Consolidated Financial Statements for the Year Ended March 31, 2018

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 11, 2018

CITIZEN WATCH CO., LTD. Listings: First section of Tokyo Stock Exchange
Code No.: 7762 (URL http://www.citizen.co.jp)
Representative: Toshio Tokura, President and CEO
Contact: Toshiyuki Furukawa, Director, In charge of Public & Investor Relations Department
Tel: +81 -42 -468 -4934

Scheduled ordinary general meeting of shareholders: June 27, 2018
Scheduled start of dividend payment: June 28, 2018
Scheduled release of fiscal 2017 Business Report: June 28, 2018

1. Results for the Year ended March 31, 2018

(1) Consolidated operating results

(Millions of yen; Percentages represent changes over the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net income	
March 31, 2018	320,047	2.4%	24,920	15.9%	26,664	21.3%	19,303	16.5%
March 31, 2017	312,559	(10.3%)	21,501	(29.4%)	21,985	(28.2%)	16,573	25.5%

Note: Comprehensive income:
As of March 31, 2018: ¥ 20,258million (15.6％) As of March 31, 2017: ¥ 17,517million (-)

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)	Return on equity	Ratio of Ordinary profit to total assets	Ratio of Operating profit to net sales
March 31, 2018	60.65	-	7.8％	6.6％	7.8％
March 31, 2017	52.07	-	7.1%	5.5%	6.9%

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:
As of March 31, 2018: ¥ 498 million As of March 31, 2017: ¥ 445 million

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
March 31, 2018	412,165	263,713	61.6％	797.75
March 31, 2017	395,887	249,215	60.5%	752.21

Reference: Shareholders' Equity:
As of March 31, 2018: ¥ 253,912million As of March 31, 2017: ¥ 239,420million

(3) Consolidated cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
March 31, 2018	32,539	(7,862)	(11,716)	90,655
March 31, 2017	32,781	(27,861)	(20,626)	77,887

2. Dividends

	Dividends per share(Yen)					Total dividends paid (annual) (Millions of yen)	Pay-out ratio (Consolidated)	Dividends to consolidated net assets
	First quarter	Second quarter	Third quarter	Year-end	Full year			
March 31, 2017	-	8.50	-	8.50	17.00	5,410	32.6%	2.3%
March 31, 2018	-	8.50	-	13.50	22.00	7,002	36.3%	2.8%
March 31,2019 (E)	-	10.00	-	10.00	20.00		37.4%	

Note: The special dividend of 5.00 yen per share for the company's 100th anniversary is included in the year-end dividends per share for the fiscal year 2017. For details, refer to the "Notice of Revision of Dividend Forecast (Commemorative Dividend) for the Fiscal Year Ending March 2018" which was announced on February 9, 2018.
For the fiscal year 2018, we plan to issue an interim dividend of 10.00 yen and year-end dividend of 10.00 yen, for a full-year total of 20.00 yen.

3. Projected Consolidated Results for the Year ending March 31, 2019

(Millions of yen)

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

	Net sales		Operating profit		Ordinary profit		Net income		Earnings per share (Yen)
Interim term	158,700	3.5%	12,000	2.0%	12,500	(1.0%)	7,900	(3.9%)	24.82
Full term	330,000	3.1%	25,000	0.3%	26,500	(0.6%)	17,000	(11.9%)	53.41

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: None

(ii) Changes other than those in (i)above: None

(iii) Changes in accounting estimate: None

(iv) Restatements: None

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

(shares)	March 2018	March 2017
Number of shares issued and outstanding at the end of term (including treasury stock)	320,353,809	320,353,809
Number of treasury stock at the end of term	2,068,553	2,064,808
Average number of common stocks	318,287,076	318,291,364

(Reference) Overview of Nonconsolidated Financial Results

Nonconsolidated Results for the Year ended March 31, 2018

(1) Nonconsolidated operating results

(Millions of yen; the percentages represent year-on-year changes.)

	Net sales		Operating revenue		Operating profit		Ordinary profit		Net income	
March 31, 2018	100,965	100.9	-	-	3,654	(30.4%)	9,833	20.1	9,731	(66.2%)
March 31, 2017	50,252	-	7,363	(52.9%)	5,249	(43.9%)	8,191	(17.7%)	28,810	344.5%

	Earnings per share (Yen)	Fully diluted earnings per share (Yen)
March 31, 2018	30.58	-
March 31, 2017	90.51	-

(2) Nonconsolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio	Net assets per share(Yen)
March 31, 2018	230,612	150,572	65.3%	473.07
March 31, 2017	222,714	144,718	65.0%	454.68

Reference: Shareholders' Equity:
As of March 31, 2018: ¥ 150,572million As of March 31, 2017: ¥ 144,718million

※ The consolidated financial statements are not included in the scope of the audit.

※ 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 6 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

Millions of yen	Year ended March 31, 2017	2018	Year-on-year change	%
Net sales	312,559	320,047	7,487	2.4%
Operating profit	21,501	24,920	3,418	15.9%
Ordinary profit	21,985	26,664	4,678	21.3%
Profit attributable to owners of parent	16,573	19,303	2,730	16.5%

During the consolidated fiscal year under review, the Japanese economy experienced an overall trend toward moderate recovery but remained in a situation lacking strength. On the other hand, the U.S. economy showed signs of recovery in its economic indicators, including a sustained improvement in employment. The European economy was slowing due to uncertainties associated with Brexit. In the Asian economy, there were signs of recovery, particularly in China, although this trend has already halted in some areas.

In this environment, the Citizen Group pushed forward with manufacturing reform to strengthen its earning capacity according to "Citizen Global Plan 2018," its medium-term management plan formulated in February 2013. At the same time, the Group implemented a new growth strategy, mainly in the watches business, to become a true global company.

The Citizen Group's consolidated results for the fiscal year under review showed net sales of 320.0 billion yen (up 2.4% year on year) and operating profit of 24.9 billion yen (up 15.9% year on year). Ordinary profit and profit attributable to owners of parent both increased, reaching 26.6 billion yen (up 21.3% year on year) and 19.3 billion yen (up 16.5% year on year), respectively.

Watches

The domestic market for the Citizen brand tended to be strong, supported by the marked recovery in demand from inbound tourism, largely in urban areas, as well as strong sales of high-end products such as the limited editions of Eco-Drive One, CAMPANOLA and THE CITIZEN model, in addition to steady sales of PROMASTER. However, demand for our mainstay products in the mid-price range was still insufficient, and the overall result was a decrease in revenues.

In the overseas market, demand for watches continued to recover moderately, with the degree of recovery differing across the markets, resulting in revenue increases. In North America, although the impact of major distributors' streamlining of their stores and inventory adjustment that continued from the beginning of the period had an impact, the recovery of the market, mainly in the second half, contributed to an increase in revenues. In Europe, while sales grew at a sluggish pace in the U.K. and Italy, where consumer spending declined, sales in Germany remained firm, resulting in an increase in revenues, partly helped by the favorable impact of the yen's depreciation. In Asia, demand for watches has been gradually regaining strength based on the moderate growth of economic activities. In China, in particular, sales increased in both online distribution and sales in physical stores.

Revenues from the BULOVA brand remained flat as a result of our efforts to secure new sales channels, although distribution restructuring in the main market of North America had an impact.

Revenues from the Q&Q brand rose thanks to strong sales in the U.S. market.

Revenues from the Frederique Constant brand remained strong, particularly in Asia.

Revenues from the sale of movements decreased given the absence of a strong recovery in demand for watches and sluggish growth in demand for high value-added products.

As a result, the watches segment posted an increase in sales, with net sales of 163.7 billion yen (up 0.1% year on year) thanks to the effects of our multi-brand strategy, an initiative in the medium-term management plan, although the recovery of the market for watches in the mid-price range was slower than we had expected. Operating profit rose 16.1 billion yen (up 11.7% year on year) supported by an improvement in profitability due to the rising unit price of products and the product mix, reflecting strong sales of high-end products, one of the focused initiatives.

Machine Tools

Revenues from the domestic market increased due to solid sales of products in our business lines, primarily automobile-related products and semiconductor-related products.

In the Americas, revenues in the market increased due to strong capital expenditures, mainly for the medial business line.

Revenues from the European market increased, led by solid sales, primarily of automobile-related products in Germany, and the support of Italy, which enjoyed tax incentives.

Revenues in the Asian market grew based on the strong performance of major industries as a whole in China and steady sales of products related to automobiles and precision machinery in the ASEAN region.

As a result, the machine tools segment posted a significant increase in sales, with net sales rising to 64.0 billion yen (up 28.9% year on year), reflecting the strong market conditions in Japan and overseas and the contribution of automatic lathe models with low frequency vibration (LFV) cutting, the Group’s own technology. Operating profit also increased significantly to 10.4 billion yen (up 63.0% year on year) following the substantial rise in net sales and growth in high-end models backed by the strong market conditions.

Devices and Components

Automobile components, especially brake parts, among other precision machining components, were driven by solid orders, primarily for Japan, North America, Europe and China. Sales of switches for smartphones declined significantly, and overall revenues from precision machining components decreased.

In terms of opto-devices, sales of LED chips, especially automobile LED chips and LED chips for amusement, remained firm, while competition intensified in LED chips for lighting. Sales of backlight products for vehicles increased and sales of lighting units also increased, and overall revenues from opto-devices rose.

Among other parts, sales of quartz devices were solid, reflecting an increase in demand associated with the expansion of the IoT market, but demand for ferroelectric micro LCDs was rather weak. Overall revenues for other parts decreased.

As a result, the devices and components segment recorded a decrease in sales, with net sales falling to 65.5 billion yen (down 5.6% year on year) due to the effect of the decline in sales of switches, despite an increase in sales of opto-devices. Operating profit also declined to 2.7 billion yen (down 30.2% year on year) due to weaker sales.

Electronic Products

In printers, sales of photo printers increased significantly and sales of POS printers and label printers remained strong. However, sales of large dot printers declined due to the contraction of the market size and a backlash against special demand in the previous fiscal year, and revenues declined in the information equipment sector overall. Given that an improvement in earnings looks unlikely for large dot printers, we have decided to withdraw from this business at the end of the fiscal year under review.

Revenues from healthcare products declined due to weak sales of blood-pressure gauges in Japan and a significant drop in sales in the Americas and China, despite sales growth in the Middle East.

As a result, the electronic products segment overall recorded a decrease in sales, with net sales coming to 20.5 billion yen (down 5.5% year on year) because generally strong sales of photo printers, POS printers and label printers, which we had focused on, were not sufficient to offset the significant decline in sales of large dot printers. Operating profit rose 0.5 billion yen (up 1.2% year on year) due to our efforts to improve earnings, despite the significant decline in sales.

Other Products

Sales of jewelry products were unable to grow because there were no signs of recovery in consumer sentiment in Japan. Sales of mainstay wedding rings struggled, and sales did not grow at exhibitions either. Overall revenues in this segment declined also due to the effects of the withdrawal from the pachinko-related products business.

As a result, the other products segment recorded a decrease in sales, with net sales posting 6.1 billion yen (down 23.8% year on year), mainly due to sluggish sales of jewelry products. Operating profit was 0.3 billion yen (down 8.2% year on year) due to lower sales of jewelry products, although earnings improved as a result of withdrawal from the pachinko-related products business that had been stagnant.

(ii) Prospects for the Year ending March 31, 2019

Millions of yen	Year ended March 31, 2018	2019	Year-on-year change	%
Net sales	320,047	330,000	9,952	3.1%
Operating profit	24,920	25,000	79	0.3%
Ordinary profit	26,664	26,500	(164)	(0.6%)
Net income	19,303	17,000	(2,303)	(11.9%)

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2018	2019	Year-on-year change	%
Watches	163,718	175,000	11,281	6.9%
Machine Tools	64,049	66,000	1,950	3.0%
Devices and components	65,596	63,000	(2,596)	(4.0%)
Electronic products	20,580	20,000	(580)	(2.8%)
Other products	6,102	6,000	(102)	(1.7%)
Total net sales	320,047	330,000	9,952	3.1%

Breakdown of operating profit by segment

Millions of yen	Year ended March 31, 2018	2019	Year-on-year change	%
Watches	16,183	17,000	816	5.0%
Machine Tools	10,443	10,500	56	0.5%
Devices and components	2,782	3,000	217	7.8%
Electronic products	513	500	(13)	(2.6%)
Other products	311	300	(11)	(3.8%)
Eliminations or general corporate	(5,313)	(6,300)	(986)	-
Total Operating profit	24,920	25,000	79	0.3%

In terms of the economic outlook, the domestic economy continues to show a trend of moderate recovery, but overall consumption remains weak. Overseas, the U.S. economy sees the economic environment show a trend of improvement, and repercussions on consumer spending are anticipated going forward. The European economy is expected to remain solid, mainly in the major countries, while the outlook remains uncertain. In Asia, the Chinese economy is showing a trend of recovery, and expectations of improvement are also gradually increasing in the emerging countries.

Under these circumstances, we are forecasting, for the next consolidated fiscal year, net sales of 330.0 billion yen (up 3.1% year on year), operating profit of 25.0 billion yen (up 0.3%), ordinary profit of 26.5 billion yen (down 0.6%) and profit attributable to owners of parent of 17.0 billion yen (down 11.9%).

These forecasts are based on an exchange rate assumption for the year of 110 yen/US dollar and 135 yen/euro.

The exchange rates for the year ended March 2018 were 111 yen/US dollar and 129 yen/euro.

(2) Analysis of Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, total assets increased by 16.2 billion yen year on year, to 412.1 billion yen. Current assets increased by 17.8 billion yen due to factors such as an increase of 11.3 billion yen in cash and deposits and an increase of 6.2 billion yen in inventories. Non-current assets decreased by 1.5 billion yen as goodwill declined by 1.6 billion yen, deferred tax assets decreased by 0.8 billion yen and land was down by 0.8 billion yen, in spite of a 1.5 billion yen increase in investment securities and a 0.9 billion yen increase in construction in progress.

Liabilities increased by 1.7 billion yen year on year, to 148.4 billion yen, as long-term loans payable rose by 4.9 billion yen, income taxes payable increased by 2.2 billion yen, notes and accounts payable - trade increased by 1.4 billion yen, short-term loans payable increased by 1.0 billion yen, and electronically recorded obligation – operating was up by 1.0 billion yen, in spite of a 10.0 billion yen decrease in bonds payable.

Net assets increased by 14.4 billion yen year on year, to 263.7 billion yen, mainly as a result of a 13.8 billion yen rise in retained earnings and a 1.5 billion yen increase in valuation difference on available-for-sale securities, in spite of a 1.0 billion yen decrease in foreign currency translation adjustment.

(ii) Cash Flows

Net cash provided by operating activities decreased by 0.2 billion yen year on year, to 32.5 billion yen. Major factors contributing to this result included 27.4 billion yen in income before income taxes, 13.7 billion yen in depreciation, and a 2.6 billion yen increase in notes and accounts payable – trade, in spite of a 6.7 billion yen increase in inventories and 5.2 billion yen in income taxes paid.

Net cash used in investing activities decreased by 19.9 billion yen year on year, to 7.8 billion yen. Major factors contributing to this result included 15.5 billion yen for the purchase of property, plant and equipment, in spite of 5.2 billion yen in proceeds from sales of property, plant and equipment and 2.1 billion yen in proceeds from sales of investment securities.

Net cash used in financing activities decreased by 8.9 billion yen year on year, to 11.7 billion yen. Major factors contributing to this result included 10.0 billion yen in the redemption of bonds and 5.4 billion yen in cash dividends paid, in spite of factors for an increase such as 8.6 billion yen in proceeds from long-term loans payable.

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter “funds”) increased by 12.7 billion yen year on year, to 90.6 billion yen as of the end of the year.

(3) Fundamental Policy Regarding the Distribution of Profits and Dividends for the Fiscal Year Under Review and the Fiscal Year Ending March 2019

The Company regards the ratio of the total amount of dividends and share buybacks to profit attributable to owners of parent as the “ratio of return to shareholders,” and has decided to ensure that the average ratio of the three-year period exceeds 30%. The dividend will be decided by taking into consideration the balance with the Company’s business performance and the stability of dividends.

The Company is planning to set the year-end dividend for the fiscal year to a total of 13.50 yen per share, consisting of its previously announced ordinary dividend of 8.50 yen per share in addition to a commemorative dividend of 5.00 yen per share. At that level, the annual dividend for the fiscal year ended March 2018 would come to 22.00 yen per share.

Regarding the dividends for the fiscal year ending March 2019, based on an overall consideration of factors such as our intention to pay stable dividends and the business results we expect to achieve, we are planning to pay a full-year dividend of 20.00 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 components, 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 a variety of factors, some of which are listed below.

<u>Watches</u>

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 are facing the environment of a decline in prices for increasing competition due to the rise of Chinese manufacturers in the movement sector, the Company employs a strategy to keep distance from price competition, so this may result in the declines of the number of our product sales and market share.

<u>Machine tools</u>

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 with manufacturers in other parts of Asia. In addition, as markets around the world are regaining momentum, there is a risk that the procurement of components may become difficult as a result of the imbalance of the supply and demand of materials for machine tools. There is also a risk that manufacturing and services may face a labor shortage.

<u>Devices and components</u>

The devices and components business is characterized by rapid technological innovation and fierce competition between companies, meaning that declining sales prices or delays in development, for example, can have a significant impact on business results. Precision machining components are susceptible to customer trends, including automotive and mobile phone manufacturers. The results for opto-devices could be affected by the occurrence of losses in lighting LED components that are subject to the inappropriate activities of Citizen Electronics. Patent licensing agreements are also essential for manufacturing certain products. Our business results could be affected should a cooperative relationship underpinning a patent agreement break down and access to the patent be lost.

<u>Electronic products</u>

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 from electronics manufacturers in China and other countries, and rapid technological innovation, business results could also be impacted by declining sales prices or development delays, 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 our 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 for our operating results to 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 the sharp appreciation of the Chinese yuan.

(v) Impairment loss

An impairment loss would be applicable if 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 a variety of technologies covered by intellectual property rights. These include intellectual property rights that are owned by the Citizen Group, and others for which 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 were to be lost, it 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 a fire, an earthquake or other disaster through drills 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 comprehensive research into and examinations of the companies involved. Nevertheless, there may be risks that we discover later, such as unrealized liabilities or obstacles in implementing projects, which may materially 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 the relevant borrowings, which may affect the Group's financial position.

(x) Other risks

The Group's operating results may be affected by a variety of 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, 113 subsidiaries and 7 affiliates. Group companies are mainly engaged in production and sales across four business segments; watches, machine tools, devices and components, and electronic products.

The major Group companies in each of these business segments are as follows.

Watches

CITIZEN WATCH CO., LTD.

Major domestic production & marketing companies

- ○ CITIZEN WATCH MANUFACTURING CO., LTD.
- ○ CITIZEN YUBARI CO. LTD.
- ○ CITIZEN WATCH KAGOSHIMA CO., LTD.
- ○ CITIZEN MICRO CO., LTD.
- ○ CITIZEN RETAIL PLANNING CO., LTD.
- ○ CITIZEN T.I.C. CO., LTD

Major overseas production & marketing companies

- ○ SUNCITI MANUFACTURERS LTD.
- ○ CITZIEN WATCHES (H.K.) LTD.
- ○ GOODRINGTON COMPANY LTD..
- ○ ROYAL TIME CITI CO., LTD.
- ○ GUANGZHOU MOST CROWN ELECTRONICS
- ○ CITIZEN WATCHES CO., OF AMERICA, INC.
- ○ CITIZEN WATCHES AUSTRALIA PTY LTD.
- ○ CITZIEN WATCHES EUROPE GmbH
- ○ CITIZEN WATCH ITALY S.P.A.
- ○ CITIZEN DEMEXICO, S.A. DEC.V.
- ○ CITIZEN WATCH (CHINA) CO., LTD.
- ○ Frederique Constant Holding SA
- ○ Prothor Holding S.A.

○ CITIZEN FINANCIAL SERVICE CO., LTD

Indirect Operations, Group Internal Finance and Other

Machine Tools

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.

Major overseas production & marketing companies

- ○ FIRSTCOME ELECTRONICS LTD.
- ○ MASTER CROWN ELECTRONICS (WUZHOU) LTD.
- ○ C-E (H.K.) LTD.
- ○ C-E (DEUTSCHLAND) GmbH
- ○ Citizen Electronics (China) Co.,Ltd.
- ○ CITIZEN SEIMITSU (THAILAND)CO., LTD.
- ○ Citizen Finedevice Philippines Corp..

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.
- ○ CITIZEN PLAZA CO., LTD.
- ○ TOKYO BIJUTSU CO., LTD.

○ : consolidated subsidiaries

※ : affiliate not accounted for by the equity method

3. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2017	March 31, 2018
Current assets		
Cash and deposits	80,746	92,079
Notes and accounts receivable - trade	61,142	62,013
Electronically recorded monetary claims – operating	1,156	914
Merchandise and finished goods	49,121	52,737
Work in process	18,511	20,590
Raw materials and supplies	16,695	17,213
Consumption taxes receivable	2,606	2,413
Deferred tax assets	6,787	6,673
Other	6,114	5,991
Allowance for doubtful accounts	(1,037)	(957)
Total current assets	241,844	259,670
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	41,687	41,784
Machinery, equipment and vehicles, net	21,765	21,013
Tools, furniture and fixtures, net	6,634	6,557
Land	11,109	10,293
Leased assets, net	1,380	1,358
Construction in progress	2,977	3,971
Total property, plant and equipment	※1 85,554	※1 84,979
Intangible assets		
Goodwill	5,958	4,356
Software	3,208	3,940
Leased assets	6	9
Other	4,420	3,744
Total intangible assets	13,594	12,051
Investments and other assets		
Investment securities	44,519	46,043
Long-term loans receivable	1,030	931
Deferred tax assets	6,029	5,167
Other	3,663	3,546
Allowance for doubtful accounts	(211)	(199)
Allowance for investment loss	(138)	(26)
Total investments and other assets	54,893	55,464
Total non-current assets	154,042	152,495
Total assets	395,887	412,165

Millions of yen	March 31, 2017	March 31, 2018
Current liabilities		
Notes and accounts payable - trade	19,836	21,267
Electronically recorded obligations - operating	13,140	14,164
Notes payable - facilities	1,389	192
Electronically recorded obligations - non-operating	378	755
Short-term loans payable	5,849	6,880
Bonds payable within one year	10,000	10,000
Income taxes payable	2,657	4,884
Deferred tax liabilities	102	197
Accrued expenses	12,727	13,509
Provision for bonuses	5,458	5,936
Provision for directors' bonuses	135	279
Provision for product warranties	928	1,159
Provision for environmental measures	24	22
Provision for loss on business restructuring	1,294	822
Other	6,600	6,943
Total current liabilities	80,523	87,016
Non-current liabilities		
Bonds payable	10,000	-
Long-term loans payable	27,182	32,146
Deferred tax liabilities	3,392	3,647
Provision for environmental measures	54	4
Provision for loss on business restructuring	1,330	913
Net defined benefit liability	22,003	22,721
Asset retirement obligations	66	74
Other	2,118	1,930
Total non-current liabilities	66,148	61,436
Total liabilities	146,671	148,452
Net assets		
Shareholders' equity		
Capital stock	32,648	32,648
Capital surplus	34,074	34,000
Retained earnings	162,224	176,117
Treasury stocks	(1,780)	(1,783)
Total shareholders' equity	227,168	240,983
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,332	11,909
Foreign currency translation adjustment	3,088	2,067
Remeasurements of defined benefit plans	(1,168)	(1,047)
Total accumulated other comprehensive income	12,252	12,928
Non-controlling interests	9,795	9,801
Total net assets	249,215	263,713
Total liabilities and net assets	395,887	412,165

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

Consolidated Statement of Income

Millions of yen	Year ended March 31, 2017	Year ended March 31, 2018
Net sales	312,559	320,047
Cost of sales	192,322	195,653
Gross profit	120,236	124,393
Selling, general and administrative expenses	※1 98,734	※1 99,473
Operating profit	21,501	24,920
Non-Operating profit		
Interest income	286	401
Dividend income	1,449	1,348
Rent income	212	180
Share of profit of entities accounted for using equity method	445	498
Subsidy income	243	766
Other	346	479
Total non-Operating profit	2,985	3,675
Non-operating expenses		
Interest expenses	399	470
Loss on sales of notes receivable - trade	76	61
Depreciation of assets for rent	39	45
Foreign exchange losses	1,168	343
Compensation expenses	-	331
Other	817	678
Total non-operating expenses	2,500	1,930
Ordinary profit	21,985	26,664
ExtraOrdinary profit		
Gain on sales of investment securities	2,211	1,480
Gain on sales of shares of subsidiaries	-	14
Gain on sales of non-current assets	2,497	2,389
Reversal of allowance for investment loss	-	112
Other	184	32
Total extraOrdinary profit	4,894	4,028
Extraordinary losses		
Loss on sales of non-current assets	59	20
Loss on retirement of non-current assets	320	528
Impairment loss	※2 1,039	※2 378
Loss on business restructuring	2,557	1,532
Special compliance expenses, etc.	-	312
Other	436	478
Total extraordinary losses	4,412	3,251
Income before income taxes	22,467	27,442
Income taxes - current	4,817	7,633
Income taxes - deferred	622	108
Total income taxes	5,439	7,741
Net income	17,028	19,700
Profit attributable to non-controlling interests	454	397
Profit attributable to owners of parent	16,573	19,303

Consolidated Statements of Comprehensive Income

Millions of yen	Year ended March 31, 2017	Year ended March 31, 2018
Net income	17,028	19,700
Other comprehensive income		
Valuation difference on available-for-sale securities	2,918	1,577
Foreign currency translation adjustment	(2,684)	(990)
Remeasurements of defined benefit plans	227	122
Share of other comprehensive income of entities accounted for using equity method	28	(151)
Total other comprehensive income	489	557
Comprehensive income	17,517	20,258
(Breakdown)		
Comprehensive income attributable to owners of parent	17,028	19,979
Comprehensive income attributable to non-controlling interests	489	278

(3) Consolidated Statements of Changes in Equity

Millions of yen	March 31, 2017	March 31, 2018
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	33,969	34,074
Changes of items during period		
Capital increase from acquisition of consolidated subsidiaries	104	(74)
Disposal of treasury stocks	(0)	(0)
Retirement of treasury stocks	(8,622)	-
Transfer of loss on disposal of treasury stocks	0	0
Transfer to capital surplus from retained earnings	8,622	-
Total changes of items during period	104	(74)
Balance at end of year	34,074	34,000
Retained earnings		
Balance at beginning of year	159,684	162,224
Changes of items during period		
Dividends of surplus	(5,410)	(5,410)
Profit attributable to owners of parent	16,573	19,303
Transfer of loss on disposal of treasury stocks	(0)	(0)
Retirement of treasury stocks	(8,622)	-
Total changes of items during period	2,539	13,892
Balance at end of year	162,224	176,117
Treasury stocks		
Balance at beginning of year	(10,400)	(1,780)
Changes of items during period		
Purchase of treasury stocks	(2)	(3)
Disposal of treasury stocks	0	0
Retirement of treasury stocks	8,622	-
Total changes of items during period	8,620	(2)
Balance at end of year	(1,780)	(1,783)
Total shareholders' equity		
Balance at beginning of year	215,903	227,168
Changes of items during period		
Capital increase from acquisition of consolidated subsidiaries	104	(74)
Dividends of surplus	(5,410)	(5,410)
Profit attributable to owners of parent	16,573	19,303
Purchase of treasury stocks	(2)	(3)
Disposal of treasury stocks	0	0
Total changes of items during period	11,264	13,815
Balance at end of year	227,168	240,983

Millions of yen	March 31, 2017	March 31, 2018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of year	7,413	10,332
Changes of items during period		
Net changes of items other than shareholders' equity	2,918	1,577
Total changes of items during period	2,918	1,577
Balance at end of year	10,332	11,909
Foreign currency translation adjustment		
Balance at beginning of year	5,756	3,088
Changes of items during period		
Net changes of items other than shareholders' equity	(2,667)	(1,021)
Total changes of items during period	(2,667)	(1,021)
Balance at end of year	3,088	2,067
Remeasurements of defined benefit plans		
Balance at beginning of year	(1,372)	(1,168)
Changes of items during period		
Net changes of items other than shareholders' equity	203	120
Total changes of items during period	203	120
Balance at end of year	(1,168)	(1,047)
Total accumulated other comprehensive income		
Balance at beginning of year	11,797	12,252
Changes of items during period		
Net changes of items other than shareholders' equity	454	676
Total changes of items during period	454	676
Balance at end of year	12,252	12,928
Non-controlling interests		
Balance at beginning of year	9,768	9,795
Changes of items during period		
Net changes of items other than shareholders' equity	26	6
Total changes of items during period	26	6
Balance at end of year	9,795	9,801
Net assets		
Balance at beginning of year	237,469	249,215
Changes of items during period		
Capital increase from acquisition of consolidated subsidiaries	104	(74)
Dividends of surplus	(5,410)	(5,410)
Profit attributable to owners of parent	16,573	19,303
Purchase of treasury stocks	(2)	(3)
Disposal of treasury stocks	0	0
Net changes of items other than shareholders' equity	481	682
Total changes of items during period	11,746	14,497
Balance at end of year	249,215	263,713

(4) Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from operating activities		
Income before income taxes	22,467	27,442
Depreciation	12,509	13,795
Increase (decrease) in provision for loss on business restructuring	(3,423)	(882)
increase (decrease) in allowance for doubtful accounts	(2,267)	(91)
Increase (decrease) in other provision	(971)	683
Increase (decrease) in net defined benefit liability	844	840
Amortization of goodwill	1,642	1,579
Interest and dividend income	(1,735)	(1,750)
Interest expenses	399	470
Loss (gain) on sales of investment securities	(2,211)	(1,480)
Loss (gain) on valuation of investment securities	-	(14)
Loss (gain) on sales of non-current assets	(2,438)	(2,368)
Loss on retirement of non-current assets	297	480
Decrease (increase) in notes and accounts receivable - trade	3,308	(1,480)
Decrease (increase) in inventories	6,941	(6,705)
Increase (decrease) in notes and accounts payable - trade	(3,871)	2,669
Impairment loss	1,039	378
Other, net	3,093	2,959
Sub total	35,623	36,527
Interest and dividend income received	1,749	1,753
Interest expenses paid	(408)	(480)
Income taxes paid	(4,182)	(5,260)
Net cash provided by (used in) operating activities	32,781	32,539
Cash flows from investing activities		
Purchase of investment securities	(1,508)	(1)
Proceeds from sales of investment securities	3,496	2,158
Purchase of property, plant and equipment	(21,346)	(15,583)
Proceeds from sales of property, plant and equipment	4,710	5,288
Purchase of intangible assets	(1,460)	(1,346)
Payments of loans receivable	(12)	(4)
Collection of loans receivable	107	107
Purchase of shares of consolidated subsidiaries	(12,377)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	75
Other, net	529	1,445
Net cash provided by (used in) investing activities	(27,861)	(7,862)

Millions of yen	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(14,730)	(152)
Proceeds from long-term loans payable	-	8,689
Repayments of long-term loans payable	(15)	(3,221)
Redemption of bonds	-	(10,000)
Cash dividends paid	(5,410)	(5,410)
Dividends paid to non-controlling interests	(348)	(192)
Purchase of treasury stocks	(2)	(3)
Proceeds from sales of treasury stocks	0	0
Purchase of shares of subsidiaries not associated with change in scope of consolidation	(1)	(199)
Other, net	(117)	(1,225)
Net cash provided by (used in) financing activities	(20,626)	(11,716)
Effect of exchange rate change on cash and cash equivalents	(1,448)	(192)
Net increase (decrease) in cash and cash equivalents	(17,155)	12,768
Cash and cash equivalents at beginning of term	95,042	77,887
Cash and cash equivalents at end of term	※ 77,887	※ 90,655

(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 (96companies) Major consolidated subsidiaries Citizen Machinery Co., Ltd., Citizen Electronics Co., Ltd., Citizen Finedevice Co., Ltd., and Citizen Systems Japan Co., Ltd. Excluded (9 companies). Starting from the consolidated fiscal year under review, Kunoheseimitsu Co., Ltd. was excluded from consolidation because it was transferred, and On Time Co., Ltd. was excluded from consolidation because it was merged with Citizen Retail Planning Co., Ltd., a consolidated subsidiary of the Company. Bulova U.K. Limited was excluded from consolidation because it was merged with Citizen Watch United Kingdom, Limited, a consolidated subsidiary of the Company, and MIDI PILE S.A.S. was excluded from consolidation because it was merged with TEMPLUS S.A.S., a consolidated subsidiary of the Company. Silver Planning Co., Ltd., Bulova Japan Co., Ltd., Silver Denken Co., Ltd., Citizen Precision Guangzhou Ltd. and Citizen Systems (Shanghai) Co., Ltd. were excluded from consolidation due to liquidation. (2) Nonconsolidated subsidiaries (17companies) 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	(1) The fiscal year-ends of consolidated subsidiaries are as follows. December 31: 76 companies (2) These consolidated subsidiaries 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.
(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. (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.

(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.

(Accounting standards not yet applied, etc.)

1. Implementation guidance on tax effect accounting, etc.

- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, revision on February 16, 2018, Accounting Standards Board of Japan)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, final revision on February 16, 2018, Accounting Standards Board of Japan)

(1) Overview

The "Implementation Guidance on Tax Effect Accounting," etc. made the following revisions that were deemed necessary on the occasion of transferring the Practical Guidelines on Accounting Standards for Tax Effect Accounting of the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan by adhering fundamentally to the content.

(Major revised accounting treatments)

- Accounting treatment of taxable temporary difference pertaining to subsidiaries' shares, etc. in non-consolidated financial statements
- Accounting treatment of recoverability of deferred tax assets in companies that fall under (Category 1)

(2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2019.

(3) Impact of the application of the accounting standards, etc.

The amount of the impact on consolidated financial statements is currently under review.

2. Accounting standard for revenue recognition, etc.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 on March 30, 2018, Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 on March 30, 2018, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 will be applied from a fiscal year starting on or after January 1, 2018 and that Topic 606 will be applied from a fiscal year starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to be setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to be adding alternative accounting treatments without losing comparability if there is an item that we should take into account in practices, etc. that have been conducted in Japan.

(2) Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the accounting standards, etc.

The amount of the impact on consolidated financial statements is currently under review.

(Change of the indication method)

(Consolidated Statement of Income)

"Subsidy income," which was included in "Other" under "Non-operating profit" in the previous consolidated fiscal year, is accounted for as an independent item in the consolidated fiscal year under review because its significance has increased in terms of amount. To reflect this change in the indication method, the consolidated financial statements for the previous consolidated fiscal year are reclassified.

As a result, 590 million yen presented in "Other" under "Non-operating profit" in the consolidated statement of income for the previous fiscal year is reclassified as "Subsidy income" of 243 million yen and "Other" of 346 million yen.

(Consolidated balance sheet)

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

Millions of yen	Year ended March 31, 2017	Year ended March 31, 2018
Accumulated depreciation on property, plant and equipment	213,138	212,404

※2. Contingent liabilities

It was found that although Citizen Electronics Co., Ltd. ("Citizen Electronics"), a consolidated subsidiary of the Company, made arrangements with its customer companies so that where there was a change in the manufacturing location of the products being supplied, an application for such change was to be made to the customer companies, such application for change had not been made for some of the customer companies, and that thereafter shipment was continued with the products having attached labels that were printed with the lot numbers indicating that the products had been manufactured at the prior manufacturing locations arranged with the customer companies (hereinafter the "Inappropriate Activities").

The Company takes this matter seriously as a compliance violation, and on November 10, 2017, the Company established a third-party committee that was put in charge of a thorough investigation of the facts and an analysis of the causes.

On February 9, 2018, the Company received the investigation report from the third-party committee, and it was found that the Inappropriate Activities had continued for a period of approximately 7 years and 2 months, from at least April 2010 until June 2017.

In addition to this, the investigation report states that the main issue identified by the third-party committee's investigation is that in connection with Citizen Electronics' lighting LED components, improper activities had been conducted in which test results relating to life-span prediction (deterioration of luminous flux due to aging) written in reports issued by the accredited laboratory established within Citizen Electronics had been partially changed and submitted primarily to customer companies in North America ("Improper Activities regarding the Handling of Test Results").

Depending on the future progress of this transaction, losses incurred and other factors may affect the consolidated results of the Company. However, the amount of the impact cannot be reasonably estimated at present. Accordingly, the impact is not reflected in the consolidated quarterly financial statements.

(Consolidated statement of income)

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

Millions of yen	Year ended March 31, 2017	Year ended March 31, 2018
Depreciation	3,699	4,220
Provision of allowance for doubtful accounts	(55)	(32)
Provision for bonuses	2,301	2,180
Provision for directors' bonuses	88	219
Retirement benefit expenses	1,291	1,275
Personnel expenses	32,521	32,372
Advertising expenses	19,760	19,479
Provision for product warranties	51	39
Research and development expenses	7,113	7,161

※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. The book values of these assets were written down to recoverable values, and the amount by which these assets were written down, 1,039 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 280 million yen for buildings and structures, 521 million yen for machinery and equipment, and 93 million yen for land.

For the consolidated fiscal year under review, impairment losses were recorded for assets with no foreseeable use and assets used in businesses with diminished profitability. The book values of these assets were written down to recoverable values and the amount by which these assets were written down, 378 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 65 million yen for buildings and structures, 218 million yen for machinery and equipment and 67 million yen for other intangible assets.

Recoverable values were estimated as net realizable values or values in use. Net realizable values were estimated as disposal values, and values in use were calculated as future cash flows discounted at 7%.

(Consolidated statement of retained earnings)

The year ended March 31, 2017

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	-	10,000,000	320,353,809
Total	330,353,809	-	10,000,000	320,353,809
Treasury stock				
Common stock*	12,060,890	4,008	10,000,090	2,064,808
Total	12,060,890	4,008	10,000,090	2,064,808

Notes (*)

1. The 10,000,000 share decrease in issued shares resulted from the cancellation of treasury stock.
2. The 4,008 share increase in treasury stock resulted from the purchase of shares of less than one unit from shareholders.
3. The 10,000,090 share decrease in treasury stock resulted from a 10,000,000 share decrease due to the cancellation of treasury stock and a 90 share decrease due to the sale of shares to shareholders originally acquired as shares of less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date
Ordinary general meeting of shareholders (June 28, 2016)	Common stock	2,705 million yen	8.50 yen	March 31, 2016	June 29, 2016
Board of Directors (Nov. 11, 2016)	Common stock	2,705 million yen	8.50 yen	Sep. 30, 2016	Dec. 2, 2016

(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, 2017)	Common stock	2,705 million yen	Earnings reserve	8.50 yen	March 31, 2017	June 29, 2017

The year ended March 31, 2018

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	320,353,809	-	-	320,353,809
Total	320,353,809	-	-	320,353,809
Treasury stock				
Common stock*	2,064,808	3,896	151	2,068,553
Total	2,064,808	3,896	151	2,068,553

Notes (*)

1. The 3,896 share increase in treasury stock resulted from the purchase of shares of less than one unit from shareholders.
2. The 151 share decrease due to the sale of shares to shareholders originally acquired as shares of less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date
Ordinary general meeting of shareholders (June 28, 2017)	Common stock	2,705 million yen	8.50 yen	March 31, 2017	June 29, 2017
Board of Directors (Nov. 10, 2017)	Common stock	2,705 million yen	8.50 yen	Sep. 30, 2017	Dec. 4, 2017

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

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 27, 2018)	Common stock	4,296 million yen	Earnings reserve	13.50 yen	March 31, 2018	June 28, 2018

(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, 2017**	**Year ended March 31, 2018**
Cash	80,746	92,079
Time deposits with a deposit period greater than three months	(2,858)	(1,423)
Cash and cash equivalents	77,887	90,655

(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 an operating 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, 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	Watches, Movements
Machine Tools	NC automatic lathes
Devices and Components	Auto parts, switches , Chip LEDs, micro LCDs, Quartz crystals
Electronic products	Printers, Health care equipment, Calculators
Other products	Jewelry

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 profit.

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, 2017

Millions of yen	Watches	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	163,619	49,694	69,462	21,774	8,008	312,559	-	312,559
Inter-segment	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
Operating profit	14,493	6,406	3,983	507	339	25,729	(4,228)	21,501
Assets	188,108	49,936	85,795	15,877	9,233	348,951	46,935	395,887

Notes:

1. Adjustments were made as described below.
   (1) The 4,228 million yen negative adjustment to segment income (Operating profit) includes 115 million yen in inter-segment eliminations and 4,112 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 46,935million yen positive adjustment to segment assets includes 86,159 million yen in corporate assets that could not be allocated to a particular segment and 39,223 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with Operating profit on the consolidated financial statements.

Year ended March 31, 2018

Millions of yen	Watches	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	163,718	64,049	65,596	20,580	6,102	320,047	-	320,047
Inter-segment	83	357	2,223	107	826	3,599	(3,599)	-
Total	163,801	64,407	67,820	20,687	6,929	323,646	(3,599)	320,047
Operating profit	16,183	10,443	2,782	513	311	30,234	(5,313)	24,920
Assets	190,870	59,487	81,382	15,822	6,819	354,381	57,784	412,165

Notes:

1. Adjustments were made as described below.
   (1) The 5,313 million yen negative adjustment to segment income (Operating profit) includes 19 million yen in inter-segment eliminations and 5,333 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 57,784 million yen positive adjustment to segment assets includes 96,043 million yen in corporate assets that could not be allocated to a particular segment and 38,258 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with Operating profit on the consolidated financial statements.

(Per Share Information)

	Year ended March 31, 2017	Year ended March 31, 2018
Net assets per share	752.21 yen	797.75 yen
Earnings per share	52.07 yen	60.65 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, 2017	Year ended March 31, 2018
Profit attributable to owners of parent (millions of yen)	16,573	19,303
Amount not attributed to common stock (millions of yen)	-	-
Profit attributable to owners of parent on common stock (millions of yen)	16,573	19,303
Average number of common stocks (thousand shares)	318,291	318,287
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, 2017	Year ended March 31, 2018
Net assets (millions of yen)	249,215	263,713
Amount deducted from total net assets (millions of yen)	9,795	9,801
(Non-controlling interests (millions of yen))	(9,795)	(9,801)
Net assets on common stock at end of term (millions of yen)	239,420	253,912
Number of common shares at end of term used in the calculation of net assets per share (thousand shares)	318,289	318,287

(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.

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 Yoshiaki Miyamoto

(currently Senior Operating Officer at Citizen Watch Co., Ltd.)

Audit & Supervisory Board Member Noboru Akasaka

(currently Chairman of Fujitsu Leasing Co., Ltd)

・Board of Directors scheduled for retirement

Audit & Supervisory Board Member Haruhisa Shiraishi

iii. Scheduled Appointment and Retirement Date

June 27, 2018

(2) Others

Not applicable