CITIZEN HOLDINGS

Consolidated Financial Statements
for the Year Ended March 31, 2014

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

May 14, 2014

CITIZEN HOLDINGS CO., LTD.

Listings: First section of Tokyo Stock Exchange

Code No.: 7762

(URL http://www.citizen.co.jp)

Representative: Toshio Tokura, President and CEO

Contact: Shigeru Kabata, Director, In charge of Corporate Planning Division Tel: +81 -42 -468 -4934

Scheduled ordinary general meeting of shareholders: June 26, 2014
Scheduled start of dividend payment: June 27, 2014
Scheduled release of fiscal 2013 Business Report: June 27, 2014

1. Results for the Year ended March 31, 2014

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

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2014	309,994	13.9	23,706	105.3	25,307	83.3	17,434	-
March 31, 2013	272,050	△2.8	11,549	△30.1	13,805	△17.5	△8,855	-

Note: Comprehensive income As of March 31, 2014: ¥28,441million (555.9%) As of March 31, 2013: ¥ 4,336million (△35.4%)

	Earnings per share	Fully diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
March 31, 2014	53.81	-	8.7	6.9	7.6
March 31, 2013	△27.33	-	△4.7	4.0	4.2

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:
As of March 31, 2014: ¥ 252 million As of March 31, 2013: ¥ 186 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2014	383,920	217,412	55.8	660.83
March 31, 2013	354,670	192,409	53.3	583.03

Reference: Shareholders' Equity: As of March 31, 2014: ¥ 214,102million As of March 31, 2013: ¥ 188,900million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2014	32,724	△11,000	181	92,661
March 31, 2013	18,789	△23,853	95	67,517

2. Dividends

	Dividends per share					Total dividends paid (annual)	Pay-out ratio (Consolidate	Dividends to consolidated net assets
	First quarter	Second	Third quarter	Year-end	Full year			
		(Yen)		(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2013	-	5.00	-	3.00	8.00	2,591	△29.3	1.4
March 31, 2014	-	5.00	-	8.00	13.00	4,211	24.2	2.1
March 31, 2015 (E)	-	8.00	-	8.00	16.00		31.4	

3. Projected Consolidated Results for the Year ending March 31, 2015

(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)
Interim term	158,000	7.7	12,500	31.4	12,500	19.5	8,000	20.9	24.69
Full term	327,000	5.5	27,000	13.9	27,000	6.7	16,500	△5.4	50.93

4. Others

(1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): None

(2) Changes in principles, procedures and classifications of accounting standards associated with the preparation of consolidated financial statements.

- (i) Changes associated with revised accounting standards: Yes
- (ii) Changes other than those in (i)above: None
- (iii) Changes in accounting estimate: None
- (iv) Restatements: None

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

(shares)	March 2014	March 2013
Number of shares issued and outstanding at the end of term (including treasury stock)	330,353,809	350,353,809
Number of treasury stock at the end of term	6,353,200	6,353,889
Average number of common stocks	323,995,794	324,001,929

(Reference) Overview of Nonconsolidated Financial Results

1. Nonconsolidated Results for the Year ended March 31, 2014

(1) Nonconsolidated operating results (The percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2014	18,836	94.1	13,286	230.8	13,208	264.0	13,351	672.8
March 31, 2013	9,703	5.1	4,016	8.4	3,629	12.0	1,727	△4.5

	Earnings per share	Fully diluted earnings per
	(Yen)	(Yen)
March 31, 2014	41.21	-
March 31, 2013	5.33	-

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2014	196,602	114,627	58.3	353.80
March 31, 2013	178,444	101,743	57.0	314.02

Reference: Shareholders' Equity: As of March 31, 2013: ¥ 101,743 million As of March 31, 2012: ¥ 100,508 million

nce) Overview of Nonconsolidated Financial Results

2. Projected Consolidated Results for the Year ending March 31, 2015

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

	Operating revenues		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Full term	13,000	△31.0	7,000	△47.0	6,500	△	20.06

※ Status of the Implementation of Audit Procedures

As of the date of this financial statement, audit procedures based on the Financial Instruments and Exchange Act covering the consolidated financial statements are being implemented.

** 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 page 6 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

〇INDEX

1. Review of Operations

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

	Year ended March 31,			
Millions of yen	2013	2014	Year-on-year change	%
Net sales	272,050	309,994	37,943	13.9%
Operating income	11,549	23,706	12,157	105.3%
Ordinary income	13,805	25,307	11,502	83.3%
Net income	△8,855	17,434	26,289	-

Summary of Operating Results

During the consolidated fiscal year under review, the Japanese economy saw a steady recovery supported by the government economic packages as well as positive market trends boosted by the temporary rush of demand before the consumption tax hike. The U.S. economy also continued to see its positive trend through the year despite some negative factors such as political confrontation and harsh weather. Meanwhile, the European economy remained uncertain as Russia's takeover of Crimea raised new concerns, although some countries such as the U.K. and Germany have shown signs of recovery. With respect to the Asian economy, there were some negative factors such as worries over China's slowing economy and the recent deterioration in market sentiment in the ASEAN region due to political uncertainty and currency instability.

Under these circumstances, the Citizen Group has been pursuing new growth strategies to become a true global company, while striving to further strengthen its business structure through structural reform under the "Citizen Global Plan 2018," a medium-term management plan formulated in February 2013.

The Citizen Group's consolidated results included net sales of 309.9 billion yen (up 13.9% year-on-year), and operating income of 23.7 billion yen (up 105.3% year-on-year), achieving strong growth both in sales and profits partly due to the impact of the weakening yen. The results also included ordinary income of 25.3 billion yen (up 83.3% year-on-year) due to the recognition of foreign exchange gains, etc., while a gain on sales of investment securities of 1.9 billion yen was recorded as extraordinary gains. As a result, net income reached 17.4 billion yen for the fiscal year under review (net loss of 8.8 billion yen for the previous fiscal year).

Watches and Clocks

Revenues from CITIZEN brand watches in the domestic market increased mainly due to the favorable growth in sales in overall distribution channels, supported by the trend of economic recovery and the temporary rush of demand before the consumption tax hike. In particular, the sales of high-end products at department stores performed well, while the sales of mainstay brands ATTESA and xC at electronics retailers grew strongly.

Revenues from the overseas markets increased mainly due to the robust sales in the North American market and the European markets as well as the impact of the weakening yen. Revenues from the U.S. market increased as the sales continued to perform well during the fiscal year under review with the success of sales promotion in the Christmas season, although there was a negative impact of bad weather on sales around the year end, which was offset by the sales from online distribution channels. Revenues from the European markets also increased, mainly due to the solid sales in the U.K. and Germany. Sales in Italy, where the economy remained sluggish, also increased from the previous year. Revenues from the Asian markets kept the same growth pace as the previous year, despite some negative factors such as political uncertainty and currency instability in the ASEAN region and harsh market conditions in Hong Kong and Taiwan affected by China's slowing economy. Revenues from the Chinese market turned to a recovery trend due to the elimination of distribution inventory and the effect of successful advertisement using a brand ambassador. Overall, revenues from Asian countries grew solidly partly due to the impact of foreign exchange.

Revenues from the BULOVA brand increased mainly due to the impact of the weakening yen, despite a decrease in net sales resulting from the readjustment of distribution channels and product structures, which was part of measures for improvement of the brand value implemented during the fiscal year under review.

Revenues from the Q&Q brand increased mainly due to the steady growth in sales in the domestic market as well as the robust sales in the overseas markets. In addition, the Citizen Group conducted sales promotion campaigns around the world along with the release of a new series of the product in the second half, thus enhancing a new image of the brand.

Revenues from movements increased mainly due to a stable demand for high-value added products such as multi-hand movements and movements with mechanical features during the fiscal year under review, which was supported by the recovering demand in China, etc., despite the effect of sluggish economy in Europe.

In addition, the Company established Citizen Watch Manufacturing Co., Ltd. by integrating the manufacturing function of Citizen Watch Co., Ltd., a subsidiary of the Company, with five other domestic subsidiaries, aiming to strengthen its production capability in Japan.

As a result of these developments, the watches and clocks segment achieved growth in both sales and profits, with net sales of 162 billion yen (up 16.2% year-on-year) and operating income of 17.2 billion yen (up 57.1% year-on-year).

Machine Tools

Revenues from the domestic market increased due to increased renewal demands in automobile and other various sectors supported by solid performance in automobile output in the second half, which had offset sluggish sales in the beginning of the fiscal year under review caused by customers' cautious stance toward capital expenditures.

Revenues from the Asian markets increased due to spot orders in the sectors of IT, healthcare, automobile related, etc. later in the second half in China where uncertain market conditions continued during the fiscal year under review; demand related transplant projects in the ASEAN region; and increased demand of capital investment in the IT sector in Taiwan.

Revenues from the U.S. market increased due to large-scale demands for the sectors of automobile, aircraft, healthcare, etc. along with the solid recovery trend in the market, although there has been a decrease in demands in the end of the fiscal year under review.

Revenues from the European markets increased due to the market recovery through the fiscal year under review, after economy has more or less bottomed out across regions and industries, as well as stable demands in the sectors of healthcare, precision devices, and automobile related, etc.

Against this background, revenues from the Cincom brand and the Miyano brand increased as well.

As a result of these developments, the machine tools segment achieved growth in both sales and profits, with net sales of 41.7 billion yen (up 17.4% year-on-year) and operating income of 3.8 billion yen (up 81.4% year-on-year).

Devices and Components

Revenues from automobile components, among other precision machining components, increased due to solid sales in the North American market during the fiscal year under review as well as a recovery trend on sales of automobile both in the domestic market and the Chinese market since the end of the first half. Revenues from switches also increased, resulting from a steady increase in orders for side switches used in smartphones.

Revenues from LED lighting products, among other opto-devices, increased in the wide regions across Japan, North America, Europe and Asia, along with the continuing expansion of its market scale, as well as a solid increase in orders for new LED products with high wattage and others, despite falling product prices triggered by intensified competitions. In addition, orders for backlight units and lighting units increased steadily along with the stable growth in net sales achieved from those units for automobile use.

Revenues from quartz crystals, among other products, decreased due to falling prices of tuning fork type quartz crystals resulted from intensified competition, despite solid sales of quartz crystal blanks backed by strong demand for smartphones. Revenues from ferroelectric micro LCDs decreased due to quite severe business environment such as adjusted production by major customers in response to their sluggish sales, a shift to self-produced panels made by some customers, and cameras without electronic view finder (EVF) becoming more popular.

As a result of these developments, the devices and components segment achieved growth in both sales and profits, with net sales of 66.7 billion yen (up 11.6% year-on-year) and operating income of 4.4 billion yen (up 378.7% year-on-year).

Electronic Products

Revenues from POS printers and label printers, among other printers, increased due to solid sales targeting the American markets and the European markets. Revenues from large-size printers targeting mainly the Chinese market also increased. Revenues from photo printers increased due to an increase in orders in the American markets and growth in sales targeting the new application markets.

Revenues from healthcare equipment increased due to strong growth in sales in the Chinese market as well as solid sales in other markets.

Revenues from calculators decreased due to a sharp decline in sales resulting from shipment adjustments in response to a change in distribution channels in the European markets.

As a result of these developments, the electronic products segment achieved growth in both sales and profit, with net sales of 24.3 billion yen (up 13.2% year-on-year) and operating income of 1.4 billion yen (up 218.0% year-on-year).

Other Products

Revenues from pachinko-related products decreased as customers maintained a wait-and-see attitude for new capital investment which resulted in sluggish demand. Revenues from jewelries increased due to steady growth in sales by introducing new models, in addition to the temporary rush of demand before the consumption tax hike.

As a result of these developments, the other products segment recorded decreases in both sales and profits, with net sales of 15 billion yen (down 3.7% year-on-year) and operating loss of 0 billion yen for the fiscal year under review (net income of 400 million yen for the previous fiscal year).

(ii) Prospects for the Year ending March 31, 2015

	Year ended March 31,			
Millions of yen	2014	2015	Year-on-year change	%
Net sales	309,994	32,700	17,005	5.5%
Operating income	23,706	27,000	3,293	13.9%
Ordinary income	25,307	27,000	31,692	6.7%
Net income	17,434	16,500	△934	△5.4%

Breakdown of sales by segment

	Year ended March 31,			
Millions of yen	2014	2015	Year-on-year change	%
Watches and clocks	162,061	171,500	9,438	5.8%
Industrial machinery	41,728	46,700	4,971	11.9%
Electronic products	66,784	67,000	215	0.3%
Devices and components	24,349	26,000	1,650	6.8%
Other products	15,071	15,800	728	4.8%
Total net sales	309,994	327,000	17,005	5.5%

Breakdown of operating income by segment

	Year ended March 31,			
Millions of yen	2014	2015	Year-on-year change	%
Watches and clocks	17,215	20,000	2,784	16.2%
Industrial machinery	3,805	5,500	1,694	44.5%
Electronic products	4,481	3,500	△981	△21.9%
Devices and components	1,457	1,600	142	9.8%
Other products	△25	300	325	-
Eliminations or general corporate	(3,227)	(3,900)	△672	-
Total operating income	23,706	27,000	3,293	13.9%

Economic outlook will remain uncertain taking into account some negative factors such as China's slowing economy, political instability in the ASEAN region and currency turmoil, although there have been signs of recovery including the improved outlook for the Japanese economy and solid economic conditions in the U.S.

Under these circumstances, we are forecasting, for the new consolidated fiscal year, net sales of 327 billion yen (up 5.5% year-on-year), operating income of 27.0 billion yen (up 13.9%), ordinary income of 27.0 billion yen (up 6.7%), and net income of 16.5 billion yen (down 5.4%).

These forecasts are based on an exchange rate assumption for the year of 100 yen/US dollar and 135 yen/euro. The exchange rates for the year ended March 2014 were 100 yen/US dollar and 133 yen/euro.

(2) Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, assets increased by 29.2 billion yen year-on-year to 383.9 billion yen. Current assets increased by 26.9 billion yen mainly because cash and deposits increased by 25 billion yen. Fixed assets increased by 2.3 billion yen with a 1.8 billion yen increase in investment securities.

Liabilities increased by 4.2 billion yen year-on-year to 166.5 billion yen, with a 30.2 billion yen decrease in short-term bank loans payable, an 11.9 billion yen decrease in reserve for business restructuring losses (short- and long-terms), a 4.0 billion yen increase in notes and accounts payable, a 4.0 billion yen increase in other current liabilities, a 25.1 billion yen increase in long-term loans payable, and a 9.5 billion yen increase in bonds payable.

Net assets increased by 25.0 billion yen to 217.4 billion yen with an 8.6 billion yen increase in foreign currency translation adjustments and a 15.0 billion yen increase in retained earnings.

(ii) Cash Flows

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter “funds”) increased by 25.1 billion yen year-on-year to 92.6 billion yen at the end of the consolidated fiscal year under review.

<u>Cash flows from operating activities</u>

Funds provided by operating activities increased by 13.9 billion yen year-on-year to 32.7 billion yen. Major factors contributing to this result included a 12.0 billion yen decrease in reserve for business restructuring losses, a 1.8 billion yen increase in notes and accounts receivable, besides 25.8 billion yen in income before income taxes, 14.2 billion yen in depreciation, a 4.1 billion yen decrease in inventories, and a 3.5 billion yen increase in notes and accounts payable.

<u>Cash flows from investing activities</u>

Funds used in investing activities decreased by 12.8 billion yen year-on-year to 11.0 billion yen. Major factors contributing to this result included 2.4 billion yen in proceeds from the sale of investment securities, and 13.7 billion yen in payments for the purchase of property, plant and equipment.

<u>Cash flows for financing activities</u>

Funds provided by financing activities increased by 0 billion yen year-on-year to 0.1 billion yen. Major factors contributing to this result included 40.5 billion yen in repayments of long-term loans payable, 2.5 billion yen in dividends paid, besides 35.2 billion yen in proceeds from long-term loans payable, 10 billion yen in proceeds from issuance of bonds.

(3) Fundamental Policy Regarding the Distribution of Profits

The total amount of dividends and share buyback divided by consolidated net income will be stated as “ratio of return to shareholders” and the Company has decided to make the average ratio of the 3 year period to over 30%. Dividend will be decided taking into consideration of the balance of its performance and stability of dividend.

The Company is planning to set the year-end dividend for the fiscal year under review at 8.00 yen per share. At that level, the dividend for the fiscal year ending March 2014 would come to 13.00 yen per share.

Regarding dividends for the fiscal year ending March 2015, based on an overall consideration of factors like our intent to pay a stable dividend amount and business results we expect to achieve, we are planning to pay a full-year dividend of 16.00 yen per share.

(4) 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, electronic devices, and electronic products. The Group operates its business all over the world, and our customers include both individuals and various manufacturers. Therefore, our operating results are influenced by various factors, some of which are listed below.

Watches and clocks

Competition in the watch market is intensifying not only against Japanese brands, but also against high-end Swiss brands and low-end Chinese manufacturers along with alternative products such as mobile phones with watch functions. With regard to movement business, despite our high market share, volume growth is slowing down and low demand due to the rise of Chinese manufacturers may trigger price decline.

Machine tools

The machine tools business is susceptible to the effects of economic cycles and fluctuations in capital investment activity among companies, and competition is intensifying not only with domestic manufacturers but also manufactures in other parts of Asia.

Devices and components

The devices and components business is characterized by rapid technological innovation and fierce competition among companies, so sales price declines or development delays, for example, can greatly impact business results. Results for opto-devices are greatly affected by developments among customers like mobile phone and lighting manufacturers. Results for Quartz crystals devices are also potentially highly dependent on what happens among mobile phone manufacturers, who are key customers. And patent licensing agreements are essential for the manufacture of some products, which could be seriously affected should a cooperative relationship underlying a patent agreement break down and access to the patent be lost.

Electronic products

The electronic products business is susceptible to capital expenditure and personal consumption declines resulting from economic downturns and, therefore, could experience sales declines depending on economic conditions. In addition, with intense competition, with not only domestic manufacturers but also electronics manufacturers in China and other countries, and rapid technological innovation, sales price declines or development delays, for example, could impact business results.

(ii) Overseas sales

As it is mentioned under segment section, the overseas sales ratio of the Group is high. As our products are sold worldwide, the economy and the consumer trend, political and economic factors in each area may affect our operating results.

(iii) Foreign currency fluctuation risk

As mentioned in (ii), as our overseas sales ratio is high, we take foreign currency contracts, currency options, etc. as risk hedge. Although we are strengthening overseas production, currency fluctuations may affect our operating results.

(iv) Manufacturing in China

About 40% of the Group's products are manufactured overseas, and China is the main production base. Therefore, some possible factors in China, such as the suspension in production due to problems, the implementation of new regulations that may affect production, and a sharp appreciation in the Chinese yuan, may affect our operating results.

(v) Impairment loss

In case the market value of our assets declined significantly or the profitability of our business worsens, an impairment loss will be recorded, which may affect our operating results and financial position.

(vi) Patent and intangible property

In its pursuit of R&D and production activities, the Citizen Group makes use of various technologies covered by intellectual property rights. Included among these intellectual property rights are ones owned by the Citizen Group and others 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 the outcome of which could affect the business results of the Citizen Group.

For some products in particular, manufacturing is based upon patent licenses. Any cancellation of a cooperative relationship underlying those licenses or a loss of access to the related patents may affect or business results.

(vii) Risk related to natural disaster such as earthquakes

The Citizen Group establishes a risk management system through simulation activities to avoid any human suffering or facility damages. However, if any earthquakes larger than expected occurs, it may affect our production activities, product supplies, and reconstruction costs, and hence may significantly affect our operating results and financial position.

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

The Citizen Group strives to enhance its business foundation through M&As and business alliances. In executing these activities, we conduct thorough research and examinations on targeted companies. Nevertheless, there may be risks which we may later find out such as unrealized liabilities, obstacles in executing projects, etc. which may, as a result, affect our operating results and financial position.

(ix) Risk related to borrowings

The Citizen Group’s borrowings include syndicated loans and commitment line agreements with financial institutions. Violations of the financial covenants of these agreements could result in demands for the accelerated repayment of the related borrowings, which may, as a result, affect our financial position.

(x) Other risks

Other than the above factors, the Group’s operating results may be affected by various factors, such as changes in social infrastructure and market competitions; changes in our financial and managerial situations along with current restructuring initiatives; trading regulations in major markets in Japan and overseas; and substantial changes in stock and bond markets.

2. Corporate Group

The Citizen Group ("the Company" and its subsidiaries and affiliates) consists of the Company and its 129 subsidiaries and 8 affiliates. The Group companies are mainly engaged in production and sales in four business segments: watches and clocks, Machine tools, Devices and components, and electronic products.

The major Group companies in the respective business segments are as follows:

CITIZEN HOLDINGS CO., LTD.(A Pure Holding Company)

Group management / Business administration / Asset lending

Watches and Clocks

Major domestic production & marketing companies

- ○ CITIZEN WATCH CO., LTD.
- ○ CITIZEN WATCH MANUFACTURING CO., LTD.
- ○ CITIZEN T.I.C. CO., LTD.
- ○ ON-TIME CO., LTD.
- ○ CITIZEN SAKAE TRADING CO., LTD.
- ○ CITIZEN YUBARI CO., LTD.
- ○ CITIZEN WATCH KAGOSHIMA CO., LTD.
- ○ CITIZEN MICRO CO., LTD.

Major overseas production & marketing companies

- ○ SUNCITI MANUFACTURERS LTD.
- ○ CITZIEN WATCHES (H.K.) LTD.
- ○ GOODRINGTON COMPANY LTD..
- ○ CITIZEN WATCHES CO., OF AMERICA, INC.
- ○ CITIZEN WATCHES AUSTRALIA PTY LTD.
- ○ CITZIEN WATCHES EUROPE GmbH
- ○ CITIZEN WATCH ITALY S.P.A.
- ○ CITIZEN DEMEXICO, S.A. DEC.V.
- ○ CITIZEN WATCH (CHINA) CO., LTD.
- ○ BULOVA CORPORATION
- ○ PROTHOR HOLDING S.A.

Industrial machinery

Major domestic production & marketing companies

- ○ CITIZEN MACHINERY MIYANO CO., LTD.

Major overseas production & marketing companies

- ○ CITIZEN MACHINERY ASIA CO., LTD.
- ○ CITIZEN CHINA PRECISION MACHINERY CO., LTD.
- ○ CITIZEN MACHINERY EUROPE GmbH
- ○ CITIZEN MACHINERY UK LTD.
- ○ CITIZEN MACHINERY PHILIPPINES INC.
- ○ CITIZEN MASHINERY VIETNAM CO.,LTD.
- ○ SIRMA MACCHINE S.R.L.

※MARUBENI CITIZEN-CINCOM INC.

Devices and components

Major domestic production & marketing companies

- ○ CITIZEN ELECTRONICS CO., LTD.
- ○ CITIZEN FINE TECH MIYOTA CO., LTD.
- ○ CITIZEN SEIMITSU CO., LTD.
- ○ CITIZEN ELECTRONICS FUNEHIKI CO., LTD.
- ○ CITIZEN ELECTRONICS TIMEL CO., LTD.
- ○ CITIZEN CHIBA PRECISION CO.,LTD.
- ○ CITIZEN PRECISION HACHINOHE CO., Ltd.

Major overseas production & marketing companies

- ○ FIRSTCOME ELECTRONICS LTD.
- ○ MASTER CROWN ELECTRONICS (WUZHOU) LTD.
- ○ CITIZEN MICRO DEVICES (SUZHOU) CO.,LTD.
- ○ C-E (H.K.) LTD.
- ○ C-E (DEUTSCHLAND) GmbH
- ○ XUNKE ELECTRONICS LTD.
- ○ CITIZEN (SHANGHAI) TRADING CO., LTD.
- ○ WALOP LIMITED

Electronic products

Major domestic production & marketing companies

- ○ CITIZEN SYSTEMS JAPAN CO., LTD.

Major overseas production & marketing companies

- ○ CITIZEN SYSTEMS (H.K.) LTD.
- ○ CITIZEN SYSTEMS AMERICA CORPORATION
- ○ CITIZEN SYSTEMS EUROPE GmbH

Other products

Major domestic production & marketing companies

- ○ CITIZEN JEWELRY CO., LTD.
- ○ SILVER DENKEN CO., LTD.
- ○ CITIZEN PLAZA CO., LTD.
- ○ TOKYO BIJUTSU CO., LTD.

Indirect Operations, Group Internal Finance and Other

Business support companies

- ○ CITIZEN BUSINESSEXPERT CO., LTD.
- ○ CITIZEN FINANCIAL SERVICE CO., LTD

○ : consolidated subsidiaries ※ : affiliate not accounted for by the equity method

3. Management Policy

(1) Fundamental Management Policy

The Company in February 2013 compiled the “Citizen Global Plan 2018” medium-term management plan, which covers years until the fiscal year ending in March 2019 (hereinafter “the Management Plan”). Under the “Aiming to Be a Solid Global Company - business group with speed and dynamics -” slogan, the Company, with the following two targets as a basic management policy, aims to be a “solid global company” that consistently provides “value” required in the global market.

1) The Company will focus on the machinery product business and the precision component product business for automotive components, etc., which are the business area using the strengths developed and accumulated on years of experience of the watches and clocks business, and aim to establish an industry leading business group with global competitiveness.
2) Considering China and other emerging countries in Asia as its strategic marketplace, the Company will accelerate growth in profit through boosting sales concurrently with the promotion of streamlining.

(2) Medium- to Long-Term Management Strategy and Issues Facing the Company

The first three years (FY2013 - FY2015) of the Management Plan will be devoted for thorough structural reform and improvement, and funds generated as a result of the structural reform for cost-effectiveness will be put in aggressive growth investments in the following three years (FY2016 - FY2018) to enhance business performance. Through these stages the Company will pursue the FY2018 goal to become a “solid global company,” so as to survive against international competition.

During the first three years (FY2013 - FY2015), the Company will focus on the following five tasks to overcome its management challenges.

1) Thorough structural reform for cost-effectiveness

   Each of the subsidiaries will, as necessary, seek more appropriate number of employees, companies and business bases so that they can build muscular management structure in the early stage of the medium term.

2) Clarify the business portfolio

   i. Watches and clocks

      Concentrate the group’s management resources in this business, which is the “core business to develop the group’s growth”

   ii. Machine tools

      Develop this business as the second core business to the watches and clocks business

   iii. Precision components

      Develop this business as a growing business with great potential by taking advantage of the group’s strength

   iv. Devices and components, Electronics products and others

      Achieve stable management by increasing profits rather than by expanding sales

3) Strengthen the production capability

   The Company will check and review the current status including the points as stated below with an aim to strengthen the production capability.

   i. Break away from the self-manufacture and seek an appropriate balance with the external procurement after identifying the Company’s core competence

   ii. Promote the most appropriate global production system with roles shared by the domestic production (creation of added value) and overseas production (cost reduction)

   iii. Avoid risks by pulling out of excess concentration of business in China

4) Promote efficiency in productivity and development of human resources

   i. Change the compensation structure to a performance related/individual assessment system with an aim to revitalize the personnel and organization

   ii. Cultivate human resources capable of supporting the group in the medium to long term period

   iii. Cultivate human resources capable of working in the international fields

   iv. Streamline multi-stratified organization and overlapping services/business to promote efficiency in productivity

5) Active marketing to meet the needs of the growing emerging markets in Asia

   The watches and clocks business has achieved higher sales in China with active marketing investments. This growth scheme will be launched in the surrounding countries to accelerate growth in this region and boost the global Citizen Brand presence.

The Company booked 23.6 billion yen in an extraordinary loss in the fiscal year ended in March 2013 to cover the expenses necessary to implement these measures.

Strategies of each business segment

1) Watches and clocks
Under the slogan of “From Functionality to Corporate Branding,” the Company will strengthen the corporate brand marketing. Active investments will be made in China and other emerging countries in Asia, which are regarded as the strategic markets for sales expansion, with an aim to create business structure capable of generating high profit margins. The Company will maximize its impact on the distribution channels and maintain/expand the existing distribution territory, and at the same time promote multi-brand strategies that will help expand sales of the Citizen brand, so that it can boost revenues of the overall watches and clocks business.

2) Machine tools
The Company will establish a position as the “new manufacturing company,” which provides its customers with the most-advanced solutions based on its miniaturization/high-rigidity technology developed in the watch part business. As such it will secure a stable position with the leading share in the automatic lathe market.

3) Devices and components
The Company will expand the precision component business to beat competitors in the global niche market based on the group’s strength in the technology to process metallic parts and brittle materials. For LED products, the Company will seek to stabilize and expand profits by refining the group’s unique strength in the technology to make the products smaller and thinner and at the same time by taking advantage of a capital/business alliance with Nichia Corporation. For other device products, the Company will put stable profits before higher sales.

4) Electronic products
Having commercial and photo printers of high quality/reliability as the core products, the Company will seek to generate stable profits by developing businesses mainly in the global niche market.

Under the medium-term management plan during the fiscal year under review, the first year of the management plan, we have worked on the following initiatives: consolidation of domestic production bases; optimization of global production systems; streamlining of manpower; and rigorous strengthening of business structures. We will continue to accelerate the structural reform process, and at the same time, implement growth strategies.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2013	March 31, 2014
Current assets		
Cash and cash equivalents	71,105	96,202
Notes and accounts receivable	*4 60,342	66,811
Commodity and Finished products	37,646	38,306
Work in process	20,922	19,986
Raw materials	15,212	15,298
Accrued consumption tax	1,394	1,547
Deferred tax assets	13,005	9,490
Other current assets	7,842	7,044
Allowance for doubtful accounts	△1,603	△1,912
Total current assets	225,868	252,775
Fixed assets		
Property, plant and equipment		
Buildings and structures	32,063	32,769
Machinery, equipment and carriers	20,403	19,481
Tools, furniture and fixtures	4,024	4,845
Land	11,727	12,103
Lease	459	548
Construction in progress	2,134	1,989
Total Property, plant and equipment	*1 70,813	*1 71,736
Intangible fixed assets		
Goodwill	7,200	6,131
Software	2,097	2,217
Lease	29	18
Other intangible fixed assets	5,499	5,581
Total Intangible fixed assets	14,826	13,948
Investments and other assets		
Investment securities	34,673	36,526
Long-term loans	732	1,049
Deferred tax assets	4,969	4,665
Other intangible fixed assets	3,775	3,645
Allowance for doubtful accounts	△321	△288
Allowance for valuation loss on investments	△667	△138
Total Investments and other assets	43,162	45,460
Total fixed assets	128,801	131,145
Total assets	354,670	383,920

Millions of yen	March 31, 2013	March 31, 2014
Current liabilities		
Notes and accounts payable	*4 16,174	20,243
Short-term bank loans payable	43,261	13,015
Bonds to be redeemed within a year	500	50
Income taxes payable	2,027	1,687
Deferred tax liabilities	14	39
Accrued expenses	11,935	13,124
Reserve for bonuses to employees	4,678	5,861
Reserve for bonuses to directors	143	235
Reserve for product warranties	828	1,070
Notes payable for equipment	*4 1,248	175
Reserve for environmental measures	23	10
Reserve for business restructuring losses	14,400	1,916
Reserve for disaster losses	38	43
Other current liabilities	18,363	22,407
Total Current liabilities	113,638	113,638
Long-term liabilities		
Bonds with subscription right for new shares	10,050	20,000
Long-term loans payable	20,150	45,283
Deferred tax liabilities	546	1,209
Reserve for defined retirement benefits	13,078	-
Reserve for loss on guarantees	-	39
Reserve for environmental measures	63	76
Reserve for business restructuring losses	3,326	3,885
Net defined benefit liability	-	14,598
Asset retirement obligations	248	248
Other long-term liabilities	1,158	1,285
Total Long-term liabilities	48,622	86,626
Total liabilities	162,260	166,508
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in capital	33,890	33,890
Retained earnings	127,080	142,159
Treasury stock	△5,380	△5,387
Total shareholder’s equity	188,239	203,311
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	5,743	7880
Foreign currency translation adjustments	△5,082	3,523
Remeasurements of defined benefit plans	-	△612
Total Valuation and translation adjustments	661	10,791
Minority interest	3,508	3,309
Total net assets	192,409	217,412
Total liabilities and net assets	354,670	383,920

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

Consolidated Statement of Income

Millions of yen	March 31, 2013	March 31, 2014
Net sales	272,050	309,994
Cost of sales	176,598	190,618
Gross profit	95,451	119,376
Selling, general and administrative expenses	*1 83,902	*1 95,669
Operating income	11,549	23,706
Non-operating income		
Interest income	364	355
Dividend income	1,042	1,203
Subcontractor rental income	246	259
Foreign exchange gains	1,603	588
Investment gain from the application of equity method	186	252
Other	1,049	833
	4,493	3,493
Non-operating expenses		
Interest charges	1,209	1,115
Loss on sales of bills	88	74
Depreciation expenses for lent properties	58	127
Other	881	574
	2,237	1,891
Ordinary income	13,805	25,307
Extraordinary gains		
Gain on sales of investment securities	112	1,977
Gain on sales of fixed assets	1,335	768
Reversal of reserve for investment losses	40	-
Reversal of provision for business restructuring losses	559	-
Gain on negative goodwill	31	8
Other	349	49
	2,427	2,803
Extraordinary losses		
Loss on sales of properties	233	13
Loss on disposal of properties	557	375
Loss on impairment	*2 5,060	*2 144
Reorganization costs	18,647	944
Valuation loss on investment securities	116	10
Provision for investment losses	247	-
Loss on disaster	-	30
Compensation expenses	-	229
Additional provision for bonuses associated with the change in the period subject to bonus payment	-	209
Other	790	271
	25,653	2,230
Income or loss (△) before income taxes	△9,420	25,881
Income, residential and enterprise taxes	3,636	4,044
Corporate tax adjustment	△4,191	4,166
Total Corporate tax	△554	8,210
Income or loss (△) before minority interests	△8,865	17,670
Minority interests	△10	235
Net income or loss (△)	△8,855	17,434

Consolidated Statements of Comprehensive Income

Millions of yen	**March 31, 2013**	**March 31, 2014**
Income or loss (△) before minority interests	△8,865	17,670
Other comprehensive income		
Valuation difference on available-for-sale securities	2,600	2,136
Deferred gains or losses on hedges	△51	-
Foreign currency translation adjustment	10,500	8,500
Share of other comprehensive income of associates accounted for using equity method	153	133
Other comprehensive income	13,202	10,771
Comprehensive Income	4,336	28,441
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,367	28,177
Comprehensive income attributable to minority interests	△30	264

(3) Consolitated Statements of Changes in Equity

Millions of yen	**March 31, 2013**	**March 31, 2014**
Shareholders' equity		
Paid-in capital		
Balance at beginning of year	32,648	32,648
Balance at end of year	32,648	32,648
Additional paid-in capital		
Balance at beginning of year	37,167	33,890
Changes during the year		
Cancellation of treasury stocks	△0	-
Retirement of treasury stock	△3,276	-
Total changes	△3,276	-
Balance at end of year	33,890	33,890
Retained earnings		
Balance at beginning of year	152,562	127,080
Changes during the year		
Cash dividends	△2,916	△2,591
Net income or loss (△)	△8,855	17,434
Cancellation of treasury stocks	△0	△0
Decline due to stock swap	△13,663	-
Changes in scope of consolidation	△13	235
Decrease due to change in equity		
Capital increase/decrease of consolidated subsidiaries	△34	-
Total changes	△25,482	15,078
Balance at end of year	127,080	142,159
Treasury stocks		
Balance at beginning of year	△22,319	△5,380
Changes during the year		
Repurchase of treasury stocks	△1	△6
Cancellation of treasury stocks	0	0
Decline due to stock swap	16,939	-
Total changes	16,938	△6
Balance at end of year	△5,380	△5,387

Millions of yen	March 31, 2013	March 31, 2014
Total shareholders' equity		
Balance at beginning of year	200,059	188,239
Changes during the year		
Cash dividends	△2,916	△2,591
Net income or loss (△)	△8,855	17,434
Repurchase of treasury stocks	△1	△6
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	△13	235
Decrease due to change in equity		
Decline due to stock swap	△34	-
Total changes	△11,820	15,071
Balance at end of year	188,239	203,311
Accumulated other comprehensive income		
Valuation and translation adjustments		
Net unrealized gain/loss on other securities		
Balance at beginning of year	3,142	5,743
Changes during the year		
Changes except in shareholders' equity	2,600	2,136
Total changes	2,600	2,136
Balance at end of year	5,743	7,880
Deferred gains or losses on hedges		
Balance at beginning of year	51	-
Changes during the year		
Changes except in shareholders' equity	△51	-
Total changes	△51	-
Balance at end of year	-	-
Foreign currency translation adjustments		
Balance at beginning of year	△15,755	△5,082
Changes during the year		
Changes except in shareholders' equity	10,673	8,605
Total changes	10,673	8,605
Balance at end of year	△5,082	3,523
Total accumulated other comprehensive income		
Balance at beginning of year	△12,560	661
Changes during the year		
Changes except in shareholders' equity	13,222	10,130
Total changes	13,222	10,130
Balance at end of year	661	10,791
Minority interest		
Balance at beginning of year	1,354	3,508
Changes during the year		
Changes except in shareholders' equity	2,153	△199
Total changes	2,153	△199
Balance at end of year	3,508	3,309
Total net assets		
Balance at beginning of year	188,853	192,409
Changes during the year		
Cash dividends	△2,916	△2,591
Net income or loss (△)	△8,855	17,434
Repurchase of treasury stocks	△1	△6
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	△13	235
Decrease due to change in equity		
Capital increase/decrease of consolidated subsidiaries	△34	-
Changes except in shareholders' equity	15,376	9,930
Total changes	3,555	25,002
Balance at end of year	192,409	217,412

(4) Consolidated Statement of Cash Flow

Millions of yen		Year ended March 31, 2013	Year ended March 31, 2014
Cash flow from operating activities			
Income or loss (△) before income taxes		△9,420	25,881
Depreciation		15,406	14,282
Increase/decrease in reserve for business restructuring losses		15,586	△12,064
Increase/decrease in reserve for defined retirement benefits		650	-
Increase/decrease in allowance for doubtful accounts		42	1,029
Increase/decrease in net defined benefit liability		-	680
Amortization of goodwill		1,296	1,349
Gain on negative goodwill		△31	△8
Interest and dividends income		△1,406	△1,559
Interest charges		1,209	1,115
Loss on sales of investment securities		△111	△1,976
Loss on Valuation of investment securities		116	10
Loss on sales of fixed assets		△1,101	△755
Loss on disposal of fixed assets		557	374
Increase/decrease in receivables - trade		6,329	△1,831
Increase/decrease in inventories		102	4,123
Increase/decrease in payables - trade		△9,844	3,594
Loss on impairment		5,060	144
Other		△2,270	2,321
Sub total		22,171	36,711
Interest and dividends received		1,396	1,564
Interest payments		△1,258	△1,122
Income taxes		△3,519	△4,428
Net cash provided by operating activities		18,789	32,724
Cash flow from investing activities			
Payments for the purchase of investment securities		△1,194	△217
Proceeds from the sale of investment securities		325	2,444
Payments for the purchase of property, plant and equipment		△18,047	△13,773
Proceeds from the sale of property, plant and equipment		1,806	1,353
Payments for Intangible fixed assets		△1,551	△901
Proceeds from sales of intangible fixed assets		0	-
Payments for loans receivable		△786	△644
Proceeds from the recovery of loans receivable		620	566
Payments for purchase of subsidiary shares	*2	△5,484	△1
Other		457	173
Net cash used in investing activities		△23,853	△11,000
Cash flow from financing activities			
Net increase/decrease in borrowings		△7,829	△955
Proceeds from long-term loans payable		10,000	35,266
Repayment of long-term loans payable		△10,500	△40500
Proceeds from issuance of bonds		10,000	10,000
Redemption of bonds		△500	△500
Dividends paid		△2,916	△2,591
Dividends paid to the minority stockholders		△23	△513
Proceeds from stock issuance to minority shareholders		-	34
Proceeds from issuance of common stock		1,999	-
Payments for purchase of treasury stock		△1	△6
Proceeds from sale of treasury stock		0	0
Other		△133	△51

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Net cash used in financing activities	95	181
Effect of exchange rate changes on cash and cash equivalents	3,547	2,824
Net increase in cash and cash equivalents	△1,420	24,729
Cash and cash equivalents at beginning of term	68,937	67,517
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	-	414
Cash and cash equivalents at end of term	*1 67,517	*1 92,661

(5) Notes to the Consolidated Financial Statements

(Notes related to of going concern assumptions)

Not applicable

(Basis of Presenting the Consolidated Financial Statements)

1. Scope of consolidation	(1) Consolidated subsidiaries (100 companies) Major consolidated subsidiaries Citizen Watch Co., Ltd., Citizen Machinery Miyano Co., Ltd., Citizen Electronics Co., Ltd., Citizen Finetech Miyota Co., Ltd., Citizen Seimitsu Co., Ltd., Citizen Systems Japan Co., Ltd. Newly added (6companies) Beginning with the consolidated fiscal year under review, Citizen Watch Manufacturing Co., Ltd., Alliance Precision (Asia) Company Limited and East Eagle Watch (Shanghai) Co., Ltd. have been newly incorporated and included in the scope of consolidation. In addition, Sirma Macchine S.R.L., COMATEC CO., LTD. and Bulova Watch International Ltd., in consideration of their importance, have been included in the scope of consolidation. Excluded (6 companies) Beginning with the consolidated fiscal year under review, Citizen Heiwa Watch Co., Ltd., Citizen Tohoku Co., Ltd., Citizen Micro Co., Ltd., Citizen Watch Miyota Co., Ltd., and Citizen Watch Kawaguchiko Co., Ltd. have been excluded from consolidation due to their absorption-type merger with Citizen Watch Manufacturing Co., Ltd. (surviving company). Farbest Industries Ltd. has been excluded from consolidation due to liquidation. In addition, Comatec Co., Ltd. changed its name to Citizen Micro Co., Ltd., and Bulova Watch International Ltd. changed its name to CIVIS Manufacturing Limited. (2) Nonconsolidated subsidiaries (28 companies) Major nonconsolidated subsidiaries Citizen New Flag Co., Ltd. . (Reasons for Exclusion from the Scope of Consolidation) The total assets, net sales, net income (equivalent portion for equity holdings), and retained earnings (equivalent portion for equity holdings) of the nonconsolidated subsidiaries excluded from the scope of consolidation were individually immaterial in comparison to total assets net sales, net income, and retained earnings, as reported on the consolidated financial statements, and also would not materially impact the consolidated financial statements taken together
2. Application of the equity method	(1) Equity method affiliate company: 2 companies. Marubeni Citizen Cincom Inc. First Cainta Resources Corporation (2) Non-consolidated subsidiaries to which the equity method is not applied (Citizen New Flag Co., Ltd. and others) and a key related company (AIKAWA SEIMITSU CO., LTD. and others) have been excluded from equity method application. This decision was based on the immateriality of the individual impacts of their net income or loss, retained earnings, and other financial measures (equivalent portions for equity holdings) on the consolidated financial statements, and based on the overall lack of importance of each of these companies to the consolidated group.
3. Fiscal year-end of consolidated subsidiaries	73 overseas consolidated subsidiaries have a closing date that is different from the closing date for the consolidated financial statements. These overseas consolidated subsidiaries close their books on December 31, but perform account closings as of the consolidated financial statement closing date for financial statements used in preparing the consolidated financial statements, so that the latter can be prepared.

4. Accounting standards	The accounting standards applied by the consolidated subsidiaries are, in principle, consistent with those supplied by the Company and there are no differences to note. The key accounting standards applied by the Company and its consolidated subsidiaries are described below.
(1) Valuation standards and methods for major assets	(i) Marketable and investment securities Bonds held to maturity Bonds with market values Accounted for at market value as of the closing date for the consolidated financial statements (Valuation differences are recorded directly in net assets and sales cost is calculated using mainly the moving average method.) Bonds without market values Cost method using the moving average method. (ii) Derivatives Market value method. (iii) Inventory assets Inventories are primarily valued at cost method based on the gross average approach (with balance sheet values reflecting write downs for decreased profitability)
(2) Depreciation of fixed assets	(i) Property, plant and equipment t(excluding leased assets） Mainly calculated using a declining balance basis. Primary useful life figures are as follows. Buildings and structures 2 to 60 years. Machinery, equipment and carriers 2 to 10 years. (ii) Intangible fixed asset(excluding leased assets） Calculated using a straight line basis. (iii) Leased assets Leased assets related to finance lease transactions that do not transfer ownership of the leased assets to the lessee are depreciated using the straight-line method with useful lives equal to lease terms and zero residual values. For finance lease transactions that do not transfer ownership of the leased assets to the lessee and began on or before march 31,2008, accounting treatment complying with the method applied for ordinary lease transactions is being continued.
(3) Deferred assets	Bond issuance expenses One-time depreciation in the year of issuance.
(4) Recognition basis of provisions and reserves	(i) Allowance for doubtful accounts In setting aside an allowance for possible losses related to trade receivables, loans, etc. for the Company and its domestic consolidated subsidiaries, individual ordinary receivables regarded as doubtful are evaluated for collectability and an amount equivalent to the portion judged to be uncollectible is recorded based on the lone loss ratio. For overseas consolidated subsidiaries, individual receivables are evaluated for collectability and required loss estimates are recorded. (ii) Allowance for investment loss To provide for possible losses due to extreme devaluation in the stocks of non-consolidated subsidiaries (excluding stocks subject to impairment accounting), an allowance for valuation loss on investments is provided for an amount considering the actual stock prices on the balance sheet date. (iii) Reserve for bonuses to employees To provide for the payment of bonuses to employees, the Company and some of its consolidated subsidiaries record an allowance based on the estimated forthcoming payments. (iv) Reserve for bonuses to directors To provide for the payment of bonuses to directors, the Company and some of its consolidated subsidiaries record an allowance based on the estimated forthcoming payments. (v) Reserve for product warranties At several overseas sales subsidiaries, certain rates of net sales are provided as an allowance for the possible expenses required for after-sales services of products sold. (vi) Reserve for business restructuring losses To provide for expenses and losses related to business restructurings, an allowance is set aside in an amount equal to the estimated forthcoming payments.

(4) Recognition basis of provisions and reserves	(vii) Reserve for environmental measures To provide for expenses related to future environmental measures, an allowance is set aside in an amount based on a reasonable estimate. (viii) Reserve for disaster losses To provide for outlays for the restoration of assets damaged by the Great East Japan Earthquake, etc., an allowance is set aside in an amount based on a reasonable estimate at the end of the fiscal year under review. (ix) Provision for loss on guarantees Provision for loss on guarantees is provided to cover the estimated amount of payments for such loss in consideration of the financial position and other factors of guarantees.
(5) Accounting treatment regarding retirement benefits	(i) The method of attributing expected benefit to periods With respect to the method of attributing expected benefit to periods up to the end of the fiscal year under review, we adopt straight-line attribution for the calculation of estimated amounts of retirement benefits. (ii) Actuarial difference on obligation and past service costs Prior service costs are recognized as expense and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle). Actuarial difference is recognized as expense starting from the consolidated fiscal year following the year in which it occurs and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle)
(6) Translation of foreign currency assets or liabilities	Foreign currency amounts are translated into Japanese yen at the rate prevailing on the balance sheet date for accounts receivable and accounts payable. The translation adjustments are stated as profit/loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot rate on the date of the balance sheet, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate. The differences arising from translation are included in foreign currency translation adjustments and minority interest in the net assets section.
(7) Hedge accounting method	(i) Hedge accounting method The Company adopts the deferral hedge accounting. When the conditions are met, the special treatment is applied to interest rate swaps. (ii) Hedging instruments and hedged items The hedging instruments and hedged items by adopting the hedge accounting are as follows. 1) Hedging instruments: Forward exchange contracts Hedged items: Future transactions denominated in a foreign currency 2) Hedging instruments: Interest rate swaps Hedged items: Interest payments on borrowings (iii) Hedge policy In order to avoid the foreign exchange fluctuation risk associated with future transactions denominated in a foreign currency as well as the interest rate fluctuation risk associated with part of borrowings, the Company adopts the hedge accounting. (iv) Method for evaluating hedge effectiveness The Company compares the total amount of market change or change of cash flow from hedging instruments and the total amount of market change or change of cash flow from hedged items. Effectiveness of hedge is evaluated based on the ratio of such changes. With respect to interest rate swaps, evaluations of effectiveness are omitted because the special treatment is applied.
(8) Amortization method and period for goodwill	Goodwill is amortized evenly over the period that its effects are expected to be realized (up to 20 years from the time of recording). If the difference from elimination is immaterial, it is recorded as a gain or loss in the period which it arises.
(9) Scope of funds covered by the consolidated statement of cash flow	The scope of funds covered by the consolidated statement of cash flow include cash on hand, demand deposits, and short-term investments which mature within three months of acquisition as well as which are easily convertible to cash and bear very little value fluctuation risk.
(10) Other important matters regarding the preparation of consolidated financial statements	(i) Accounting method for consumption tax Consumption tax is calculated using a tax exclusion method. (ii)Application of Consolidated taxation system Consolidated taxation system is applied

(Changes in accounting policies)

(Application of the accounting standard for retirement benefits)

We adopt the Accounting Standard for Retirement Benefits (ASBJ Statement No.26 issued on May 17, 2012; hereinafter, the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 issued on May 17, 2012; hereinafter, the "Guidance on Accounting Standard for Retirement Benefits") starting from the end of the consolidated fiscal year under review (excluding the provisions of Article 35 of the Accounting Standard for Retirement Benefits and those of Article 67 of the Guidance on Accounting Standard for Retirement Benefits). We also adopt the accounting treatment in which the amount calculated by deducting plan assets from retirement benefit obligations is recognized as net defined benefit liability. As a result, unrecognized actuarial differences and unrecognized past service costs are recognized as liabilities for retirement benefits.

We adopt these accounting standard and guidance in accordance with the transitional treatment specified in Article 37 of the Accounting Standard for Retirement Benefits. Amounts occurred due to such a change are recognized as remeasurements of defined benefit plans in accumulated other comprehensive income at the end of the consolidated fiscal year under review.

As a result, we recorded 14,598 million yen as net defined benefit liability, a decrease of 612 million yen in accumulated other comprehensive income, and an increase of 0 million yen in minority interest at the end of the consolidated fiscal year under review.

The net asset per share decreased by 1.89 yen.

(Accounting standard issued but not yet adopted)

- Accounting Standard for Retirement Benefits (ASBJ Statement No.26 issued on May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 issued on May 17)

(1) Summary

The Accounting Standards Board of Japan (ASBJ) has announced the revisions to the accounting treatments for unrecognized actuarial differences and unrecognized past service costs, the calculation methods for retirement benefit obligations and current service costs, the requirement of enhanced disclosure and other accounting matters.

(2) Planned application date

We will adopt the revised calculation methods for retirement benefit obligations and current service costs from the beginning of the year ending March 31, 2015.

Since ASBJ allows transitional treatments for the above accounting standard and guidance, we will not conduct a retroactive adjustment to the past consolidated financial statements.

(3) Impact of the application of the above accounting standard and guidance

As a result of adopting the above accounting standard and guidance, we expect to record an increase of 3,600 million yen as net defined benefit liability and a decrease of 2,377 million yen in retained earnings at the beginning of the year ending March 31, 2015, as well as a decrease of 102 million yen in operating income, ordinary income, and income before income taxes and minority interests, respectively, for the said year.

(Consolidated balance sheet)

※1. Accumulated depreciation on property, plant and equipment is as shown below.

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Accumulated depreciation on property, plant and equipment	229,863	226,087

※2. Guarantee obligation

Guarantees of bank borrowings by companies other than members of the consolidated group are as shown below.

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Guarantees of lease obligations	479	504

※3. Export bill discounts/trade notes receivable transferred by endorsement

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Export bill discounts	0	-
Trade notes receivable transferred by endorsement	-	3

※4. Notes receivable and payable maturing at the end of the consolidated fiscal year

Regarding notes receivable and payable maturing at the end of the consolidated fiscal year, the end of the consolidated fiscal year under review fell on a bank holiday, but were accounted for as if settlement occurred on the maturity date. Notes receivable and payable maturing at the end of the consolidated fiscal year under review are as shown below.

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Notes receivable	638	-
Notes payable	58	-
Notes payable-facilities	0	-

(Consolidated statement of income)

※1 Major items in selling, general and administrative expenses were as shown below.

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Depreciation expenses	3,674	3,878
Allowance for doubtful accounts	181	14
Reserve for bonuses to employees	1,913	2,545
Reserve for bonuses to directors	97	172
Retirement benefit expenses	1,291	1,333
Personnel cost	26,990	30,601
Advertisement expenses	14,741	18,882
Reserve for product warranties	75	78
R&D expenditures	7,595	7,440

※2 Impairment Loss

The Group, in principle, considers department unit based on management accounting as the minimum unit that generates cash flow. Some of the consolidated subsidiaries are classified based on company unit due to its business size. In addition, assets that are not clearly related to certain business, such as head office, are categorized as common assets.

For the previous consolidated fiscal year under review, impairment losses were recorded for assets with no foreseeable use and assets used in businesses with diminished profitability. The book values of these assets were written down to recoverable values and the amount by which these assets were written down, 5,060 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 2,242 million yen for buildings and structures, 1,404 million yen for machinery, equipment and carriers, and 1,019 million yen for land.

For the consolidated fiscal year under review, impairment losses were recorded for assets with no foreseeable use and assets used in businesses with diminished profitability. The book values of these assets were written down to recoverable values and the amount by which these assets were written down, 144 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 58 million yen for buildings and structures, 55 million yen for machinery, equipment and carriers, and 23 million yen for land.

Recoverable values were estimated as net realizable values or value in use. Net realizable values were estimated as disposal values and values in use were calculated as future cash flows discounted at 5%.

(Consolidated statement of retained earnings)

The year ended March 31, 2013

1. Type and number of issued stocks and treasury stocks

Shares	Beginning of the period	Increase during this interim period	Decrease during this interim period	End of the period
Issued shares				
Common stock	350,353,809	-	20,000,000	330,353,809
Total	350,353,809	-	20,000,000	330,353,809
Treasury stock				
Common stock*	26,350,406	3,761	20,000,278	6,353,889
Total	26,350,406	3,761	20,000,278	6,353,889

Notes (*)
1. The 20,000,000 share decrease in issued shares resulted from the cancellation of treasury stock.
2. The 3,761 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
3. The 20,000,278 share decrease in treasury stock resulted from the cancellation of 20,000,000 shares and the sale of 278 shares to shareholders originally acquired as shares less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 22, 2012)	Common stock	1,296 million yen	4.00 yen	March 31, 2012	June 25, 2012
Board of Directors (Nov. 7, 2012)	Common stock	1,620 million yen	5.00 yen	Sep. 30, 2012	Dec. 4, 2012

(2) Of the cash dividends with record date during this period, those with effective date after this period
Resolution is scheduled as follows.

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 27, 2013)	Common stock	971 million yen	Earnings reserve	3.00 yen	March 31, 2013	June 28, 2013

The year ended March 31, 2013

1. Type and number of issued stocks and treasury stocks

Shares	Beginning of the period	Increase during this interim period	Decrease during this interim period	End of the period
Issued shares				
Common stock	330,353,809	-	-	330,353,809
Total	330,353,809	-	-	330,353,809
Treasury stock				
Common stock*	6,353,889	9,445	134	6,363,200
Total	6,353,889	9,445	134	6,363,200

Notes (*)
1. The 9,445 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 134 share decrease in treasury stock resulted from the sale of shares to shareholders originally acquired as shares less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 27, 2013)	Common stock	971million yen	3.00 yen	March 31, 2013	June 28, 2013
Board of Directors (Nov. 8, 2013)	Common stock	1,619 million yen	5.00 yen	Sep. 30, 2013	Dec. 4, 2013

(2) Of the cash dividends with record date during this period, those with effective date after this period
Resolution is scheduled as follows.

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 26, 2014)	Common stock	2,591 million yen	Earnings reserve	8.00 yen	March 31, 2014	June 27, 2014

(Consolidated statement of cash flow)

※1 Relationship between the ending balance of cash and cash equivalents and account items listed in the consolidated balance sheets

Millions of yen	Year ended March 31, 2013	Year ended March 31, 2014
Cash	71,105	96,202
Time deposits with a deposit period greater than three months	△3,587	△3,541
Cash and cash equivalents	67,517	92,661

※2 Primary assets and liabilities of consolidated subsidiaries newly added through share purchases in the consolidated fiscal year under review

Prothor Holding S.A. and its four subsidiaries became consolidated subsidiaries as a result of share purchases. The primary assets and liabilities of these companies as of the timing of consolidation, together with the relationship between the acquisition value of Prothor Holding S.A. shares and net outlays to acquire the company, are shown below.

Current assets	2,413 million yen
Fixed assets	4,120million yen
Goodwill	1,605 million yen
Current liabilities	△827 million yen
Long-term liabilities	△1,140 million yen
Minority interests	△132 million yen
Acquisition value of Prothor Holding S.A. shares	6,038 million yen
Cash and cash equivalents of Prothor Holding S.A. and its four subsidiaries	△554 million yen
Difference: Net outlays to acquire Prothor Holding S.A.	5,484 million yen

(Segment information)

a. Business segment

The Citizen Group's reportable segments are group components for which separate financial information can be obtained. Each segment is subject to periodic examinations to allow the Board of Directors to decide how to allocate management resources and assess performance.

The Citizen Group has adopted a pure 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 and clocks, Machine tools, Devices and components, Electronic products, and Other products – based on factors like similarity of types and characteristics of products.

Each segment and its major products are as shown below.

Segment	Major products
Watches and clocks	Watches, Movements
Machine Tools	NC automatic lathes
Devices and Components	Auto parts, switches , Chip LEDs, micro LCDs, Quartz crystals
Electronic products	Printers, Health care equipment, Calculators
Other products	Jewelry, Pachinko related products

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

The accounting methods applied to the business segments reported are generally the same as those described under "Basis of Presenting the Consolidated Financial Statements."

Reportable segment income is based on operating income.

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

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

Year ended March 31, 2013

Millions of yen	Watches and clocks	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	139,508	35,533	59,852	21,504	15,651	272,050	-	272,050
Inter-segment	3,084	526	5,344	1,038	686	10,680	(10,680)	-
Total	142,593	36,060	65,196	22,542	16,338	282,731	(10,680)	272,050
Operating expenses								
Operating income	10,957	2,097	936	458	486	14,935	(3,386)	11,549
Assets	165,836	46,431	85,469	15,568	14,742	328,048	26,622	354,670

Notes:

1. Adjustments were made as described below.
   (1) The 3,386 million negative adjustment to segment income (operating income) includes 183 million yen in inter-segment eliminations and 3,202 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 26,622 million yen positive adjustment to segment assets includes 103,824 million yen in corporate assets that could not be allocated to a particular segment and 77,202 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with operating income on the consolidated financial statements.

Year ended March 31, 2014

Millions of yen	Watches and clocks	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	162,061	41,728	66,784	24,349	15,071	309,994	-	309,994
Inter-segment	3,560	374	5,334	1,250	770	11,291	(11,291)	-
Total	165,621	42,103	72,120	25,600	15,841	321,286	(11,291)	309,994
Operating expenses								
Operating income	17,215	3,805	4,481	1,457	△25	26,933	(3,227)	23,706
Assets	162,177	48,624	80,520	17,280	14,961	323,564	60,356	383,920

Notes:

1. Adjustments were made as described below.
   (1) The 3,227million negative adjustment to segment income (operating income) includes 119 million yen in inter-segment eliminations and 3,107 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 60,356million yen positive adjustment to segment assets includes 106,196 million yen in corporate assets that could not be allocated to a particular segment and 45,804 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with operating income on the consolidated financial statements.

(Per Share Information)

	Year ended March 31, 2013	Year ended March 31, 2014
Net asset per share	583.03 yen	660.83 yen
Basic net income per share	△27.33 yen	53.81 yen

Note: 1. Diluted net income per share for the previous consolidated fiscal year is not reported because there were no dilutive shares. Diluted net income per share for the consolidated fiscal year under review is not reported because the result was a net loss per share and there were no dilutive shares.

Note: 2. The basis of calculation of basic net income/loss per share information is as follows:

Basic net income per share	Year ended March 31, 2013	Year ended March 31, 2014
Net income or loss (△) (millions of yen)	△8,855	17,434
Amount not attributed to common stock (millions of yen)	-	-
Net income or loss (△) on common stock (millions of yen)	△8,855	17,434
Average number of common stocks (thousand shares)	324,001	323,995
Summary of residual securities not included in diluted net income per share as it has no dilution effect.	-	-

Note: 3. The basis of calculation of net asset per share information is as follows:

Net assets per share	Year ended March 31, 2013	Year ended March 31, 2014
Net assets (millions of yen)	192,409	217,412
Amount deducted from total net assets (millions of yen)	3,508	3,309
(Minority interest)	(3,508)	(3,309)
Net assets on common stock (millions of yen)	188,900	214,102
Number of common stocks at end of term (thousand shares)	323,999	323,990

(Subsequent Events)

Not applicable

(Disclosure omitted)

Subsequent events concerning lease transactions, related party transactions, tax-effect accounting, marketable securities, derivative transactions, retirement pensions, stock options, business mergers, and other matters were judged to be of too little significance to disclose in this report and were omitted.

5. Others

(1) Changes in the Board of Directors of the Company)

Not applicable

(2) Others

Not applicable