



## Consolidated Financial Statements for the Nine Months Ended December 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)

February 12 2015

### CITIZEN HOLDINGS CO., LTD.

Code No.: 7762

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

Scheduled release of fiscal 2014 Quarterly Business Report: February 13, 2015

Scheduled start of dividend payment: -

Listings: First section of Tokyo Stock Exchange  
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### 1. Results for the Nine months ended December 31, 2014 (April 1, 2014 to December 31, 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)	%
Nine months ended December 31, 2014	246,647	5.6	23,497	19.2	26,397	22.1	17,637	33.3
Nine months ended December 31, 2013	233,528	12.9	19,718	73.8	21,627	80.5	13,228	63.2

Note: Comprehensive income:

As of December 31, 2014: ¥ 34,419million(17.5%) As of December 31, 2013: ¥ 29,294million(117.7%)

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
Nine months ended December 31, 2014	54.44	-
Nine months ended December 31, 2013	40.83	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Nine months ended December 31, 2014	428,738	249,135	55.9	740.17
March 31, 2014	383,920	217,412	55.8	660.83

Reference: Shareholders' Equity: As of December 31, 2014: ¥ 239,805million As of March 31, 2014: ¥ 214,102million

### 2. Dividends

(Record date)	Dividends per share				
	First quarter (Yen)	Second quarter (Yen)	Third quarter (Yen)	Year-end (Yen)	Full year (Yen)
March 31, 2014	-	5.00	-	8.00	13.00
March 31, 2015	-	8.00	-		
March 31, 2015 (Estimate)				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)
Full Year	324,500	4.7	27,700	16.8	30,000	18.5	19,000	9.0	58.64

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

**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 5.

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

	shares		shares	
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	December 2014	330,353,809	March 2014	330,353,809
(ii) Number of treasury stock at the end of term	December 2014	6,368,368	March 2014	6,363,200
(iii) Average number of common stocks	December 2014	323,988,327	December 2013	323,997,217

\* 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 Third Quarter of the Fiscal Year Ending March 31, 2015

### (1) Qualitative Data on the Consolidated Financial Results

During the nine months ended December 31, 2014, 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 due to fallback after the rush demand before the consumption tax rate hike. The demand of capital investments has been on a rising trend backed by the government's policies and such trend is expected to continue in the coming months. The U.S. economy continued to see a solid recovery bolstered by improved consumer spending and increased demand for capital investments, while the European economy has been sluggish and the outlook remains uncertain. With respect to the Asian economy, there were some negative factors such as the prolonged sluggish economy in China and the recent deterioration in market sentiment in the ASEAN region due to political uncertainty and weaker currencies.

Under these circumstances, the Citizen Group reported in its consolidated financial results for the nine months under review an increase in both sales and profits, with net sales of 246.6 billion yen (up 5.6% year on year) and operating income of 23.4 billion yen (up 19.2% year on year).

#### (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 as well as the steady recovery of domestic consumer spending", despite a temporary drop in sales in response to the rush demand before the consumption tax rate hike. The sales from the mainstay brand ATTESA for men grew strongly across a wide price range, while the sales from the mainstay brand xC for ladies including those of titanium-based products grew steadily at the year-end-sale.

Revenues from overall overseas markets increased due to robust sales mainly in the markets of the U.S. and Europe. Revenues from the North American market increased mainly due to a recovery in consumer spending as well as strong sales from Internet marketing channels. Revenues from the European markets also increased, mainly due to solid sales in the U.K. and Italy despite a stagnant recovery in many other European economies. Revenues from the overall Asian markets decreased mainly due to continuing tough market conditions in the ASEAN region such as decreased sales in Hong Kong and Thailand, the important markets in Asia, owing to a decrease in the number of foreign tourists and their weakening purchasing power. Although some marketing channels showed signs of recovery in China, the overall market conditions remained tough.

Revenues from the BULOVA brand slightly increased backed by the introduction of new products by re-branding, despite sluggish growth in sales during the Christmas season in the North American market, one of the main marketing areas.

Revenues from the Q&Q brand increased due to steady growth in sales in the domestic market as well as robust sales mainly in the American 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 products since the previous period, aiming to enhance the brand recognition and increase sales.

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 132.1 billion yen (up 5.1% year on year) and operating income of 16.6 billion yen (up 6.6% year on year).

### (Machine Tools)

Revenues from the domestic market increased due to increasing orders across segments led by the automobile industry as well as strong demand from medium- and small-sized companies, although the market conditions varied depending on the areas. Revenues from the Asian markets increased due to growing capital expenditures in automobiles in China and improved demand from Japanese and western companies in the ASEAN region. Revenues from the American market decreased mainly due to the delayed demand response followed by the ending preferential taxation system in the U.S., despite growing orders across segments including automobiles, aircraft, and medical equipment. Revenues from the European markets increased due to strong demand in industries of automobiles and precision devices, despite the slowed economic growth in Russia and China which negatively affected some major economies.

Against this background, both the Cincom brand and the Miyano brand achieved an increase in revenues.

As a result of these developments, the machine tools segment achieved growth in both sales and profits, with net sales of 37.1 billion yen (up 30.7% year on year) and operating income of 5 billion yen (up 215.2% year on year).

### (Devices and Components)

Revenues from automobile components, among other precision machining components, increased due to solid demand in Japan as well as continued growth in demand in the U.S. and other countries. Revenues from switches also increased, resulting from a steady increase in orders for side switches used in smartphones mainly in the markets in China. As a result, revenues from the overall precision machining components increased.

Revenues from LED lighting products, among other opto-devices, increased due to strong sales in markets such as North America and Europe along with market expansion activities, despite the falling price of the products. Orders for LEDs used in automobiles also showed steady growth. However, overall opto-devices decreased due to the inventory adjustment of lighting unit for customers etc.

Revenues from quartz crystals, among other products, decreased mainly due to a decrease in the sales of quartz crystal blanks affected by some 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 increased slightly due to the expansion of sales in new markets despite prolonged sluggish conditions for the digital camera market. As a result, revenues from the overall other products segment decreased.

As a result of these developments, the devices and components segment recorded a decrease in sales and an increase in profits, with net sales of 49.7 billion yen (down 1.6% year on year) and operating income of 4.2 billion yen (up 16.6% year on year).

### (Electronic Products)

Revenues from overall printers increased due to strong sales from POS printers and label printers in Japan and overseas, despite the sales from large-size printers which were affected by the slowed economic growth in China.

Sales from healthcare equipment decreased due to inventory adjustments in overseas markets despite strong growth in sales from the core products of blood-pressure monitors and thermometers in the domestic market. Sales from calculators increased steadily in the Asian markets, but decreased in the markets of Eastern Europe and Russia, and other European countries. As a result, revenues from the overall healthcare equipment and others increased.

As a result of these developments, the electronic products segment recorded a decrease both in sales and profits, with net sales of 18.3 billion yen (up 3.3% year on year) and operating income of 0.7 billion yen (down 29.7% year on year).

**(Other Products)**

Revenues from pachinko-related products decreased due to continued sluggish market conditions even at the time of year-end-sale. Revenues from jewelries decreased due to the weakening demand growth since the rush demand before the consumption tax rate hike in the first half.

As a result of these developments, the other products segment recorded decrease in both sales and profits, with net sales of 9.2 billion yen (down 16.1% year on year) and operating loss of 0.4 billion yen (compared to the operating gain of 0.1 billion yen in the previous fiscal year).

**(2) Qualitative Data on the Consolidated Financial Position**

As of the end of the third quarter under review, total assets increased by 44.8 billion yen from the end of the previous fiscal year, to 428.7 billion yen. Current assets increased by 37.3 billion yen mainly because inventories (merchandise and finished goods, work in process, raw materials and supplies) increased by 18.3 billion yen, and cash and deposits increased by 9.6 billion yen. Non-current assets increased by 7.4 billion yen, due mainly to a 4.3 billion yen increase in investment securities and a 2.6 billion yen increase in property, plant and equipment such as machinery, equipment and vehicles.

Liabilities increased by 13.0 billion yen year on year to 179.6 billion yen, with a 4.6 billion yen increase in net defined benefit liability, a 2.9 billion yen increase in accrued expenses, and a 2.4 billion yen increase in notes and accounts payable.

Net assets increased by 31.7 billion yen from the end of the previous fiscal year, to 249.1 billion yen, mainly with a 13.7 billion yen increase in foreign currency translation adjustments, a 9.2 billion yen increase in retained earnings, and a 2.7 billion yen increase in valuation difference on available-for-sale securities.

**(3) Qualitative Data on the Consolidated Earnings Forecasts**

We have modified our consolidated earnings forecasts as follows, since the sales of electronic products segment and the other products segment are expected to fall below the previous forecasts, while the sales of the watches and clocks segment and the devices and components segment are expected to exceed the previous forecasts; and ordinary income and net income are expected to exceed the previous forecasts due mainly to the impact of the weaker yen.

The exchange rate assumptions for the period under review and thereafter are 115 yen/US dollar and 135 yen/euro.

Amendment in forecasts of consolidated full-year earnings (From April 1, 2014 to March 31, 2015) (Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share (yen)
Previous forecast (A)	323,000	27,700	29,000	18,500	57.10
Revised forecast (B)	324,500	27,700	30,000	19,000	58.64
Changes (B – A)	1,500	0	1,000	1,000	-
Changes (%)	0.5	0.0	3.4	2.7	-
Reference: March 31, 2014	309,994	23,706	25,307	17,434	53.81

## 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

(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 this fiscal year. 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 nine months ended December 31, 2014.

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 nine months ended December 31, 2014. The impact of the above changes to operating income, ordinary income, and income before income taxes and minority interests for the nine months ended December 31, 2014 is immaterial.

## CITIZEN HOLDINGS

## 3. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2014	As of December 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	96,202	105,895
Notes and accounts receivable	66,811	75,028
Merchandise and Finished goods	38,306	49,898
Work in process	19,986	23,998
Raw materials and supplies	15,298	18,032
Consumption tax receivable	1,547	2,439
Deferred tax assets	9,490	9,040
Other	7,044	7,278
Allowance for doubtful accounts	△ 1,912	△ 1,516
<b>Total current assets</b>	<b>252,775</b>	<b>290,094</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,769	32,875
Machinery, equipment and vehicles, net	19,481	20,479
Tools, furniture and fixtures, net	4,845	5,211
Land	12,103	11,952
Lease assets, net	548	812
Construction in progress	1,989	3,078
<b>Total property, plant and equipment</b>	<b>71,736</b>	<b>74,409</b>
Intangible assets		
Goodwill	6,131	5,187
Software	2,217	2,149
Leased assets	18	13
Other	5,581	5,511
<b>Total intangible assets</b>	<b>13,948</b>	<b>12,863</b>
Investments and other assets		
Investment securities	36,526	40,874
Long-term loans receivable	1,049	1,202
Deferred tax assets	4,665	5,669
Other	3,645	4,164
Allowance for doubtful accounts	△ 288	△ 401
Allowance for investment loss	△ 138	△ 138
<b>Total investments and other assets</b>	<b>45,460</b>	<b>51,370</b>
<b>Total non-current assets</b>	<b>131,145</b>	<b>138,644</b>
<b>Total assets</b>	<b>383,920</b>	<b>428,738</b>



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(Unit: Millions of yen)

	As of March 31, 2014	As of December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable –trade	20,243	22,700
Notes payable-facilities	175	336
Short-term bank loans payable	13,015	13,811
Current portion of bonds	50	-
Income taxes payable	1,687	2,600
Deferred tax liabilities	39	43
Accrued expenses	13,124	16,091
Provision for bonuses	5,861	3,630
Provision for director's bonuses	235	-
Provision for product warranties	1,070	1,164
Provision for environmental measures	10	10
Provision for loss on business restructuring	1,916	1,590
Provision for loss on disaster	43	5
Other	22,407	24,902
<b>Total current liabilities</b>	<b>79,881</b>	<b>86,888</b>
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	45,283	45,000
Deferred tax liabilities	1,209	3,584
Provision for loss on guarantees	39	15
Provision for environmental measures	76	74
Provision for loss on business restructuring	3,885	2,937
Net defined benefit liability	14,598	19,204
Asset retirement obligations	248	247
Other	1,285	1,648
<b>Total non-current liabilities</b>	<b>86,626</b>	<b>92,713</b>
<b>Total liabilities</b>	<b>166,508</b>	<b>179,602</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	32,648	32,648
Capital surplus	33,890	33,890
Retained earnings	142,159	151,414
Treasury stock	△5,387	△5,391
<b>Total shareholders' equity</b>	<b>203,311</b>	<b>212,562</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,880	10,604
Foreign currency translation adjustments	3,523	17,254
Accumulated adjustment regarding retirement benefit	△612	△615
<b>Total accumulated other comprehensive income</b>	<b>10,791</b>	<b>27,243</b>
Minority interest	3,309	9,329
<b>Total net assets</b>	<b>217,412</b>	<b>249,135</b>
<b>Total liabilities and net assets</b>	<b>383,920</b>	<b>428,738</b>

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

Consolidated Statement of Income (Nine months ended December 31, 2014)

(Unit: Millions of yen)

	Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)	Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)
<b>Net sales</b>	233,528	246,647
<b>Cost of sales</b>	142,307	147,344
<b>Gross profit</b>	91,220	99,303
<b>Selling, general and administrative expenses</b>	71,501	75,806
Operating income	19,718	23,497
<b>Non-operating income</b>		
Interest Income	272	305
Dividend income	736	616
Foreign exchange gains	1,055	2,091
Equity in earnings of affiliates	211	282
Other	914	702
Total non-operating income	3,189	3,997
<b>Non-operating expenses</b>		
Interest expenses	843	508
Other	436	588
Total non-operating expenses	1,280	1,097
Ordinary income	21,627	26,397
<b>Extraordinary income</b>		
Gain on sales of investment securities	18	1
Gain on sales of non-current assets	686	604
Gain on bargain purchase	8	2
Other	20	128
Total extraordinary gains	733	736
<b>Extraordinary losses</b>		
Loss on disposal of properties	182	157
Valuation loss on investment securities	10	-
Loss on sales of fixed assets	8	12
Loss on impairment of fixed assets	8	32
Compensation expenses	230	-
Additional provision for bonuses associated with the change in the period subject to bonus payment	210	-
Settlement package	-	440
Other	129	137
Total extraordinary losses	781	779
Income before income taxes	21,580	26,354
Income taxes	8,211	8,632
Income before minority interests	13,368	17,722
Minority interests	140	85
<b>Net income/loss</b>	13,228	17,637

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Consolidated Statements of Comprehensive Income (Nine months ended December 31, 2014)

(Unit: Millions of yen)

	Nine months ended December 31, 2013 (April 1, 2013 to December, 2013)	Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)
Income before minority interests	13,368	17,722
Other comprehensive income		
Valuation difference on available-for-sale securities	4,998	2,724
Foreign currency translation adjustment	10,732	13,648
Remeasurements of defined benefit plans	-	△1
Share of other comprehensive income of associates accounted for using equity method	194	325
Other comprehensive income	15,925	16,696
Comprehensive Income	29,294	34,419
(Breakdown)		
Comprehensive income attributable to owners of the parent	29,109	34,089
Comprehensive income attributable to minority interests	184	329

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(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) Nine months ended December 31, 2013 (April 1, 2013 to December 31, 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	125,693	28,413	50,560	17,817	11,042	233,528	-	233,528
Inter-segment	2,834	247	4,059	1,007	573	8,723	△8,723	-
Total	128,528	28,661	54,620	18,824	11,615	242,251	△8,723	233,528
Operating income/loss	15,628	1,590	3,645	1,050	100	22,014	△2,295	19,718

- (Notes) 1. Adjustments to segment loss (operating loss) of △2,295 million yen include intersegment transactions of △154 million yen to be eliminated as well as corporate expenses of △2,141 million yen not allocated to each reporting segment.  
2. Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.

(ii) Nine months ended December, 2014 (April 1, 2014 to December, 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	132,105	37,133	49,742	18,399	9,266	246,647	-	246,647
Inter-segment	107	190	4,664	516	551	6,030	△6,030	-
Total	132,213	37,323	54,406	18,916	9,818	252,678	△6,030	246,647
Segment income (loss/△)	16,666	5,012	4,249	738	△421	26,245	△2,748	23,497

- (Notes) 1. Adjustments to segment loss (operating loss) of △2,748 million yen include intersegment transactions of △64 million yen to be eliminated as well as corporate expenses of △2,683 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.