C I T I Z E N   H O L D I N G S

Consolidated Financial Statements for the Year Ended March 31, 2016

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 13, 2016

CITIZEN HOLDINGS CO., LTD.

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

Code No.: 7762
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 28, 2016
Scheduled start of dividend payment: June 29, 2016
Scheduled release of fiscal 2015 Business Report: June 29, 2016

1. Results for the Year ended March 31, 2016

(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, 2016	348,267	6.0	30,467	9.2	30,619	△ 2.5	13,201	△24.9
March 31, 2015	328,456	6.0	27,889	17.6	31,403	24.1	17,572	0.8

Note: Comprehensive income As of March 31, 2016: △¥21million (-) As of March 31, 2015: ¥ 32,943million (15.8%)

	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, 2016	41.32	-	5.7	7.4	8.7
March 31, 2015	54.24	-	7.8	7.8	8.5

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:
As of March 31, 2016: ¥ 603million As of March 31, 2015: ¥ 380million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2016	406,462	237,469	56.0	715.38
March 31, 2015	421,563	247,972	56.6	736.17

Reference: Shareholders' Equity: As of March 31, 2016: ¥ 227,700million As of March 31, 2015: ¥ 238,505million

(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, 2016	29,980	△24,637	△12,205	95,042
March 31, 2015	29,053	△9,246	△9,745	105,276

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, 2015	-	8.00	-	8.00	16.00	5,183	29.5	2.3
March 31, 2016	-	8.50	-	8.50	17.00	5,411	41.1	2.3
March 31, 2017 (E)	-	8.50	-	8.50	17.00		28.6	

3. Projected Consolidated Results for the Year ending March 31, 2017

(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	167,000	△4.2	12,000	△19.9	12,000	△23.6	8,000	△21.8	25.04
Full term	340,000	△2.4	28,500	△6.5	29,000	△5.3	19,000	43.9	59.47

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

(Note) Note: For details, please refer to the Attached Documents “5. Consolidated Financial Statements (5) Notes to the Consolidated Financial Statements (Changes in accounting policies)” on page 21.

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

(shares)	March 2016	March 2015
Number of shares issued and outstanding at the end of term (including treasury stock)	330,353,809	330,353,809
Number of treasury stock at the end of term	12,060,890	6,371,070
Average number of common stocks	319,480,814	323,987,268

(Reference) Overview of Nonconsolidated Financial Results

1. Nonconsolidated Results for the Year ended March 31, 2016

(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, 2016	15,622	21.0	9,362	35.1	9,956	37.1	6,482	△50.6
March 31, 2015	12,911	△31.5	6,931	△47.8	7,260	△45.0	13,113	△ 1.8

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
March 31, 2016	20.29	-
March 31, 2015	40.48	-

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2016	193,612	117,871	60.9	370.33
March 31, 2015	201,286	125,368	62.3	386.96

Reference: Shareholders’ Equity: As of March 31, 2016: ¥ 117,871million As of March 31, 2015: ¥ 125,368million

※ 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 the attached “Analysis of Operating Results” on page 4 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. ANALYSIS OF OPERATIONG RESULTS/FINANCIAL POSITION

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

	Year ended March 31,			
Millions of yen	2015	2016	Year-on-year change	%
Net sales	328,456	348,267	19,811	6.0%
Operating income	27,889	30,467	2,577	9.2%
Ordinary income	31,403	30,619	△ 783	△ 2.5%
Profit attributable to owners of parent	17,572	13,201	△ 4,370	△ 24.9%

During the consolidated fiscal year under review, the Japanese economy experienced a trend toward a recovery in personal spending and demand for capital investment, amid signs of a moderate recovery including an improvement in corporate earnings and the employment situation, supported by various policies implemented by the government and the Bank of Japan. In spite of a minor slowdown in current growth rates, consumption was also boosted by an increased number of foreign visitors to Japan. In terms of demand for capital investment, steady progress was made in replacing outdated equipment and facilities on the back of the government’s economic policies, amongst other measures. The U.S. economy, which continued to recover steadily and remained solid, continued to expand amid the interest hike in December. In spite of vigorous demand for capital spending however, the effects of the slowdown in the Chinese economy became a cause for concern. In Europe, although the economy was driven by recovery trends in some of the key member countries, the outlook remains uncertain in light of heightened geopolitical risks. Markets in the Asian economy struggled due to the increased slowdown of Chinese businesses, along with political instability and weaker currencies in the ASEAN region.

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 continued structural reform under the “Citizen Global Plan 2018,” a medium-term management plan formulated in February 2013.

The Citizen Group’s consolidated results for the fiscal year under review showed net sales of 348.2 billion yen (up 6.0% year-on-year), and operating income of 30.4 billion yen (up 9.2% year-on-year), achieving growth in both sales and profits, mainly due to the impact of structural reform and the weakening yen. At the same time, results also included ordinary income of 30.6 billion yen (down 2.5% year-on-year), due to foreign exchange losses. Profit attributable to owners of parent stood at 13.2 billion yen (down 24.9% year-on-year), reflecting the posting of extraordinary losses in areas such as loss on business restructuring.

Watches and Clocks

Revenues from CITIZEN brand watches in the domestic market grew on the whole, supported by a recovery in personal spending, as well as increased spending due to more foreign visitors coming to Japan, which resulted in significant growth in sales at large department stores, mass merchandise outlets and duty-free shops. Despite a slight slowdown in demand from foreign customers, sales continued to grow at a moderate pace during the second half of the year, due to strong sales from core brands such as xC and ATTESA, as well as the effects of advertisements and publicity for new GPS satellite wave watches. Following its release in November, the CAMPANOLA has been steadily introduced into department stores and large specialist outlets, and has performed well in department stores in particular, driving up sales of high-end products.

Revenues from overall overseas markets increased due to the North American and European markets remaining strong, in addition to the impact of the weak yen. In the North American market, overall revenues increased due to healthy sales via major jewelry chain stores and travel outlets, in spite of sluggish sales growth in department stores. Revenues from the European market also increased on the back of economic stability, with strong sales at large department stores in Germany, a long-awaited return to underlying positivity in the Italian and Spanish economies, and the effects of releasing new products. In Asia, sales remained healthy on the whole thanks to an increase in visitors to certain areas, in spite of a decline in spending in ASEAN markets due to weaker currencies. The Chinese market meanwhile saw increasingly difficult conditions due to the country's economic slowdown, although sales did increase in certain channels. Revenues increased across the Asian market as a whole however, helped along by favorable exchange rates.

Revenues from the BULOVA brand climbed on the back of increased sales to major customers such as large department stores and jewelry chains, supported in part by favorable exchange rates.

The Q&Q brand continued to perform well on the domestic market, with steady sales to major customers in the Asian and Middle East markets too. Overall revenues decreased however due to a decline in sales caused by weak currencies in Latin America, which affected purchasing power.

Sales of movements remained steady during the first half of the year, but slowed down rapidly during the second half of the year, reflecting the economic slowdown in China in particular. Nonetheless, revenues increased thanks to sales growth from products such as mechanical and slim watches, further boosted by the weak yen.

As a result of these developments, the watches and clocks segment posted growth in both sales and profits, with net sales of 181.2 billion yen (up 5.2% year-on-year) and operating income of 20.5 billion yen (up 4.6% year-on-year).

Machine Tools

Revenues from the domestic market increased thanks to positive conditions across a wide range of industries and healthy sales of automobile-related products in particular.

Elsewhere in Asia, some markets saw strong sales of OA-related products. Overall revenues declined however due to the economic slowdown in China affecting sales growth.

In the Americas, sales increased across a wide range of industries in North America, including medical services, automobiles and aviation components. There were also strong sales of automobile-related products to Japanese manufacturers in Central America.

In the European market, sales of automobile-related products remained steady in some areas. Revenues nonetheless decreased due to an overall decline in sales across Europe.

Against this backdrop, revenues from the Cincom brand increased, while revenues from the Miyano brand decreased.

As a result, the machine tools segment suffered a decline in sales but achieved an increase in profits, with net sales of 51.5 billion yen (down 0.4% year-on-year) and operating income of 7.1 billion yen (up 5.3% year-on-year).

Devices and Components

Revenues from automobile components, among other precision machining components, increased thanks to growth in orders for brake and engine components, both in Japan and overseas, supported by the booming automotive production market. Revenues from switches were affected by sluggish sales of smartphone switches for some customers. Thanks to a significant contribution from sales of new products however, revenues increased considerably, echoed by an increase in overall revenues across all precision machining components.

In terms of opto-devices, sales of LED lighting chips increased thanks to sales growth in Japan and Europe as a result of new product launches, in spite of a fiercely competitive market environment due to an escalation in price reductions and performance competition while the market expands. Overall revenues from opto-devices increased as a result of steady sales growth, including increasing orders for automotive LED products, shipping new back light products, and securing orders for new lighting unit products.

Among other products, revenues from quartz crystals decreased due to poor sales of both tuning fork type quartz crystal and quartz crystal blanks, due in part to sluggish market growth and certain customers undertaking inventory adjustment. Although sales of ferroelectric micro LCDs increased through the development of new product markets, they were insufficient to make up for the under-performing digital camera market, resulting in a decline in overall revenues for other products.

As a result of these developments, the devices and components segment recorded growth in both sales and profits, with net sales of 80.6 billion yen (up 19.4% year-on-year) and an operating income of 6.8 billion yen (up 45.7% year-on-year).

Electronic Products

In the printer sector, sales of label printers were strong across all areas. Sales of POS printers were however stagnant affected by customer inventory adjustment and sales of photo printers were sluggish due to a decline in demand for replacements, while sales of large dot matrix printers also fell due the slowdown of the Chinese economy and delays with the anticipated changes to the tax system. As a result, overall revenues for printers decreased.

Revenues from healthcare equipment increased overall, thanks to strong sales of core blood-pressure monitors and new products in the domestic market, as well as overseas sales growth in the Asian and Middle East markets. Revenues from calculators on the other hand declined due to sluggish sales in Asia.

As a result of these developments, the electronic products segment on the whole suffered decreases in both sales and profits, with net sales of 23.3 billion yen (down 5.4% year-on-year) and operating income of 0.3 billion yen (down 62.1% year-on-year).

Other Products

Revenues from pachinko-related products decreased as a result of continued difficult conditions. Due to the fact that there is no prospect of recovery in the future, there are plans to transfer part of this business, and to dissolve and liquidate the relevant subsidiary.

In spite of plummeting share prices since the start of the year, revenue from jewelry products increased thanks mainly to bridal jewelry driving overall sales.

As a result of these developments, the other products segment recorded a decrease in both sales and profits, with net sales of 11.5 billion yen (down 5.8% year-on-year) and an operating loss of 0.5 billion yen (compared with an operating loss of 0.4 billion yen in the previous fiscal year).

(ii) Prospects for the Year ending March 31, 2017

Millions of yen	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year change	%
Net sales	348,267	340,000	△ 8,267	△ 2.4%
Operating income	30,467	28,500	△ 1,967	△ 6.5%
Ordinary income	30,619	29,000	△ 1,619	△ 5.3%
Net income	13,201	19,000	5,798	43.9%

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year change	%
Watches and clocks	181,241	183,000	1,758	1.0%
Machine Tools	51,517	50,000	△ 1,517	△ 2.9%
Devices and components	80,632	75,000	△ 5,632	△ 7.0%
Electronic products	23,371	24,000	628	2.7%
Other products	11,504	8,000	△ 3,504	△ 30.5%
Total net sales	348,267	340,000	△ 8,267	△ 2.4%

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year change	%
Watches and clocks	20,582	20,500	△ 82	△ 0.4%
Machine Tools	7,151	6,500	△ 651	△ 9.1%
Devices and components	6,880	5,000	△ 1,880	△ 27.3%
Electronic products	342	500	157	45.8%
Other products	△542	200	742	-
Eliminations or general corporate	(3,949)	(4,200)	△ 250	-
Total operating income	30,467	28,500	△ 1,967	△ 6.5%

In terms of the economic outlook, the domestic economy remains shrouded in uncertainty with regard to future economic conditions, due to factors such as plummeting share prices since the start of the year and exchange rate fluctuations. Overseas, the US economy is currently gripped by a sense of stagnation, due in part to the run-up to the presidential election. Europe meanwhile is seeing continued strong growth, particularly from major economies, albeit tempered by a sense of uncertainty regarding the future. The Asian economy is experiencing a noticeable decline in growth rates in emerging economies, due to issues such as oil prices and weakening currencies, as well as an increasing sense that the Chinese economy is slowing down. It will be necessary to keep a close eye on changing conditions in the future with regard to capital investment, both in Japan and overseas, especially as the current healthy demand environment is set to continue.

Under these circumstances, we are forecasting, for the new consolidated fiscal year, net sales of 340.0 billion yen (down 2.4% year-on-year), operating income of 28.5 billion yen (down 6.5%), ordinary income of 29.0 billion yen (down 5.3%) and profit attributable to owners of parent of 19.0 billion yen (up 43.9%).

These forecasts are based on an exchange rate assumption for the year of 110 yen/US dollar and 125 yen/euro.

The exchange rates for the year ended March 2015 were 120 yen/US dollar and 132yen/euro.

(2) Analysis of Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, assets decreased by 15.1 billion yen year-on-year to 406.4 billion yen. Current assets decreased by 13.8 billion yen, due to factors such as a decline of 11.3 billion yen in cash and deposits, and a decline of 2.4 billion yen in notes and accounts receivable-trade. Non-current assets decreased by 1.2 billion yen, as other intangible assets fell by 3.6 billion yen and goodwill by 1.1 billion yen, in spite of a 1.5 billion yen increase in construction in progress and a 1.2 billion yen increase in buildings and structures.

Liabilities decreased by 4.5 billion yen year-on-year to 168.9 billion yen, as short-term loans payable increased by 13.2 billion yen, net defined benefit liability increased by 2.3 billion yen, income taxes payable decreased by 3.4 billion yen, and accrued expenses decreased by 1.5 billion yen, in spite of a decrease of 15.0 billion yen in long-term loans payable due to factors such as switching selected loans from long-term to short-term.

Net assets decreased by 10.5 billion yen year-on-year to 237.4 billion yen, mainly as a result of a 5.0 billion increase in treasury shares, 9.0 billion yen decline in foreign currency translation adjustment, and 3.7 billion yen decline in valuation difference on available-for-sale securities, in spite of a 7.9 billion yen increase in retained earnings.

(ii) Cash Flows

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter “funds”) decreased by 10.2 billion yen year-on-year to 95.0 billion yen as of the end of the year.

Net cash provided by operating activities increased by 0.9 billion yen year-on-year to 29.9 billion yen. Major factors contributing to this result included a 22.5 billion yen in income before income taxes, a 14.9 billion yen in depreciation, and a 4.2 billion yen increase in notes and accounts payable-trade, in spite of a 13.3 billion yen in income taxes paid, and a 2.4 billion yen increase in inventories.

Net cash used in investing activities increased by 15.3 billion yen year-on-year to 24.6 billion yen. Major factors contributing to this result included 21.5 billion yen for the purchase of property, plant and equipment, and 5.0 billion yen for the purchase of investment securities, in spite of 2.4 billion yen in proceeds from sales of property, plant and equipment.

Net cash used in financing activities increased by 2.4 billion yen year-on-year to 12.2 billion yen. Major factors contributing to this result included 5.2 billion in cash dividends paid, and 5.0 billion yen in the purchase of treasury shares.

(3) Fundamental Policy Regarding the Distribution of Profits and Dividends for the Fiscal Year Under Review and the Fiscal Year Ending March 2016

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 8.50 yen per share. At that level, the dividend for the fiscal year ending March 2016 would come to 17.00 yen per share.

Regarding dividends for the fiscal year ending March 2017, 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 17.00 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, devices, and electronic products. The Group operates its business all over the world, and our customers include both individuals and a wide range of manufacturers. Our operating results are therefore influenced by various factors, some of which are listed below.

Watches and clocks

Competition in the watch market is intensifying, not only from Japanese brands, but also from high-end Swiss brands, low-end Chinese manufacturers, and smart watch manufacturers, along with alternative products such as mobile phones with watch functions. Although we have a high market share in the movement sector at the moment, volume growth is slowing down, and increasing competition due to the rise of Chinese manufacturers may trigger a decline in prices and affect our market share.

Machine tools

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

Devices and components

The devices and components business is characterized by rapid technological innovation and fierce competition between companies, meaning that declining sales prices or delays with development, for example, can greatly impact on business results. Precision machining components are susceptible to trends among customers, including automotive and mobile phone manufacturers. Results for opto-devices are greatly affected by developments among customers such as mobile phone and lighting manufacturers. Patent licensing agreements are also essential for manufacturing certain products, which could be seriously affected should a cooperative relationship underpinning a patent agreement break down and access to the patent be lost.

Electronic products

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

(ii) Overseas sales

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

(iii) Foreign currency fluctuation risk

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

(iv) Manufacturing in China

About 40% of the Group's products are manufactured overseas, with China being our main production base. It is therefore possible that our operating results may be affected by factors in China, such as the suspension of production due to problems, the enactment of new regulations that could affect production, or a sharp appreciation in the Chinese yuan.

(v) Impairment loss

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

(vi) Patent and intangible property

As part of the Group's R&D and production activities, we make use of various technologies covered by intellectual property rights. These include intellectual property rights that are owned by the Citizen Group, and others that we believe we have legitimately received licenses to use. Nevertheless, should a third party claim, based on grounds of which we are unaware, that its intellectual property rights have been violated, a dispute could arise that could affect the Group's business results.

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

(vii) Risk related to natural disaster such as earthquakes

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

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

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

(ix) Risk related to borrowings

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

(x) Other risks

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

2. Corporate Group

The Citizen Group (the Company and its subsidiaries and affiliates) consists of the holding company, 121 subsidiaries and 7 affiliates. Group companies are mainly engaged in production and sales across four business segments; watches and clocks, machine tools, devices and components, and electronic products.

The major Group companies in each of these 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
- ○ .CITIZEN RETAIL PLANNING CO., LTD.
- ○ ON-TIME 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.
- ○ CITIZEN 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 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.
- ○ CITIZEN MACCHINE ITALIA S.R.L.

※MARUBENI CITIZEN-CINCOM INC.

Devices and components

Major domestic production & marketing companies

- ○ CITIZEN ELECTRONICS CO., LTD.
- ○ CITIZEN FINEDEVICE CO., LTD.
- ○ CITIZEN ELECTRONICS FUNEHIKI CO., LTD.
- ○ CITIZEN ELECTRONICS TIMEL CO., LTD.
- ○ CITIZEN CHIBA PRECISION CO.,LTD.

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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

In February 2013, the Company formulated the "Citizen Global Plan 2018" medium-term management plan (hereinafter "the Management Plan"), running up until the year ending March 2019.

Having set out a slogan for the Management Plan, "Aiming to Be a Solid Global Company – Business Group with Speed and Dynamics," the Company has been working towards that goal ever since. During the first three years (FY2013-FY2015), the external environment changed considerably, prompting partial revisions to the original management policy in February 2016. The aim is to become a "Solid Global Company" capable of consistently providing the sort of value required by the global market, implementing a basic management policy based on the following two points.

1) The Company will focus on areas that build on its watch and clock business, and on the strengths it has developed manufacturing watches and clocks, with the aim of establishing an industry-leading business group that is globally competitive.
2) The Company will enhance its earning power through manufacturing innovation, to establish a high profit structure.

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

When the Company initially formulated the Management Plan, one of the management policies was "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." During the first three years of the plan (FY2013-FY2015) however, the external environment changed considerably, affecting prospects of achieving initially forecast growth and ruling out the relevant management policy. Nonetheless, the Company still believes that this is a market that will return to growth over the long term, and therefore intends to work on laying foundations from a long-term perspective.

During the first three years of the Management Plan (FY2013-FY2015), the Company implemented comprehensive structural reform and improvements, in an effort to establish a more robust management structure. During the second three years (FY2016-FY2018), it intends to further strengthen manufacturing capabilities, with the aim of overcoming increasingly fierce global competition and improving profitability, and to expand operations through active investment in growth, with the goal of becoming a "Solid Global Company" by fiscal 2018.

During the second three years of the plan (FY2016-FY2018), the Company intends to confront management issues and focus on priority initiatives in the following four areas.

1) Comprehensively strengthening the Company's structure and manufacturing capabilities

During the first three years of the Management Plan (FY2013-FY2015), the Company implemented structural reform and a range of other related initiatives. During the second half of the plan (FY2016-FY2018), it intends to step up initiatives even further, with the aim of reducing cost prices through manufacturing reform and improving asset efficiency.

2) Actively investing in business growth and strengthening marketing capabilities

The Company intends to actively invest in growth, using funds generated through structural reform during the first three years (FY2013-FY2015), in order to expand its operations.

3) Refining and targeting products and businesses

During the first three years of the Management Plan (FY2013-FY2015), the Company worked to clarify its business portfolio. During the second three years (FY2016-FY2018), it intends to refine and target businesses and products from individual group companies, in order to clarify core businesses and products.

4) Improving human productivity and strengthening human resources

The Company intends to focus on developing human resources that are able to deal with any and all changes in the global environment, and on strengthening organizational capabilities as an elite corporate group.

Strategies for each business segment under the Management Plan

1) Watches and clocks

The Company intends to implement a multi-brand strategy revolving primarily around growing the Citizen brand, based on the slogan “From Functionality to Corporate Branding”. Initiatives will be firmly targeted at Japan and North America, as priority markets. The Company will also continue to effectively strengthen manufacturing capabilities, in order to overcome fierce competition and improve profitability.

2) Machine tools

The Company intends to establish a position as a “new manufacturing company” that creates the most advanced production innovation solutions in the world, based on miniaturization and high-rigidity technologies developed through the manufacture of watch parts, and to secure a stable position with a leading share in the automatic lathe market.

3) Devices and components

The Company intends to expand its precision component business to outperform competitors in global niche markets, based on the Group’s strengths in terms of processing technologies for metallic parts and brittle materials. With regard to LED products, the Company is looking to stabilize and increase profits by refining the Group’s unique strengths in terms of miniaturization and ultra-thin technologies, whilst at the same time making the most of its capital and business alliance with Nichia Corporation. With regard to other devices products, the Company intends to prioritize stable profits ahead of increasing sales.

4) Electronic products

The Company intends to generate stable profits by developing businesses primarily around global niche markets, based on high quality, high reliability commercial and photo printers as core businesses.

During the fiscal year under review, the Citizen Group continued its work on strengthening its business structure through thorough structural reforms by optimizing the global production structure, and continued to work on creating a solid foundation toward a growth stage to take place in the second half of the current medium-term management plan (fiscal years ending March 2017 through March 2019). The Group will continue to strengthen its structure and promote its growth strategies as a way to bring about profitability improvement and sales expansion.

4. Fundamental Views on Selecting Accounting Standards

The Citizen Group will continue to compile its consolidated financial statements using Japanese standards for the foreseeable future, as they enable comparison of fiscal years in the consolidated financial statements as well as a comparison among companies.

The Group has the policy of appropriately dealing with the application of IFRS, by taking into consideration circumstances in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2015	March 31, 2016
Current assets		
Cash and deposits	110,716	99,371
Notes and accounts receivable - trade	65,491	63,061
Electronically recorded monetary claims – operating	243	855
Merchandise and finished goods	50,765	53,328
Work in process	19,611	18,736
Raw materials and supplies	19,749	17,099
Consumption taxes receivable	3,381	2,755
Deferred tax assets	9,944	8,609
Other	5,968	8,034
Allowance for doubtful accounts	△1,428	△1,301
Total current assets	284,443	270,551
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,885	34,113
Machinery, equipment and vehicles, net	20,623	21,023
Tools, furniture and fixtures, net	5,095	5,657
Land	11,607	10,904
Leased assets, net	1,065	1,175
Construction in progress	3,988	5,570
Total property, plant and equipment	*1 75,266	*1 78,443
Intangible assets		
Goodwill	3,198	2,097
Software	2,209	2,462
Leased assets	12	14
Other	5,577	1,953
Total intangible assets	10,998	6,529
Investments and other assets		
Investment securities	40,724	40,366
Long-term loans receivable	1,152	1,130
Deferred tax assets	5,174	5,886
Other	5,580	5,594
Allowance for doubtful accounts	△1,637	△1,901
Allowance for investment loss	△138	△138
Total investments and other assets	50,855	50,938
Total non-current assets	137,119	135,911
Total assets	421,563	406,462

Millions of yen	March 31, 2015	March 31, 2016
Current liabilities		
Notes and accounts payable - trade	20,371	19,589
Electronically recorded obligations - operating	-	13,564
Notes payable - facilities	473	376
Electronically recorded obligations - non-operating	-	885
Short-term loans payable	4,164	17,444
Income taxes payable	7,176	3,679
Deferred tax liabilities	1	120
Accrued expenses	16,210	14,655
Provision for bonuses	6,419	6,335
Provision for directors' bonuses	168	162
Provision for product warranties	1,119	1,011
Provision for environmental measures	11	11
Provision for loss on business restructuring	2,915	4,369
Provision for loss on disaster	4	-
Other	23,399	9,697
Total current liabilities	82,435	91,901
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	45,000	30,000
Deferred tax liabilities	3,467	2,067
Provision for loss on guarantees	12	28
Provision for environmental measures	72	65
Provision for loss on business restructuring	2,013	1,663
Net defined benefit liability	18,800	21,139
Asset retirement obligations	97	97
Other	1,690	2,031
Total non-current liabilities	91,155	77,091
Total liabilities	173,591	168,993
Net assets		
Shareholders' equity		
Capital stock	32,648	32,648
Capital surplus	33,890	33,969
Retained earnings	151,689	159,684
Treasury shares	△5,394	△10,400
Total shareholders' equity	212,834	215,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,190	7,413
Foreign currency translation adjustment	14,843	5,756
Remeasurements of defined benefit plans	△362	△1,372
Total accumulated other comprehensive income	25,671	11,797
Non-controlling interests	9,466	9,768
Total net assets	247,972	237,469
Total liabilities and net assets	421,563	406,462

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

Consolidated Statement of Income

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Net sales	328,456	348,267
Cost of sales	198,579	213,508
Gross profit	129,876	134,759
Selling, general and administrative expenses	*1 101,987	*1 104,291
Operating income	27,889	30,467
Non-operating income		
Interest income	392	396
Dividend income	1,112	1,414
Rent income	279	283
Foreign exchange gains	1,835	-
Share of profit of entities accounted for using equity method	380	603
Other	662	569
Total non-operating income	4,663	3,268
Non-operating expenses		
Interest expenses	670	482
Loss on sales of notes receivable - trade	56	66
Depreciation of assets for rent	94	57
Foreign exchange losses	-	2,013
Other	327	495
Total non-operating expenses	1,149	3,115
Ordinary income	31,403	30,619
Extraordinary income		
Gain on sales of investment securities	367	194
Gain on sales of non-current assets	8,095	1,028
Gain on bargain purchase	23	-
Other	132	12
Total extraordinary income	8,619	1,236
Extraordinary losses		
Loss on sales of non-current assets	15	19
Loss on retirement of non-current assets	309	303
Impairment loss	*2 2,515	*2 3,051
Loss on business restructuring	2,395	4,936
Loss on valuation of investment securities	4	0
Additional provision for bonuses associated with changes to the period subject to bonus payments	70	-
Provision of allowance for doubtful accounts	1,620	313
Settlement package	454	37
Other	747	641
Total extraordinary losses	8,133	9,304
Income before income taxes	31,890	22,550
Income taxes - current	11,000	7,938
Income taxes - deferred	3,055	581
Total income taxes	14,056	8,519
Net income	17,834	14,031
Profit attributable to non-controlling interests	262	829
Profit attributable to owners of parent	17,572	13,201

Consolidated Statements of Comprehensive Income

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Net income	17,834	14,031
Other comprehensive income		
Valuation difference on available-for-sale securities	3,310	△3,778
Foreign currency translation adjustment	11,245	△9,078
Remeasurements of defined benefit plans	237	△1,028
Share of other comprehensive income of entities accounted for using equity method	315	△167
Total other comprehensive income	15,108	△14,053
Comprehensive income	32,943	△21
(Breakdown)		
Comprehensive income attributable to owners of parent	32,452	△675
Comprehensive income attributable to non-controlling interests	491	653

(3) Consolidated Statements of Changes in Equity

Millions of yen	March 31, 2015	March 31, 2016
Shareholders' equity		
Capital stock		
Balance at beginning of year	32,648	32,648
Balance at end of year	32,648	32,648
Capital surplus		
Balance at beginning of year	33,890	33,890
Changes of items during period		
Capital increase from acquisition of consolidated subsidiaries	-	79
Total changes of items during period	-	79
Balance at end of year	33,890	33,969
Retained earnings		
Balance at beginning of year	142,159	151,689
Cumulative effects of changes in accounting policies	△2,451	-
Changes of items during period		
Capital increase of consolidated subsidiaries	△700	
Increase by merger	-	7
Increase by corporate division	-	5
Change of scope of consolidation	293	79
Dividends of surplus	△5,183	△5,297
Profit attributable to owners of parent	17,572	13,201
Disposal of treasury shares	△0	△0
Total changes of items during period	11,980	7,995
Balance at end of year	151,689	159,864
Treasury shares		
Balance at beginning of year	△5,387	△5,394
Changes of items during period		
Purchase of treasury shares	△6	△5,006
Disposal of treasury shares	0	0
Total changes of items during period	△6	△5,006
Balance at end of year	△5,394	△10,400

Millions of yen	March 31, 2014	March 31, 2015
Total shareholders' equity		
Balance at beginning of year	203,311	212,834
Cumulative effects of changes in accounting policies	△2,451	-
Changes of items during period		
Capital increase from acquisition of consolidated subsidiaries	-	79
Capital increase of consolidated subsidiaries	△700	-
Increase by merger	-	7
Increase by corporate division	-	5
Change of scope of consolidation	293	79
Dividends of surplus	△5,183	△5,297
Profit attributable to owners of parent	17,572	13,201
Purchase of treasury shares	△6	△5,006
Disposal of treasury shares	0	0
Total changes of items during period	11,974	3,069
Balance at end of year	212,834	215,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of year	7,880	11,190
Changes of items during period		
Net changes of items other than shareholders' equity	3,310	△3,777
Total changes of items during period	3,310	△3,777
Balance at end of year	11,190	7,413
Foreign currency translation adjustment		
Balance at beginning of year	3,523	14,843
Changes of items during period		
Net changes of items other than shareholders' equity	11,319	△9,087
Total changes of items during period	11,319	△9,087
Balance at end of year	14,843	5,756
Remeasurements of defined benefit plans		
Balance at beginning of year	△612	△362
Changes of items during period		
Net changes of items other than shareholders' equity	249	△1,009
Total changes of items during period	249	△1,009
Balance at end of year	△362	△1,372
Total accumulated other comprehensive income		
Balance at beginning of year	10,791	25,671
Changes of items during period		
Net changes of items other than shareholders' equity	14,879	△13,873
Total changes of items during period	14,879	△13,873
Balance at end of year	25,671	11,797
Non-controlling interests		
Balance at beginning of year	3,309	9,466
Cumulative effects of changes in accounting policies	△12	-
Changes of items during period		
Net changes of items other than shareholders' equity	6,169	302
Total changes of items during period	6,169	302
Balance at end of year	9,466	9,768

Millions of yen	March 31, 2014	March 31, 2015
Net assets		
Balance at beginning of year	217,412	247,972
Cumulative effects of changes in accounting policies	△2,463	-
Changes of items during period		
Capital increase from acquisition of consolidated subsidiaries	-	79
Capital increase of consolidated subsidiaries	△700	-
Increase by merger	-	7
Increase by corporate division	-	5
Change of scope of consolidation	293	79
Dividends of surplus	△5,183	△5,297
Profit attributable to owners of parent	17,572	13,201
Purchase of treasury shares	△6	△5,006
Disposal of treasury shares	0	0
Net changes of items other than shareholders' equity	21,049	△13,571
Total changes of items during period	33,023	△10,502
Balance at end of year	247,972	237,469

(4) Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Cash flows from operating activities		
Income before income taxes	31,890	22,550
Depreciation	14,386	14,934
Increase (decrease) in provision for loss on business restructuring	△860	1,166
Increase (decrease) in other provision	1,139	52
Increase (decrease) in net defined benefit liability	730	1,409
Amortization of goodwill	1,306	1,100
Gain on bargain purchase	△23	-
Interest and dividend income	△1,504	△1,811
Interest expenses	670	482
Loss (gain) on sales of investment securities	△367	△194
Loss (gain) on valuation of investment securities	4	0
Loss (gain) on sales of non-current assets	△8,079	△1,009
Loss on retirement of non-current assets	309	303
Decrease (increase) in notes and accounts receivable - trade	6,755	△1,459
Decrease (increase) in inventories	△11,203	△2,496
Increase (decrease) in notes and accounts payable - trade	△5,072	4,240
Impairment loss	2,515	3,051
Other, net	1,332	△297
Sub total	33,927	42,024
Interest and dividend income received	1,512	1,807
Interest expenses paid	△705	△465
Income taxes paid	△5,682	△13,385
Net cash provided by (used in) operating activities	29,053	29,980
Cash flows from investing activities		
Purchase of investment securities	△3	△5,018
Proceeds from sales of investment securities	860	485
Purchase of property, plant and equipment	△16,507	△21,527
Proceeds from sales of property, plant and equipment	10,669	2,416
Purchase of intangible assets	△1,188	△1,275
Payments of loans receivable	△598	△39
Collection of loans receivable	481	116
Purchase of shares of consolidated subsidiaries	△0	-
Other, net	△2,959	206
Net cash provided by (used in) investing activities	△9,246	△24,637
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,043	△1,646
Repayments of long-term loans payable	△10,289	-
Redemption of bonds	△50	-
Cash dividends paid	△5,183	△5,297
Dividends paid to non-controlling interests	△81	△209
Proceeds from share issuance to non-controlling shareholders	4,999	-
Purchase of treasury shares	△6	△5,006
Proceeds from sales of treasury shares	0	0
Purchase of shares of subsidiaries not associated with change in scope of consolidation	-	△1
Other, net	△177	△43
Net cash provided by (used in) financing activities	△9,745	△12,205

Millions of yen	Year ended March 31, 2016	Year ended March 31, 2016
Effect of exchange rate change on cash and cash equivalents	2,550	△3,398
Net increase (decrease) in cash and cash equivalents	12,611	△10,260
Cash and cash equivalents at beginning of term	92,661	105,276
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	3	20
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	-	6
Cash and cash equivalents at end of term	* 105,276	* 95,042

(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 (99companies) Major consolidated subsidiaries Citizen Watch Co., Ltd., Citizen Machinery Co., Ltd., Citizen Electronics Co., Ltd., Citizen Finedevice Co., Ltd., and Citizen Systems Japan Co., Ltd. Newly added (1companies) Starting the consolidated fiscal year under review, Kunohe Seimitsu Co., Ltd. is included into the scope of consolidation due to its importance. Excluded (2 companies). Starting the consolidated fiscal year under review, Citizen Seimitsu Hachinohe Co., Ltd. and Cincom Miyano Korea Co., Ltd. were excluded from consolidation due to liquidation. In addition, Citizen Finetech Miyota Co., Ltd. has been merged with Citizen Seimitsu Co., Ltd., and Citizen Sakae Trading Co., Ltd. has been merged with Citizen New Flag Co., Ltd. Following these mergers, the new trading names for the respective companies have been changed to Citizen Finedevice Co., Ltd. and Citizen Retail Planning Co., Ltd. Citizen Machinery Miyano Co., Ltd. meanwhile has changed its name to Citizen Machinery Co., Ltd., while SIRMA MACCHINE s.r.l. has changed its name to CITIZEN MACCHINE ITALIA s.r.l., and Eplamo S.A. has changed its name to Angelus S.A. (2) Nonconsolidated subsidiaries (22companies) Major nonconsolidated subsidiaries HESTIKA FRANCE S.A.S. (Reasons for Exclusion from the Scope of Consolidation) Total assets, net sales, net income or loss (equivalent portion for equity holdings), and retained earnings (equivalent portion for equity holdings) of the non-consolidated subsidiaries were excluded from the scope of consolidation because they are 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 (HESTIKA FRANCE S.A.S. and others) and affiliated companies (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 73 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 policies	The accounting standards applicable to consolidated subsidiaries are, in principle, consistent with those applied by the Company, with no notable differences. Key accounting standards applied by the Company and its subsidiaries are outlined below.
(1) Valuation standards and methods for major assets	(i) Marketable and investment securities Available-for-sale securities Available-for-sale securities with market value Valued based on market value as of the closing date for consolidated financial statements Available-for-sale securities without market value Valued via the cost method using the moving average method (ii) Derivatives Valued based on market value (iii) Inventory assets Primarily valued via the cost method, based on the gross average method (with balance sheet values reflecting write downs for decreased profitability)
(2) Depreciation of fixed assets	(i) Property, plant and equipment (excluding leased assets) Mainly calculated on a declining balance basis Primary useful life figures are as follows Buildings and structures 2 to 60 years. Machinery, equipment and vehicles 2 to 10 years. (ii) Intangible assets (excluding leased assets) Calculated on a straight line basis (iii) Leased assets Leased assets relating to finance lease transactions that do not involve transferring 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. Finance lease transactions that do not involve transferring ownership of the leased assets to the lessee, and that began on or before March 31, 2008, will remain subject to accounting procedures compliant with the method applied for ordinary lease transactions
(3) Deferred assets	Bond issuance expenses One-time depreciation in the year of issuance
(4) Standards for posting provisions and reserves	(i) Allowance for doubtful accounts In setting aside allowances for possible losses relating 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 recoded based on the loan loss ratio. For overseas consolidated subsidiaries, individual receivables are evaluated for collectability and required loss estimates are recorded. (ii) Allowance for investment losses To provide for possible losses due to the extreme devaluation of stocks in non-consolidated subsidiaries (excluding stocks subject to impairment accounting), an allowance for valuation losses on investments is provided for an amount that takes into account actual stock prices at the end of the consolidated accounting year. (iii) Provision for bonuses To provide for the payment of bonuses to employees, the Company and selected consolidated subsidiaries record an allowance based on estimated forthcoming payments. (iv) Provision for directors' bonuses To provide for the payment of bonuses to directors, the Company and selected consolidated subsidiaries record an allowance based on estimated forthcoming payments. (v) Provision for product warranties At selected overseas subsidiaries, certain net sales rates are provided as an allowance for possible expenses required for after-sales services for products sold. (vi) Provision for loss on business restructuring To provide for expenses and losses relating to business restructuring, an allowance is set aside for an amount equal to estimated forthcoming payments.

(4) Standards for posting provisions and reserves	(vii) Provision for environmental measures To provide for expenses relating to future environmental measures, an allowance is set aside for an amount based on a reasonable estimate. (viii)Provision for loss on disaster To provide for outlays for the restoration of assets damaged by the Great East Japan Earthquake, and other such disasters, an allowance is set aside for an amount based on a reasonable estimate at the end of the consolidated fiscal year under review. (ix) Provision for loss on guarantees A provision for loss on guarantees is provided to cover the estimated amount of payments for such losses, taking into account the Company's financial position and other relevant factors
(5) Accounting procedure for retirement benefits	(i) Method of attributing expected benefits to dates When calculating retirement benefit obligations, expected benefits are attributed to dates up until the end of the consolidated fiscal year under review on a straight-line attribution basis. (ii) Actuarial differences on obligations and prior service costs Prior service costs are recognized as an expense and amortized over an average remaining service period for employees at the time of accrual (five years based on the declining-balance method in principle). Actuarial differences are recognized as an expense starting from the consolidated fiscal year following the year in which they occur, and amortized over an average remaining service period for employees at the time of accrual (five years based on the declining-balance method in principle).
(6) Translation of foreign currency assets or liabilities	Foreign currency amounts are converted into Japanese yen at the prevailing rate on the balance sheet date for accounts receivable and accounts payable. Translation adjustments are stated as profit/loss. Assets and liabilities for overseas subsidiaries are converted into Japanese yen using the spot rate on the balance sheet date, whereas revenues and expenses are converted into Japanese yen using a weighted-average rate. Translation adjustments are included in foreign currency translation adjustment and non-controlling interests in net assets.
(7) Hedge accounting method	(i) Hedge accounting method Special procedures are applied to interest rate swaps, providing that the necessary conditions for special procedure have been met. (ii) Hedging instruments and hedged items Hedging instruments and hedged items subject to hedge accounting are as follows. Hedging instruments: Interest rate swaps Hedged items: interest payments on borrowings (iii) Hedge policy Selected loans payable are hedged against the risk of interest rate fluctuations. (iv) Method for evaluating hedge effectiveness As interest rate swaps are subject to special procedures, no assessment is carried out to determine their effectiveness.
(8) Amortization method and period for goodwill	Goodwill is amortized evenly over the period in which its effects are expected to materialize (up to 20 years from the time of recording). If the difference from elimination is immaterial, it is recorded as a gain or loss for the period in 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 includes cash on hand, demand deposits, and short-term investments that mature within three months of acquisition, as well as being easily convertible to cash and bearing 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 the tax exclusion method. (ii)Application of the consolidated taxation system The consolidated taxation system is applied.

(Changes in accounting policies)

(Application of Accounting Standard for Business Combinations)

The Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013) were among standards brought into effect as of the first quarter of the consolidated accounting year. Revisions were made to methods of recording differences due to changes in equity in subsidiaries remaining under the control of the Company as capital surplus, and recording expenses relating to acquisitions as expenses for the consolidated accounting year in which they are incurred. For business combinations occurring after the start of the first quarter of the consolidated accounting year, revisions were also made to methods of reflecting revised allocation of acquisition costs, based on the establishment of temporary accounting procedures, in quarterly consolidated financial statements for the quarter in which the business combination occurred. Changes were also made to listing quarterly net income and listing minority interests as non-controlling interests. To reflect the relevant changes to listings, quarterly consolidated financial statements and consolidated financial statements are being reconfigured for the previous consolidated cumulative third quarter and the previous consolidated accounting year.

The application of the Accounting Standard for Business Combinations, and other relevant standards, is subject to transitional measures set out in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures. Standards will therefore be applied in the future, starting from the beginning of the first quarter of the consolidated accounting year.

As a result, income before income taxes for the consolidated accounting year under review decreased by 79 million yen. Capital surplus for the consolidated accounting year under review on the other hand increased by 79 million yen.

In the consolidated statement of cash flow for the consolidated accounting year under review, cash flows relating to the acquisition or sale of shares in subsidiaries without change in the scope of consolidation are listed under “cash flows from financing activities”. Cash flows relating to expenses associated with the acquisition of shares in subsidiaries without any change to the scope of consolidation, and expenses incurred in relation to the acquisition or sale of subsidiaries without any change in the scope of consolidation, are listed under “cash flows from operating activities.

The end-of-year balance for capital surplus in the consolidated statement of changes in equity for the consolidated accounting year under review showed an increase of 79 million yen.

Any effect on net assets per share and earnings per share for the consolidated accounting year under review was minimal.

(Accounting standard issued but not yet adopted)

Guidance on the Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on March 28, 2016)

(1) Summary

Guidance on the Recoverability of Deferred Tax Assets sets out guidelines for the application of the Accounting Standard for Tax Effect Accounting (Financial Services Agency) in relation to the recoverability of deferred tax assets. As part of the transfer of practical and auditing guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ), the ASBJ has divided companies into five categories in relation to guidelines on the recoverability of deferred tax assets, particularly those set out in JICPA Auditing Committee Report No. 66 (Auditing Treatment Regarding Judgment of Realizability of Deferred Tax Assets), and essentially overturned the framework for handling estimates when posting deferred tax assets in each of the relevant categories. As a result, essential revisions have been made to guidance in selected areas, including classification requirements and handling posted figures for deferred tax assets.

(Revisions to classification requirements and handling posted figures for deferred tax assets)

・Handling companies that do not meet any classification requirements from Category 1 through Category 5

・Classification requirements for Category 2 and Category 3

・Handling temporary differences on unscheduled deductibles for companies corresponding to Category 2

・Handling reasonable estimable periods for taxable income before additions or subtractions (temporary differences on deductibles, etc.) for companies corresponding to Category 3

・Handling cases in which companies meeting requirements for Category 4 also correspond to Category 2 or Category 3

(2) Planned application date

Guidance will be applicable from the beginning of the consolidated accounting year commencing April 1, 2016.

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

The impact that the application of Guidance on the Recoverability of Deferred Tax Assets will have on consolidated financial statements is currently under evaluation.

(Change of the indication method)

(Consolidated balance sheet)

“Electronically recorded monetary claims - operating” included in “notes and accounts receivable - trade” under “current assets” for the previous consolidated fiscal year are accounted for as an independent item from the consolidated fiscal year under review because its significance has increased in terms of amount. To reflect this change of the indication method, the consolidated financial statements for the previous consolidated fiscal year are reclassified.

As a result, the “notes and accounts receivable - trade” of 65,734 million yen under “current assets” indicated under the consolidated balance sheet for the previous consolidated fiscal year are reclassified as the “notes and accounts receivable - trade” of 65,491 million yen and “electronically recorded monetary claims - operating” of 243 million yen.

(Consolidated balance sheet)

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

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Accumulated depreciation on property, plant and equipment	232,350	215,565

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

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Guarantees of lease obligations	266	75

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

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Trade notes receivable transferred by endorsement	0	-

(Consolidated statement of income)

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

Millions of yen	Year ended March 31, 2015	Year ended March 31, 2016
Depreciation	4,224	4,383
Provision of allowance for doubtful accounts	△64	△58
Provision for bonuses	2,218	2,624
Provision for directors' bonuses	121	72
Retirement benefit expenses	1,423	1,404
Personnel expenses	33,240	33,977
Advertising expenses	20,852	21,512
Provision for product warranties	48	61
Research and development expenses	8,169	7,500

※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 their business size. Assets that are not clearly related to certain business, such as head office, are categorized as common assets.

For the previous consolidated fiscal year, impairment losses were recorded for assets with no foreseeable use and assets used in businesses with diminished profitability. Also, impairment losses were recorded for goodwill because profitability initially assumed was no longer expected in the business plan examined at the time of the acquisition of shares. The book values of these assets and goodwill were written down to recoverable values and the amount by which these assets and goodwill were written down, 2,515 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 285 million yen for buildings and structures, 328 million yen for land and 1,654 million yen for goodwill.

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, 3,051 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 31 million yen for buildings and structures, 17 million yen for tools, furniture and fixtures, and 2,974 million yen for Other intangible assets.

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, 2015

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*	6,363,200	7,961	91	6,371,070
Total	6,363,200	7,961	91	6,371,070

Notes (*)

1. The 7,961 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 91 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 26, 2014)	Common stock	2,591 million yen	8.00 yen	March 31, 2014	June 27, 2014
Board of Directors (Nov. 10, 2014)	Common stock	2,591 million yen	8.00 yen	Sep. 30, 2014	Dec. 4, 2014

(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 25, 2015)	Common stock	2,591 million yen	Earnings reserve	8.00 yen	March 31, 2015	June 26, 2015

The year ended March 31, 2016

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*	6,371,070	5,689,911	91	12,060,890
Total	6,371,070	5,689,911	91	12,060,890

Notes (*)

1. The 5,689,911 share increase in treasury stock resulted from the purchase of 5,682,800 shares on the market and the purchase of 7,111 shares, which were less than one unit, from shareholders.
2. The 91 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 25, 2015)	Common stock	2,591 million yen	8.00 yen	March 31, 2015	June 26, 2015
Board of Directors (Nov.100, 2015)	Common stock	2,705 million yen	8.50 yen	Sep. 30, 2015	Dec. 4, 2015

(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 28, 2016)	Common stock	2,705 million yen	Earnings reserve	8.50 yen	March 31, 2016	June 29, 2016

(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, 2015	Year ended March 31, 2016
Cash	110,716	99,371
Time deposits with a deposit period greater than three months	△5,440	△4,328
Cash and cash equivalents	105,276	95,042

(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	Pachinko related products, Jewelry

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, 2015

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	172,280	51,702	67,536	24,717	12,218	328,456	-	328,456
Inter-segment	137	227	6,001	585	713	7,666	△7,666	-
Total	172,417	51,930	73,538	25,303	12,932	336,122	△7,666	328,456
Operating income	19,669	6,794	4,721	904	△464	31,625	△3,736	27,889
Assets	180,277	53,153	86,832	17,531	12,018	349,813	71,750	421,563

Notes:

1. Adjustments were made as described below.
   (1) The 3,736 million yen negative adjustment to segment income (operating income) includes 22 million yen in inter-segment eliminations and 3,714 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 71,750 million yen positive adjustment to segment assets include 120,698 million yen in corporate assets that could not be allocated to a particular segment and 48,947 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, 2016

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	181,241	51,517	80,632	23,371	11,504	348,267	-	348,267
Inter-segment	142	538	2,867	549	802	4,902	△4,902	-
Total	181,384	52,056	83,500	23,920	12,307	353,169	△4,902	348,267
Operating income	20,582	7,151	6,880	342	△542	34,416	△3,949	30,467
Assets	172,925	51,400	87,051	15,822	10,288	337,487	68,975	406,462

Notes:

1. Adjustments were made as described below.
   (1) The 3,949 million yen negative adjustment to segment income (operating income) includes 85 million yen in inter-segment eliminations and 4,034 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 68,975 million yen positive adjustment to segment assets includes 110,370 million yen in corporate assets that could not be allocated to a particular segment and 41,395 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, 2015	Year ended March 31, 2016
Net assets per share	736.17 yen	715.38 yen
Earnings per share	54.24 yen	41.32 yen

Note: 1. Diluted earnings per share is not reported because there were no dilutive shares.

Note: 2. The basis of calculation of earnings per share information is as follows:

Earnings per share	Year ended March 31, 2015	Year ended March 31, 2016
Profit attributable to owners of parent (millions of yen)	17,572	13,201
Amount not attributed to common stock (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	17,572	13,201
Average number of common stocks (thousand shares)	323,987	319,480
Summary of residual securities not included in diluted earnings per share as they have no dilution effect	-	-

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

	Year ended March 31, 2015	Year ended March 31, 2016
Net assets (millions of yen)	247,972	237,469
Amount deducted from total net assets (millions of yen)	9,466	9,768
(Non-controlling interests (millions of yen))	(9,466)	(9,768)
Net assets on common stock at end of term (millions of yen)	238,505	227,700
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	323,982	318,292

(Subsequent Events)

Citizen Holdings Co., Ltd. (“the Company”) announces that its Board of Directors meeting held today resolved to conduct an absorption-type merger (“the Merger”) between the Company and its wholly owned subsidiaries Citizen Watch Co., Ltd. and Citizen Business Expert Co., Ltd. effective October 1, 2016, and change its trade name. Details are as follows.
For details, please refer to the Notice of Merger with Subsidiaries and Change of the Company’s Trade Name, which was announced on April 27, 2016.

(Disclosure omitted)

Notes to lease transactions, related party transactions, tax-effect accounting, financial instruments, marketable securities, derivative transactions, retirement benefits, business combinations, asset retirement obligations, consolidated statements of comprehensive income are omitted because there is little need to disclose them in financial statements.

6. Others

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

i. Change to the Representative Director

Not applicable

ii. Change to the Board of Directors of the Company

・Candidates for newly appointed Board of Directors

Director Norio Takeuchi (currently Director at Citizen Watch Co., Ltd.)

Director Fusamitsu Natori (currently Director at Citizen Watch Co., Ltd.)

Director Toshiyuki Furukawa (currently Director at Citizen Watch Co., Ltd.)

Outside Audit & Supervisory Board Member Toshiko Kuboki (currently lawyer)

・Board of Directors scheduled for retirement

Managing Director Ryota Aoyagi

Outside Audit & Supervisory Board Member Masaomi Suizu

iii. Scheduled Appointment and Retirement Date

June 28, 2016

(2) Others

Not applicable