



Consolidated Financial Statements for the Three Months Ended June 30, 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)

August 8 2014

CITIZEN HOLDINGS CO., LTD.

Code No.: 7762

Representative: Toshio Tokura, President and CEO

Contact: Shigeru Kabata, Director, In charge of Corporate Planning Division

Scheduled release of fiscal 2014 Quarterly Business Report: August 13, 2014

Scheduled start of dividend payment: -

Listings: First section of Tokyo Stock Exchange
(URL <http://www.citizen.co.jp>)

Tel: +81 -42 -468 -4934

1. Results for the Three months ended June 30, 2014 (April 1, 2014 to June 30, 2014)

(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)	%
Three months ended June 30, 2014	75,914	8.5	4,569	29.0	4,700	7.4	3,583	36.1
Three months ended June 30, 2013	69,978	7.2	3,541	7.9	4,375	63.3	2,632	31.0

Note: Comprehensive Income:

As of June 30, 2014: ¥ 3,363million(△57.4%) As of June 30, 2013: ¥ 7,902million(-%)

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
Three months ended June 30, 2014	11.06	-
Three months ended June 30, 2013	8.03	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Three months ended June 30, 2014	393,373	215,698	54.0	655.52
March 31, 2014	383,920	217,412	55.8	660.83

Reference: Shareholders' Equity: As of June 30, 2014: ¥ 212,380million As of March 31, 2014: ¥ 214,102million

2. Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Full year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2014	-	5.00	-	8.00	13.00
March 31, 2015	-	-	-	-	-
March 31, 2015 (Estimate)	-	8.00	-	8.00	16.00

Note: Revision of dividend forecast for quarter in review: None

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 Year	327,000	5.5	27,000	13.9	27,000	6.7	16,500	△5.4	50.93

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Note: Revision of consolidated forecasts for quarter in review: None

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: Yes
 - (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)	June 2014	330,353,809	March 2014	330,353,809
(ii) Number of treasury stock at the end of term	June 2014	6,364,319	March 2014	6,363,200
(iii) Average number of common stocks	June 2014	323,990,047	June 2013	323,999,021

** 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 on the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2015

(1) Qualitative data on the consolidated financial results

During the first quarter under review, the Japanese economy saw a steady recovery with improving consumer confidence supported by an increase in foreign tourist arrivals, despite a temporary drop in consumer spending linked to the rush demand before consumption tax rate hike. This recovery trend is expected to continue in the coming months, as the demand of capital investments has been on a rising trend backed by the government's policies. The U.S. economy also continued to see a solid recovery despite some negative factors such as sluggish consumer spending due to unseasonably bad weather at the beginning of this year. Meanwhile, the European economy remained uncertain due to some new negative factors appearing such as the Ukraine issue, although most of EU 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 intensifying 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 achieved growth in both sales and profits, with net sales of 75.9 billion yen (up 8.5% year-on-year) and operating income of 4.5 billion yen (up 29.0% year-on-year) for the first quarter under review.

Watches and Clocks

Revenues from CITIZEN brand watches in the domestic market increased mainly due to the strong growth in sales in mass merchandise outlets and duty-free shops supported by an increase in foreign tourist arrivals and the favorable growth in the sales of mainstay brands such as xC, despite concerns over response to the rush demand before consumption tax rate hike.

Revenues from overall overseas markets increased year-on-year mainly due to robust sales mainly in the markets of the U.S. and Europe.

Revenues from the North American market also increased as the sales has been on a recovery trend supported by a solid increase in consumer spending, despite the impact of unseasonably bad weather at the beginning of this year which caused weakening retail sales and inventory adjustments by customers such as major department stores. Revenues from the European markets also increased, mainly due to solid sales in the U.K. and Germany along with a steady recovery in European economies. Sales in areas where consumer spending remained sluggish, such as Italy, also increased from the previous year. Revenues from the Asian markets decreased mainly due to sluggish market conditions caused by political uncertainty and currency instability in the ASEAN region as well as weakening markets in China.

Revenues from the BULOVA brand increased but its profitability was sharply squeezed mainly due to increased costs incurred from new shop displays for re-branding and advertisements.

Revenues from the Q&Q brand increased mainly due to steady growth in sales in the domestic market as well as robust sales mainly in the U.S. market and other countries. In addition, the Citizen Group has been conducting sales promotion campaigns around the world along with the release of a new series of the product since the

second half of the previous year, aiming to enhance 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.

As a result of these developments, the watches and clocks segment achieved growth in both sales and profits, with net sales of 38.0 billion yen (up 4.3% year-on-year) and operating income of 2.2 billion yen (down 24.5% year-on-year) for the first quarter under review.

Machine Tools

Revenues from the domestic market increased due to an increase in renewal demand from medium-sized companies triggered by the favorable economy led by the automobile industry.

Revenues from the Asian markets increased due to solid demands for transplants and large orders as well as demands for automobiles, telecommunications, and medical-related products in China, despite a decrease in investments due to some negative factors such as political instability in Thailand.

Revenues from the U.S. market remained the same compared to the previous year, due to consumers' holding off buying prior to the change in preferential taxation while there was a strong demand for transplants targeting the markets in Mexico and Brazil.

Revenues from the European markets increased due to a recovery in major economies as well as increased demand in industries of automobiles and precision devices.

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 11.6 billion yen (up 39.6% year-on-year) and operating income of 1.4 billion yen (compared to the operating loss of 0 billion yen in the previous year) for the first quarter under review.

Devices and Components

Revenues from automobile components, among other precision machining components, increased due to solid sales in major markets such as Japan, North America and China supported by a solid demand for automobiles. 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 due to strong sales in markets such as Japan and Europe along with market expansion activities, despite the falling price of the product.

Revenues from quartz crystals, among other products, decreased mainly due to a decrease in the sales of quartz crystal blanks affected by customers' sluggish sales, as well as a decrease in the sales of tuning fork type quartz crystals affected by weakening demands and intensifying competition. Revenues from ferroelectric micro LCDs continued to decrease from the previous year mainly due to sluggish market conditions of digital cameras.

As a result of these developments, the devices and components segment achieved growth in both sales and profits, with net sales of 16.7 billion yen (up 3.1% year-on-year) and operating income of 1.6 billion yen (up 41.8% year-on-year) for the first quarter under review.

Electronic Products

Revenues from POS and label printers, among other printers, increased due to solid sales, while revenues from large-size printers targeting mainly the Chinese market also increased. Revenues from photo printers increased due to an increase in orders for the printers and an increase in the sales of consumable supplies.

Revenues from healthcare equipment decreased due to inventory adjustments in overseas markets despite strong growth in sales in the domestic market.

Revenues from calculators decreased due to inventory adjustments by new sales agencies 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 6.4 billion yen (up 11.7% year-on-year) and operating income of 0.3 billion yen (up 18.5% year-on-year) for the first quarter under review.

Other Products

Revenues from pachinko-related products decreased as customers maintained a wait-and-see attitude for new capital investments, while revenues from jewelries decreased due to a slow recovery in the sales of bridal jewelries in response to the rush demand before consumption tax rate hike.

As a result of these developments, the other products segment recorded decreases in both sales and profits, with net sales of 3.1 billion yen (down 3.2% year-on-year) and operating loss of 0.1 billion yen (compared to the operating loss of 0.1 billion yen in the previous fiscal year) for the first quarter under review.

(2) Qualitative data on the consolidated financial position

As of the end of the first quarter under review, total assets increased by 9.4 billion yen year-on-year to 393.3 billion yen. Current assets increased by 10.4 billion yen mainly because inventory assets (merchandise and finished goods, work in process, raw materials and supplies) increased by 6.0 billion yen, and cash and deposits increased by 5.1 billion yen. Non-current assets decreased by 1.0 billion yen due to an increase of 1.8 billion yen in investment securities while there were decreases of 1.4 billion yen in land and 0.7 billion yen in buildings and structures.

Liabilities increased by 11.1 billion yen year-on-year to 177.6 billion yen, with a 3.8 billion yen increase in net defined benefit liability, a 3.0 billion yen increase in notes and accounts payable, and a 2.9 billion yen increase in provision for bonuses.

Net assets decreased by 1.7 billion yen to 215.6 billion yen with a 1.3 billion yen increase in valuation difference on available-for-sale securities, a 1.6 billion yen decrease in foreign currency translation adjustments and a 1.4 billion yen decrease in retained earnings.

(3) Qualitative data on the consolidated earnings forecasts

There was no change to our consolidated earnings forecasts for the second quarter and full-year of the fiscal year ending March 31, 2015, which were announced in the quarterly report for the fiscal year ending March 31, 2014 as of May 14, 2014.

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**Changes in accounting policies**

(Application of the accounting standard for retirement benefits)

We have adopted 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") in accordance with 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 starting from the first quarter under review. We reviewed the calculation methods of retirement benefit obligations and service costs, and changed the method of attributing all contributions over all periods to periods of service based on the benefit formula instead of on a straight-line basis, as well as the method of determining a discount rate from the use of a discount rate based on the number of years similar to that of the average remaining service period of employees to the use of a single weighted average discount rate that reflects the estimated payment period of retirement benefits and the amount per that period.

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 changes in calculation methods are recognized by adding to or deducting from retained earnings at the beginning of the first quarter under review.

As a result, we recorded an increase of 3,600 million yen as net defined benefit liability and a decrease of 2,452 million yen in retained earnings at the beginning of the first quarter under review. The impact of the above changes to operating income, ordinary income, and income before income taxes for the first quarter under review is immaterial.

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2014	As of June 31, 2014
Assets		
Current assets		
Cash and deposits	96,202	101,332
Notes and accounts receivable	66,811	63,156
Merchandise and Finished goods	38,306	40,104
Work in process	19,986	23,086
Raw materials and supplies	15,298	16,477
Consumption tax receivable	1,547	1,260
Deferred tax assets	9,490	10,191
Other	7,044	9,451
Allowance for doubtful accounts	△1,912	△1,823
Total current assets	252,775	263,237
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,769	31,978
Machinery, equipment and vehicles, net	19,481	19,251
Tools, furniture and fixtures, net	4,845	4,832
Land	12,103	10,649
Lease assets, net	548	610
Construction in progress	1,989	1,663
Total property, plant and equipment	71,736	68,985
Intangible assets		
Goodwill	6,131	5,753
Software	2,217	2,092
Leased assets	18	16
Other	5,581	5,351
Total intangible assets	13,948	13,215
Investments and other assets		
Investment securities	36,526	38,342
Long-term loans receivable	1,049	1,526
Deferred tax assets	4,665	4,750
Other	3,645	3,793
Allowance for doubtful accounts	△288	△341
Allowance for investment loss	△138	△138
Total investments and other assets	45,460	47,934
Total non-current assets	131,145	130,135
Total assets	383,920	393,373

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(Unit: Millions of yen)

	As of March 31, 2014	As of June 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable –trade	20,243	23,340
Notes payable-facilities	175	409
Short-term bank loans payable	13,015	12,547
Current portion of bonds	50	50
Income taxes payable	1,687	1,654
Deferred tax liabilities	39	5
Accrued expenses	13,124	12,907
Provision for bonuses	5,861	8,859
Provision for director's bonuses	235	-
Provision for product warranties	1,070	1,082
Provision for environmental measures	10	10
Provision for loss on business restructuring	1,916	1,672
Provision for loss on disaster	43	14
Other	22,407	24,755
Total current liabilities	79,881	87,310
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	45,283	45,216
Deferred tax liabilities	1,209	1,166
Provision for loss on guarantees	39	39
Provision for environmental measures	76	76
Provision for loss on business restructuring	3,885	3,862
Net defined benefit liabilities	14,598	18,430
Asset retirement obligations	248	248
Other	1,285	1,322
Total non-current liabilities	86,626	90,364
Total liabilities	166,508	177,674
Net assets		
Shareholders' equity		
Capital stock	32,648	32,648
Capital surplus	33,890	33,890
Retained earnings	127,080	137,953
Treasury stock	△5,380	△5,385
Total shareholders' equity	188,239	199,106
Accumulated other comprehensive income		
Valuation difference on available-for-sale	7,880	9,217
Foreign currency translation adjustments	3,523	1,921
Accumulated adjustment regarding retirement benefit	△612	△596
Total accumulated other comprehensive income	10,791	10,541
Minority interest	3,309	3,317
Total net assets	217,412	215,698
Total liabilities and net assets	383,920	393,373

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

Consolidated Statement of Income (Three months ended June 30, 2014)

(Unit: Millions of yen)

	Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014 to June 30, 2014)
Net sales	69,978	75,914
Cost of sales	44,183	47,447
Gross profit	25,795	28,467
Selling, general and administrative expenses	22,254	23,898
Operating income	3,541	4,569
Non-operating income		
Interest Income	88	80
Dividend income	382	342
Foreign exchange gains	415	-
Equity in earnings of affiliates	76	87
Other	321	269
Total non-operating income	1,283	779
Non-operating expenses		
Interest expenses	351	175
Foreign exchange losses	-	266
Other	97	205
Total non-operating expenses	449	647
Ordinary income	4,375	4,700
Extraordinary income		
Gain on sales of investment securities	-	1
Gain on sales of non-current assets	17	529
Other	17	64
Total extraordinary gains	34	595
Extraordinary losses		
Loss on retirement of non-current assets	11	30
Loss on sales of non-current assets	4	8
Other	4	111
Total extraordinary losses	20	150
Income before income taxes	4,389	5,144
Income taxes	1,706	1,525
Income before minority interests	2,683	3,619
Minority interests	50	35
Net income/loss	2,632	3,583

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Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014 to June 30, 2014)
Income before minority interests	2,683	3,619
Other comprehensive income		
Valuation difference on available-for-sale securities	1,450	1,336
Foreign currency translation adjustment	3,729	△1,581
Remeasurements of defined benefit plans	-	15
Share of other comprehensive income of associates accounted for using equity method	39	△26
Other comprehensive income	5,219	△255
Comprehensive Income	7,902	3,363
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,844	3,333
Comprehensive income attributable to minority interests	57	30

(3) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumptions)

Not applicable

(Notes regarding significant changes in shareholders' equity accounts)

Not applicable

(Segment Information)

(i) Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)
Net sales and profit or loss by reporting segment

(Unit: 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	36,469	8,312	16,205	5,773	3,217	69,978	-	69,978
Inter-segment	894	131	1,281	358	185	2,852	△2,852	-
Total	37,364	8,443	17,487	6,132	3,403	72,831	△2,852	69,978
Operating income/loss	2,962	△95	1,167	326	△120	4,240	△699	3,541

(Notes) 1. Adjustments to segment loss (operating loss) of 699 million yen include intersegment transactions of 38 million yen to be eliminated as well as corporate expenses of 738 million yen not allocated to each reporting segment.

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

(ii) Three months ended June 30, 2014 (April 1, 2014 to June 30, 2014)
Net sales and profit or loss by reporting segment

(Unit: 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	38,029	11,607	16,710	6,451	3,115	75,914	-	75,914
Inter-segment	32	56	1,402	238	174	1,904	△1,904	-
Total	38,061	11,664	18,113	6,690	3,289	77,819	△1,904	75,914
Segment income (loss/△)	2,236	1,404	1,655	386	△155	5,527	△958	4,569

(Notes) 1. Adjustments to segment loss (operating loss) of 958 million yen include intersegment transactions of 22 million yen to be eliminated as well as corporate expenses of 936 million yen not allocated to each reporting segment.

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