



CITIZEN

ANNUAL REPORT 2017

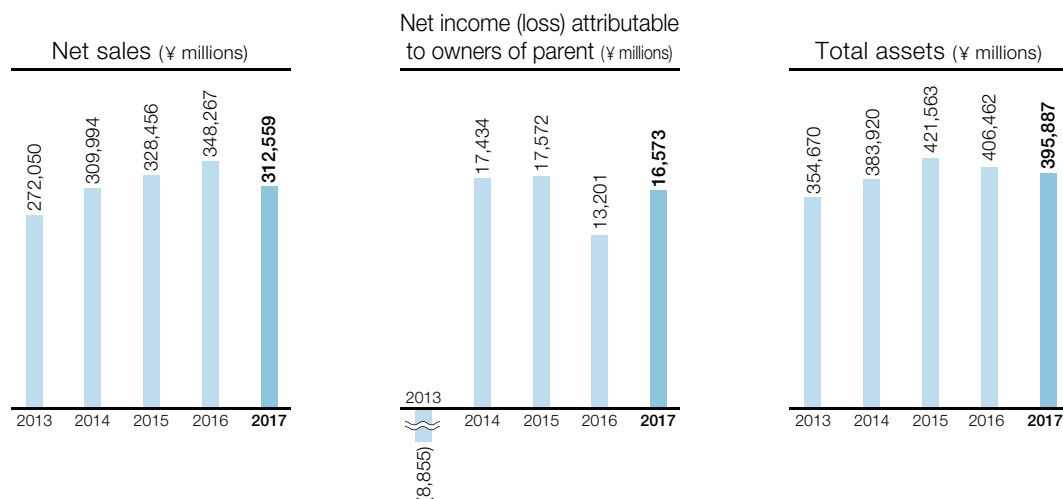
(Financial Section)
For the Year Ended March 31, 2017

Consolidated Financial Highlights

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)
	2017	2016	2017
For the year			
Net sales -----	¥ 312,559	¥ 348,267	\$ 2,790,710
Operating income -----	21,501	30,467	191,980
Net income attributable to owners of parent -----	16,573	13,201	147,978
At year-end			
Total assets -----	¥ 395,887	¥ 406,462	\$ 3,534,709
Total net assets -----	249,215	237,469	2,225,140
Per share			
Net income -----	¥ 52.07	¥ 41.32	\$ 0.46
Cash dividends applicable to the year -----	17.00	17.00	0.15

Note: Yen amounts have been translated, for convenience only, at the rate of ¥112 to the US\$1, the approximate exchange rate on March 31, 2017.



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Five-Year Summary

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2017	2016	2015	2014	2013	2017
For the year:						
Net sales -----	¥ 312,559	¥ 348,267	¥ 328,456	¥ 309,994	¥ 272,050	\$ 2,790,710
Watches-----	163,619	181,241	172,280	162,061	139,508	1,460,886
Machine tools-----	49,694	51,517	51,702	41,728	35,533	443,699
Devices and Components-----	69,462	80,632	67,536	66,784	59,852	620,205
Electronic Products-----	21,774	23,371	24,717	24,349	21,504	194,417
Other Products-----	8,008	11,504	12,218	15,071	15,651	71,503
Operating income -----	21,501	30,467	27,889	23,706	11,549	191,980
Income (loss) before income taxes and non-controlling interests -----	22,467	22,550	31,890	25,881	(9,420)	200,602
Income taxes						
Current-----	4,817	7,938	11,000	4,044	3,636	43,011
Deferred-----	622	581	3,055	4,166	(4,191)	5,555
Net income (loss) attributable to owners of parent -----	16,573	13,201	17,572	17,434	(8,855)	147,978
Per Share data (yen and U.S. dollars):						
Net income (loss)						
Basic-----	¥ 52.07	¥ 41.32	¥ 54.24	¥ 53.81	¥ (27.33)	\$ 0.46
Diluted-----	—	—	—	—	—	—
Cash dividends -----	17.00	17.00	16.00	13.00	8.00	0.15
Depreciation -----	12,509	14,934	14,386	14,282	15,406	111,689
Capital expenditures -----	23,621	22,882	18,913	14,003	25,914	210,908
R&D expenditures -----	7,113	7,500	8,169	7,440	7,595	63,514
At Year-End:						
Total assets -----	¥ 395,887	¥ 406,462	¥ 421,563	¥ 383,920	¥ 354,670	\$ 3,534,709
Total net assets -----	249,215	237,469	247,972	217,412	192,409	2,225,140
Number of share issued (thousands) -----	320,353	330,353	330,353	330,353	330,353	—

Note: Yen amounts have been translated, for convenience only, at the rate of ¥112 to the US\$1, the approximate exchange rate on March 31, 2017.

Management's Discussion and Analysis

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017

I. OVERVIEW OF FINANCIAL RESULTS

During the consolidated fiscal year under review, despite the gentle recovery of domestic economy, the consumer spending remained stagnant, influenced by the radical appreciation of the yen and stock market weakness in the first half of the year and sluggish demand from inbound tourists. In the U.S, the economy deteriorated during the presidential election and uncertainty for political strategies expanded even after the establishment of brand new administration, whereas the improvement for employment and income environment enhanced the expectation of economic recovery. The European economy remained stable partly because the impact of the UK's exit from EU was limited. The Asian economy, in spite of continuing severe recession as a whole, is deemed to be on the recovery trend, mainly in China.

Under these circumstances, the Citizen Group has been pursuing new growth strategies to become a solid global company, while striving to further strengthen its business structure through structural reform under the "Citizen Global Plan 2018", a medium-term management plan formulated in February 2013. Nevertheless, the financial results came out to be significantly influenced by the appreciation of the yen and global economic downturn.

The Citizen Group's consolidated results included net sales of ¥312.5 billion (down 10.3 % year-on-year), and operating income of ¥21.5 billion (down 29.4 % year-on-year), falling both in sales and profits due to the effects of entire watch market shrink and appreciation of yen. On the other hand, in pursuit of efficient utilization of non-current assets, gain on sales of property, plant and equipment and gain on sales of investment securities were recorded. As a result, reversal of valuation allowance for deferred tax assets reduced income taxes and net income attributable to owners of parent reached ¥16.5 billion for the fiscal year (up 25.5 % year-on-year).

II. FINANCIAL POSITION

As of the end of the consolidated fiscal year under review, total assets decreased by ¥10.5 billion compared to prior year to ¥395.8 billion. Current assets decreased by ¥28.7 billion mainly because cash and time deposits decreased by ¥18.6 billion, inventories decreased by ¥4.8 billion and notes and accounts receivable, trade decreased by ¥1.9 billion. Non-current assets increased by ¥18.1 billion with a ¥7.5 billion increase in buildings and structures, a ¥4.1 billion increase in investment securities, a ¥3.8 billion increase in goodwill, and a ¥2.5 billion decrease in construction in progress.

Total liabilities decreased by ¥22.3 billion year-on-year to ¥146.6 billion, with a ¥11.5 billion decrease in short-term loans payable and current portion of long-term debt, a ¥3.0 billion decrease in provision for reorganization costs (current), a ¥2.8 billion decrease in long-term debt.

Net assets increased by ¥11.7 billion to ¥249.2 billion with ¥5.4 billion cash dividends, and ¥16.5 billion net income attributable to owners of parent. Besides, retained earnings and treasury stock respectively decreased by ¥8.6 billion due to the retirement of treasury stock.

III. CASH FLOWS

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter "funds") decreased by ¥17.1 billion year-on-year to ¥77.8 billion at the end of the consolidated fiscal year.

Cash flows from operating activities:

Funds provided by operating activities increased by ¥2.8 billion year-on-year to ¥32.7 billion. Major factors contributing to this result included a ¥3.8 billion decrease in payable, trade, ¥4.1 billion in income taxes paid, ¥22.4 billion in income before income taxes and non-controlling interests, ¥12.5 billion in depreciation and amortization, and a ¥6.9 billion decrease in inventories.

Cash flows from investing activities:

Funds used in investing activities increased by ¥3.2 billion year-on-year to ¥27.8 billion. Major factors contributing to this result included ¥4.7 billion in proceeds from sales of property, plant and equipment, ¥3.4 billion in proceeds from sales of investment securities, ¥21.3 billion in payments for purchases of property, plant and equipment and ¥12.3 billion in payments for purchases of consolidated subsidiaries.

Cash flows for financing activities:

Funds used in financing activities increased by ¥8.4 billion year-on-year to ¥20.6 billion. Major factors contributing to this result included ¥14.7 billion in decrease of short-term debt and ¥5.4 billion in dividends paid.

IV. RISKS

The following factors may affect the Citizen Group's operating results, financial position, stock price and other figures.

(i) Risks regarding our business

The Citizen Group's main business is to manufacture and sell watches and clocks, machine tools, devices and components, and electronic products. The Group operates its business all over the world, and our customers include both individuals and various manufacturers.

Therefore, our operating results are influenced by various factors, some of which are listed below.

● Watches

Competition in the watch market is intensifying not only against Japanese brands, but also against high-end Swiss brands, low-end Chinese manufacturers and smart watch manufacturers along with alternative products such as mobile phones with watch functions. With regard to movement business, severe price competition due to the rise of Chinese manufacturers with market strategies distinguished from ours, may trigger decline of volume and market share.

● Machine tools

The machine tools business is susceptible to the effects of economic cycles and fluctuations in capital investment activities among companies, and competition is intensifying not only with domestic manufacturers but also with manufacturers in other parts of Asia. In addition, under the rejuvenated circumstances of global market, procurement of raw materials and parts may delay.

● Devices and Components

The devices and components business is characterized by rapid technological innovation and fierce competition among companies. Therefore sales price declines or development delays, for example, can greatly impact business results. Results for precision machining parts are dependent on what happens among customers, such as automobile and mobile phone manufacturers. Results for opt-devices are greatly affected by developments among customers, such as mobile phone and lighting manufacturers. And patent licensing agreements are essential for manufacturer of some products, which could be seriously affected, should a cooperative relationship underlying a patent agreement break down and access to the patent be lost.

● Electronic Products

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

(ii) Overseas sales

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

(iii) Foreign currency fluctuation risk

As overseas sales ratio is high, 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 affect our operating results.

(iv) Manufacturing in China

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

(v) Impairment loss

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

(vi) Patent and intangible property

In its pursuit of R & D and production activities, the Citizen Group makes use of various technologies covered by intellectual property rights. Included among these intellectual property rights are ones owned by the Citizen Group and others we believe we have legitimately received licenses to use.

Nevertheless, should a third party claim, based on grounds of which we are unaware, that its intellectual property rights have been violated, a dispute could arise the outcome of which could affect the business results of the Citizen Group.

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

business results.

(vii) Risk related to natural disaster such as earthquakes

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

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

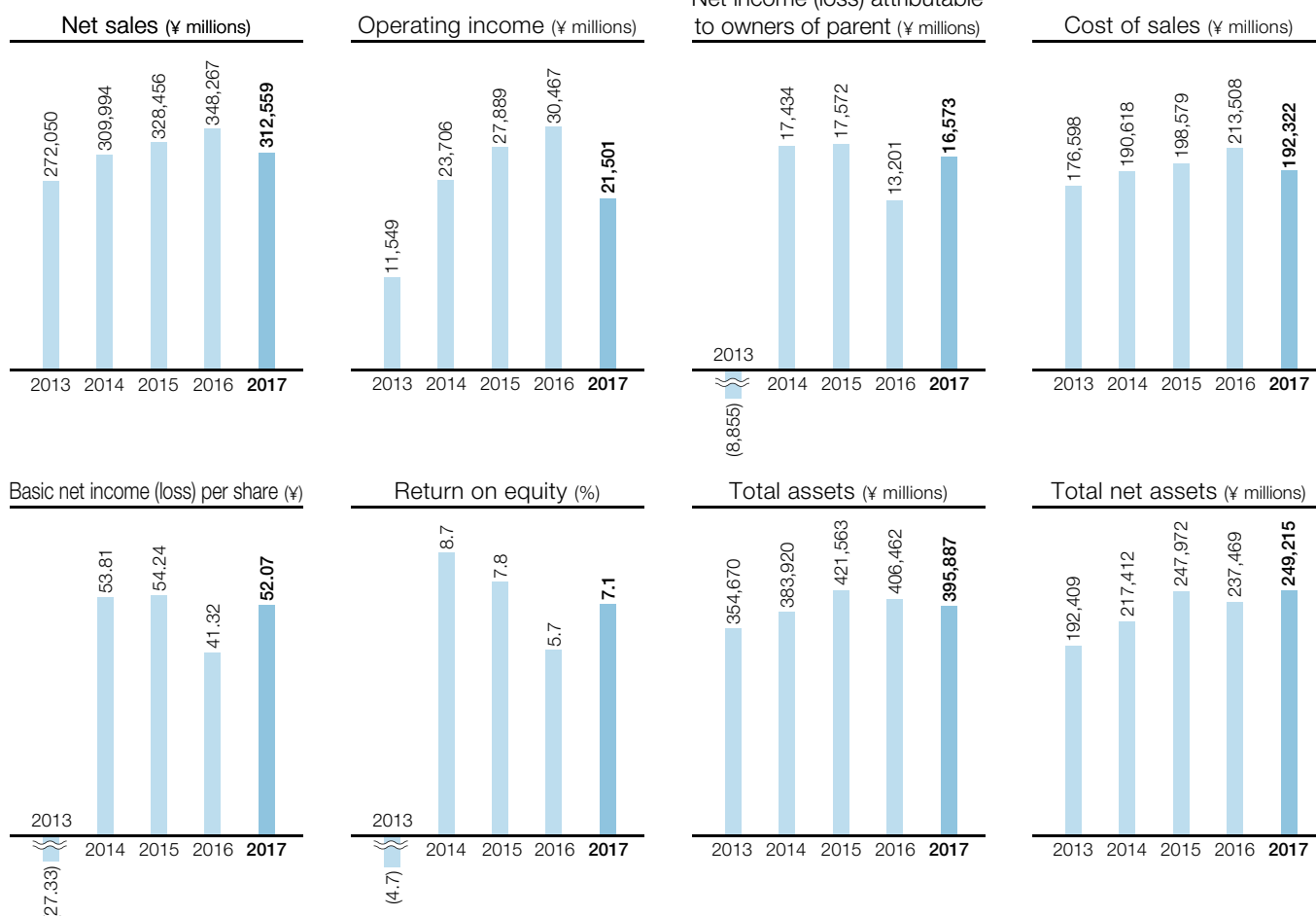
The Citizen Group strives to enhance its business foundation through M&As and business alliances. In executing these activities, we conduct thorough research and examinations on targeted companies. Nevertheless, there may be risks which we may later find out such as unrealized liabilities and obstacles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

(ix) Risk related to borrowings

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

(x) Other risks

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



Consolidated Balance Sheets

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Current assets:			
Cash and time deposits (Note 2 and 13) -----	¥ 80,746	¥ 99,371	\$ 720,948
Notes and accounts receivable, trade (Note 13) -----	61,142	63,061	545,916
Electronically recorded monetary claims (Note 13) -----	1,156	855	10,322
Inventories (Note 4) -----	84,328	89,164	752,933
Deferred tax assets (Note 2 and 5) -----	6,787	8,609	60,601
Other current assets (Note 13) -----	8,720	10,789	77,873
Less: Allowance for doubtful accounts -----	(1,037)	(1,301)	(9,264)
Total current assets -----	241,844	270,551	2,159,329
Property, plant and equipment, at cost (Note 2,11 and 16):			
Buildings and structures -----	112,251	104,800	1,002,236
Machinery and equipment -----	126,184	127,573	1,126,648
Tools, furniture and fixtures -----	43,744	43,096	390,571
Leased assets (Note 10) -----	2,427	2,064	21,670
	284,606	277,534	2,541,125
Less: accumulated depreciation -----	(213,138)	(215,565)	(1,903,020)
	71,468	61,968	638,105
Land -----	11,109	10,904	99,195
Construction in progress -----	2,977	5,570	26,584
Property, plant and equipment, net -----	85,554	78,443	763,884
Investments and other assets:			
Investment securities (Note 3 and 13) -----	44,519	40,366	397,497
Long-term loans (Note 13) -----	1,030	1,130	9,197
Goodwill (Note 2,15 and 16) -----	5,958	2,097	53,199
Software -----	3,208	2,462	28,647
Other intangible assets (Note 15) -----	4,420	1,953	39,470
Deferred tax assets (Note 2 and 5) -----	6,029	5,886	53,839
Leased assets (Note 10) -----	6	14	62
Others (Note 13) -----	3,663	5,594	32,706
Less: Allowance for long-term receivables -----	(211)	(1,901)	(1,889)
Less: Allowance for loss on investments -----	(138)	(138)	(1,232)
Total investments and other assets -----	68,484	57,467	611,496
Total assets (Note 16) -----	¥ 395,887	¥ 406,462	\$ 3,534,709

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

Millions of yen

 Thousands of
U.S. dollars (Note 1)

	2017	2016	2017
Current liabilities:			
Short-term loans payable and current portion of long-term debt (Note 6 and 13)----	¥ 5,849	¥ 17,444	\$ 52,229
Current portion of unsecured bonds (Note 6 and 13)-----	10,000	—	89,286
Notes and accounts payable, trade (Note 13)-----	19,836	19,589	177,115
Electronically recorded monetary obligations (Note 13)-----	13,140	13,564	117,325
Income taxes payable (Note 5)-----	2,657	3,679	23,726
Deferred tax liabilities (Note 2 and 5)-----	102	120	911
Accrued expenses-----	12,727	14,655	113,638
Accrued bonuses to employees-----	5,458	6,335	48,740
Provision for reorganization costs (Note 14)-----	1,294	4,369	11,554
Other current liabilities-----	9,455	12,144	84,431
Total current liabilities-----	80,523	91,901	718,955
Long-term liabilities:			
Long-term debt (Note 6 and 13)-----	27,182	30,000	242,705
Unsecured bonds (Note 6 and 13)-----	10,000	20,000	89,286
Deferred tax liabilities (Note 2 and 5)-----	3,392	2,067	30,286
Liability for retirement benefits (Note 7)-----	22,003	21,139	196,457
Provision for reorganization costs (Note 14)-----	1,330	1,663	11,882
Other long-term liabilities-----	2,238	2,221	19,998
Total long-term liabilities-----	66,148	77,091	590,614
Total liabilities-----	146,671	168,993	1,309,569
Net assets:			
Common stock			
Authorized — 959,752,000 shares in 2017 and 2016			
Issued — 320,353,809 shares and 330,353,809 shares in 2017 and 2016	32,648	32,648	291,508
Capital surplus-----	34,074	33,969	304,237
Retained earnings-----	162,224	159,684	1,448,434
Less: treasury stock, at cost			
(2,064,808 shares and 12,060,890 shares in 2017 and 2016)-----	(1,780)	(10,400)	(15,893)
Total shareholders' equity-----	227,168	215,903	2,028,286
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities-----	10,332	7,413	92,253
Foreign currency translation adjustments-----	3,088	5,756	27,579
Accumulated adjustments for retirement benefit-----	(1,168)	(1,372)	(10,434)
Total accumulated other comprehensive income-----	12,252	11,797	109,398
Non-controlling interests-----	9,795	9,768	87,456
Total net assets-----	249,215	237,469	2,225,140
Total liabilities and net assets-----	¥ 395,887	¥ 406,462	\$ 3,534,709

Consolidated Statements of Income

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1) (except per share amounts)
	2017	2016	2017
Net sales (Note 16) -----	¥ 312,559	¥ 348,267	\$ 2,790,710
Cost of sales -----	192,322	213,508	1,717,170
Gross profit -----	120,236	134,759	1,073,540
Selling, general and administrative expenses (Note 7 and 9) -----	98,734	104,291	881,560
Operating income (Note 16) -----	21,501	30,467	191,980
Other income (expenses):			
Interest income -----	286	396	2,554
Dividends income -----	1,449	1,414	12,944
Interest expense -----	(399)	(482)	(3,565)
Loss on disposal of property, plant and equipment -----	(320)	(303)	(2,862)
Gain on sales of property, plant and equipment, net -----	2,438	1,009	21,774
Gain on sales of investment securities -----	2,211	194	19,745
Loss on valuation of investment securities -----	—	(0)	—
Loss on impairment (Note 11 and 16) -----	(1,039)	(3,051)	(9,280)
Reorganization costs (Note 14) -----	(2,557)	(4,936)	(22,833)
Foreign currency exchange loss -----	(1,168)	(2,013)	(10,432)
Provision of allowance for long-term receivables -----	—	(313)	—
Others, net -----	63	171	577
Other income (expenses), net -----	964	(7,916)	8,622
Income before income taxes and non-controlling interests -----	22,467	22,550	200,602
Income taxes (Note 5):			
Current -----	4,817	7,938	43,011
Deferred -----	622	581	5,555
Total income taxes -----	5,439	8,519	48,566
Net income -----	17,028	14,031	152,036
Attributable to:			
Owners of parent -----	¥ 16,573	¥ 13,201	\$ 147,978
Non-controlling interests -----	454	829	4,058
	Yen		U.S. dollars (Note 1)
Per share of common stock:			
Net income			
Basic -----	¥ 52.07	¥ 41.32	\$ 0.46
Cash dividends applicable to the year -----	17.00	17.00	0.15

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income before non-controlling interests -----	¥ 17,028	¥ 14,031	\$ 152,036
Other comprehensive income			
Unrealized gain on available-for-sale securities -----	2,918	(3,778)	26,061
Foreign currency translation adjustments -----	(2,684)	(9,078)	(23,968)
Adjustments for retirement benefit -----	227	(1,028)	2,028
Share of other comprehensive in affiliates -----	28	(167)	253
Total other comprehensive income -----	489	(14,053)	4,374
Total comprehensive income -----	¥ 17,517	¥ (21)	\$ 156,410
Total comprehensive income attributable to			
Owners of parent -----	¥ 17,028	¥ (675)	\$ 152,039
Non-controlling interests -----	489	653	4,371

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income		
Balance as of March 31, 2015	¥ 32,648	¥ 33,890	¥151,689	¥ (5,394)	¥212,834	¥ 11,190	¥ 14,843	¥ (362)	¥ 25,671	¥ 9,466	¥247,972
Purchase of shares of consolidated subsidiaries		79			79						79
Increase by merger			7		7						7
Increase by corporate division			5		5						5
Changes in scope of consolidation			79		79						79
Cash dividends			(5,297)		(5,297)						(5,297)
Net income			13,201		13,201						13,201
Repurchases of treasury stock				(5,006)	(5,006)						(5,006)
Disposal of treasury stock		(0)		0	0						0
Transfer of loss on disposal of treasury stock		0	(0)		—						—
Net changes other than shareholders' equity						(3,777)	(9,087)	(1,009)	(13,873)	302	(13,571)
Balance as of March 31, 2016	32,648	33,969	159,684	(10,400)	215,903	7,413	5,756	(1,372)	11,797	9,768	237,469
Purchase of shares of consolidated subsidiaries		104			104						104
Cash dividends			(5,410)		(5,410)						(5,410)
Net income			16,573		16,573						16,573
Repurchases of treasury stock				(2)	(2)						(2)
Disposal of treasury stock		(0)		0	0						0
Retirement of treasury stock		(8,622)		8,622	—						—
Transfer of loss on disposal of treasury stock		0	(0)		—						—
Transfer to capital surplus from retained earnings		8,622	(8,622)		—						—
Net changes other than shareholders' equity						2,918	(2,667)	203	454	26	481
Balance as of March 31, 2017	¥ 32,648	¥ 34,074	¥162,224	¥ (1,780)	¥227,168	¥ 10,332	¥ 3,088	¥ (1,168)	¥ 12,252	¥ 9,795	¥249,215

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income		
Balance as of March 31, 2016	\$ 291,508	\$ 303,300	\$1,425,757	\$ (92,859)	\$1,927,706	\$ 66,192	\$ 51,396	\$ (12,251)	\$ 105,337	\$ 87,221	\$2,120,264
Purchase of shares of consolidated subsidiaries		937			937						937
Cash dividends			(48,312)		(48,312)						(48,312)
Net income			147,978		147,978						147,978
Repurchases of treasury stock				(23)	(23)						(23)
Disposal of treasury stock				0	0						0
Retirement of treasury stock		(76,989)		76,989	—						—
Transfer of loss on disposal of treasury stock		0	(0)		—						—
Transfer to capital surplus from retained earnings		76,989	(76,989)		—						—
Net changes other than shareholders' equity						26,061	(23,817)	1,817	4,061	235	4,296
Balance as of March 31, 2017	\$ 291,508	\$ 304,237	\$1,448,434	\$ (15,893)	\$2,028,286	\$ 92,253	\$ 27,579	\$ (10,434)	\$ 109,398	\$ 87,456	\$2,225,140

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 22,467	¥ 22,550	\$ 200,602
Depreciation and amortization (Note 2)	12,509	14,934	111,689
Increase (Decrease) in provision for reorganization costs	(3,423)	1,166	(30,565)
Increase (Decrease) in allowance for long-term receivables	(2,267)	180	(20,245)
Increase (Decrease) in other provision	(971)	(128)	(8,673)
Increase (Decrease) in liability for retirement benefits	844	1,409	7,538
Amortization of goodwill	1,642	1,100	14,665
Interest and dividends income	(1,735)	(1,811)	(15,498)
Interest expense	399	482	3,565
(Gain) Loss on sale of investment securities, net	(2,211)	(194)	(19,745)
(Gain) Loss on valuation of investment securities, net	—	0	—
(Gain) Loss on sales of property, plant and equipment, net	(2,438)	(1,009)	(21,774)
Loss on impairment (Note 11)	1,039	3,051	9,280
Loss on disposal of property, plant and equipment, net	297	303	2,658
Decrease (Increase) in receivables, trade	3,308	(1,459)	29,544
Decrease (Increase) in inventories	6,941	(2,496)	61,973
Increase (Decrease) in payable, trade	(3,871)	4,240	(34,570)
Other	3,093	(297)	27,619
Subtotal	35,623	42,024	318,063
Interest and dividends received	1,749	1,807	15,621
Interest payments	(408)	(465)	(3,646)
Income taxes paid	(4,182)	(13,385)	(37,343)
Net cash provided by operating activities	32,781	29,980	292,695
Cash flows from investing activities:			
Payments for purchases of investment securities	(1,508)	(5,018)	(13,472)
Proceeds from sales of investment securities	3,496	485	31,220
Payments for purchases of property, plant and equipment	(21,346)	(21,527)	(190,594)
Proceeds from sales of property, plant and equipment	4,710	2,416	42,060
Payments for purchases of intangible assets	(1,460)	(1,275)	(13,040)
Payments of loans	(12)	(39)	(109)
Proceeds from collection of loans	107	116	959
Payments for purchases of consolidated subsidiaries (Note 2)	(12,377)	—	(110,512)
Other	529	206	4,728
Net cash used in investing activities	(27,861)	(24,637)	(248,760)
Cash flows from financing activities:			
Increase (Decrease) in short-term debt	(14,730)	(1,646)	(131,519)
Repayments of long-term debt	(15)	—	(142)
Proceeds from sales of treasury stock	0	0	0
Payments for acquisition of subsidiaries' stocks without the changes in scope of consolidation	(1)	(1)	(17)
Payments for purchases of treasury stock	(2)	(5,006)	(23)
Dividends paid	(5,758)	(5,507)	(51,421)
Other	(117)	(43)	(1,047)
Net cash provided by financing activities	(20,626)	(12,205)	(184,169)
Foreign currency translation adjustments on cash and cash equivalents	(1,448)	(3,398)	(12,937)
Net increase (decrease) in cash and cash equivalents	(17,155)	(10,260)	(153,171)
Increase (Decrease) in cash and cash equivalents due to change in scope of consolidation	—	20	—
Increase (Decrease) in cash and cash equivalents due to merger of subsidiaries	—	6	—
Cash and cash equivalents at the beginning of year	95,042	105,276	848,594
Cash and cash equivalents at the end of year (Note 2)	¥ 77,887	¥ 95,042	\$ 695,423

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Citizen Watch Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

Note 1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Citizen Watch Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to U.S. \$1, the approximate rate of exchange at March 31, 2017. Such translation should not be construed as a representation that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

As permitted by the Financial Instruments and Exchange Act, for the years ended March 31, 2017 and 2016, amounts of less than one million yen have been omitted. Consequently, totals shown in the accompanying consolidated financial statements for the years ended March 31, 2017 and 2016 do not necessarily agree with the sums of the individual amounts.

Note 2 Summary of significant accounting policies

a. Consolidation

The Company has 122 subsidiaries at March 31, 2017 (121 for 2016). The consolidated financial statements include the accounts of the Company and 105 (99 for 2016) of its significant consolidated subsidiaries (collectively, the "Group").

Under the control or influence concept, those companies in which the parent company, directly or indirectly, is able to exercise control over operations are fully consolidated.

The remaining 17 (22 for 2016) non-consolidated subsidiaries whose combined assets, net sales, net income and retained earnings are not significant in the related consolidated totals, have not been consolidated with the Company.

Investments in non-consolidated subsidiaries and affiliates (generally 20% - 50% ownership) over which the Company has the ability to exercise significant influence in operating and financial policies are accounted for by the equity method. Equity method is applied to 2 affiliates for 2017 (2 for 2016).

Investments in non-consolidated subsidiaries and affiliated companies other than the above (companies owned 20% - 50%) which have immaterial effect on the consolidated financial statements are accounted for at cost.

All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

b. Cash and cash equivalents

Cash equivalents comprise demand deposits in financial institutions and highly liquid, short-term investments with low risk of fluctuations in value for which the maturity expires within three months.

The balance of cash and cash equivalents as of March 31, 2017 and 2016 are reconciled with the balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance sheet:			
Cash and time deposits-----	¥ 80,746	¥ 99,371	\$ 720,948
Less:			
Time deposits over three months--	2,858	4,328	25,525
Cash and cash equivalents	¥ 77,887	¥ 95,042	\$ 695,423

(The major components of assets and liabilities of the companies newly included in the scope of consolidation as a result of the acquisition of shares.)

Details of assets and liabilities at the time of the consolidation of Frederique Constant Holding SA and its 11 subsidiaries that have newly become consolidated subsidiaries of the Company as a result of acquisition of shares, and the relationship with acquisition cost (net amount) are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets-----	¥ 7,789	\$ 69,547
Fixed assets-----	4,152	37,076
Goodwill-----	5,327	47,571
Current liabilities-----	(2,037)	(18,192)
Long-term liabilities-----	(1,511)	(13,496)
non-controlling interests-----	(56)	(502)
Acquisition costs-----	¥ 13,664	\$ 122,004
Cash and cash equivalents of newly consolidated subsidiaries-----	¥ 1,287	\$ 11,492
Payments for purchases of consolidated subsidiaries-----	¥ 12,377	\$ 110,512

c. Marketable and investment securities

Marketable and investment securities are designated as available-for-sale which are stated as fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Realized gains and losses are determined on the moving average method and included in the consolidated statements of income.

d. Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on past credit loss experience and management's evaluation of potential losses in outstanding receivables and loans.

e. Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses, determined by the weighted average method.

f. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed on the straight-line method at the rates based on the estimated useful lives of the respective assets ranging from 2 to

60 years for buildings and from 2 to 10 years for machinery and equipment.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to undiscounted future cash flows expected to be generated by the assets. If such assets are considered to be impaired, impairment loss is recognized equal to the excess of the carrying amount over the estimated fair value of the assets.

Maintenance and repairs, including minor renewals and improvements, are expensed in the consolidated statements of income as incurred.

g. Goodwill and other intangible assets

Goodwill is amortized on a straight-line basis over reasonable economic life up to 20 years with the exception of minor differences, which are charged to income in the period of acquisition.

Software and other intangible assets are amortized by the straight-line method over the estimated useful lives of the respective assets.

h. Leases

For finance leases that do not transfer ownership of the leased property to the lessees, depreciation expenses are computed on the straight-line method over the lease period as the useful lives and assuming no residual value.

i. Retirement benefits

(1) Calculation of retirement benefit obligation

The retirement benefit obligation is calculated based on benefit-formula basis.

(2) Amortization of actuarial differences and prior service costs

Actuarial differences are amortized by using declining-balance method over the period (5-year) which is less than the average remaining years of employment.

Prior service costs are amortized from following year by using declining-balance method over the period (5-year) which is less than the average remaining years of employment.

j. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign currency exchange gains and losses resulting from the settlement of these items are included in the consolidated statements of income.

Balance sheet accounts of overseas consolidated subsidiaries are translated into Japanese yen at the balance sheet date rates except for equity accounts, which are translated at the historical rates. Income statements of overseas consolidated subsidiaries are translated at average rates in effect during the year. Resulting translation differences in yen arising from the use of different rates are included and presented as “non-controlling interests” and “foreign currency translation adjustments” in the net assets.

k. Per share information

The computation of net income per common share is based on the weighted average number of shares outstanding during each year.

The average number of common shares used in the computation was 318,291 thousand shares and 319,480 thousand in 2017 and 2016, respectively.

Diluted net income per common share assumes full conversion of the outstanding convertible bonds at the beginning of the year or at the date of issuance with applicable adjustment for related interest expense, net of tax.

Cash dividends per common share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

l. Derivative financial instruments

The Group has derivative instruments, such as foreign currency forward and interest rate swap to manage foreign currency and interest rate risks, and does not use the derivative instruments for trading purposes.

Transactions of foreign currency forward are not designated for hedge accounting and stated at fair value, and gains and losses are recognized in the consolidated statements of income.

The interest rate swap that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value.

m. Accounting changes

(Change of the method of depreciating tangible fixed assets)

The Company and its consolidated subsidiaries in Japan had formerly depreciated tangible fixed assets using the declining-balance method. However, starting from the consolidated fiscal year ended March 31, 2017, the Company and its consolidated subsidiaries in Japan have changed the depreciation method to the straight-line method. The Citizen Group has been executing structural reform of plants under the “Citizen Global Plan 2018”, a medium-term management plan formulated in February 2013, and found that the stable operation of equipment was maintained and that straight-line method would be more appropriate to reflect the Company’s performance.

As a result, the operating income for the fiscal year under review increased by ¥2,651 million (\$23,677 thousand), and income before income taxes and non-controlling interests increased by ¥2,768 million (\$24,715 thousand) from the amounts based on the conventional method.

n. Changes in presentation

(Consolidated statements of cash flows)

“Increase (Decrease) in allowance for long-term receivables” which were included in “Increase (Decrease) in other provision” under “Cash flows from operating activities” in the previous fiscal year, are presented separately under cash flows from operating activities for the fiscal year under review, due to an increase in its monetary significance. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, an amount of ¥52 million shown as “Increase (Decrease) in other provision” in the consolidated statements of cash flows of the previous fiscal year has been reclassified as “Increase (Decrease) in allowance for long-term receivables” of ¥180 million and “Increase (Decrease) in other provision” of ¥(128) million under cash flows from operating activities.

o. Supplementary information

(Application of implementation guidance on recoverability of deferred tax assets)

The Company has applied Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28, 2016) from the fiscal year ended March 31, 2017.

Note 3 Investment securities

Investment securities consist of equity securities. Unrealized gain and fair value pertaining to available-for-sale securities as of March 31, 2017 and 2016 are as follows:

Millions of yen						
2017			2016			
	Cost	Fair value	Unrealized gain	Cost	Fair value	Unrealized gain
Available-for-sales equity securities ---	¥15,279	¥28,565	¥13,285	¥14,886	¥24,370	¥9,483
Thousands of U.S. dollars						
	2017		Unrealized gain			
	Cost	Fair value	Unrealized gain			
Available-for-sales equity securities -----				\$136,428	\$255,051	\$118,623

Major securities with no market value and their amounts on the consolidated balance sheets as of March 31, 2017 and 2016 are as follows:

Millions of yen			Thousands of U.S. dollars
	2017	2016	2017
Subsidiaries and affiliates-----	¥ 3,544	¥ 3,473	\$ 31,646
Unlisted equity securities-----	12,409	12,522	110,800

Allowance for loss on investments of ¥138 million (\$1,232 thousand) and ¥138 million were recorded in the consolidated balance sheets as of March 31, 2017 and 2016, respectively.

Note 4 Inventories

Inventories as of March 31, 2017 and 2016 are as follows:

Millions of yen			Thousands of U.S. dollars
	2017	2016	2017
Finished goods-----	¥ 49,121	¥ 53,328	\$ 438,585
Work-in-process-----	18,511	18,736	165,281
Raw materials-----	16,695	17,099	149,067
Total	¥ 84,328	¥ 89,164	\$ 752,933

Note 5 Income taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local taxes based on income. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Major components of deferred tax assets and liabilities at March 31, 2017 and 2016 are as follows:

Millions of yen			Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Depreciation in excess-----	¥ 459	¥ 1,417	\$ 4,104
Inter-company profits and write down on inventory-----	3,660	5,061	32,681
Liability for retirement benefits --	6,251	6,076	55,818
Net operating loss carry-forward ---	3,080	3,425	27,505
Provision for reorganization costs---	757	1,919	6,763
Others-----	9,986	11,304	89,165
Total deferred tax assets	¥ 24,196	¥ 29,204	\$ 216,036
Less: Valuation allowance	(7,905)	(11,172)	(70,583)
Total deferred tax assets	¥ 16,290	¥ 18,032	\$ 145,453

Deferred tax liabilities:			
Unrealized gain on securities ----	¥ (3,016)	¥ (2,138)	\$ (26,931)
Undistributed earnings of foreign subsidiaries-----	(3,201)	(3,132)	(28,589)
Others-----	(749)	(452)	(6,690)
Total deferred tax liabilities	¥ (6,967)	¥ (5,723)	\$ (62,210)
Net deferred tax assets	¥ 9,323	¥ 12,308	\$ 83,243

The net deferred tax assets as of March 31, 2017 and 2016 are presented as follows:

Millions of yen			Thousands of U.S. dollars
	2017	2016	2017
Current assets			
Deferred tax assets-----	¥ 6,787	¥ 8,609	\$ 60,601
Investments and other assets			
Deferred tax assets-----	6,029	5,886	53,839
Current liabilities			
Deferred tax liabilities-----	102	120	911
Long-term liabilities			
Deferred tax liabilities-----	3,392	2,067	30,286

Reconciliation of the differences between the statutory tax rate and the effective tax rates as of March 31, 2017 and 2016 are as follows:

	2017	2016
Statutory tax rate -----	30.9%	33.1%
Expenses not deductible for tax purposes-----	0.8%	0.8%
Non-taxable dividend income-----	-2.5%	-0.9%
Changes in valuation allowance-----	-5.2%	-1.2%
Amortization of goodwill -----	1.9%	1.6%
Difference of statutory tax rate in subsidiaries-----	-1.5%	-1.8%
Changes in tax effect of foreign subsidiaries-----	0.3%	0.9%
Change in income tax rate-----	0.2%	2.1%
Other, net-----	-0.7%	3.1%
Tax rate changes due to tax reform	24.2%	37.8%

Note 6 Short-term loans payable, long-term debt and unsecured bonds

Short-term loans payable represent primarily overdrafts from banks bearing interest at 1.4% and 1.0% per annum (weighted average interest rate) at March 31, 2017 and 2016, respectively.

Short -term bank loans at March 31, 2017 and 2016 consisted of the following:

Millions of yen			Thousands of U.S. dollars
	2017	2016	2017
Unsecured-----	¥ 2,649	¥ 2,444	\$ 23,658

Long-term debt are loans principally from banks and insurance companies due through 2023 with interest rate of 1.0% in 2017 (1.0%

in 2016).

Long-term debt at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unsecured-----	¥ 30,382	¥ 45,000	\$ 271,276
Less amount due within one year----	3,200	15,000	28,571
	¥ 27,182	¥ 30,000	\$ 242,705

The annual maturities of long-term debt at March 31, 2017 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	Long-term loans payable	Long-term loans payable
2018	¥ 3,200	\$ 28,571
2019	3,719	33,206
2020	10,019	89,456
2021	13,119	117,134
2022	19	170
2023 and thereafter	306	2,739
	¥ 30,382	\$ 271,276

Unsecured bonds at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unsecured-----	¥ 20,000	¥ 20,000	\$ 178,572
Less amount due within one year----	10,000	—	89,286
	¥ 10,000	¥ 20,000	\$ 89,286

The annual maturities of unsecured bonds at March 31, 2017 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 10,000	\$ 89,286
2019	10,000	89,286
2020	—	—
2021	—	—
2022	—	—

Note 7 Liability for retirement benefits

1. Summary of retirement benefit plan

The Company and its domestic consolidated subsidiaries have adopted a retirement lump-sum plan and a defined contribution pension plan.

2. Defined benefit plan

(1) Reconciliation for retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at April 1-----	¥ 23,266	¥ 21,211	\$ 207,738
Service costs-----	1,468	1,578	13,115
Interest costs-----	108	192	970
Actuarial differences-----	68	1,113	615
Benefits paid-----	(1,118)	(1,583)	(9,985)
Translation adjustments-----	(99)	(245)	(891)
Others-----	93	1,000	836
Balance at March 31-----	¥ 23,788	¥ 23,266	\$ 212,398

(2) Reconciliation for plan assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at April 1-----	¥ 2,127	¥ 2,410	\$ 18,992
Expected return on plan assets----	48	59	436
Actuarial differences-----	(14)	(182)	(129)
Contributions paid by employer----	70	81	627
Benefit paid-----	(429)	(123)	(3,833)
Translation adjustments-----	(60)	(146)	(541)
Others-----	43	28	389
Balance at March 31-----	¥ 1,785	¥ 2,127	\$ 15,941

(3) Reconciliation from retirement benefit obligations and plan assets to liability for retirement benefits on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 5,121	¥ 5,653	\$ 45,732
Plan assets-----	(1,785)	(2,127)	(15,941)
	¥ 3,336	¥ 3,526	\$ 29,791
Unfunded retirement benefit obligations --	18,666	17,613	166,666
Total net liability for retirement benefits --	¥ 22,003	¥ 21,139	\$ 196,457
Liability for retirement benefits-----	22,003	21,139	196,457
Total net liability for retirement benefits --	¥ 22,003	¥ 21,139	\$ 196,457

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service costs-----	¥ 1,468	¥ 1,578	\$ 13,115
Interest costs-----	108	192	970
Expected return on plan assets----	(48)	(59)	(436)
Amortization of actuarial differences--	402	147	3,598
Amortization of prior service costs--	(47)	(75)	(421)
Retirement benefit costs	¥ 1,884	¥ 1,783	\$ 16,826

(5) Adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Prior service costs-----	¥ 47	¥ 75	\$ 421
Actuarial differences-----	(392)	1,088	(3,508)
Total	¥ (345)	¥ 1,164	\$ (3,087)

(6) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized prior service costs---	¥ 109	¥ 62	\$ 980
Unrecognized actuarial differences--	1,334	1,727	11,913
Total-----	¥ 1,444	¥ 1,789	\$ 12,893

(7) Plan assets

① Breakdown for plan assets

	2017	2016
	(%)	(%)
Equity securities-----	79.6%	74.6%
Bonds-----	6.1	9.5
Cash and deposits-----	3.1	2.8
Others-----	11.2	13.1
Total-----	100.0%	100.0%

② Long-term expected rate of return

In order to determine the long-term expected rate of return, portfolio of plan assets and estimated long-term rate of various assets have been considered.

(8) Assumptions of actuarial differences

	2017	2016
Discount rate -----	0.32 ~ 3.75	0.15 ~ 3.85
Expected rates of long-term return on plan assets -----	1.50 ~ 6.00	0.50 ~ 7.00

3. Defined contribution plan

Contributions to defined contribution plan for the year ended March 31, 2017 and 2016 are ¥1,202 million (\$10,739 thousand) and ¥1,273 million respectively.

Note 8 Contingent liabilities

Contingent liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2016
Bank loans guaranteed and other -----	¥ —	¥ 75

Note 9 Research and development costs

Research and development costs incurred and charged to income for the year ended March 31, 2017 and 2016 were ¥7,113 million (\$63,514 thousand) and ¥7,500 million, respectively.

Note 10 Leases

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2016
Within one year -----	¥ 3	30
Over one year -----	2	42
Total -----	¥ 5	¥ 73

Note 11 Loss on impairment

The Company and its subsidiaries classified their fixed assets into groups by the type of respective operations based on the business segment divided by managerial accounting categories, which are regarded as the smallest units independently generating cash flows.

The Group recognized impairment losses of ¥1,039 million (\$9,280 thousand) and ¥3,051 million for the years ended March 31, 2017 and 2016 respectively. The group mainly recognized impairment loss of ¥280 million (\$2,500 thousand) for buildings and structures, ¥521 million (\$4,651 thousand) for machinery and equipment and ¥93 million (\$832 thousand) for land for the year ended March 31, 2017. The main component of impairment losses for the year ended March 31, 2016 are ¥31 million for buildings and structures, ¥17 million for tools, furniture and fixtures and ¥ 2,974 million for other intangible assets.

The main breakdown of impaired assets for the years ended March 31, 2017 and 2016 are as follows:

For the year 2017

Location	Use	Type
Miyotamachi, kitasaku-gun	Assets for business	Buildings and structures
Iida-shi, Nagano	Assets for business	Land
Other	Assets for business	Machinery and equipment

For the year 2016

Location	Use	Type
Iruma-shi, Saitama	Assets for business	Buildings, Tools, furniture and fixtures
—	Other	Intangible assets
Other	Assets for business	Buildings, land

Note 12 Derivative transactions

Fair value of derivative transactions as of March 31, 2017 and 2016 are as follows:

(a) Derivative transactions which are not designated for hedge accounting

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
	Amount on contract	Fair value	Amount on contract	Fair value	Amount on contract	Fair value
Foreign currency forward contract:						
To sell -----	¥ 6,657	¥ 32	¥ 7,889	¥ 126	\$ 59,441	\$ 292
To buy -----	1,365	(0)	2,222	0	12,196	(4)

Note:

The fair values of foreign currency forward contracts are based on market quotations.

(b) Derivative transactions which are designated for hedge accounting

	Millions of yen					
	2017			2016		
	Amount on contract	Amount on contract over 1 year	Fair value	Amount on contract	Amount on contract over 1 year	Fair value
Interest rate swap --	¥ 24,400	¥ 22,800	Note	¥ 35,900	¥ 24,400	Note

Thousands of U.S. dollars

	2017		
	Amount on contract	Amount on contract over 1 year	Fair value
Interest rate swap -----	\$ 217,857	\$ 203,571	Note

Note:

Interest rate swap is qualified for hedge accounting and meets specific criteria.

The fair value of the interest rate swap is included in fair value of long-term debt.

Note 13 Financial instruments

(a) Status of financial instruments

(1) Policies

According to the Company's policy, the Group is limited to short-term deposits for fund management and obtains fund through financial institutions. Derivatives are made for only hedging purposes, and the Group does not use derivative transactions for trading purposes.

(2) Risk management

The Group performs ongoing credit evaluations of significant customers to avoid credit risks of notes and accounts receivables.

The Group monitors the market price or fair value of the investment securities and continuously reconsiders investment in each company.

Debt and bonds are for refunding of long-term debt and funding of investment purpose.

The Group has derivatives, such as foreign currency exchange forward, foreign currency option and interest rate swap, and all derivatives are designated for hedging purposes.

(3) Estimated fair value

The fair value of financial instruments is based on market price, if available. If market price is not available, the fair value is reasonably estimated. Estimated fair value depends on applied assumptions and factors.

(b) Fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets and their fair values as of March 31, 2017 and 2016, as well as their differences.

Millions of yen			
2017			
	Carrying amount	Fair value	Unrealized
Cash and time deposits-----	¥ 80,746	¥ 80,746	¥ —
Notes and accounts receivable, trade ---	61,142	61,142	(0)
Electronically recorded monetary claims	1,156	1,156	—
Investment securities			
Available-for-sale securities-----	28,565	28,565	—
Long-term loans-----	1,030	1,028	(1)
Long-term receivables-----	85		
Allowance for Long-term receivables----	(85)		
	—	—	—
Total-----	¥172,640	¥ 172,639	¥ (1)
Notes and accounts payable, trade ----	¥ 19,836	¥ 19,836	¥ —
Electronically recorded monetary obligations	13,140	13,140	—
Short-term bank loans-----	2,649	2,649	—
Unsecured bonds-----	20,000	20,067	67
Long-term debt-----	30,382	30,740	357
Total-----	¥ 86,009	¥ 86,434	¥ 424
Derivatives-----	¥ 32	¥ 32	¥ —

Note:

Long-term receivables are included in "Others" in the consolidated balance sheets. Current portion of long-term loans are included in "long-term loans" in the table above.

Millions of yen			
2016			
	Carrying amount	Fair value	Unrealized
Cash and time deposits-----	¥ 99,371	¥ 99,371	¥ —
Notes and accounts receivable, trade ---	63,061	63,061	—
Electronically recorded monetary claims	855	855	—
Investment securities			
Available-for-sale securities-----	24,370	24,370	—
Long-term loans-----	1,131		
Allowance for Long-term receivables----	(49)		
	¥ 1,081	¥ 1,061	¥ (19)
Long-term receivables-----	1,751		
Allowance for Long-term receivables----	(1,723)		
	28	28	—
Total-----	¥188,769	¥ 188,750	¥ (19)
Notes and accounts payable, trade ----	¥ 19,589	¥ 19,589	¥ —
Electronically recorded monetary obligations	13,564	13,564	—
Short-term bank loans-----	2,444	2,444	—
Unsecured bonds-----	20,000	20,120	120
Long-term debt-----	45,000	45,531	531
Total-----	¥100,597	¥ 101,249	¥ 651
Derivatives-----	¥ 126	¥ 126	¥ —

Note:

Long-term receivables are included in "Others" in the consolidated balance sheets.

Thousands of U.S.dollars			
2017			
	Carrying amount	Fair value	Unrealized
Cash and time deposits-----	\$ 720,948	\$ 720,948	\$ —
Notes and accounts receivable, trade --	545,916	545,916	(0)
Electronically recorded monetary claims	10,322	10,322	—
Investment securities			
Available-for-sale securities-----	255,051	255,051	—
Long-term loans-----	9,198	9,184	(14)
Long-term receivables-----	767		
Allowance for Long-term receivables---	(767)		
	—	—	—
Total-----	\$1,541,435	\$1,541,421	\$ (14)
Notes and accounts payable, trade ----	\$ 177,115	\$ 177,115	\$ —
Electronically recorded monetary obligations-----	117,325	117,325	—
Short-term bank loans-----	23,658	23,658	—
Unsecured bonds-----	178,572	179,170	598
Long-term debt-----	271,276	274,472	3,196
Total-----	\$ 767,946	\$ 771,740	\$ 3,794
Derivatives-----	\$ 288	\$ 288	\$ —

Note:

Long-term receivables are included in "Others" in the consolidated balance sheets. Current portion of long-term loans are included in "Long-term loans" in the table above.

(i) Method of fair value measurement of financial instruments:

Assets:

Cash and time deposits

The carrying amount of these accounts approximates their fair value because these accounts are settled in a short period of time.

Notes and accounts receivable

The fair value of certain notes and accounts receivable, that take time to collect, is measured as present value obtained by discounting the amounts classified by aging at a rate reasonably calculated with corresponding terms to maturities.

For other notes and accounts receivables, that are settled in a short period of time, the carrying amount of these accounts approximates their fair value.

Electronically recorded monetary claims

The carrying amount of the account approximates its fair value because the account is settled in a short period of time.

Investment securities

The fair values of equity securities are based on the prices at exchange market.

Long-term loans

The fair value of long-term loans receivable is measured as present value obtained by discounting the future cash flows classified by certain period at an adequate rate such as market rate with credit-spread taken into account.

However, as the interest rates of long-term loans receivable with floating rate are to be revised by certain prescribed period, their carrying amount approximate their fair value.

Liabilities:

Notes and accounts payable, short-term loans payable and electronically recorded monetary obligations

The carrying amount of these accounts approximates their fair value because these accounts are settled or repaid in a short period of time.

Bonds

Since the market price is not available, the fair value of bonds is measured as present value obtained by discounting amounts of principles, interests and guarantee fees at a rate with term to maturity and credit risk taken into account.

Long-term debt

The fair value of long-term debt is measured as present value obtained by discounting total amount of principles and interests at an assumed rate for similar new borrowings. However, as the interest rates of long-term debt with floating rate are to be revised by certain prescribed period, their carrying amount approximate their fair value.

(ii) Unmarketable securities of ¥12,409 million (\$110,800 thousand) and ¥12,522 million as of March 31, 2017 and 2016 are not included in "Investment securities, Available-for-sale securities", since their market prices are not available and it is not possible to estimate their future cash flows, and therefore it is deemed extremely difficult to assume their fair value.

(iii) Expected maturities of cash and time deposits, notes and accounts receivable, electronically recorded monetary claims and long-term loans at March 31, 2017.

Millions of yen				
	Within one year	over one year within five years	over five years within ten years	over ten years
Cash and time deposits -----	¥ 80,746	¥ —	¥ —	¥ —
Notes and accounts receivable, trade Electronically recorded	61,136	6	—	—
monetary claims -----	1,156	—	—	—
Long-term loans -----	0	1,030	—	—

Thousands of U.S. dollars				
	Within one year	over one year within five years	over five years within ten years	over ten years
Cash and time deposits -----	\$ 720,948	\$ —	\$ —	\$ —
Notes and accounts receivable, trade Electronically recorded	545,862	54	—	—
monetary claims -----	10,322	—	—	—
Long-term loans -----	1	9,197	—	—

Note 14 Reorganization costs

The total amount of reorganization costs are as follows.

Millions of yen		Thousands of U.S. dollars
2017	2016	2017
Reorganization costs-----	¥ 2,557 ¥ 4,936	\$ 22,833

Reorganization costs in the consolidated statements of income for the years ended March 31, 2017 and 2016 related to expenses for restructuring of the Company and its consolidated subsidiaries. The major items in the costs are business withdrawal, reorganization of production systems and consideration of unprofitable productions.

Allowance for loss for reorganization costs of ¥2,624 million (\$23,436 thousand) and ¥6,033 million were recorded in the consolidated balance sheets as of March 31, 2017 and 2016, respectively.

Note 15 Business combination

1. Business combination through acquisition

(1) Overview of business combination

①Name of the acquired company and description of the business
Name of the acquired company: Frederique Constant Holding SA
Description of the business: Manufacturing and sales of watches and their parts

②Main reasons for business combination

To realize the growth strategy for the watches segment in the Citizen Global Plan 2018, the first year of which was fiscal 2013, the Group is promoting the multi-brand strategy. The Group will increase its corporate value by enhancing its presence in channels and the high-end market that are unable to be covered by the Group's brands, including the Citizen brand, by making Frederique Constant Holding SA a subsidiary. The Group will also develop the brand portfolio of the watches segment by creating synergies with the Group's brands.

In the future, we will promote the joint development of movement technology and the mutual sharing of infrastructure.

③Date of business combination

July 11, 2016

④Legal form of business combination

Acquisition of shares

⑤Name of company after business combination

Frederique Constant Holding SA

⑥Ratio of voting rights acquired

100%

⑦Main reason for deciding on the acquired company

The company acquired all the shares of Frederique constant Holding SA for cash.

(2) The period for which acquired company results are included in consolidated financial statements

From July 11, 2016 to March 31, 2017

(3) Cost of acquisition and its breakdown

Consideration for the acquisition:

	Millions of yen	Thousands of U.S. dollars
Cash paid -----	¥ 13,351	\$ 119,207
Total -----	¥ 13,351	\$ 119,207

(4) Acquisition-Related Cost

	Millions of yen	Thousands of U.S. dollars
Advisory fees, etc -----	¥ 334	\$ 2,986

(5) Amount, reasons, amortization method and period of goodwill

①Amount of goodwill

¥5,256 million (\$46,932 thousand)

②Reasons of goodwill

The acquisition cost exceeded net value of assets as of the date of business combination. Accordingly, the excess amount was recognized as goodwill.

③Amortization method and period

Amortized using the straight-line method over a period of 10 years.

(6) Major assets and liabilities received on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets -----	¥ 7,269	\$ 64,909
Fixed assets -----	4,147	37,030
Total assets -----	¥ 11,417	\$101,939
Current liabilities -----	1,754	15,665
Long-term liabilities -----	1,511	13,496
Total liabilities -----	¥ 3,266	\$ 29,161

(7) Amounts allocated to intangible fixed assets excluding goodwill, type of assets and weighted average amortization period

Type of assets

	Millions of yen	Thousands of U.S. dollars	Weighted average amortization period
marketing-related intangible assets --	¥ 1,293	\$ 11,547	7 years
Customer-related intangible assets --	¥ 2,109	\$ 18,832	10 years

(8) The impact of estimated amounts on the consolidated statements of income for the year ended March 31, 2017 on the assumption that the acquisition was completed on the commencement date of the consolidated fiscal year, and calculation methods

Disclosure is omitted as it is immaterial.

2. Common control transactions

The Company (former trade name : Citizen Holdings Co., Ltd.) conducted an absorption-type merger (hereinafter the "Merger"), with the Company and its wholly-owned subsidiaries, Citizen Watch Co., Ltd. and Citizen Business Expert Co., Ltd. on October 1, 2016 based on a resolution of the Board of Directors held on April 27, 2016.

(1) Purpose of the Merger

The Company has been making efforts to strengthen the competitiveness of the Group and promote its growth under a pure holding company structure since April 2007. In the Citizen Global Plan 2018, a medium-term management plan that commenced in April 2013, the Company succeeded in reaping certain benefits such as the expansion and reinforcement of its businesses, particularly the watches and clocks business, as a result of working on structural reforms with the aim of thoroughly strengthening its business structure and manufacturing capabilities and concentrating its management resources in growth areas where the Company is able to make a strong showing by clarifying the business portfolio, with the slogan of aiming to become a "Solid global company."

Meanwhile, the Company has also been taking a variety of approaches since April 2014, including the operation of the indirect functions of the three companies involved in the Merger in an integrated manner, with the aim of accelerating growth strategies for the watches and clocks business and increasing management efficiency. However, given significant changes in the domestic and international business environments following the establishment of the pure holding company structure, the Company has reached the conclusion that it is most appropriate for the Group to shift to an operating holding company structure in which the Company will directly operate the watches and clocks business in order to proceed further with the Citizen Global Plan 2018 and promote the further growth of the overall Group with the watches and clocks business at the core and the reinforcement of the head office function.

After shifting to the operating holding company structure, we will strive to enhance the corporate value of the Group and the shareholder value by further strengthening the Group's competitiveness under the new structure, while maintaining the strengths in the Group operation that we have built under the pure holding company structure.

(2) Overview of the Merger

① Name of combined companies and the description of business

(i) Surviving company

Name : Citizen Holdings Co., Ltd.

Business : Formulation and promotion of management strategies of the Group, audit of group management, management of technological development and intellectual property of the Group and other business management as a holding company

(ii) Absorbed company

Name : Citizen Watch Co., Ltd.

Business: Manufacture, sale, export and import of various watches and their parts

Name : Citizen Business Expert Co., Ltd.

Business : Management and lease of real estate, maintenance and management of various production facilities, and commissioned services, agency service and consulting of the development, operation and maintenance of computer systems

② Date of business combination

October 1, 2016

③ Legal form of business combination

Absorption-type merger

④ Company name after business combination

Citizen Watch Co., Ltd

(3) Overview of accounting treatments

This business combination was accounted for as transactions under common control in accordance with "Accounting Standard for Business Combinations" and "Guidance for Business Combinations and Business Divestitures".

Note 16 Segment information

(a) General information about reportable segments:

A reportable segment is a component or an aggregated component of the Group. For each of the components, its discrete financial information is available and its operating result is regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance.

The Group divides the business into five reportable segments, "Watches", "Machine tools", "Devices and Components", "Electronic Products" and "Other Products".

(b) Basis of measurement of reported segment net sales, segment profit or loss, segment assets and other items:

The accounting policies applied in each reportable segment are generally consistent with that applied for the preparation of the consolidated financial statements. Segment performance is evaluated based on operating income or loss. Intersegment sales or transfers are determined based on current market prices.

Reportable segment information as of and for the years ended March 31, 2017 and 2016 are as follows:

March 31, 2017								
	Millions of yen							
	Watches	Machine tools	Devices and Components	Electronic Products	Other Products	Segment total	Adjustments	Consolidated totals
I. Net sales and operating income								
Net sales								
(1) Sales to outside customers	¥163,619	¥ 49,694	¥ 69,462	¥ 21,774	¥ 8,008	¥312,559	¥ —	¥312,559
(2) Inter-segment sales and transfers	128	693	2,190	114	823	3,949	(3,949)	—
Total	163,747	50,387	71,653	21,889	8,831	316,509	(3,949)	312,559
Segment profit (loss)	14,493	6,406	3,983	507	339	25,729	(4,228)	21,501
Segment assets	188,108	49,936	85,795	15,877	9,233	348,951	46,935	395,887
II. Other								
Depreciation	5,622	1,497	4,326	269	37	11,754	755	12,509
Amortization of goodwill	1,604	—	38	—	—	1,642	—	1,642
Investment in affiliates	—	2,667	—	—	—	2,667	—	2,667
Capital expenditures	10,861	2,769	7,892	446	37	22,007	1,614	23,621

March 31, 2016								
	Millions of yen							
	Watches	Machine tools	Devices and Components	Electronic Products	Other Products	Segment total	Adjustments	Consolidated totals
I. Net sales and operating income								
Net sales								
(1) Sales to outside customers	¥181,241	¥ 51,517	¥ 80,632	¥ 23,371	¥ 11,504	¥348,267	¥ —	¥348,267
(2) Inter-segment sales and transfers	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
Segment profit (loss)	20,582	7,151	6,880	342	(542)	34,416	(3,949)	30,467
Segment assets	172,925	51,400	87,051	15,822	10,288	337,487	68,975	406,462
II. Other								
Depreciation	6,642	1,479	5,181	366	119	13,788	1,145	14,934
Amortization of goodwill	1,062	—	38	—	—	1,100	—	1,100
Investment in affiliates	—	2,461	—	—	—	2,461	—	2,461
Capital expenditures	10,345	2,268	7,900	385	67	20,967	1,915	22,882

March 31, 2017								
	Thousands of U.S. dollars							
	Watches	Machine tools	Devices and Components	Electronic Products	Other Products	Segment total	Adjustments	Consolidated totals
I. Net sales and operating income								
Net sales								
(1) Sales to outside customers	\$1,460,886	\$443,699	\$620,205	\$194,417	\$ 71,503	\$2,790,710	\$ —	\$2,790,710
(2) Inter-segment sales and transfers	1,144	6,188	19,555	1,025	7,354	35,266	(35,266)	—
Total	1,462,030	449,887	639,760	195,442	78,857	2,825,976	(35,266)	2,790,710
Segment profit (loss)	129,409	57,197	35,566	4,527	3,032	229,731	(37,751)	191,980
Segment assets	1,679,539	445,858	766,030	141,765	82,447	3,115,639	419,070	3,534,709
II. Other								
Depreciation	50,204	13,369	38,632	2,405	337	104,947	6,742	111,689
Amortization of goodwill	14,324	—	341	—	—	14,665	—	14,665
Investment in affiliates	—	23,813	—	—	—	23,813	—	23,813
Capital expenditures	96,973	24,730	70,467	3,988	333	196,491	14,417	210,908

Notes:

For the year 2017

- "Adjustments" segment profit (loss) totaling ¥(4,228) million (\$ (37,751) thousand) includes intersegment elimination of ¥(115) million (\$ (1,035) thousand) and general corporate expenses of ¥(4,112) million (\$ (36,716) thousand) not allocated to any reportable segments.
- "Adjustments" segment assets totaling ¥46,935 million (\$419,070 thousand) includes intersegment elimination of ¥(39,223) million (\$ (350,208) thousand) and general corporate assets of ¥86,159 million (\$769,278 thousand) not allocated to any reportable segments.
- Reported segment income or loss is reconciled to operating income in the consolidated statements of income.

(Change of the method of depreciating tangible fixed assets)

As described in Note 2 m. "Accounting changes," the Company and its consolidated subsidiaries in Japan had formerly depreciated tangible fixed assets using the declining-balance method. However, starting from the consolidated fiscal year ended March 31, 2017, the Company and its consolidated subsidiaries in Japan have changed the depreciation method to the straight-line method.

As a result, segment income for the consolidated fiscal year ended March 31, 2017, increased by ¥1,357 million (\$12,124 thousand) in Watches and Clocks, ¥885 million (\$7,903 thousand) in Devices and Components, ¥79 million (\$713 thousand) in Electronic Products, and 12 million (\$111 thousand) in Other Products.

For the year 2016

- "Adjustments" segment profit (loss) totaling ¥(3,949) million includes intersegment elimination of ¥85 million and general corporate expenses of ¥(4,034) million not allocated to any reportable segments.
- "Adjustments" segment assets totaling ¥68,975 million includes intersegment elimination of ¥(41,395) million and general corporate assets of ¥110,370 million not allocated to any reportable segments.
- Reported segment income or loss is reconciled to operating income in the consolidated statements of income.

(c) Other information

1) Overseas sales for the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Japan -----	¥ 103,243	¥ 113,785	\$ 921,819
Asia -----	102,675	117,451	916,745
America -----	59,533	68,951	531,553
Europe -----	44,441	45,581	396,799
Others -----	2,664	2,497	23,794
Total	¥ 312,559	¥ 348,267	\$ 2,790,710

Note: Overseas sales are reported based on locations of customers.

2) Property, plant and equipment as of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Japan -----	¥ 58,649	¥ 51,100	\$ 523,658
Asia -----	19,678	20,563	175,700
Others -----	7,226	6,779	64,526
Total	¥ 85,554	¥ 78,443	\$ 763,884

Note: Overseas sales are reported based on locations of customers.

3) Loss on impairment for the years ended March 31, 2017 and 2016

Loss on impairment	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Watches -----	¥ 737	¥ 2,993	\$ 6,587
Machine tools -----	—	—	—
Devices and Components -----	236	10	2,108
Electronic Products -----	61	2	553
Other Products -----	—	45	—
Eliminations or general corporate -----	3	—	32
Consolidated totals	¥ 1,039	¥ 3,051	\$ 9,280

4) Goodwill information as of and for the years ended March 31, 2017 and 2016

Amortization	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Watches -----	¥ 1,604	¥ 1,062	\$ 14,324
Machine tools -----	—	—	—
Devices and Components -----	38	38	341
Electronic Products -----	—	—	—
Other Products -----	—	—	—
Eliminations or general corporate -----	—	—	—
Consolidated totals	¥ 1,642	¥ 1,100	\$ 14,665

Goodwill	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Watches -----	¥ 5,945	¥ 2,046	\$ 53,085
Machine tools -----	—	—	—
Devices and Components -----	12	50	114
Electronic Products -----	—	—	—
Other Products -----	—	—	—
Eliminations or general corporate -----	—	—	—
Consolidated totals	¥ 5,958	¥ 2,097	\$ 53,199

Note 17 Subsequent events

Cash dividends

The General Meeting of Shareholders of the Company held on June 28, 2017 approved the following appropriation of retained earnings for the year ended on March 31, 2017:

	Millions of yen	Thousands of U.S. dollars
Cash dividends -----	¥ 2,705	\$ 24,155

Report of Independent Auditors (Translation)

NIHOMBASHI CORPORATION

Sansho Building, 3-2-9, Nihonbashi, Chuo-ku, Tokyo, 103-8283, Japan

Telephone : 81-3-3274-5837 Fax : 81-3-3274-2600

Report of Independent Auditors (Translation)

To the Board of Directors of
Citizen Watch Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Citizen Watch Co., Ltd. and consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' responsibility for the consolidated financial statements:

The managements are responsible for the preparation and the true and fair presentation of the consolidated financial statements in conformity with accounting principles generally accepted in Japan. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility:

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citizen Watch Co., Ltd. and consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of matter:

We draw attention to Note 2 of the consolidated financial statements, which describes that the company and its consolidated subsidiaries in Japan changed their accounting method for the depreciation of tangible fixed assets from the declining-balance method to the straight-line method.

Our opinion is not qualified in respect of this matter.

Nihombashi Corporation

Tokyo, Japan
June 28, 2017

Investors Information

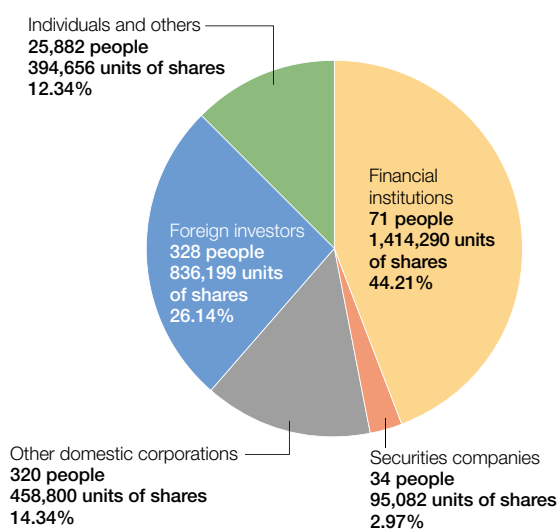
Company Profile

Stock Information

March 31, 2017

Total Number of Stocks Authorized to Be Issued	959,752,000
Total Number of Outstanding Stocks Issued	320,353,809
Number of Shareholders	26,635

Percentage of Shares Held by Size of Holdings



Corporate Name: Citizen Watch Co., Ltd.

Established: May 28, 1930

Capital: ¥32,648 million

Employees: 16,170 (consolidated)

Stock Exchange Listings:

Tokyo Stock Exchange (First Section)
(Ticker Code 7762)

Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation

Head Office: 6-1-12, Tanashi-cho, Nishi Tokyo-shi,
Tokyo, 188-8511, Japan
TEL 81-42-466-1231
FAX 81-42-466-1280

For further financial information, please contact

IR Group, Public & Investor Relations Department.
Citizen Watch Co., Ltd.

6-1-12, Tanashi-cho, Nishi Tokyo-shi,
Tokyo, 188-8511, Japan
TEL 81-42-468-4934 FAX 81-42-466-1280

URL: <http://www.citizen.co.jp/global/>

Major Shareholders

Percentage of Total Common Shares Outstanding

Japan Trustee Services Bank, Ltd. (trust account)	14.69%
The Master Trust Bank of Japan, Ltd. (trust account)	10.09%
Trust & Custody Services Bank, Ltd.	4.18%
Nippon Life Insurance Company	4.14%
Nichia Corporation	3.12%
National Mutual Insurance Federation of Agricultural Cooperatives	2.55%
Mitsubishi UFJ Trust and Banking Corporation	1.68%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1.60%
Nikon Corporation	1.56%
Marubeni Corporation	1.40%

Note: Shareholding ratio is calculated after deducting 2,064,800 shares of treasury stock.

CITIZEN

CITIZEN WATCH CO., LTD.

6-1-12, TANASHI-CHO, NISHI-TOKYO-SHI, TOKYO 188-8511, JAPAN
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2017.08