

Consolidated Financial Statements for the Nine Months Ended December 31, 2013

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

February 12 2014

CITIZEN HOLDINGS CO., LTD.

Code No.: 7762

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Scheduled release of fiscal 2013 Quarterly Business Report: February 13, 2013

Scheduled start of dividend payment: -

Listings: First section of Tokyo Stock Exchange
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1. Results for the Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

(1) Consolidated operating results (Percentages represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Nine months ended December 31, 2013	233,528	12.9	19,718	73.8	21,627	80.5	13,228	63.2
Nine months ended December 31, 2012	206,872	△2.5	11,345	△20.0	11,982	△9.7	8,107	20.0

Note: Comprehensive Income:

As of December 31, 2013: ¥ 29,294million(117.7%) As of December 31, 2012: ¥ 13,455million(-%)

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
Nine months ended December 31, 2013	40.83	-
Six months ended December 31, 2012	25.02	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Nine months ended December 31, 2013	405,862	218,844	53.1	665.60
March 31, 2013	354,670	192,409	53.3	583.03

Reference: Shareholders' Equity: As of December 31, 2013: ¥ 215,649 million As of March 31, 2013: ¥ 188,900million

2. Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Full year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2013	-	5.00	-	3.00	8.00
March 31, 2014	-	5.00	-	-	-
March 31, 2014 (Estimate)	-	-	-	8.00	13.00

Note: Revision of dividend forecast for quarter in review: Yes

3. Projected Consolidated Results for the Year ending March 31, 2014

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Full Year	306,000	12.5	22,000	90.5	23,500	70.2	14,000	-	43.21

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

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4. Others

- (1) Change in significant subsidiaries during this period: None
- (2) Adoption of simplified accounting method and special accounting methods: None
- (3) Changes of accounting policies applied, procedures and disclosures
 - (i) Changes associated with revised accounting standards: None
 - (ii) Changes other than those in (i)above: None
 - (iii) Changes in accounting estimate: None
 - (iv) Restatements: None

Note: For details, please refer to Attached Documents "2. Other Information (3) Changes in accounting policies, changes in accounting estimates, and restatements" on page 4.

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

	shares		shares	
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	December 2013	330,353,809	March 2013	330,353,809
(ii) Number of treasury stock at the end of term	December 2013	6,360,933	March 2013	6,353,889
(iii) Average number of common stocks	December 2013	323,997,217	September 2012	324,002,903

** Information regarding the implementation of quarterly review procedures*

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law, have not been completed.

** Explanation about the proper use of financial forecasts and other important notes*

Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors. Please refer to the attached "Qualitative data on the consolidated earnings forecasts" on page 4 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. Qualitative Information Regarding These Quarterly results

(1) Qualitative data on the consolidated financial results

Summary of Operating Results

During the nine months ended December 31, 2013, the Japanese economy was on the path of a gradual recovery associated with such developments as the steady improvement in business confidence owing to a weaker yen and rising stock prices as a result of the government's economic policies and the effect from the capital investment tax reduction. On the other hand, the outlook is uncertain due mainly to concerns about economic slowdown after the planned consumption tax hike. The U.S. economy remained solid even with some matters of concern including the government's transient shutdown. In Europe, there were indications of rebounding economy mainly in the U.K. and Germany, even though situations differ by country. Meanwhile, the economic outlook remains unclear in China and other emerging countries with political uncertainty and currency issues.

Under these circumstances, the Citizen Group reported in its consolidated financial results for the nine months under review an increase in both sales and profits, with net sales of 233.5 billion yen (up 13% year on year) and operating income of 19.7 billion yen (up 74% year on year).

Watches and clocks

In the domestic market with recovering economy, CITIZEN brand watches achieved a revenue growth as high-end products sold well mainly at department stores and net sales of the mainstay brands ATTESA and xC steadily increased. In the North American market, net sales increased for such channels as major department stores, resulting in a revenue growth. The European market saw a sluggish sales growth due to the slow economic situation where consumers seek lower prices. Even so, net sales rose mainly for the major distribution channel in such countries as the U.K. and Germany where economy is on a recovery path. Consequently, the overall revenues for the market recorded an increase. In the Asian markets, the overall revenues increased because the ASEAN region fared well, and also sales were on a recovery path in China where distributors' inventory has been almost adjusted.

The BULOVA brand achieved a growth in revenues with strong sales in major department stores during the third quarter when our distribution concentration efforts in pursuit of higher brand value in the main North American market gradually started to generate good results.

The Q&Q brand posted higher revenues in Japan as sales of radio wave solar watches were strong and other products also fared well. Overseas markets saw good sales and achieved a revenue increase.

Movements achieved a revenue growth as demands are growing mainly for high-value-added products such as those with multi-hand movements and mechanical features. Last-minute demand before the Chinese New Year also pushed up revenues.

As a result of these developments, the watches and clocks segment reported an increase in both sales and profits, with net sales of 125.6 billion yen (up 18% year on year) and operating income of 15.6 billion yen (up 59% year on year).

Machine Tools

The Japanese market significantly rebounded with solid automobile production and a weaker yen, even with some gaps among regions. However, it ended up in a revenue decline as such good factors were not sufficient to offset the poor performance at the beginning of the year. In the North American market which showed a solid recovery, revenues increased with the aid of large-lot demands in the medical and automobile sectors as well as a weaker yen. In Europe, where the economy was gradually recovering even with some gaps among regions or business sectors, demands for products for use in the medical, precision equipment, automobile and other sectors pushed up revenues. In Asia, revenues increased as the slumping Chinese market was helped by growing demands in the medical sector late in the third quarter and transplant projects increased in the ASEAN region. Against this background, both the Cincom brand and the Miyano brand achieved higher revenues led by overseas markets.

Even so, profits decreased as profitability worsened in the first half of the year during which the factory utilization rate dropped.

As a result of these developments, the machine tools segment reported higher sales and lower profits, with net sales of 28.4 billion yen (up 7% year on year) and operating income of 1.5 billion yen (down 18% year on year).

Devices and components

Among precision machining components, automobile components revenues increased as demands considerably expanded in Japan where new car sales achieved a year-on-year growth for four consecutive months starting from September, and the overseas markets also remained on a recovery path mainly in North America and China. Switches achieved higher revenues because orders for side switches used in smartphones steadily increased.

Among opto-devices, LED lighting products continued to face severe market situation where intensified competition pushes down prices. We in turn released new products that are superior to conventional ones in terms of luminous energy/efficacy and also expanded the product lineup to respond wide-ranging needs, which led to steadily increased orders for products with high wattage. As a result, revenues grew in various areas such as Japan, North America, Europe and Asia. Thin-profile LEDs for home keys of smartphones enjoyed increased orders and so did backlight units sales for which remained healthy for automobiles. As a result of these, opto-devices as a whole achieved higher revenues.

Ferroelectric micro LCDs suffered a revenue decline due to adjusted production by major customers in response to sluggish sales, a shift to self-produced panels made by some customers, and cameras without EVF becoming more popular.

Among quartz crystals, tuning fork type quartz crystals faced an uphill battle with price decline as a result of severer competition, even though sales increased with active demands seen before the Chinese New Year. Quartz crystal blanks maintained solid sales, albeit on a declining trend compared with the first half of the year when demands were strong in the smartphone market. As a result, quartz crystals as a whole suffered a revenue decline.

As a result of these developments, the devices and components segment reported an increase in both sales and profits, with net sales of 50.5 billion yen (up 11% year on year) and operating income of 3.6 billion yen (up 219% year on year).

Electronic products

Among printers, POS printers and label printers waged an uphill fight in Japan and Asia where customers' capital expenditures did not recover. In the Americas and Europe, competition increased for the main products. Large-size printers, sold mainly in the Chinese market, suffered a sales decline. On the other hand, photo printers' revenues significantly increased, helped by new orders and replacement demands. With these factors and a weaker yen, the overall printer revenues increased.

Healthcare equipment achieved higher revenues; while blood-pressure monitors' sales increased in Japan, net sales steadily grew in the Asian markets centered around China and also in the North American market where we have opened a sales office in Chicago.

Calculators' net sales significantly decreased in the European markets centered around Russia and Eastern European countries due to shipment adjustment caused by a change in distribution channels, resulting in a revenue decrease.

As a result of these developments, the electronic products segment reported an increase in both sales and profits, with net sales of 17.8 billion yen (up 12% year on year) and operating income of 1.0 billion yen (up 366% year on year).

Other products

For pachinko-related products, there were an increasing number of consumption tax-related inquiries and approaches on potential projects toward the end of the fiscal year, but revenues ended up in a decline because not a few customers maintained a wait-and-see attitude.

Among jewelries, bridal jewelry sales achieved a year-on-year growth with the effect of new products but other products fared poorly at events and wholesale, which resulted in a revenue decline.

As a result of these developments, the other products segment reported a decrease in both sales and profits, with net sales of 11.0 billion yen (down 6% year on year) and operating income of 0.1 billion yen (down 82% year on year).

(2) Qualitative data on the consolidated financial position

As of the end of the third quarter under review, total assets increased by 51.1 billion yen from the end of the previous fiscal year, to 405.8 billion yen.

Current assets increased by 271.3 billion yen, due mainly to a 33.3 billion yen increase in cash and deposits and a 14.1 billion yen increase in notes and accounts receivable. Fixed assets increased by 5.7 billion yen, due mainly to a 6.4 billion yen increase in investment securities despite a 2.0 billion yen decrease in deferred tax assets.

Liabilities increased by 24.7 billion yen from the end of the previous fiscal year, to 187.0 billion yen, due mainly to a 3.3 billion yen increase in notes and accounts payable, a 4.0 billion yen increase in accrued expenses, a 9.9 billion yen increase in bonds and a 14.9 billion yen increase in long-term loans payable, despite a 10.7 billion yen decrease in reserve for business restructuring losses (short-term).

Net assets increased by 26.4 billion yen from the end of the previous fiscal year, to 218.8 billion yen, mainly with a 10.8 billion yen increase in retained earnings and a 4.9 billion yen increase in net unrealized gain/loss on other securities, and a 10.8 billion yen increase in foreign currency translation adjustments.

(3) Qualitative data on the consolidated earnings forecasts

Consolidated net sales and operating income for the fiscal year ending March 31, 2014 are expected to exceed the forecasts as the watches and clocks and machine tools segments performed well. Ordinary income and net income remained solid due partly to foreign exchange gains. We revise the full-year earnings forecasts as follows, in total consideration of the above factors. The exchange rate is assumed to be 95 yen/US dollar and 125 yen/euro for the fourth quarter.

Full year: Amendment in forecasts of consolidated full-year earnings (From April 1, 2013 to March 31, 2014)

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share (yen)
Previous forecast (A)	301,000	21,000	21,500	13,000	40.12
Revised forecast (B)	306,000	22,000	23,500	14,000	43.21
Changes (B – A)	5,000	1,000	2,000	1,000	-
Changes (%)	1.7	4.8	9.3	7.7	-
Reference: March 31, 2013	272,050	11,549	13,805	△8,855	△27.33

2. Other Information**(1) Important changes of subsidiaries during the term**

Not applicable

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, changes in accounting estimates, and restatements

Not applicable

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	71,105	104,483
Notes and accounts receivable	60,342	74,523
Merchandise and Finished goods	37,646	39,663
Work in process	20,922	20,062
Raw materials	15,212	14,826
Consumption tax receivable	1,394	1,171
Deferred tax assets	13,005	8,797
Other	7,842	9,574
Allowance for doubtful accounts	△1,603	△1,781
Total Current assets	225,868	271,321
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	32,063	32,958
Machinery, equipment and carriers, net	20,403	19,975
Tools, furniture and fixtures, net	4,024	4,223
Land	11,727	12,186
Lease assets	459	503
Construction in progress	2,134	1,717
Total Property, plant and equipment	70,813	71,564
Intangible fixed assets		
Goodwill	7,200	6,507
Software	2,097	2,034
Leased assets	29	23
Other	5,499	5,863
Total Intangible fixed assets	14,826	14,428
Investments and other assets		
Investment securities	34,673	41,106
Long-term loans receivable	732	1,027
Deferred tax assets	4,969	2,893
Other	3,775	3,976
Allowance for doubtful accounts	△321	△318
Allowance for investment loss	△667	△138
Total Investments and other assets	43,162	48,547
Total Fixed assets	128,801	134,541
Total assets	354,670	405,862

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(Unit: Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable	16,174	19,550
Short-term bank loans payable	43,261	43,405
Bonds to be redeemed within a year	500	100
Accrued income taxes	2,027	1,529
Deferred tax liabilities	14	17
Accrued expenses	11,935	15,978
Reserve for bonuses to employees	4,678	2,929
Reserve for bonuses to directors	143	-
Reserve for product warranties	828	914
Notes payable-facilities	1,248	189
Reserve for environmental measures	23	13
Reserve for business restructuring losses	14,400	3,673
Reserve for disaster losses	38	33
Other	18,363	23,261
Total Current liabilities	113,638	111,596
Long-term liabilities		
Bonds	10,050	20,000
Long-term loans payable	20,150	35,145
Deferred tax liabilities	546	1,275
Reserve for defined retirement benefits	13,078	13,797
Reserve for environmental measures	63	72
Reserve for business restructuring losses	3,326	3,288
Asset retirement obligations	248	248
Other	1,158	1,595
Total Long-term liabilities	48,622	75,422
Total liabilities	162,260	187,018
Net assets		
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in Capital	33,890	33,890
Retained earnings	127,080	137,953
Treasury stock	△5,380	△5,385
Total Shareholders' equity	188,239	199,106
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	5,743	10,741
Foreign currency translation adjustments	△5,082	5,800
Total Valuation and translation adjustments	661	16,542
Minority interest	3,508	3,194
Total net assets	192,409	218,844
Total liabilities and net assets	354,670	405,862

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

Consolidated Statement of Income (Nine months ended December 31, 2013)

(Unit: Millions of yen)

	Nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)	Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)
Net sales	206,872	233,528
Cost of sales	132,534	142,307
Gross profit	74,337	91,220
Selling, general and administrative expenses	62,991	71,501
Operating income	11,345	19,718
Nonoperating income		
Interest Income	283	272
dividend income	542	736
Foreign exchange gains	338	1,055
Amortization expense of negative goodwill	124	211
Other	766	914
Total Nonoperating income	2,055	3,189
Nonoperating expenses		
Interest changes	915	843
Other	503	436
	1,419	1,280
Ordinary income	11,982	21,627
Extraordinary gains		
Gain on sales of investment securities	112	18
Reversal of Reserve for business restructuring losses	559	-
Gain on sales of fixed assets	1,297	686
Gain on liquidation of subsidiaries	0	8
Other	187	20
Total Extraordinary gains	2,158	733
Extraordinary losses		
Loss on disposal of properties	309	182
Valuation loss on investment securities	95	10
Loss on sales of fixed assets	9	8
Loss on impairment of fixed assets	627	8
Reorganization costs	178	-
Compensation expenses	-	230
Additional provision for bonuses associated with the change in the period subject to bonus payment	-	210
Other	128	129
Total Extraordinary losses	1,349	781
Income before income taxes	12,790	21,580
Income, inhabitants and enterprise taxes	4,655	8,211
Income before minority interests	8,135	13,368
Minority interests	27	140
Net income	8,107	13,228

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Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)	Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)
Income before minority interests	8,135	13,368
Other comprehensive income		
Valuation difference on available-for-sale securities	682	4,998
Deferred gains or losses on hedges	△51	-
Foreign currency translation adjustment	4,544	10,732
Share of other comprehensive income of associates accounted for using equity method	145	194
Other comprehensive income	5,320	15,925
Comprehensive Income	13,455	29,294
(Breakdown)		
Comprehensive income attributable to owners of the parent	13,477	29,109
Comprehensive income attributable to minority interests	△22	184

(3) Notes regarding premise of going concern

Not applicable

(4) Notes on significant changes in owners' equity accounts

Not applicable

(5) Segment Information

(i) Nine months ended December 31, 2012 (April 1, 2012 to December 13, 2012)

1. Net sales and profit or loss by reporting segment

(Millions of yen)	Watches and clocks	Machine Tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	106,811	26,586	45,707	15,963	11,803	206,872	-	206,872
Inter-segment	2,235	411	4,185	789	546	8,168	△8,168	-
Total	109,047	26,997	49,893	16,752	12,349	215,040	△8,168	206,872
Segment income (loss/△)	9,821	1,944	1,140	225	557	13,690	△2,344	11,345

(Notes) 1. Adjustments to segment loss (operating loss) of △1,244 million yen include intersegment transactions of △130 million yen to be eliminated as well as corporate expenses of △2,213 million yen not allocated to each reporting segment.

① Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.

2. Information concerning loss on impairment of fixed assets or goodwill by reporting segment

(Material losses on impairment pertaining to fixed assets)

The Company recorded for the machine tools segment a 623 million yen loss on impairment associated with the domestic bases restructuring.

(ii) Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

(Millions of yen)	Watches and clocks	Machine Tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	125,693	28,413	50,560	17,817	11,042	233,528	-	233,528
Inter-segment	2,834	247	4,059	1,007	573	8,723	△8,723	-
Total	128,528	28,661	54,620	18,824	11,615	242,251	△8,723	233,528
Segment income (loss/△)	15,628	1,590	3,645	1,050	100	22,014	△2,295	19,718

(Notes) 1. Adjustments to segment loss (operating loss) of △2,295 million yen include intersegment transactions of △154 million yen to be eliminated as well as corporate expenses of △2,141 million yen not allocated to each reporting segment.

2. Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.