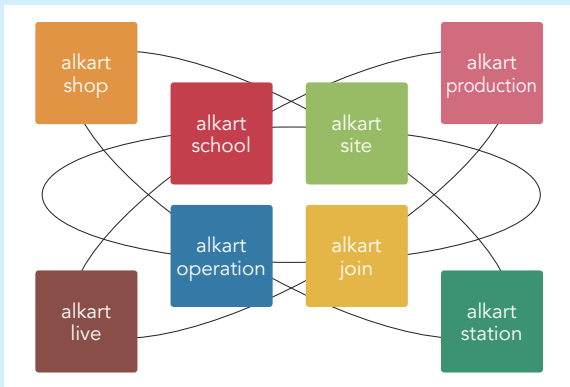
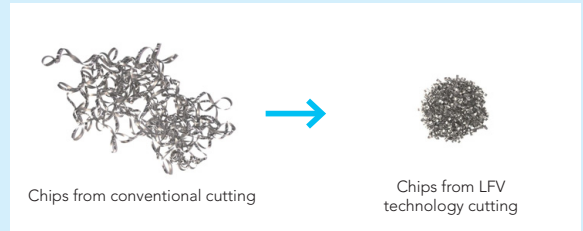
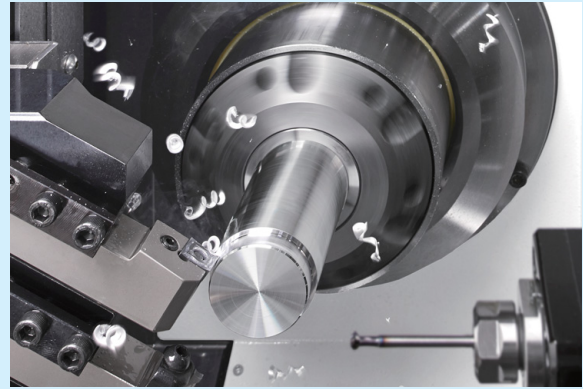
# Advanced Manufacturing

## LFV Technology

Low frequency vibration cutting (LFV<sup>1</sup>) technology is a next-generation processing technology that leads to productivity improvements. LFV technology applies proprietary CITIZEN control technology that vibrates the servo axis in the cutting direction, allowing for “air cutting” time in which the tool is not in contact with the workpiece and thereby breaking up chips during the cutting process. This solves a number of long-standing chip-related issues, such as how to improve the efficiency of small-diameter, deep-bore machining, or break up chips produced when working with difficult-to-cut materials, which tend to generate long strips. In addition, this technology dramatically reduces chip volume and helps prevent defects on the workpiece surface, thereby achieving high-precision machining over extended periods of time.

CITIZEN has also developed a new “threading mode.” A step beyond conventional LFV technology, LFV utilized in threading mode (patent pending) is an innovative technology that breaks up chips when threading by vibrating the servo axis in the thread cutting direction (X-axis) while cutting in the longitudinal direction (Z-axis).

1. LFV is a registered trademark of Citizen Watch Co., Ltd.



Overview of alkapplysolution services



Remote support by engineers



Repair service

## alkapplysolution: A Total Solution

alkapplysolution is an innovative online-enabled service that offers diverse solutions. It combines an array of technical and functional expertise accumulated at Citizen Machinery over many years with information and communication technology. It brings together many of the key elements required for *Ko No Ryosan* (mass customization in CITIZEN’s style), including employee development, program creation and independent maintenance; production instructions; machine control and monitoring; and remote maintenance support. At the same time, it serves to combine and integrate a wide range of mechanical equipment functions and technical expertise from engineers, plant managers and others. With our sights set on global-scale manufacturing, we will soon make it possible to connect multiple remote plants to operate as one.

## CNC Automatic Lathes

Lathes, which cut materials as they turn, are an essential tool in manufacturing. In the 1950s, computer numerical control technology brought about the creation of NC lathes, which automated manual operation processes. Automation continued to advance, and in 1968 we developed the world's first computerized CNC automatic lathe. Today we are a leader in global share.

### Sliding Headstock Type CNC Automatic Lathes Cincom

In addition to small-diameter, high-precision processing and miniaturization technologies accumulated through the manufacturing of watch components, with Cincom we have developed and commercialized a number of other advanced technologies, including numerical control technologies for achieving high productivity as well as networking technologies. Cincom offers high-precision, high-speed machining performance and a reputation for ease of use. We also offer software applications optimized to meet the machining needs of individual parts, and contribute to manufacturing innovation in a wide range of industries, including the automotive, medical and IT sectors.



Cincom A20



BNC42

### Fixed Headstock Type CNC Automatic Lathes Miyano

Miyano began as a manufacturer of superfine industrial files. In 1948, using its own technology, Miyano succeeded in developing the first fixed headstock automatic lathe in Japan. The high rigidity of the lathe's headstock made heavy cutting cycles possible, and it has been well received by customers around the world. We meet a diverse range of manufacturing needs through total solutions that include an extensive lineup of products and peripheral equipment. We continue to provide highly reliable, durable machines, primarily for customers in the automotive, construction equipment and hydraulic/pneumatic equipment fields.

### Multi-Station Machining Cell MC20

Manufacturing in the twenty-first century must be able to accommodate two extremes: mass production and high-mix, variable-volume production. The MC20 Multi-Station Machining Cell makes *Ko No Ryosan* (mass customization in CITIZEN's style) a reality. It offers a combination of processing modules that allow for optimized allocation of processing steps and flexible handling of a variety of process layouts.

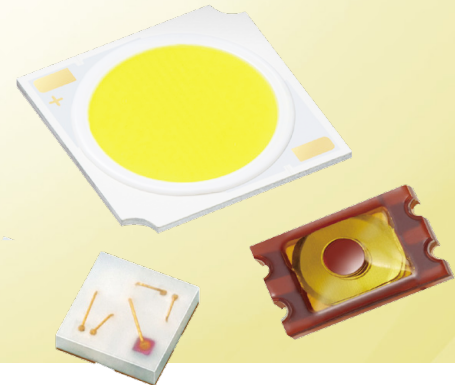


MC20

## Devices and Components

### Main Operating Companies

Citizen Electronics Co., Ltd.; Citizen Finedevice Co., Ltd.; Citizen Micro Co., Ltd.; Citizen Electronics Timel Co., Ltd.; Citizen Electronics Funehiki Co., Ltd.; Fujimi Corporation; Citizen Chiba Precision Co., Ltd.



Establishing a Top Position in Specific Fields  
by Offering Differentiated Products

### Creating the Next Generation of Growth Businesses

#### Key Strategies

- 1** **Develop a diverse lineup of automotive-related products centered on the precise metal part machining business**
  - Establish competitive advantages centered on the automotive components business
  - Advance the shift to high-value-added products, mass production and rationalization, expanding into areas beyond automotive-related products
- 2** **Expand the range of high-quality, high-value-added products in response to market changes**
  - Expand market share using proprietary and differentiated technologies, including LEDs and tactile switches
- 3** **Enhance management stability by improving profitability**

### Areas of Focus under Medium-Term Management Plan 2021

Leveraging our miniaturization, precision processing, and low power consumption technologies developed in the manufacture of watches, we make a wide range of components and products that support the lives of people and society.

Under Medium-Term Management Plan 2021, we will establish competitive advantages centered on our core precise metal part machining technology. In automotive components, we offer products in the areas of safety, comfort, the environment, and controls, and primarily supply functional components to automotive manufacturers around the world. We are working to create added value through the rationalization and integration of processing systems made possible with manufacturing facilities we have designed ourselves, as we pursue expansion into areas beyond automotive-related products.

We develop products to be compact, lightweight and long-lasting. Our LEDs for lighting offer superior design and performance. Our tactile switches and crystal device components are vital in smartphones and digital cameras. Along with our ferroelectric liquid crystal on silicon (FLCOS) display technology, we will use these and other proprietary, differentiated technologies to expand our offering of high-quality, high-value-added products in response to market changes.

Our focus going forward will be on achieving greater levels of miniaturization, precision, and low power consumption. We will work to create the next generation of growth businesses by establishing a top position in specific fields and transitioning to a leaner earnings structure as we move to enhance management stability.



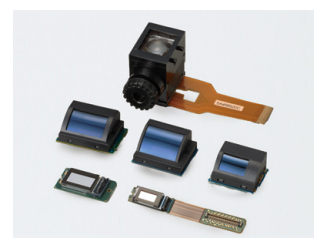
LEDs for lighting



Automotive components



Crystal units, crystal oscillators



Ferroelectric LCDs

## Electronic Products

Main Operating Company  
Citizen Systems Japan Co., Ltd.



### Providing Value to People around the World

Our Electronic Products business, based on compact precision technology originating from watchmaking, encompasses the printer business, including photo printers and compact printers; the health maintenance device business, including blood pressure monitors and digital thermometers; and the calculator business. Building on our core business of high-quality, high-reliability commercial printers and photo printers, we will work to expand into global niche markets with the goal of driving stable profits.

Electronic devices are increasingly important in a business environment that demands constant evolution, and in day-to-day life, where we seek to promote healthy, active lifestyles. We will continue to pursue new value and convenience while monitoring people's health and lifestyle needs.



Digital thermometers



Digital blood pressure monitors



CTD711 ear/forehead thermometer



Digital photo printers

## Other Products

Main Operating Companies  
Citizen Jewelry Co., Ltd.;  
Tokyo Bijutsu Co., Ltd.;  
Citizen Plaza Co., Ltd.



### Turning Technology for Keeping Time into Services for Providing Joy

The CITIZEN Group is also engaged in a variety of other businesses, including wedding rings and other jewelry, and leisure services such as ice skating and bowling facilities. In jewelry, we have launched a number of unique, trend-conscious products, including collaborations with fashion designers and the Disney Bridal Collection. Meanwhile, Citizen Plaza in Takadanobaba, Tokyo, operates a sports complex offering a year-round ice skating rink and a bowling alley with authentic wood lanes, as well as a culture center. It is also available for extracurricular school events.

We will continue to provide products and services that satisfy our customers by precisely responding to the needs of society and the needs of the times.



Citizen Plaza Ice Skating Rink



Citizen Plaza Bowling Center

# Corporate Governance

## Basic Approach to Corporate Governance

Loved by citizens, working for citizens—This is the sentiment from which Citizen Watch Co., Ltd. (“the Company”) derives its name and which it has made its Corporate Philosophy. The Company works to contribute to society and increase its corporate value through sustainable corporate activities, in harmony with the local community and the global environment. To continue to promote its aims, the Company believes it is important to ensure transparency in management and multi-faceted management oversight. Accordingly, the Company is striving to expand and enhance its corporate governance.

### Corporate Governance System

The Board of Directors of the Company consists of eight Inside Directors who oversee the Group and are responsible for business execution in principal operations, and three Outside Directors who review and monitor business management from an independent position, making the most of their extensive experience and knowledge of management. The Company is a company with an Audit & Supervisory Board, and audits are conducted by three Audit & Supervisory Board Members (two of whom are Outside Audit & Supervisory Board Members), who possess a high degree of knowledge and expertise regarding

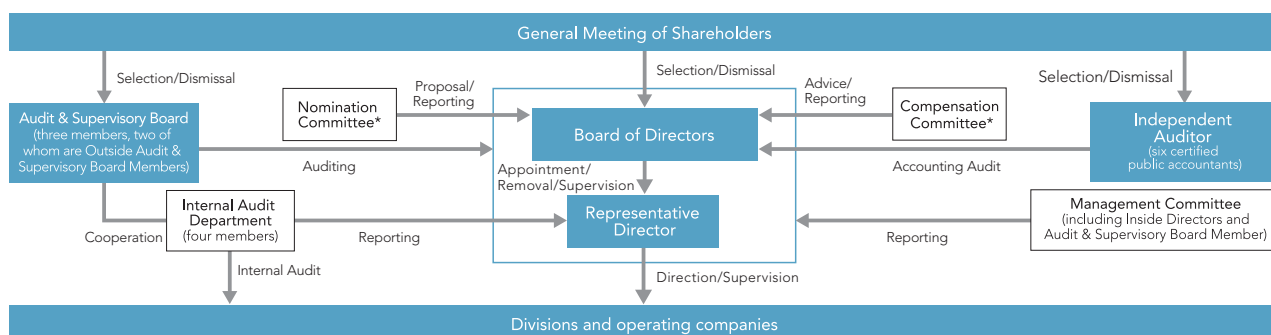
corporate finance and corporate law.

The Company has voluntarily established the Nomination Committee and the Compensation Committee to increase the transparency of management.

The main duties of the Nomination Committee include discussing matters concerning the appointment of Representative Directors, the President and CEO, and the Chairperson of the Board of Directors, and making proposals on such matters to the Board of Directors. The main duties of the Compensation Committee include discussing matters concerning the policies and standards of compensation for Directors, and providing advice on such matters to the Board of Directors.

Committee members are appointed by resolution of the Board of Directors. Each committee consists of at least three Directors, the majority of whom are Outside Directors and at least one of whom is a Representative Director. The Chairperson of each committee is an Outside Director, elected through the mutual consensus of committee members.

The Company has determined that the corporate governance system described above is adequate for ensuring the proper and efficient execution of duties, management transparency and multi-faceted management oversight.



\* Chairperson: Outside Director  
Members: Three or more Directors (majority Outside Directors, at least one Representative Director)

## Outside Officers

The Company has appointed three Outside Directors and two Outside Audit & Supervisory Board Members. The three Outside Directors have extensive experience and broad insights as managers and as an attorney-at-law, which they use to review and monitor the Company’s management. The two Outside Audit & Supervisory Board

Members have extensive experience, broad insights, and expertise relating to finance and accounting as a banker and an attorney-at-law, which they use to audit the Company. The Company has determined that the system described above is adequate for maintaining and promoting corporate governance.

	Name	Reasons for Appointment
Outside Director	Fumiaki Terasaka	To utilize his considerable experience in and extensive knowledge of management to check and supervise the Company’s management, the Company has appointed him as Outside Director.
Outside Director	Toshiko Kuboki	Ms. Toshiko Kuboki has extensive experience and knowledge as an attorney-at-law, and the Company expects that she will be able to utilize her professional point of view as an attorney-at-law and her experience as an outside director of another company to check and supervise the Company’s management, and in light of her achievements as an Outside Audit & Supervisory Board Member of the Company, the Company believes she is suitable for the position of Outside Director. While Ms. Kuboki has not been involved in the management of a company aside from her position as an outside director or as an Outside Audit & Supervisory Board Member of the Company, the Company deems that she has thorough knowledge of corporate legal affairs as an attorney-at-law and will be able to properly perform her duties as an Outside Director, and has newly appointed her as Outside Director.
Outside Director	Yoshio Osawa	In the belief that Mr. Yoshio Osawa will utilize his considerable experience in and extensive knowledge of management to check and supervise the Company’s management, the Company has newly appointed him as Outside Director.
Outside Audit & Supervisory Board Member	Noboru Akatsuka	Mr. Noboru Akatsuka has been managing banks and companies for many years and has extensive knowledge and experience thereof. The Company believes he will utilize such knowledge and experience to audit the Company, and has appointed him as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Yaeko Ishida	Ms. Yaeko Ishida has extensive experience and knowledge as an attorney-at-law, and since she will be able to utilize her professional point of view as an attorney-at-law to audit the Company, the Company believes that she is suitable for the position of Outside Audit & Supervisory Board Member. While Ms. Ishida has not been involved in the management of a company, the Company deems that she has thorough knowledge of corporate legal affairs as an attorney-at-law and will be able to properly perform her duties as an Outside Audit & Supervisory Board Member, and has newly appointed her as Outside Audit & Supervisory Board Member.

## Officer Compensation

Regarding the amount of officer compensation, the Company bases its decisions on the amount of earnings improvement it desires, the level considered appropriate to secure outstanding personnel, changes in the management environment, external data, levels prevalent at other companies, as well as details of

management duties. Also, regarding decisions about executive bonuses, in addition to the above considerations, it considers financial benchmarks (sales, operating profit, etc.) and non-financial benchmarks (corporate structure improvement, systemic improvement, ideas for the future, etc.).

### Total Officer Compensation

Category	No. of officers	Total amount of compensation, etc. (millions of yen)	Of which, fixed compensation (millions of yen)	Of which, bonuses (millions of yen)	Of which, performance-linked share-based compensation (millions of yen)
Directors [of whom, Outside Directors]	10 [2]	271 [19]	174 [19]	85 [—]	11 [—]
Audit & Supervisory Board Members [of whom, Outside Audit & Supervisory Board Members]	4 [3]	42 [24]	42 [24]	— [—]	— [—]
Total [of whom, Outside Officers]	14 [5]	313 [43]	216 [43]	85 [—]	11 [—]

- (Notes) 1. The above figures include Audit & Supervisory Board Members who retired at the conclusion of the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018.  
 2. The above amount of bonuses (85 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 134th Ordinary General Meeting of Shareholders scheduled to be held on June 26, 2019.  
 3. The above amount of performance-linked share-based compensation (11 million yen) for Directors (excluding Outside Directors; excluding Directors who are non-residents of Japan) is the amount that was recorded as an expense in the fiscal year under review.  
 4. The maximum allowance for the total amount of compensation, etc. for Directors (excluding Outside Directors) was set at 370 million yen per year (inclusive of bonuses, etc.) at the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018. Compensation for the performance of the duties of employees who also serve as Directors is included in the above compensation, etc.  
 5. Separate from Note 4 above, at the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018, the maximum allowance for the total amount of performance-linked share-based compensation for Directors (excluding Outside Directors; excluding Directors who are non-residents of Japan) was set at 300 million yen for a period of three fiscal years (and 100 million yen for the initial period starting from 2018).  
 6. The maximum allowance for the total amount of compensation, etc. for Outside Directors was set at 30 million yen per year at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. No bonuses will be paid to Outside Directors.  
 7. The maximum allowance for the total amount of compensation, etc. for Audit & Supervisory Board Members was set at 80 million yen per year at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. No bonuses will be paid to Audit & Supervisory Board Members.

## Evaluation of the Board of Directors' Effectiveness

Regarding the status of directors and auditors holding concurrent posts, facts are made public in the Company's business reports and in reference materials for the General Meeting of Shareholders. One Outside Director and one Outside Audit & Supervisory Board Member concurrently hold posts as outside officers of other listed

companies as of March 2019. The other Directors and Audit & Supervisory Board Members do not concurrently hold posts as officers of other listed companies, and hold positions only at the Company.

1. Method of Evaluation	2. Summary of Evaluation Results
<p>The Company administered a questionnaire to all members of the Board of Directors and the Audit &amp; Supervisory Board for the purpose of analyzing and evaluating the effectiveness of the Board of Directors. The Board of Directors then discussed the analysis and evaluation of the questionnaire.</p> <ul style="list-style-type: none"> <li>• Respondents: All Directors and Audit &amp; Supervisory Board Members (13 people)</li> <li>• Method: Questionnaire survey (non-anonymous; names will not be disclosed, in principle)</li> <li>• Period: March 2019</li> <li>• Questions: 21 in total               <ol style="list-style-type: none"> <li>Questions regarding the structure of the Board of Directors (4 questions)</li> <li>Questions regarding the management/administration of the Board of Directors (6 questions)</li> <li>Questions regarding the agenda items at meetings of the Board of Directors (7 questions)</li> <li>Questions regarding the systems that support the Board of Directors (4 questions)</li> </ol> </li> </ul>	<p>Based on the analysis and evaluation of the questionnaire regarding the effectiveness of the Board of Directors, the Directors and the Audit &amp; Supervisory Board Members generally gave high grades, and it was confirmed that the Board of Directors functioned effectively. The results of the evaluation for each question are as shown below.</p> <ol style="list-style-type: none"> <li><b>Structure of the Board of Directors</b> The structure of the Board of Directors was evaluated as generally appropriate, consisting of an appropriate number of members and reflecting an appropriate level of diversity. The opinion was expressed that, going forward, it would be desirable to increase the number of female members, and promote additional diversity.</li> <li><b>Management/Administration of the Board of Directors</b> The management/administration of the Board of Directors was evaluated as generally appropriate. Items to be deliberated are determined in advance and the frequency of the meetings is within an appropriate range. In particular, it was evaluated that the meeting materials for the Board of Directors have been enhanced and are easier to understand than previously.</li> <li><b>Agenda items at meetings of the Board of Directors</b> It was evaluated that agenda items are appropriately selected and discussions are held on agenda items that demonstrate the direction of the corporate strategy. Looking ahead, comments were made suggesting that the Board of Directors deepen the discussion on business reports, including progress, major risks and topics related to the medium-term management plan.</li> <li><b>Systems that support the Board of Directors</b> It was evaluated that training opportunities are appropriately provided to each Director and Audit &amp; Supervisory Board Member and that opportunities for requesting submission of information have been enhanced. In addition, the Nomination Committee and Compensation Committee were evaluated as functioning and providing reports appropriately.</li> </ol>
3. Future Initiatives	
<p>The Company will strive to improve issues recognized in the evaluation of the Board of Directors and further enhance the effectiveness of the Board of Directors.</p> <ul style="list-style-type: none"> <li>• The Board of Directors appointed one female Outside Director and one female Outside Audit &amp; Supervisory Board Member at the Ordinary General Meeting of Shareholders in 2019. The Company will make efforts to ensure diversity for further enhancement of the function of the Board of Directors.</li> <li>• Regarding business reports, including progress, major risks and topics related to the medium-term management plan, the Company will make efforts to further enhance agenda items by creating opportunities to discuss them on a regular basis at meetings of the Board of Directors.</li> </ul>	

### Enhancing Group Governance

The CITIZEN Group has established the Group Risk Management Committee to help achieve the Group's operating objectives and continue its sustainable development through the integrated management of and timely response to risks.

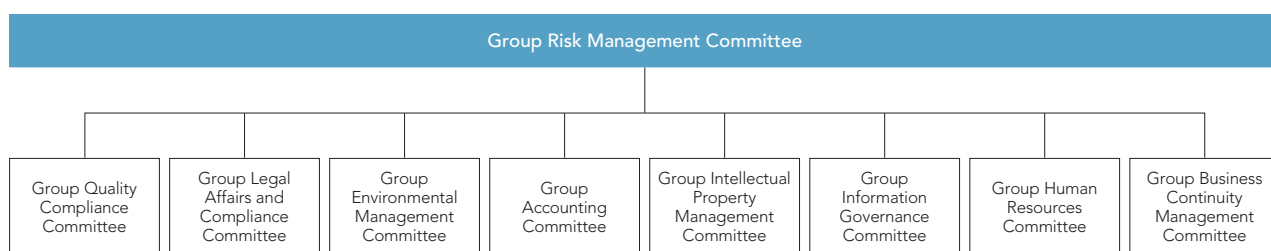
The Group Risk Management Committee's primary responsibilities are to identify and deal with key risks faced by the Group, and respond to new risks.

The President and CEO of the Company chairs the committee, which has established subcommittees for main risk themes. The officers in charge and risk management departments participate in these subcommittees. As a result, senior management is able to identify and address key risks including financial risks, compliance, business continuity planning, intellectual property, information security, labor practices, and ESG risks including those related to environmental issues. This system allows the Group to share risk

management expertise and information on managing key risks common to all Group companies and risks specific to each Group company, enabling consistent risk management Group-wide.

The CITIZEN Group has newly established the Group Quality Compliance Committee in order to consider and formulate measures to strengthen quality compliance for the entire Group. The committee is chaired by the Director in charge of Group risk management and is composed of quality officers for each Group company. Its primary responsibility is to handle quality compliance risks. In addition, we regularly conduct training, education and audits on the newly formulated CITIZEN Group Quality Assurance Code of Conduct to improve awareness of quality compliance throughout the Group.

The CITIZEN Group will continue to make improvements to strengthen risk management Group-wide.



### Ensuring Appropriate Conduct of Business by Subsidiaries

Based on rules and regulations for subsidiaries and affiliates, the Company manages and guides the development of management systems and internal control systems at its subsidiaries.

With regard to the individual business activities of the CITIZEN Group, the Company thoroughly disseminates the management policies and plans it has formulated, and clarifies the authority and responsibility of Group companies. Group companies are responsible for autonomous management based on the industry characteristics and other aspects of each business.

In addition, the Group shares information about and collaborates on key issues for Group businesses through meetings including Management Committee meetings and liaison conferences attended by Group companies.

Furthermore, subsidiaries are required to submit regular reports at Business Control and Management Committee meetings and Watch Group Control Committee meetings on the status of business conduct. The Audit Office also monitors subsidiaries through audits.

### Other Corporate Governance Matters

#### Company Institutions and Internal Control System

The Company holds meetings of the Management Committee comprising full-time Directors and full-time Audit & Supervisory Board Members to ensure prompt management decision-making and management transparency. The committee fully discusses and conducts advance deliberations on matters relevant to management decisions and other important management matters of the Board of Directors.

The Board of Directors makes decisions relevant to business execution and supervises business execution. With regard to business execution, Representative Directors, Directors in charge, and operating officers manage businesses.

The Board of Directors met 17 times during FY2018, and all Directors and all Audit & Supervisory Board Members attended all meetings held during their respective terms of office.



# Management Team



## Directors

- 1 Toshio Tokura**  
Chairman of the Board of Directors  
Toshio Tokura has a wealth of experience and connections in all areas of corporate management and an extensive track record as the former President and CEO in charge of the management of the Group. He assists the current President and CEO in carrying out duties pertaining to the Group's external activities and governance by making use of his experience, connections and track record. He assumed his current post in 2019.
- 2 Toshihiko Sato**  
President and CEO  
Toshihiko Sato has a record of achievements and experience in running the Devices and Components business, as well as being responsible for watch manufacturing. He leverages this record to promote Group business as he leads management through the execution of CITIZEN Group Medium-Term Management Plan 2021. He assumed his current post in 2019.
- 3 Norio Takeuchi**  
Managing Director, Senior General Manager of Watch Business Division  
Norio Takeuchi has an impressive record in sales strategy and brand strategy in the Watches business as Director, and experience in managing overseas subsidiaries involved in watch and clock sales. He assumed his current post in 2017.
- 4 Toshiyuki Furukawa**  
Director, General Manager of Corporate Planning Division and in charge of Accounting Department, Public & Investor Relations Department and IT Management Department  
As General Manager of the Corporate Planning Division, Toshiyuki Furukawa has a record of achievements in formulating group management strategy, and as Director has experience leading the Corporate Planning Division, Accounting Department, and the Public & Investor Relations Department. He assumed his current post in 2016.
- 5 Keiichi Nakajima**  
Director  
Keiichi Nakajima has mainly been involved in the Machine Tools business, driving the Machine Tools business as a whole and promoting business strategies as President of Citizen Machinery Co., Ltd. He assumed his current post in 2013.
- 6 Shinji Shirai**  
Director, Senior General Manager of Manufacturing Technology Division and in charge of Quality Assurance Department  
After being involved in watch and clock manufacturing at the Company's subsidiaries, Shinji Shirai gained experience managing watch manufacturing subsidiaries. He also has experience in operations involving watch manufacturing, technologies and product development. He assumed his current post in 2017.
- 7 Yoshitaka Oji**  
Director, Senior General Manager of Product Development Division and Watch Development Division, and Senior General Manager of R&D Center  
After being involved in watch and clock sales at one of the Company's overseas subsidiaries, Yoshitaka Oji gained experience as General Manager of the Corporate Planning Division, promoting management strategy in the Watches business and product development of watches and clocks. He assumed his current post in 2017.
- 8 Yoshiaki Miyamoto**  
Director, Group Risk Management, General Manager of General Affairs Division and in charge of Personnel Division, CSR Department and Environmental Management Department  
After being involved in the startup of new plants at Group overseas subsidiaries engaged in watch and clock manufacturing, Yoshiaki Miyamoto managed overseas subsidiaries responsible for watch and clock sales. He also has experience as Senior Operating Officer with responsibility for Group risk management, general affairs and personnel. He assumed his current post in 2018.

- 9 Fumiaki Terasaka**  
Outside Director **Independent**  
(Career Summary)  
2004 Operating Officer and Director of Kyushu Sales & Marketing Division of Sapporo Breweries Ltd.  
2004 Director and Senior Officer, Director of Marketing Division of Sapporo Breweries Ltd.  
2005 Director and Executive Managing Officer, Director of Marketing Division of Sapporo Breweries Ltd.  
2009 Executive Managing Officer of Sapporo Breweries Ltd.  
2010 President and Representative Director of Sapporo Breweries Ltd.  
2010 Managing Director and Group Operating Officer of Sapporo Holdings Limited  
2013 Advisor of Sapporo Breweries Ltd.  
2014 Senior Advisor of Sapporo Breweries Ltd.  
2015 Outside Audit & Supervisory Board Member of Daisy Corporation (present)  
2017 Outside Director of Fujitsu General Limited (present)  
2017 Outside Director of the Company (present)
- 10 Toshiko Kuboki**  
Outside Director **Independent**  
(Career Summary)  
1987 Registered as an attorney-at-law  
2002 Conciliation Commissioner of Tokyo Family Court (present)  
2009 Retirement Benefit Examination Committee Member of Board of Audit of Japan (present)  
2012 Visiting Professor of Graduate School of Law, Chuo University (present)  
2013 Municipal Board of Education Member of Chuo-ku, Tokyo (present)  
2015 Outside Director of Qol Co., Ltd. (Currently Qol Holdings Co., Ltd.) (present)  
2015 Outside Auditor of Kyodo News (present)  
2016 Outside Audit & Supervisory Board Member of the Company  
2019 Outside Director of the Company (present)
- 11 Yoshio Osawa**  
Outside Director **Independent**  
(Career Summary)  
2003 Corporate Officer and General Manager of Network Division of Sumitomo Corporation  
2003 Director of Sumisho Electronics Co., Ltd.  
2003 Director of Sumisho Computer Systems Corporation (Currently SCSK Corporation)  
2005 Executive Officer and General Manager of Network Division of Sumitomo Corporation  
2007 Director of Jupiter Telecommunications Co., Ltd.  
2007 Executive Officer and General Manager of Media Division of Sumitomo Corporation  
2008 Managing Executive Officer and General Manager of Media, Network & Lifestyle Retail Business Unit of Sumitomo Corporation  
2008 Representative Director and Managing Executive Officer of Sumitomo Corporation  
2011 Representative Director and Senior Managing Executive Officer of Sumitomo Corporation  
2013 Representative Director, President and Chief Operating Officer of SCSK Corporation  
2015 Representative Director and President of SCSK Corporation  
2016 Director and Chairman of the Board of SCSK Corporation  
2017 Director of SCSK Corporation  
2018 Outside Director of Canon Marketing Japan Inc. (present)  
2019 Outside Director of the Company (present)

## Auditors

- 12 Yoshio Takada**  
Audit & Supervisory Board Member (Full-time)  
Yoshio Takada has mainly been involved in accounting operations, having held several managerial positions in accounting departments of the Company, following which he also had experience managing a subsidiary as Director and CEO. He assumed his current post in 2017.
- 13 Noboru Akatsuka**  
Audit & Supervisory Board Member (Full-time), Outside Audit & Supervisory Board Member **Independent**  
(Career Summary)  
1981 Joined Dai-ichi Kangyo Bank, Limited  
2005 General Manager of Asia Corporate Banking of Mizuho Corporate Bank, Ltd. (Currently Mizuho Bank, Ltd.)  
2007 General Manager of Overseas Business Promotion Division of Mizuho Corporate Bank, Ltd.  
2008 General Manager of Corporate Banking Division No. 18 of Mizuho Corporate Bank, Ltd.  
2009 Executive Officer of Mizuho Corporate Bank, Ltd.  
2011 Managing Executive Officer of Century Tokyo Leasing Corporation  
2016 Counselor of Century Tokyo Leasing Corporation  
2016 Chairman of Fujitsu Leasing Co., Ltd.  
2018 Audit & Supervisory Board Member (Full-time) of the Company (present)
- 14 Yaeko Ishida**  
Outside Audit & Supervisory Board Member **Independent**  
(Career Summary)  
2000 Registered as an attorney-at-law  
2007 Judicial Commissioner of Tokyo Summary Court  
2016 Conciliation Commissioner of Tachikawa Branch of Tokyo Family Court (present)  
2019 Outside Audit & Supervisory Board Member of the Company (present)

### Independent

Independent officer pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

Notes: For more information on the nomination of Outside Directors and Outside Audit & Supervisory Board Members, see page 28. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.

# Analysis of Operating Results

## Fiscal Year-End Operating Results

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Year-on-year change	Percentage change
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 investment and consumer spending remained steady, despite concern over developments related to trade with other countries.

Meanwhile, economic recovery in Europe slowed due to the growing seriousness of trade issues and political uncertainty. The Asian economy continued its overall growth and recovery trend, despite some weakness evident in the Chinese market.

Against this backdrop, in the final year of CITIZEN Global Plan 2018, the medium-term management plan launched in February 2013, the CITIZEN Group sought to facilitate the implementation of new growth strategies, mainly in the Watches business, to achieve the aim of becoming a Solid Global Company, while simultaneously strengthening its earning capacity through manufacturing innovations.

In the CITIZEN Group's consolidated results for the fiscal year under review, net sales increased 0.5% year on year, to 321.6 billion yen, while operating profit decreased 10.1%, to 22.4 billion yen. Ordinary profit decreased 0.2% year on year, to 26.6 billion yen, and profit attributable to owners of parent declined 30.7%, to 13.3 billion yen, due to the posting of an extraordinary loss.

## Analysis of Financial Position

### • Assets at Fiscal Year End

As of March 31, 2019, total assets increased by 4.0 billion yen year on year, to 413.9 billion yen. Current assets increased by 5.9 billion yen, to 258.9 billion yen, mainly attributable to factors such as a 7.6 billion yen rise in inventories and a 2.1 billion yen increase in notes and accounts receivable – trade, despite a 5.2 billion yen decrease in cash and deposits. Non-current assets (property, plant and equipment, net plus total investments and other assets) decreased by 1.9 billion yen, primarily due to a 6.0 billion yen decrease in investment securities and a 4.3 billion yen decrease 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 a 2.0 billion yen increase in the total of long-term and short-term loans payable and a 0.7 billion yen increase 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 increase in retained earnings and a 1.2 billion yen increase in foreign currency translation adjustment, in spite of a 3.7 billion yen decline in valuation difference on available-for-sale securities.

### • 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 profit before income taxes, 13.9 billion yen in depreciation, and 5.6 billion yen in impairment loss, offset by 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, offset by 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 included 3.7 billion yen in repayments of long-term loans payable and 7.4 billion yen in cash dividends paid, offset by factors increasing cash flow 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 fiscal year.

## 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 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.

# Risks

The following factors may affect the CITIZEN Group's operating results, financial position, stock price and other figures.

## **(i) Risks regarding our businesses**

The CITIZEN Group's main business is to manufacture and sell watches, machine tools, devices and components, and electronic products.

The Group operates its business all over the world, and our customers include both individuals and a wide range of manufacturers. Our operating results are therefore influenced by a variety of factors, some of which are listed below.

### **Watches**

Competition in the watch market is intensifying, not only from Japanese brands, but also from high-end Swiss brands, low-end Chinese manufacturers, and smartwatch manufacturers, along with alternative products such as smartphones with watch functions. In the movement sector, the analog quartz market centering on low-priced products has been contracting, and we are facing an environment in which prices are declining as a result of increasing competition due to the rise of Chinese manufacturers. Consequently, there is a risk of declines in our product sales and market share.

### **Machine Tools**

The Machine Tools business is susceptible to the effects of economic cycles and fluctuations in corporate capital investment. The global economy has been showing signs of slowing, due mainly to the trade friction between the U.S. and China, and Brexit. This may affect the Group's operating results.

### **Devices and Components**

The Devices and Components business is characterized by rapid technological innovation and fierce competition between companies, meaning that declining sales prices or delays in development, for example, can have a significant impact on business results. Precision machining components are susceptible to customer trends, including automotive and smart phone manufacturers. As for opto-devices, patent licensing agreements are concluded for manufacturing certain products. Our business results could be affected should a cooperative relationship underpinning a patent agreement break down and access to the patent be lost.

### **Electronic Products**

The Electronic Products business is susceptible to declining capital expenditure and personal spending as a result of changing economic conditions. With intense competition, not only from domestic manufacturers but also from electronics manufacturers in China and other countries, and rapid technological innovation, business results could also be impacted by declining sales prices or development delays, for example.

## **(ii) Overseas sales**

Overseas sales account for a high percentage of the Group's overall product sales. As our products are sold worldwide, our operating results may be affected by economic and consumer trends in each area, as well as by political and socioeconomic factors.

## **(iii) Foreign currency fluctuation risks**

As overseas sales account for a high percentage of the Group's product sales, as mentioned in (ii) above, we enter into foreign currency contracts, currency options and other such transactions to hedge against risks. Although we are expanding and strengthening our overseas production, currency fluctuations may still affect the Group's operating results.

## **(iv) Manufacturing in China**

China is one of the Group's main production bases. It is therefore possible for our operating results to be affected by factors in China, such as the suspension of production due to problems, the enactment of new regulations that could affect production, or the sharp appreciation of the Chinese yuan.

## **(v) Impairment loss**

An impairment loss would be applicable if the market values of the Group's assets were to decline significantly or the profitability of our business were to deteriorate. This may affect the Group's operating results and financial position.

## **(vi) Patents and intangible property**

As part of the Group's R&D and production activities, we make use of a variety of technologies covered by intellectual property rights. These include intellectual property rights that are owned by the CITIZEN Group, and others for which we believe we have legitimately received licenses to use.

Nevertheless, should a third party claim, based on grounds of which we are unaware, that its intellectual property rights have been violated, a dispute could arise that could affect the Group's business results.

For some products in particular, manufacturing is based on patent licensing agreements. If a cooperative relationship underpinning such an agreement were to break down, or access to the relevant patent were to be lost, it may affect our business results.

## **(vii) Risks related to natural disaster such as earthquakes**

We have established a Group risk management system to avoid any injury or damage to facilities in the event of a fire, an earthquake or other disaster through drills and other safety activities at our headquarters and works. In the event of a particularly serious earthquake or other such disaster, however, our production activities and product supplies may be affected. There may also be a significant impact on our operating results and financial position due to reconstruction costs, for example.

## **(viii) Risks related to M&As and business alliances**

We are committed to strengthening the Group's business foundations through M&As and business alliances. When undertaking such activities, we carry out comprehensive research into and examinations of the companies involved. Nevertheless, there may be issues that we discover later, such as unrealized liabilities or obstacles in implementing projects, which may materially affect the Group's operating results and financial position.

## **(ix) Risks related to borrowings**

The Group's borrowings include syndicated loans and commitment line agreements with financial institutions. Any violation of financial restrictions under such agreements could result in demands for the accelerated repayment of the relevant borrowings, which may affect the Group's financial position.

## **(x) Other risks**

The Group's operating results may be affected by a variety of factors in addition to the above, including changes in social infrastructure and market competition as a result of rapid advances in technology, changes in the Group's financial or managerial situation as a result of ongoing restructuring initiatives, trading restrictions in major markets in Japan or overseas, international taxation risks including the transfer pricing taxation system, or substantial changes in stock or bond markets.

# Consolidated Balance Sheets

Citizen Watch Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
<b>Current assets:</b>			
Cash and time deposits (Note 2 and 12)	¥ 92,079	¥ 86,875	\$ 782,664
Notes and accounts receivable – trade (Note 12)	62,013	64,139	577,831
Electronically recorded monetary claims (Note 12)	914	1,225	11,041
Inventories (Note 4)	90,541	98,202	884,710
Other current assets	8,405	9,653	86,972
Less: Allowance for doubtful accounts	(957)	(1,111)	(10,013)
Total current assets	252,997	258,985	2,333,205
<b>Property, plant and equipment (Note 10 and 15):</b>			
Buildings and structures	110,398	111,177	1,001,597
Machinery and equipment	125,640	127,353	1,147,332
Tools, furniture and fixtures	44,478	45,797	412,591
Leased assets	2,600	2,764	24,903
	283,118	287,092	2,586,423
Less: accumulated depreciation	(212,404)	(213,186)	(1,920,603)
	70,714	73,905	665,820
Land	10,293	10,326	93,028
Construction in progress	3,971	5,437	48,986
Property, plant and equipment, net	84,979	89,669	807,834
<b>Investments and other assets:</b>			
Investment securities (Note 3 and 12)	46,043	39,974	360,132
Long-term loans (Note 12)	931	942	8,494
Goodwill (Note 10 and 15)	4,356	—	—
Software	3,940	4,402	39,661
Other intangible assets (Note 10)	3,744	4,323	38,946
Deferred tax assets (Note 2 and 5)	9,583	11,847	106,735
Others (Note 12)	3,556	4,057	36,552
Less: Allowance for doubtful accounts	(199)	(268)	(2,417)
Less: Allowance for loss on investments	(26)	(23)	(207)
Total investments and other assets	71,932	65,256	587,896
Total assets (Note 15)	¥ 409,909	¥ 413,911	\$ 3,728,935

See notes to consolidated financial statements.

**LIABILITIES AND NET ASSETS**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
<b>Current liabilities:</b>			
Short-term loans payable and current portion of long-term loans payable (Note 6 and 12)	¥ 6,880	¥ 13,987	\$ 126,010
Current portion of unsecured bonds (Note 6 and 12)	10,000	—	—
Notes and accounts payable – trade (Note 12)	21,267	20,496	184,656
Electronically recorded obligations – operating (Note 12)	14,164	14,896	134,201
Income taxes payable	4,884	2,139	19,274
Accrued expenses	13,509	13,395	120,680
Accrued bonuses	5,936	5,712	51,468
Provision for reorganization costs (Note 13)	822	484	4,364
Other current liabilities	9,353	10,628	95,753
Total current liabilities	86,818	81,741	736,406
<b>Long-term liabilities:</b>			
Long-term loans payable (Note 6 and 12)	32,146	27,077	243,941
Unsecured bonds (Note 6 and 12)	—	10,000	90,090
Deferred tax liabilities (Note 2 and 5)	1,587	791	7,130
Liability for retirement benefits (Note 7)	22,721	23,328	210,163
Provision for reorganization costs (Note 13)	913	816	7,358
Other long-term liabilities	2,008	2,609	23,505
Total long-term liabilities	59,377	64,622	582,187
Total liabilities	146,195	146,363	1,318,593
<b>Net assets:</b>			
Common stock			
Authorized—959,752,000 shares in 2019 and 2018	32,648	32,648	294,134
Issued—320,353,809 shares in 2019 and 2018			
Capital surplus	34,000	34,019	306,481
Retained earnings	176,117	181,995	1,639,597
Less: treasury stock, at cost (2,070,969 shares in 2019 and 2,068,533 shares in 2018)	(1,783)	(1,773)	(15,981)
Total shareholders' equity	240,983	246,889	2,224,231
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	11,909	8,111	73,079
Foreign currency translation adjustments	2,067	3,303	29,761
Accumulated adjustments for retirement benefits	(1,047)	(855)	(7,705)
Total accumulated other comprehensive income	12,928	10,559	95,135
Non-controlling interests	9,801	10,098	90,976
Total net assets	263,713	267,547	2,410,342
Total liabilities and net assets	¥ 409,909	¥ 413,911	\$ 3,728,935

# Consolidated Statements of Income

Citizen Watch Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1) (except per share amounts)
	2018	2019	2019
<b>Net sales (Note 15)</b>	¥ 320,047	¥ 321,652	\$ 2,897,768
<b>Cost of sales</b>	195,653	198,094	1,784,637
Gross profit	124,393	123,557	1,113,131
<b>Selling, general and administrative expenses (Note 7 and 8)</b>	99,473	101,146	911,229
Operating profit (Note 15)	24,920	22,411	201,902
<b>Other income (expenses):</b>			
Interest income	401	525	4,732
Dividend income	1,348	1,775	15,996
Interest expense	(470)	(387)	(3,494)
Foreign currency exchange gain (loss)	(343)	492	4,432
Subsidy income	766	754	6,801
Loss on disposal of property, plant and equipment	(528)	(884)	(7,967)
Gain on sales of property, plant and equipment	2,368	239	2,155
Gain on sales of investment securities	1,480	2,195	19,778
Gain on sales of shares of subsidiaries	14	—	—
Impairment loss (Note 10 and 15)	(378)	(5,688)	(51,251)
Reorganization costs (Note 13)	(1,532)	(2,507)	(22,588)
Special compliance expenses, etc. (Note 14)	(312)	(216)	(1,951)
Others, net	(291)	542	4,891
	2,522	(3,159)	(28,466)
<b>Income before income taxes and non-controlling interests</b>	27,442	19,251	173,436
<b>Income taxes (Note 5):</b>			
Current	7,633	7,010	63,155
Deferred	108	(1,550)	(13,972)
Total income taxes	7,741	5,459	49,183
<b>Net income</b>	19,700	13,792	124,253
Attributable to:			
<b>Owners of parent</b>	¥ 19,303	¥ 13,369	\$ 120,445
<b>Non-controlling interests</b>	397	422	3,808
	Yen		U.S. dollars (Note 1)
<b>Per share of common stock:</b>			
<b>Net income</b>			
Basic	¥ 60.65	¥ 42.00	\$ 0.38
<b>Cash dividends applicable to the year</b>	22.00	20.00	0.20

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Citizen Watch Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
<b>Net income</b>	¥ 19,700	¥ <b>13,792</b>	<b>\$ 124,253</b>
Other comprehensive income			
Unrealized gain on available-for-sale securities	1,577	(3,797)	(34,214)
Foreign currency translation adjustments	(990)	1,159	10,445
Adjustments for retirement benefits	122	209	1,891
Share of other comprehensive income of associates accounted for using equity method	(151)	126	1,135
Total other comprehensive income	557	(2,302)	(20,743)
Total comprehensive income	¥ 20,258	¥ <b>11,489</b>	<b>\$ 103,510</b>
Total comprehensive income attributable to:			
Owners of parent	¥ 19,979	¥ <b>11,000</b>	<b>\$ 99,105</b>
Non-controlling interests	278	<b>488</b>	<b>4,405</b>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Citizen Watch Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
<b>Shareholders' equity</b>			
Capital stock			
Balance at beginning of year	¥ 32,648	¥ 32,648	\$ 294,134
Balance at end of year	¥ 32,648	¥ 32,648	\$ 294,134
Capital surplus			
Balance at beginning of year	¥ 34,074	¥ 34,000	\$ 306,308
Changes of items during period			
Capital increase from acquisition of consolidated subsidiaries	(74)	19	173
Disposal of treasury stock	(0)	(10)	(98)
Transfer of loss on disposal of treasury stock	0	10	98
Total changes of items during period	(74)	19	173
Balance at end of year	¥ 34,000	¥ 34,019	\$ 306,481
Retained earnings			
Balance at beginning of year	¥ 162,224	¥ 176,117	\$ 1,586,643
Changes of items during period			
Dividends of surplus	(5,410)	(7,480)	(67,393)
Profit attributable to owners of parent	19,303	13,369	120,445
Transfer of loss on disposal of treasury stock	(0)	(10)	(98)
Total changes of items during period	13,892	5,877	52,954
Balance at end of year	¥ 176,117	¥ 181,995	\$ 1,639,597
Treasury stock at cost			
Balance at beginning of year	¥ (1,780)	¥ (1,783)	\$ (16,064)
Changes of items during period			
Purchase of treasury stock	(3)	(1)	(15)
Disposal of treasury stock	0	10	98
Total changes of items during period	(2)	9	83
Balance at end of year	¥ (1,783)	¥ (1,773)	\$ (15,981)
Total shareholders' equity			
Balance at beginning of year	¥ 227,168	¥ 240,983	\$ 2,171,021
Changes of items during period			
Capital increase from acquisition of consolidated subsidiaries	(74)	19	173
Dividends of surplus	(5,410)	(7,480)	(67,393)
Profit attributable to owners of parent	19,303	13,369	120,445
Purchase of treasury stock	(3)	(1)	(15)
Disposal of treasury stock	0	0	0
Total changes of items during period	13,815	5,906	53,210
Balance at end of year	¥ 240,983	¥ 246,889	\$ 2,224,231



	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities			
Balance at beginning of year	¥ 10,332	¥ 11,909	\$ 107,292
Changes of items during period			
Net changes of items other than shareholders' equity	1,577	(3,797)	(34,213)
Total changes of items during period	1,577	(3,797)	(34,213)
Balance at end of year	¥ 11,909	¥ 8,111	\$ 73,079
Foreign currency translation adjustments			
Balance at beginning of year	¥ 3,088	¥ 2,067	\$ 18,622
Changes of items during period			
Net changes of items other than shareholders' equity	(1,021)	1,236	11,139
Total changes of items during period	(1,021)	1,236	11,139
Balance at end of year	¥ 2,067	¥ 3,303	\$ 29,761
Remeasurements of defined benefit plans			
Balance at beginning of year	¥ (1,168)	¥ (1,047)	\$ (9,441)
Changes of items during period			
Net changes of items other than shareholders' equity	120	192	1,736
Total changes of items during period	120	192	1,736
Balance at end of year	¥ (1,047)	¥ (855)	\$ (7,705)
Total accumulated other comprehensive income			
Balance at beginning of year	¥ 12,252	¥ 12,928	\$ 116,473
Changes of items during period			
Net changes of items other than shareholders' equity	676	(2,368)	(21,338)
Total changes of items during period	676	(2,368)	(21,338)
Balance at end of year	¥ 12,928	¥ 10,559	\$ 95,135
<b>Non-controlling interests</b>			
Balance at beginning of year	¥ 9,795	¥ 9,801	\$ 88,299
Changes of items during period			
Net changes of items other than shareholders' equity	6	297	2,677
Total changes of items during period	6	297	2,677
Balance at end of year	¥ 9,801	¥ 10,098	\$ 90,976
<b>Total net assets</b>			
Balance at beginning of year	¥ 249,215	¥ 263,713	\$ 2,375,793
Changes of items during period			
Capital increase from acquisition of consolidated subsidiaries	(74)	19	173
Dividends of surplus	(5,410)	(7,480)	(67,393)
Profit attributable to owners of parent	19,303	13,369	120,445
Purchase of treasury stock	(3)	(1)	(15)
Disposal of treasury stock	0	0	0
Net changes of items other than shareholders' equity	682	(2,071)	(18,661)
Total changes of items during period	14,497	3,834	34,549
Balance at end of year	¥ 263,713	¥ 267,547	\$ 2,410,342

# Consolidated Statements of Cash Flows

Citizen Watch Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2019	2019
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 27,442	¥ 19,251	\$ 173,436
Depreciation	13,795	13,947	125,656
Increase (decrease) in provision for loss on business restructuring	(882)	(429)	(3,869)
Increase (decrease) in allowance for doubtful accounts	(91)	216	1,949
Increase (decrease) in other provisions	683	(4)	(36)
Increase (decrease) in net defined benefit liability	840	817	7,367
Amortization of goodwill	1,579	400	3,608
Interest and dividend income	(1,750)	(2,300)	(20,728)
Interest expenses	470	387	3,494
Loss (gain) on sales of investment securities	(1,480)	(2,195)	(19,778)
Loss (gain) on sales of shares of subsidiaries	(14)	—	—
Loss (gain) on sales of property, plant and equipment	(2,368)	(239)	(2,155)
Loss on retirement of property, plant and equipment	480	863	7,779
Decrease (increase) in notes and accounts receivable – trade	(1,480)	(1,646)	(14,829)
Decrease (increase) in inventories	(6,705)	(7,051)	(63,523)
Increase (decrease) in notes and accounts payable – trade	2,669	(415)	(3,742)
Impairment loss	378	5,688	51,251
Other, net	2,959	329	2,968
Subtotal	36,527	27,622	248,848
Interest and dividend income received	1,753	2,300	20,724
Interest expenses paid	(480)	(388)	(3,498)
Income taxes paid	(5,260)	(9,636)	(86,817)
<b>Net cash provided by (used in) operating activities</b>	<b>32,539</b>	<b>19,897</b>	<b>179,257</b>
<b>Cash flows from investing activities:</b>			
Purchase of investment securities	(1)	(305)	(2,748)
Proceeds from sales of investment securities	2,158	4,194	37,790
Purchase of property, plant and equipment	(15,583)	(19,350)	(174,332)
Proceeds from sales of property, plant and equipment	5,288	764	6,887
Purchase of intangible assets	(1,346)	(3,884)	(34,999)
Payments of loans receivable	(4)	(160)	(1,445)
Collection of loans receivable	107	146	1,324
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	75	—	—
Other, net	1,445	(1,266)	(11,408)
<b>Net cash provided by (used in) investing activities</b>	<b>(7,862)</b>	<b>(19,861)</b>	<b>(178,931)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	(152)	794	7,154
Proceeds from long-term loans payable	8,689	5,063	45,612
Repayments of long-term loans payable	(3,221)	(3,719)	(33,505)
Proceeds from issuance of bonds	—	10,000	90,090
Repayments for redemption of bonds	(10,000)	(10,000)	(90,090)
Cash dividends paid	(5,410)	(7,480)	(67,393)
Dividends paid to non-controlling interests	(192)	(136)	(1,232)
Purchase of treasury stock	(3)	(76)	(686)
Proceeds from sales of treasury stock	0	74	671
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(199)	(172)	(1,552)
Other, net	(1,225)	(235)	(2,120)
<b>Net cash provided by (used in) financing activities</b>	<b>(11,716)</b>	<b>(5,888)</b>	<b>(53,051)</b>
Effect of exchange rate change on cash and cash equivalents	(192)	(270)	(2,434)
Net increase (decrease) in cash and cash equivalents	12,768	(6,122)	(55,159)
Cash and cash equivalents at beginning of term	77,887	90,655	816,719
<b>Cash and cash equivalents at end of term (Note 2)</b>	<b>¥ 90,655</b>	<b>¥ 84,533</b>	<b>\$ 761,560</b>

# Notes to Consolidated Financial Statements

Citizen Watch Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

## Note 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Citizen Watch Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥111 to U.S.\$1, the approximate rate of exchange as of March 31, 2019. Such translation should not be construed as a representation that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

As permitted by the Financial Instruments and Exchange Act, for the years ended March 31, 2019 and 2018, amounts of less than one million yen have been omitted. Consequently, totals shown in the accompanying consolidated financial statements for the years ended March 31, 2019 and 2018 do not necessarily agree with the sums of the individual amounts.

## Note 2. Summary of significant accounting policies

### a. Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, the "Companies"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company has 110 subsidiaries at March 31, 2019 (113 for 2018). The consolidated financial statements include the accounts of the Company and 92 (96 for 2018) of its significant consolidated subsidiaries (collectively, the "Group").

The remaining 18 (17 for 2018) non-consolidated subsidiaries whose combined assets, net sales, net income and retained earnings are not significant in the related consolidated totals, are not consolidated with the Company.

Investments in non-consolidated subsidiaries and affiliates (generally 20% - 50% ownership) over which the Company has the ability to exercise significant influence in operating and financial policies are accounted for by the equity method. Equity method is applied to 2 affiliates for 2019 (2 for 2018).

Investments in non-consolidated subsidiaries and affiliated companies other than the above (companies owned 20% - 50%) which have immaterial effect on the consolidated financial statements are accounted for at cost.

### b. Cash and cash equivalents

Cash equivalents comprise demand deposits in financial institutions and highly liquid, short-term investments with low risk of fluctuations in value for which the maturity expires within three months.

The balance of cash and cash equivalents as of March 31, 2019 and 2018 is reconciled with the balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance sheet:			
Cash and time deposits	¥ 92,079	¥ 86,875	\$ 782,664
Less:			
Time deposits over three months	1,423	2,340	21,090
Separate deposits for BIP	—	1	14
Cash and cash equivalents	¥ 90,655	¥ 84,533	\$ 761,560

### c. Marketable and investment securities

The Companies clarify all of their marketable and investment securities as available-for-sale. Available-for-sale securities are carried at market value with the corresponding recognition of net unrealized gains and losses as a separate component of equity, net of related taxes.

Realized gains and losses are determined on the moving average method and included in the consolidated statements of income.

### d. Allowance for doubtful accounts

An allowance for doubtful accounts is established based on past credit loss experience and management's evaluation of potential losses in outstanding receivables and loans.

### e. Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses, determined by the weighted average method.

### f. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed on the straight-line basis at the rates based on the estimated useful lives of the respective assets ranging from 2 to 60 years for buildings and from 2 to 10 years for machinery and equipment.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might be unrecoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to undiscounted future cash flows expected to be generated by the assets. When the recoverable amount of assets is estimated to be less than their carrying amount, the carrying amount of the assets is reduced to its recoverable amount, and an impairment loss is recognized.

Maintenance and repairs, including minor renewals and improvements, are expensed in the consolidated statements of income as incurred.

### g. Goodwill and other intangible assets

Goodwill is amortized on the straight-line basis over reasonable economic life up to 20 years, though immaterial goodwill is charged to expense in the period of acquisition.

Software and other intangible assets are amortized on the straight-line basis over the estimated useful lives of the respective assets.

### h. Leases

Finance leases that do not transfer ownership of the leased property to the lessees are depreciated on the straight-line basis over the lease terms with no residual value.

### i. Retirement benefits

(1) Calculation of retirement benefit obligation

The retirement benefit obligation is calculated based on benefit-formula basis.

(2) Amortization of actuarial differences and prior service costs

Actuarial differences are amortized on the declining-balance basis from the next fiscal year over the period (5-years) which is less than the average remaining years of employment.

Prior service costs are amortized on the declining-balance basis over the period (5-years) which is less than the average remaining years of employment.

### j. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the reporting date. The foreign currency exchange gains and losses resulting from the settlement of these items are included in the consolidated statements of income.

Balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the reporting date rates except for equity accounts, which are translated at the historical rates. Income statements of foreign subsidiaries are translated at average rates during the year. Exchange differences arising from the translation are recognized in "Foreign currency translation adjustments" and "non-controlling interests" in net assets.

### k. Per share information

The computation of net income per common share is based on the weighted average number of shares outstanding during each year.

The average number of common shares used in the computation was 318,284 thousand shares and 318,287 thousand in 2019 and 2018, respectively.

Diluted net income per common share assumes full conversion of the outstanding convertible bonds at the beginning of the year or at the date of issuance with applicable adjustment for related interest expense, net of tax.

Cash dividends per common share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

#### I. Derivative financial instruments

The Companies have derivative financial instruments, such as foreign currency forward contracts and interest rate swaps to manage its exposure to foreign exchange rate and interest rate risks. The Companies do not enter into derivative financial instruments for trading purposes.

Foreign currency forward contracts are not designated for hedge accounting and stated at fair value; gains and losses are recognized in the consolidated statements of income.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value.

#### m. 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 (\$60,118 thousand), while deferred tax assets posted as investments and other assets increased by ¥4,416 million (\$39,786 thousand). Deferred tax liabilities recorded as current liabilities declined by ¥197 million (\$1,779 thousand), while deferred tax liabilities recorded as non-current liabilities decreased by ¥2,059 million (\$18,552 thousand).

In addition, total assets decreased by ¥2,256 million (\$20,332 thousand) because deferred tax assets and deferred tax liabilities were offset to the extent that they were considered to be taxed on the same entity.

#### n. New accounting pronouncements

(Accounting standard for revenue recognition, etc.)

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 on March 30, 2018)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 on March 30, 2018)

##### (1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 will be applied from a fiscal year starting on or after January 1, 2018 and that Topic 606 will be applied from a fiscal year starting after December 15, 2017, ASBJ has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to be adding alternative accounting treatments without losing comparability if there is an item that we should take into account in practices, etc. that have been conducted in Japan.

##### (2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022.

##### (3) Impact of the application of the accounting standards, etc.

The amount of the impact on consolidated financial statements is currently under review.

#### o. Additional information

(Board Incentive Plan)

In this fiscal year, the Company introduced a performance-based stock remuneration plan (hereafter, "the plan") for directors and titled corporate officers of the Company (excluding outside directors and corporate officers who are non-residents of Japan), with the aim of defining the relationship between remuneration of Directors, etc. and the Company's stock value, and providing an incentive for increasing mid- and long-term business performance and corporate value.

The Plan adopted a scheme called the Board Incentive Plan (hereafter, referred to as "BIP Trust"). The BIP Trust refers to an incentive plan for officers with reference to the performance share plan and restricted stock plan in the U.S., under which the BIP Trust purchases Company's stocks and then grants and provides such stocks, as well as cash corresponding to realization value of Company's stocks to Directors, etc. according to the performance achieved upon their retirement.

The shares of the Company remaining in the trust are recorded as treasury stock under equity based on the book value (excluding incidental costs) in the trust. The book value of the treasury stock and the number of shares at the end of the current fiscal year were ¥74 million (\$671 thousand) and 99,100 shares.

#### Note 3. Investment securities

Investment securities consist of equity securities. Unrealized gain and fair value pertaining to available-for-sale securities as of March 31, 2019 and 2018 are as follows:

	Millions of yen					
	2018			2019		
	Cost	Fair value	Unrealized gain	Cost	Fair value	Unrealized gain
Available-for-sale equity securities	¥ 14,586	30,043	15,456	¥ 12,588	22,727	10,139

	Thousands of U.S. dollars		
	2019		
	Cost	Fair value	Unrealized gain
Available-for-sale equity securities	\$ 113,406	\$ 204,753	\$ 91,347

Major securities with no market value and their amounts on the consolidated balance sheets as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Subsidiaries and affiliates	¥ 3,639	¥ 4,886	\$ 44,025
Unlisted equity securities	¥ 12,361	¥ 12,360	\$ 111,354

Allowance for loss on investments of ¥23 million (\$207 thousand) and ¥26 million were recorded in the consolidated balance sheets as of March 31, 2019 and 2018, respectively.

#### Note 4. Inventories

Inventories as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Finished goods	¥ 52,737	¥ 55,614	\$ 501,033
Work-in-process	20,590	22,982	207,054
Raw materials	17,213	19,605	176,623
Total	¥ 90,541	¥ 98,202	\$ 884,710

### Note 5. Income taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local taxes based on income. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Major components of deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Deferred tax assets:</b>			
Depreciation in excess	¥ 846	¥ 1,186	\$ 10,688
Inter-company profits and write down on inventory	3,964	4,311	38,839
Liability for retirement benefits	6,527	6,707	60,431
Net operating loss carry-forward	2,136	2,779	25,041
Provision for reorganization costs	512	290	2,619
Others	9,148	9,323	83,995
<b>Total deferred tax assets</b>	<b>¥ 23,136</b>	<b>¥ 24,599</b>	<b>\$ 221,613</b>
Valuation allowance of tax loss carried forward	—	(2,469)	(22,245)
Valuation allowance, others	—	(5,702)	(51,371)
<b>Less: Total valuation allowance</b>	<b>(7,418)</b>	<b>(8,171)</b>	<b>(73,616)</b>
<b>Total deferred tax assets</b>	<b>¥ 15,718</b>	<b>¥ 16,427</b>	<b>\$ 147,997</b>
<b>Deferred tax liabilities:</b>			
Unrealized gain on securities	¥ (3,609)	¥ (2,085)	\$ (18,788)
Undistributed earnings of foreign subsidiaries	(3,444)	(2,840)	(25,586)
Others	(667)	(445)	(4,017)
<b>Total deferred tax liabilities</b>	<b>¥ (7,722)</b>	<b>¥ (5,371)</b>	<b>\$ (48,391)</b>
<b>Net deferred tax assets</b>	<b>¥ 7,996</b>	<b>¥ 11,056</b>	<b>\$ 99,606</b>

Reconciliation between the statutory and the effective tax rate as of March 31, 2019 and 2018 is as follows:

	2018	2019
Statutory tax rate	30.9%	<b>30.6%</b>
Expenses not deductible for tax purposes	0.3%	<b>0.7%</b>
Non-taxable dividend income	(0.7%)	<b>(1.0%)</b>
Changes in valuation allowance	(1.6%)	<b>1.9%</b>
Amortization of goodwill	1.8%	<b>7.0%</b>
Difference of statutory tax rate in subsidiaries	(3.1%)	<b>(4.7%)</b>
Changes in tax effect of foreign subsidiaries	0.9%	<b>(3.1%)</b>
Change in tax law	(0.1%)	<b>(0.0%)</b>
Others, net	(0.1%)	<b>(3.0%)</b>
<b>Effective tax rate</b>	<b>28.2%</b>	<b>28.4%</b>

### Note 6. Short-term loans payable, long-term loans payable and unsecured bonds

Short-term loans payable represent loans from banks as of March 31, 2019 and 2018, respectively. The weighted average interest rate for each balance is 1.8% for 2019 and 1.9% for 2018.

Short-term bank loans as of March 31, 2019 and 2018 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unsecured	¥ 3,180	¥ 3,987	\$ 35,920

Long-term loans payable represent loans principally from banks and insurance companies due through 2039 with interest rate of 0.9% in 2019 (1.0% in 2018).

Long-term loans payable as of March 31, 2019 and 2018 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unsecured	¥ 35,846	¥ 37,077	\$ 334,031
Less amount due within one year	3,700	10,000	90,090
	¥ 32,146	¥ 27,077	\$ 243,941

The annual maturities of long-term loans payable as of March 31, 2019 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	Long-term loans payable	Long-term loans payable
2020	¥ 10,000	\$ 90,090
2021	14,170	127,666
2022	8,018	72,243
2023	4,618	41,612
2024	18	170
2025 and thereafter	249	2,250
	¥ 37,077	\$ 334,031

Unsecured bonds as of March 31, 2019 and 2018 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unsecured	¥ 10,000	¥ 10,000	\$ 90,090
Less amount due within one year	10,000	—	—
	¥ 0	¥ 10,000	\$ 90,090

The annual maturities of unsecured bonds as of March 31, 2019 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	Long-term loans payable	Long-term loans payable
2020	—	—
2021	—	—
2022	—	—
2023	—	—
2024	¥ 10,000	\$ 90,090

## Note 7. Liability for retirement benefits

### 1. Summary of retirement benefit plan

The Company and its domestic consolidated subsidiaries adopt retirement lump-sum plan and defined contribution pension plan.

### 2. Defined benefit plan

#### (1) Reconciliation of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	¥ 23,788	¥ 24,206	\$ 218,079
Service costs	1,694	1,366	12,307
Interest costs	122	122	1,100
Actuarial differences	118	(109)	(986)
Benefits paid	(1,582)	(929)	(8,377)
Translation adjustments	(50)	47	429
Others	115	36	326
Balance at end of year	¥ 24,206	¥ 24,739	\$ 222,878

#### (2) Reconciliation of plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	¥ 1,785	¥ 1,485	\$ 13,383
Expected return on plan assets	46	45	411
Actuarial differences	22	(92)	(831)
Employer contributions	28	24	218
Benefits paid	(420)	(168)	(1,521)
Translation adjustments	(55)	40	364
Others	77	76	691
Balance at end of year	¥ 1,485	¥ 1,411	\$ 12,715

#### (3) Reconciliation from retirement benefit obligations and plan assets to liability for retirement benefits on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligations	¥ 2,864	¥ 2,763	\$ 24,896
Plan assets	(1,485)	(1,411)	(12,715)
	1,378	1,352	12,181
Unfunded retirement benefit obligations	21,342	21,975	197,982
Net liability for retirement benefits	22,721	23,328	210,163
Liability for retirement benefits	22,721	23,328	210,163
Net liability for retirement benefits	¥ 22,721	¥ 23,328	\$ 210,163

#### (4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service costs	¥ 1,694	¥ 1,366	\$ 12,307
Interest costs	122	122	1,100
Expected return on plan assets	(46)	(45)	(411)
Amortization of actuarial differences	278	324	2,921
Amortization of prior service costs	(27)	(35)	(317)
Retirement benefit costs	¥ 2,021	¥ 1,731	\$ 15,600

#### (5) Adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service costs	¥ 27	¥ 35	\$ 317
Actuarial differences	(270)	(323)	(2,911)
Total	¥ (243)	¥ (287)	\$ (2,594)

## (6) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service costs	¥ 136	¥ 172	\$ 1,552
Unrecognized actuarial differences	1,063	740	6,668
<b>Total</b>	<b>¥ 1,200</b>	<b>¥ 912</b>	<b>\$ 8,220</b>

## (7) Plan assets

## ① Breakdown for plan assets

	2018		2019	
			2019	
	(%)			
Equity securities	78.6%		80.2%	
Bonds	5.3		5.2	
Cash and deposits	4.0		2.0	
Others	12.1		12.6	
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>	

## ② Long-term expected rate of return

In order to determine the long-term expected rate of return, present and expected portfolio of plan assets and estimated long-term rate of various assets have been considered.

## (8) Assumptions of actuarial differences

	2018		2019	
			2019	
	(%)			
Discount rate	0.32~3.25		0.32~4.00	
Expected rates of long-term return on plan assets	1.50~5.00		1.00~5.00	

## 3. Defined contribution plan

Contributions to defined contribution plan for the years ended March 31, 2019 and 2018 are ¥1,149 million (\$10,351 thousand) and ¥1,166 million, respectively.

**Note 8. Research and development costs**

Research and development costs incurred and charged to income for the years ended March 31, 2019 and 2018 were ¥6,339 million (\$57,108 thousand) and ¥7,161 million, respectively.

**Note 9. Leases**

The amounts of outstanding future lease payments due in respect of operating lease contracts as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year	¥ 2	¥ 3	\$ 33
Over one year	1	11	103
<b>Total</b>	<b>¥ 3</b>	<b>¥ 15</b>	<b>\$ 136</b>

**Note 10. Impairment loss**

The Company and its subsidiaries classify their fixed assets into groups by the type of respective operations based on the business segment divided by managerial accounting categories, which are regarded as the smallest units independently generating cash flows.

The Group recognized impairment loss of ¥5,688 million (\$51,251 thousand) and ¥378 million for the years ended March 31, 2019 and 2018, respectively. The Group mainly recognized impairment loss of ¥4,004 million (\$36,073 thousand) for goodwill, ¥979 million (\$8,827 thousand) for other intangible assets, ¥349 million (\$3,144 thousand) for tools, furniture and fixtures and ¥316 million (\$2,852 thousand) for the year ended March 31, 2019. The main components of impairment losses for the year ended March 31, 2018 are ¥65 million for buildings and structures, ¥218 million for machinery and equipment and ¥67 million for other intangible assets.

The main breakdown of impaired assets for the years ended March 31, 2019 and 2018 is as follows:

## For the year 2019

Location	Use	Type
Switzerland	Others	Goodwill and other intangible assets
China	Assets for business	Buildings and structures
Others	Assets for business	Tools, furniture and fixtures

## For the year 2018

Location	Use	Type
Fujikawaguchiko-machi, Yamanashi	Assets for business	Other intangible assets
China	Assets for business	Machinery and equipment
Others	Assets for business	Buildings and structures

**Note 11. Derivative transactions**

Fair values of derivative transactions as of March 31, 2019 and 2018 are as follows:

## (a) Derivative transactions not designated for hedge accounting

	Millions of yen			
	2018		2019	
	Amount on contract	Fair value	Amount on contract	Fair value
Foreign currency forward contract:				
To Sell	¥ 5,891	¥ 7	¥ 5,347	¥ (17)
To Buy	¥ 2,016	¥ (27)	¥ 1,845	¥ (2)

	Thousands of U.S. dollars	
	2019	
	Amount on contract	Fair Value
Foreign currency forward contract:		
To Sell	\$ 48,176	\$ (153)
To Buy	\$ 16,627	\$ (24)

## Note:

The fair values of foreign currency forward contracts are based on market quotations.

## (b) Derivative transactions designated for hedge accounting

	Millions of yen					
	2018			2019		
	Amount on contract	Amount on contract over 1 year	Fair value	Amount on contract	Amount on contract over 1 year	Fair value
Interest rate swap	¥ 22,800	¥ 21,100	Note	¥ 21,100	¥ 11,100	Note

	Thousands of U.S. dollars		
	2019		
	Amount on contract	Amount on contract over 1 year	Fair value
Interest rate swap	\$ 190,090	\$ 100,000	Note

## Note:

Interest rate swap is qualified for hedge accounting and meets specific criteria. The fair value of the interest rate swap is included in fair value of long-term debt.

## Note 12. Financial instruments

### (a) Status of financial instruments

#### (1) Policies

Under the Company's policy, the Group is limited to utilize short-term deposits for fund management and obtains fund through financial institutions. Derivatives are made only for hedging purposes, and the Group does not use derivative transactions for trading purposes.

#### (2) Risk management

The Group performs ongoing credit evaluations of significant customers to avoid credit risks of notes and accounts receivables.

The Group monitors the market price or fair value of the investment securities and continuously reconsiders investment in each company.

Debt and bonds are mainly for refunding of long-term debt and capital expenditure in accordance with investment strategy.

The Group has derivative financial instruments, such as foreign currency exchange forward contracts, foreign currency options and interest rate swaps, and all derivative financial instruments are designated for hedging purposes.

#### (3) Fair value estimation

The fair value of financial instruments is based on market price, if available. The fair value of financial instruments might be reasonably estimated with adequate assumption and factors when market price is not available. Estimated fair value depends on applied assumptions and factors.

### (b) Fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets, their fair values and unrealized gains or losses as of March 31, 2019 and 2018.

	Millions of yen		
	2018		
	Carrying amount	Fair value	Unrealized
Cash and time deposits	¥ 92,079	¥ 92,079	¥ -
Notes and accounts receivable - trade	62,013	62,013	(0)
Electronically recorded monetary claims	914	914	-
Investment securities	30,043	30,043	-
Long-term loans	931	932	0
Doubtful accounts	81		
Allowance for doubtful accounts	(81)		
	-	-	-
<b>Total</b>	<b>¥ 185,983</b>	<b>¥ 185,983</b>	<b>¥ (0)</b>
Notes and accounts payable - trade	¥ 21,267	¥ 21,267	¥ -
Electronically recorded obligations - operating	14,164	14,164	-
Short-term loans payable	3,180	3,180	-
Unsecured bonds	10,000	10,011	11
Long-term loans payable	35,846	36,067	220
<b>Total</b>	<b>¥ 84,458</b>	<b>¥ 84,690</b>	<b>¥ 231</b>
Derivatives	¥ (19)	¥ (19)	¥ -

Note:

Long-term receivables are included in "Others" in the consolidated balance sheets.

Current portion of long-term loans is included in "Long-term loans" in the table above.

Millions of yen

	2019		
	Carrying amount	Fair value	Unrealized
Cash and time deposits	¥ 86,875	¥ 86,875	¥ -
Notes and accounts receivable - trade	64,139	64,139	(0)
Electronically recorded monetary claims	1,225	1,225	-
Investment securities	22,727	22,727	-
Long-term loans	942	943	0
Long-term receivables	76		
Allowance for long-term receivables	(76)		
	-	-	-
<b>Total</b>	<b>¥ 175,911</b>	<b>¥ 175,911</b>	<b>¥ (0)</b>
Notes and accounts payable - trade	¥ 20,496	¥ 20,496	¥ -
Electronically recorded obligations - operating	14,896	14,896	-
Short-term loans payable	3,987	3,987	-
Unsecured bonds	10,000	10,045	45
Long-term loans payable	37,077	37,309	231
<b>Total</b>	<b>¥ 86,457</b>	<b>¥ 86,734</b>	<b>¥ 276</b>
Derivatives	¥ (19)	¥ (19)	¥ -

Note:

Long-term receivables are included in "Others" in the consolidated balance sheets.

Current portion of long-term loans is included in "Long-term loans" in the table above.

Thousands of U.S. dollars

	2019		
	Carrying amount	Fair value	Unrealized
Cash and time deposits	\$ 782,664	\$ 782,664	\$ -
Notes and accounts receivable - trade	577,831	577,829	(2)
Electronically recorded monetary claims	11,041	11,041	-
Investment securities	204,753	204,753	-
Long-term loans	8,494	8,501	7
Long-term receivables	689		
Allowance for long-term receivables	(689)		
	-	-	-
<b>Total</b>	<b>\$ 1,584,783</b>	<b>\$ 1,584,788</b>	<b>\$ 5</b>
Notes and accounts payable - trade	\$ 184,656	\$ 184,656	\$ -
Electronically recorded obligations - operating	134,201	134,201	-
Short-term loans payable	35,920	35,920	-
Unsecured bonds	90,090	90,495	405
Long-term loans payable	334,031	336,120	2,089
<b>Total</b>	<b>\$ 778,898</b>	<b>\$ 781,392</b>	<b>\$ 2,494</b>
Derivatives	\$ (178)	\$ (178)	\$ -

Note:

Long-term receivables are included in "Others" in the consolidated balance sheets.

Current portion of long-term loans is included in "Long-term loans" in the table above.



(i) Method of fair value measurement of financial instruments:

Assets:

Cash and time deposits

The carrying amount of these accounts approximates their fair value because these accounts are settled in a short period of time.

Notes and accounts receivable

Certain notes and accounts receivable that take time to collect are measured at present value; it shows amounts discounted at reasonable rate under corresponding terms to maturity.

The carrying amounts of other notes and accounts receivables that are settled in a short period of time, approximate their fair value.

Electronically recorded monetary claims

The carrying amounts of the accounts approximate their fair value because the accounts are settled in a short period of time.

Investment securities

The fair values of equity securities are based on the prices at exchange market.

Long-term loans

The fair value of long-term loans receivable is measured at present value obtained by discounting the future cash flows classified by certain period at an adequate rate such as market rate with credit-spread taken into account.

However, as the interest rates of long-term loans receivable with floating rate are to be revised by certain prescribed period, their carrying amounts approximate their fair value.

Liabilities:

Notes and accounts payable, short-term loans payable and electronically recorded obligations-operating

The carrying amount of these accounts approximates their fair value because these accounts are settled or repaid in a short period of time.

Unsecured bonds

Since the market price is not available, the fair value of bonds is measured at present value by discounting principles, interests and guarantee fees at a rate with term to maturity and credit risk taken into account.

Long-term loans payable

The fair value of long-term debt is measured at present value by discounting total amount of principles and interests at an assumed rate for new borrowings under similar conditions.

However, as the interest rates of long-term loans payable with floating rate are to be revised by certain prescribed period, their carrying amounts approximate their fair value.

(ii) Unmarketable securities of ¥12,360 million (\$111,353 thousand) and ¥12,361 million as of March 31, 2019 and 2018 are not included in "Investment securities, Available-for-sale securities", since their market prices are not available and it is not possible to estimate their future cash flows, and therefore it is deemed extremely difficult to assume their fair value.

(iii) Expected maturities of cash and time deposits, notes and accounts receivable, electronically recorded monetary claims and long-term loans as of March 31, 2019

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and time deposits	¥ 86,875	¥ —	¥ —	¥ —
Notes and accounts receivable — trade	63,929	209	—	—
Electronically recorded monetary claims	1,225	—	—	—
Long-term loans	—	866	76	—

Thousands of U.S. dollars

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
	Cash and time deposits	\$ 782,664	\$ —	\$ —
Notes and accounts receivable — trade	575,942	1,889	—	—
Electronically recorded monetary claims	11,041	—	—	—
Long-term loans	—	7,807	687	—

**Note 13. Reorganization costs**

The total amount of reorganization costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Reorganization costs	¥ 1,532	¥ 2,507	\$ 22,588

Reorganization costs in the consolidated statements of income for the years ended March 31, 2019 and 2018 are related to expenses for restructuring of the Company and its consolidated subsidiaries. The major item in the costs for the year ended March 31, 2019 is reorganization costs for the factory in China.

Allowance for loss for reorganization costs of ¥1,301 million (\$11,722 thousand) and ¥1,735 million were recorded in the consolidated balance sheets as of March 31, 2019 and 2018, respectively.

**Note 14. Special compliance expenses, etc.**

With regard to the inappropriate activities of a consolidated subsidiary of the Company, special compliance expenses, etc. were incurred for investigation costs by the third-party committee.

**Note 15. Segment information**

(a) General information about reportable segments:

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.

(b) Basis of measurement of reportable segment net sales, profit (loss), and other items:

The accounting methods applied to the business segments reported are generally the same as those described under "Basis of presenting the consolidated financial statements."

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

March 31, 2018		Millions of yen						
	Watches	Machine tools	Devices and components	Electronic products	Other products	Segment total	Adjustments	Consolidated
I. Net sales, segment profit (loss) and segment assets								
Net sales								
(1) Sales to outside customers	¥ 163,718	¥ 64,049	¥ 65,596	¥ 20,580	¥ 6,102	¥ 320,047	¥ —	¥ 320,047
(2) Inter-segment sales and transfers	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
Segment profit (loss)	16,183	10,443	2,782	513	311	30,234	(5,313)	24,920
Segment assets	188,924	59,176	81,382	15,822	6,819	352,124	57,784	409,909
II. Other								
Depreciation	6,813	1,422	4,421	366	29	13,053	741	13,795
Amortization of goodwill	1,566	—	12	—	—	1,579	—	1,579
Investment in affiliates	—	2,761	—	—	—	2,761	—	2,761
Capital expenditures	7,995	2,378	5,020	254	27	15,677	1,176	16,854

March 31, 2019		Millions of yen						
	Watches	Machine tools	Devices and components	Electronic products	Other products	Segment total	Adjustments	Consolidated
I. Net sales, segment profit (loss) and segment assets								
Net sales								
(1) Sales to outside customers	¥ 163,525	¥ 72,164	¥ 60,807	¥ 19,330	¥ 5,824	¥ 321,652	¥ —	¥ 321,652
(2) Inter-segment sales and transfers	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
Segment profit (loss)	12,440	13,082	2,543	438	146	28,651	(6,240)	22,411
Segment assets	189,683	66,558	82,501	15,761	6,770	361,276	52,635	413,911
II. Other								
Depreciation	7,379	1,574	3,876	295	23	13,149	798	13,947
Amortization of goodwill	400	—	—	—	—	400	—	400
Investment in affiliates	—	3,533	—	—	—	3,533	—	3,533
Capital expenditures	12,095	3,260	7,113	425	27	22,921	834	23,756

March 31, 2019		Thousands of U.S. dollars						
	Watches	Machine tools	Devices and components	Electronic products	Other products	Segment total	Adjustments	Consolidated
I. Net sales, segment profit (loss) and segment assets								
Net sales								
(1) Sales to outside customers	\$ 1,473,200	\$ 650,130	\$ 547,811	\$ 174,153	\$ 52,474	\$ 2,897,768	\$ —	\$ 2,897,768
(2) Inter-segment sales and transfers	974	10,822	17,394	1,043	7,473	37,706	(37,706)	—
Total	1,474,174	660,952	565,205	175,196	59,947	2,935,474	(37,706)	2,897,768
Segment profit (loss)	112,074	117,863	22,917	3,946	1,319	258,119	(56,217)	201,902
Segment assets	1,708,862	599,630	743,259	141,997	60,996	3,254,744	474,191	3,728,935
II. Other								
Depreciation	66,483	14,181	34,927	2,660	215	118,466	7,190	125,656
Amortization of goodwill	3,608	—	—	—	—	3,608	—	3,608
Investment in affiliates	—	31,833	—	—	—	31,833	—	31,833
Capital expenditures	108,965	29,371	64,081	3,837	246	206,500	7,518	214,018

Notes:

For the year ended March 31, 2018

1. "Adjustments" segment profit (loss) totaling ¥(5,313) million includes inter-segment elimination of ¥19 million and general corporate expenses of ¥(5,333) million not allocated to any reportable segments.

2. "Adjustments" segment assets totaling ¥57,784 million includes inter-segment elimination of ¥(38,258) million and general corporate assets of ¥96,043 million not allocated to any reportable segments.

3. Reported segment profit (loss) is reconciled to operating profit in the consolidated statements of income.

For the year ended March 31, 2019

1. "Adjustments" segment profit (loss) totaling ¥(6,240) million (\$ (56,217) thousand) includes inter-segment elimination of ¥(191) million (\$ (1,729) thousand) and general corporate expenses of ¥(6,048) million (\$ (54,488) thousand) not allocated to any reportable segments.

2. "Adjustments" segment assets totaling ¥52,635 million (\$ 474,191 thousand) includes inter-segment elimination of ¥(38,082) million (\$ (343,084) thousand) and general corporate assets of ¥90,717 million (\$ 817,275 thousand) not allocated to any reportable segments.

3. Reported segment profit (loss) is reconciled to operating profit in the consolidated statements of income.

## (c) Other information

## 1) Overseas sales for the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 105,259	¥ 108,463	\$ 977,145
Asia	99,565	92,815	836,178
Americas	61,472	62,983	567,418
Europe	50,754	54,862	494,253
Others	2,995	2,528	22,774
Total	¥ 320,047	¥ 321,652	\$ 2,897,768

Note: Overseas sales are reported based on locations of customers.

## 2) Property, plant and equipment as of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 60,123	¥ 63,056	\$ 568,074
Asia	18,473	19,174	172,744
Others	6,382	7,438	67,016
Total	¥ 84,979	¥ 89,669	\$ 807,834

## 3) Impairment loss for the years ended March 31, 2019 and 2018

Impairment loss	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Watches	¥ 25	¥ 5,652	\$ 50,921
Machine tools	—	3	36
Devices and components	352	31	286
Electronic products	—	0	2
Other products	—	0	6
Eliminations or general corporate	0	—	—
Consolidated	¥ 378	¥ 5,688	\$ 51,251

## 4) Goodwill information as of and for the years ended March 31, 2019 and 2018

Amortization	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Watches	¥ 1,566	¥ 400	\$ 3,608
Machine tools	—	—	—
Devices and components	12	—	—
Electronic products	—	—	—
Other products	—	—	—
Eliminations or general corporate	—	—	—
Consolidated	¥ 1,579	¥ 400	\$ 3,608

Goodwill	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Watches	¥ 4,356	¥ —	\$ —
Machine tools	—	—	—
Devices and components	—	—	—
Electronic products	—	—	—
Other products	—	—	—
Eliminations or general corporate	—	—	—
Consolidated	¥ 4,356	¥ —	\$ —

## Note 16. Subsequent events

### (a) Cash dividends

The General Meeting of Shareholders of the Company held on June 26, 2019 approved the following appropriations of retained earnings for the year ended on March 31, 2019:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 3,183	\$ 28,678

### (b) Acquisition of treasury stock

At a meeting of Board of Directors held on May 28, 2019, Citizen Watch Co., Ltd. resolved to acquire treasury stock under Article 156 of the Companies Act applied by the reading of terms pursuant to Article 165, Paragraph 3 of the Companies Act. Details are as follows:

- Reason for the acquisition of treasury stock  
To enhance shareholder return and increase capital efficiency in accordance with the shareholder return policy specified in the Medium-Term Management Plan 2021
- Details of the acquisition
  - Type of stock to be acquired: Common shares in the Company
  - Number of shares that can be acquired: 7,000,000 shares (upper limit)  
(ratio to the total number of shares issued (excluding treasury stock) 2.20%)
  - Total acquisition cost: ¥3 billion (upper limit)
  - Acquisition period: May 29, 2019 - August 31, 2019

(For reference) Holding of treasury stock as of May 31, 2019

Total number of shares issued (excluding treasury stock)	317,891,296 shares
Treasury stock	2,462,513 shares

# Report of Independent Auditors (Translation)

## **NIHOMBASHI CORPORATION**

Sansho Building, 3-2-9, Nihonbashi, Chuo-ku, Tokyo, 103-8283, Japan  
Telephone: 81-3-3274-5837 Fax: 81-3-3274-2600

### **Report of Independent Auditors (Translation)**

To the Board of Directors of  
Citizen Watch Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Citizen Watch Co., Ltd. and consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' responsibility for the consolidated financial statements:

The managements are responsible for the preparation and the true and fair presentation of the consolidated financial statements in conformity with accounting principles generally accepted in Japan. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility:

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citizen Watch Co., Ltd. and consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of matter:

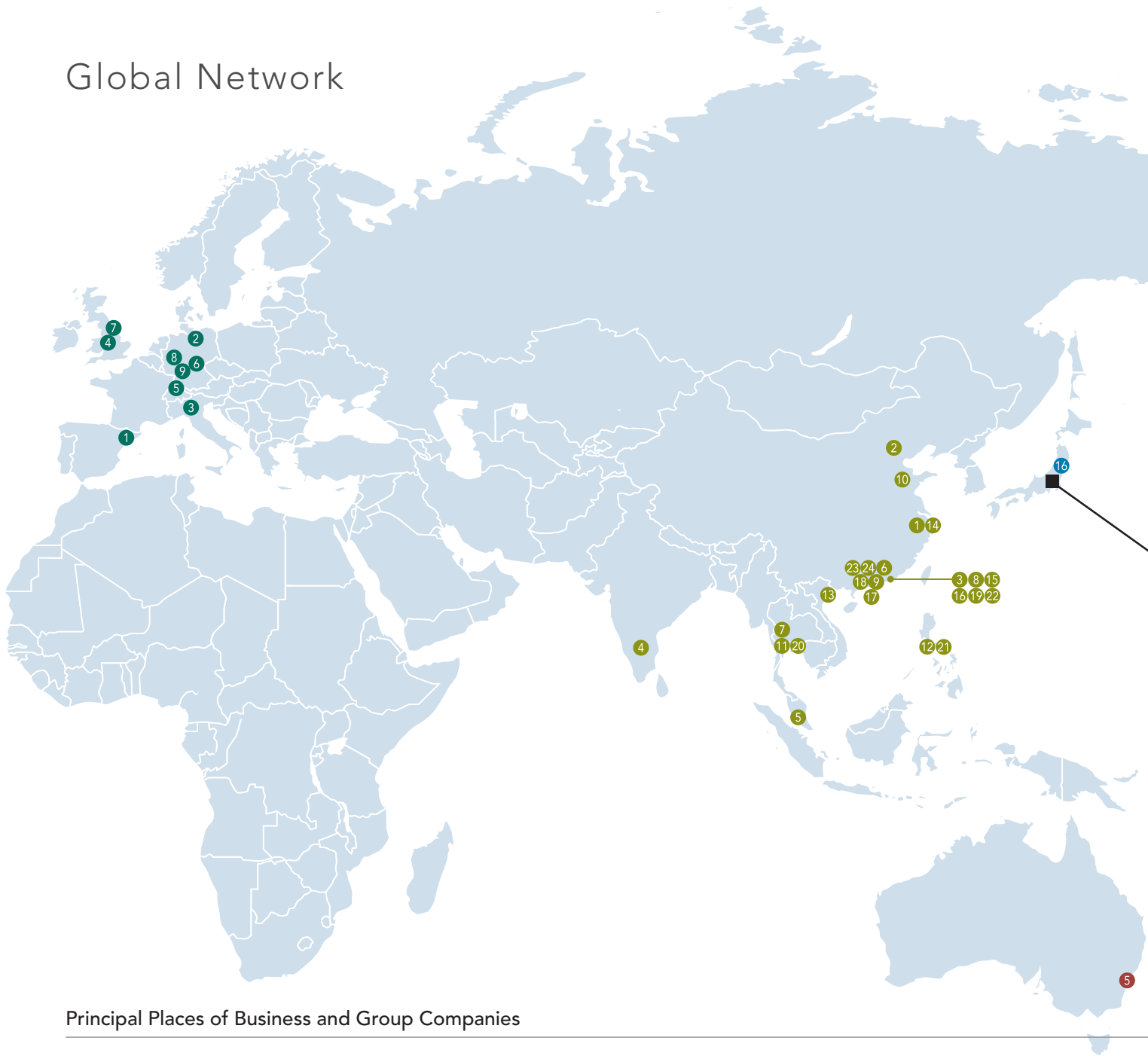
We draw attention to Note 16 (b) to the consolidated financial statements, which describes that Citizen Watch Co., Ltd. resolved to acquire its own shares at the meeting of the Board of Directors held on May 28, 2019.

Our opinion is not qualified in respect of this matter.

**Nihombashi Corporation**

Tokyo, Japan  
June 26, 2019

# Global Network



## Principal Places of Business and Group Companies

- ① Headquarters, Tokyo Works
- ② Tokorozawa Works

### [DOMESTIC GROUP]

- ③ CITIZEN MACHINERY CO., LTD.
- ④ CITIZEN ELECTRONICS CO., LTD.
- ⑤ CITIZEN FINEDEVICE CO., LTD.
- ⑥ CITIZEN SYSTEMS JAPAN CO., LTD.
- ⑦ CITIZEN WATCH MANUFACTURING CO., LTD.
- ⑧ CITIZEN RETAIL PLANNING., LTD.
- ⑨ CITIZEN T.I.C. CO., LTD.
- ⑩ CITIZEN JEWELRY CO., LTD.
- ⑪ TOKYO BIJUTSU CO., LTD.
- ⑫ CITIZEN PLAZA CO., LTD.
- ⑬ CITIZEN MICRO CO., LTD.
- ⑭ MIYANO SERVICE ENGINEERING, INC.

- ⑮ CITIZEN ELECTRONICS TIMEL CO., LTD
- ⑯ CITIZEN ELECTRONICS FUNEHIKI CO., LTD.
- ⑰ FUJIMI CORPORATION
- ⑱ CITIZEN CHIBA PRECISION CO., LTD.

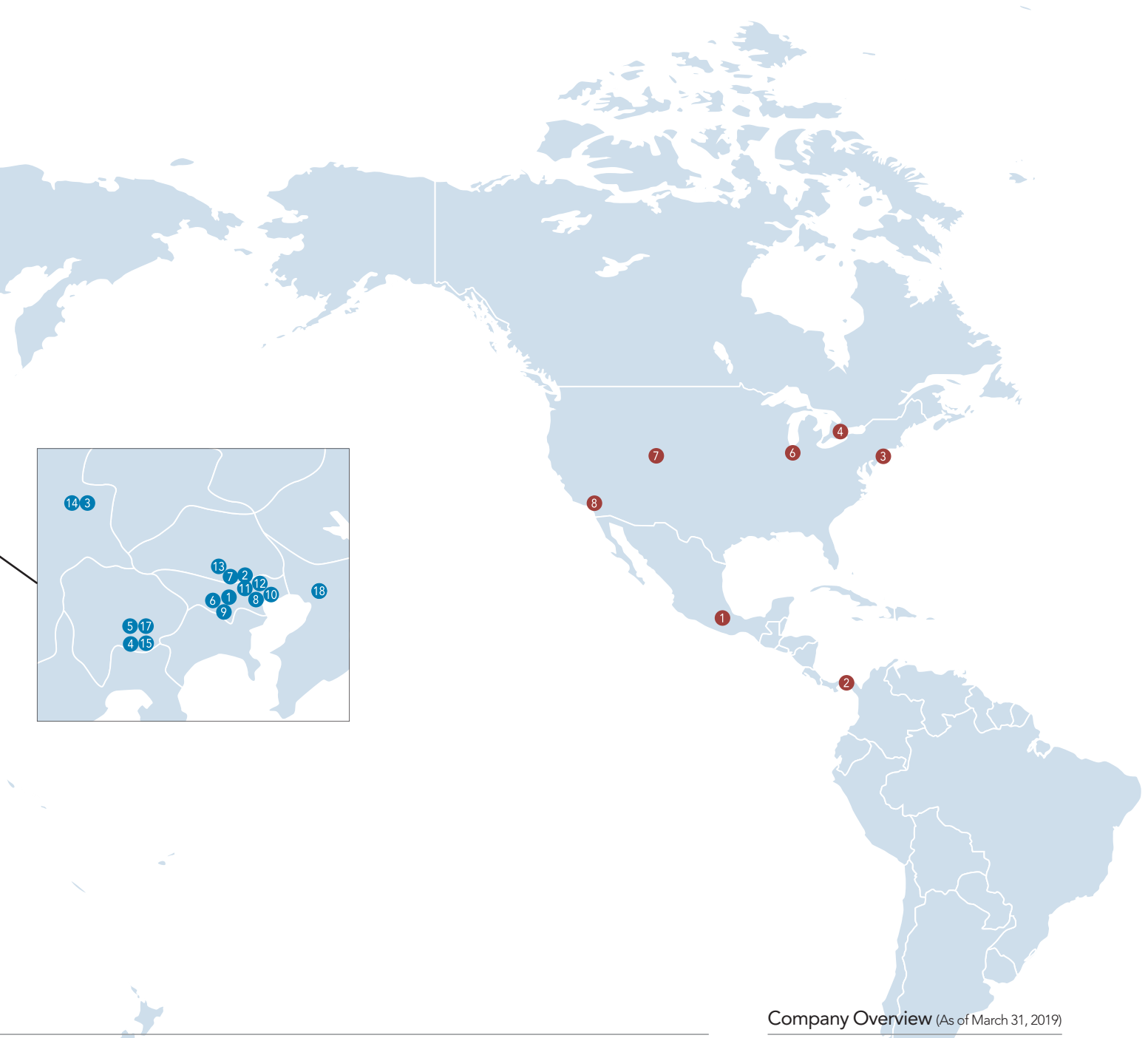
### [OVERSEAS GROUP]

#### EUROPE

- ① CITIZEN WATCH IBÉRICA S.A.U.
- ② CITIZEN WATCH EUROPE G.M.B.H
- ③ CITIZEN WATCH ITALY S.P.A.
- ④ CITIZEN WATCH UNITED KINGDOM, LTD.
- ⑤ MANUFACTURE LA JOUX-PERRET S.A.
- ⑥ CITIZEN MACHINERY EUROPE GMBH
- ⑦ CITIZEN MACHINERY UNITED KINGDOM, LTD.
- ⑧ C-E (DEUTSCHLAND) GMBH.
- ⑨ CITIZEN SYSTEMS EUROPE GMBH

#### ASIA

- ① CITIZEN (SHANGHAI) TRADING CO., LTD.
- ② CITIZEN WATCH (CHINA) CO., LTD.
- ③ CITIZEN WATCHES (H.K.) LTD.
- ④ CITIZEN WATCHES (INDIA) PVT. LTD
- ⑤ CITIZEN WATCHES (MALAYSIA) SDN. BHD.
- ⑥ GUANGZHOU MOST CROWN ELECTRONICS LIMITED
- ⑦ ROYAL TIME CITI CO., LTD.
- ⑧ SUNCITI MANUFACTURERS LTD.
- ⑨ SUNCITI PVD (JIANGMEN) LTD.
- ⑩ CITIZEN (CHINA) PRECISION MACHINERY CO., LTD.
- ⑪ CITIZEN MACHINERY ASIA CO., LTD.
- ⑫ CITIZEN MACHINERY PHILIPPINES, INC.
- ⑬ CITIZEN MACHINERY VIETNAM CO., LTD.
- ⑭ CITIZEN ELECTRONICS (CHINA) CO., LTD.
- ⑮ C-E (HONG KONG) LTD.
- ⑯ FIRSTCOME ELECTRONICS LTD.



- 17 JIANG XING ELECTRONICS LTD.
- 18 MASTER CROWN ELECTRONICS (WUZHOU) LTD.
- 19 MOST CROWN INDUSTRIES LTD.
- 20 CITIZEN SEIMITSU (THAILAND) CO., LTD.
- 21 CITIZEN FINEDEVICE PHILIPPINES CORP.
- 22 CITIZEN SYSTEMS (H.K.) LTD.
- 23 CITIZEN SYSTEMS (JIANGMEN) CO., LTD.
- 24 CITIZEN SYSTEMS (DONGGUAN) CO., LTD.

**NORTH AMERICA,  
SOUTH AMERICA, OCEANIA**

- 1 CITIZEN DE MEXICO, S.A. DE C.V.
- 2 CITIZEN LATINAMERICA CORP.
- 3 CITIZEN WATCH CO. OF AMERICA, INC.
- 4 CITIZEN WATCH CO. OF CANADA, LTD.
- 5 CITIZEN WATCHES AUSTRALIA PTY LTD.
- 6 CECOL, INC.
- 7 MIYOTA DEVELOPMENT CENTER OF AMERICA, INC.
- 8 CITIZEN SYSTEMS AMERICA CORP.

**Company Overview** (As of March 31, 2019)

Corporate name Citizen Watch Co., Ltd.  
 Established May 28, 1930  
 Headquarters 6-1-12, Tanashi-cho, Nishi-Tokyo-shi, Tokyo 188-8511, Japan  
 Representative Toshihiko Sato, President and CEO  
 Capital ¥32,648 million  
 Employees 20,239 (consolidated)  
 Business description Manufacturing and sale of watches and their components, and as a holding company, planning and implementation of Group management strategies, Group business auditing, development of Group technologies, intellectual property management, and other administrative operations.

**Stock Information** (As of March 31, 2019)

Securities identification code 7762  
 Stock exchange listing Tokyo Stock Exchange (First Section)  
 Total number of authorized shares 959,752,000  
 Total number of shares issued 320,353,809  
 Number of shareholders 31,240

# CITIZEN

## Citizen Watch Co., Ltd.

6-1-12, Tanashi-cho, Nishi-Tokyo-shi, Tokyo 188-8511, Japan  
TEL. 81-42-466-1231 FAX. 81-42-466-1280

<https://www.citizen.co.jp/global>

CITIZEN is a registered trademark and a trade name of Citizen Watch Co., Ltd.  
Eco-Drive is a registered trademark and a trade name of Citizen Watch Co., Ltd.

