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

Consolidated Financial Statements for the Year Ended March 31, 2013

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. All figures in these statements which are less than 1 million yen have been rounded down. (English translation)

May 13, 2013

CITIZEN HOLDINGS 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: Shigeru Kabata, Director, In charge of Corporate Planning Division Tel: +81 -42 -468 -4934

Scheduled ordinary general meeting of shareholders: June 27, 2013

Scheduled start of dividend payment: June 28, 2013

Scheduled release of fiscal 2012 Business Report: June 28, 2013

1. Results for the Year ended March 31, 2013

(1) Consolidated operating results (Percentages represent changes over the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2013	272,050	△2.8	11,549	△30.1	13,805	△17.5	△8,855	-
March 31, 2012	279,786	△1.8	16,528	△1.0	16,727	13.0	7,698	50.3

Note: Comprehensive income As of March 31, 2013: ¥ 4,336million (△35.4%) As of March 31, 2012: ¥ 6,709million (-%)

	Earnings per share	Fully diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
March 31, 2013	△27.33	-	△4.7	4.0	4.2
March 31, 2012	23.76	-	4.2	5.0	5.9

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:
As of March 31, 2013: ¥ 186 million As of March 31, 2012: ¥ △4 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2013	354,670	192,409	53.3	583.03
March 31, 2012	338,025	188,853	55.5	578.69

Reference: Shareholders' Equity: As of March 31, 2013: ¥ 188,900 million As of March 31, 2012: ¥ 187,499 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2013	18,789	△23,853	95	67,517
March 31, 2012	19,545	△15,135	△3,198	68,937

2. Dividends

	Dividends per share					Total dividends paid (annual)	Pay-out ratio (Consolidate	Dividends to consolidated net assets
	First quarter	Second	Third quarter	Year-end	Full year			
		(Yen)		(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2012	-	4.00	-	4.00	8.00	2,592	33.7	1.4
March 31, 2013	-	5.00	-	3.00	8.00	2,591	△29.3	1.4
March 31, 2014 (E)	-	5.00	-	5.00	10.00		32.4	

3. Projected Consolidated Results for the Year ending March 31, 2014

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Interim term	141,500	4.2	7,500	△3.0	6,500	△6.4	3,500	△21.5	10.80
Full term	292,500	7.5	19,000	64.5	17,500	26.8	10,000	-	30.86

4. Others

(1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): None

(2) Changes in principles, procedures and classifications of accounting standards associated with the preparation of consolidated financial statements.

- (i) Changes associated with revised accounting standards: Yes
- (ii) Changes other than those in (i)above: None
- (iii) Changes in accounting estimate: Yes
- (iv) Restatements: None

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

(shares)	March 2013	March 2012
Number of shares issued and outstanding at the end of term (including treasury stock)	330,353,809	350,353,809
Number of treasury stock at the end of term	6,353,889	26,350,406
Average number of common stocks	324,001,929	324,004,850

(Reference) Overview of Nonconsolidated Financial Results

1. Nonconsolidated Results for the Year ended March 31, 2013

(1) Nonconsolidated operating results (The percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2013	9,703	5.1	4,016	8.4	3,629	12.0	1,727	△4.5
March 31, 2012	9,228	△11.2	3,705	△17.3	3,240	△18.3	1,808	△44.0

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
March 31, 2013	5.33	-
March 31, 2012	5.58	-

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2013	178,444	101,743	57.0	314.02
March 31, 2012	165,909	100,508	60.6	310.21

Reference: Shareholders' Equity: As of March 31, 2013: ¥ 101,743 million As of March 31, 2012: ¥ 100,508 million

nce) Overview of Nonconsolidated Financial Results

2. Projected Consolidated Results for the Year ending March 31, 2014

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

	Operating revenues		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Full term	17,500	80.4	11,500	216.9	11,000	536.7	33.95

※ *Status of the Implementation of Audit Procedures*

As of the date of this financial statement, audit procedures based on the Financial Instruments and Exchange Act covering the consolidated financial statements are being implemented.

* *Explanation about the proper use of financial forecasts and other important notes*

Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors.

Please refer to page 6 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. Review of Operations

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

Millions of yen	Year ended March 31, 2012	2013	Year-on-year change	%
Net sales	279,786	272,050	△7,735	△2.8%
Operating income	16,528	11,549	△4,979	△30.1%
Ordinary income	16,727	13,805	△2,922	△17.5%
Net income	7,698	△8,855	△16,553	-

Summary of Operating Results

During the consolidated fiscal year under review, the Japanese economy was weak with the prolonged yen appreciation and the slowing global economy. In the second half, however, the yen depreciated at an accelerating pace to show a positive factor. The U.S. economy remained solid mainly in the individual consumption sector, even with some uncertainties such as the financial problem. On the other hand, the European economy remained in a severe situation with a sign that the debt crisis problem will be protracted even longer. China and other emerging countries saw their economic slowdown accelerated.

Within this overall context, the Citizen Group, in pursuit of steady growth, focused on further strengthening its business structure, while working out a new growth strategy.

As a result of these developments, the Citizen Group reported in the consolidated fiscal year under review a decrease in both sales and profits, with net sales of 272.0 billion yen (down 2.8% year-on-year), operating income of 11.5 billion yen (down 30.1% year-on-year), and ordinary income of 13.8 billion yen (down 17.5% year-on-year). The results included net loss of 8.8 billion yen (compared to a 7.6 billion yen net income a year earlier) as a result of an extraordinary loss of 23.6 billion yen , which was set aside for structural reform to be implemented under the “Citizen Global Plan 2018” medium-term management plan newly developed in February 2013.

Watches and Clocks

Having been affected by a decline in foreign tourists and other factors in the domestic market, CITIZEN brand watches achieved a significant growth in revenues as the mainstay brands ATTESA and xC as well as high-end products sold well through the year. In the overseas markets, revenues decreased as the solid U.S. market was more than offset by the European economic slump caused by the debt crisis and the slowdown in China and other emerging countries. In the U.S., where the economy was steadily recovering, the year-end shopping season was active and new products of the Eco-Drive series sold well at major department stores and jewelry store chains, pushing up the overall revenues in this region. In Europe, despite solid sales in the U.K., the overall revenues ended up in a decline as consumer spending remained weak in Germany and Italy out of anxieties about the economy. In the Asian markets, sales were solid in the ASEAN region with active marketing activities. Even so, the overall revenues decreased in the Asian region as customers in the Chinese market, which had remained strong in the recent years, continued to hold back on purchase with an economic growth downturn and other factors.

The BULOVA brand, despite procurement adjustments made in the first half of the year by major department stores in the main U.S. market, achieved a growth in revenues as sales rebounded in the second half with the strong year-end shopping season and solid sales of new products.

The Q&Q brand achieved a significant growth in revenues as sales continued to grow in Japan mainly to major customers, the U.S. and Asian markets fared well, and the European market was on a recovery path.

Movements suffered a significant revenue decline as demands for watches weakened due to European economic downturn and China’s slower growth.

As a result of these developments, the watches and clocks segment, which includes Prothor Holding S.A.’s results from this fiscal year, reported higher sales and lower profits, with net sales of 139.5 billion yen (up 0.1% year-on-year) and operating income of 10.9 billion yen (down 16.0% year-on-year).

Machine Tools

Revenues decreased in the domestic market, where an economic slowdown had accelerated in and after July, even though automobile-related capital expenditures and some other factors had temporarily turned around. In the U.S. market, automobile and healthcare-related sectors remained solid and efforts to gain new customers achieved some results, leading to a revenue growth. In Europe, we strived to address the slowing economy with sales promotion targeting active sectors such as those related to automobiles and precision devices, but the revenues decreased as the market situation became even worse. In Asia, the overall revenues increased as the Chinese market rebounded from a deepening stagnation in many sectors and the ASEAN market was favored by reconstruction demands seen after the floods in Thailand and increasing capital expenditures in automobile and healthcare-related sectors.

We in this period under review closed the Shirakawa Works and opened the Sakudaira Logistics Center as a part of the production base reorganization in Japan in pursuit of business structure improvement with an aim to enhance competitive strength in the increasingly severe global market.

Against this background, the Cincom brand suffered a revenue decline as a relatively solid performance in Asia and the U.S. failed to offset a decline in Japan and Europe. As for the Miyano brand, the main products penetrated wider in China and the U.S. and sales of CNC chuckers expanded in the overseas markets, but these positive factors failed to offset significant plunge in Japan, Europe and ASEAN, resulting in an overall revenue decline.

As a result of these developments, the machine tools segment reported a decrease in both sales and profits, with net sales of 35.5 billion yen (down 15.4% year-on-year) and operating income of 2.0 billion yen (down 58.8% year-on-year).

Devices and Components

Among opto-devices, LED lighting products' market continued to expand but price decline was accelerated by Asian players' full-scale entry into the market. Even so, this sector achieved higher revenues as we released new products that respond to the market trend and needs, prompting orders by wide-ranging customers mainly in Japan, Asia and North America. As for backlight units, those for automobile use achieved stable sales but the emphasis on profit for other products pushed down the overall revenues below the year-earlier level.

Among quartz crystals, tuning fork type quartz crystals' revenues decreased due to a steep price decline, even though sales were solid in terms of volume with an increased demand from major customers. On the other hand, quartz crystal blanks achieved higher revenues as sales of small-scale, high-precision models grew in the booming smartphone market.

Ferroelectric micro LCDs fared well at the beginning of the period but ended up in a revenue decline due to major customers' production adjustments that decreased orders, competition with other types of displays, and an increase in cameras that have no electronic view finder (EVF). Under these circumstances, we are developing high-definition products by taking advantage of Micron Technology, Inc.'s display business , which we acquired last year.

Switches achieved higher revenues as side switches used in smartphones sold well with such features as smallness, thinness, good click feeling and waterproof property.

As for automobile components, strong sales of hybrid car components and good performance at the beginning of the period more than offset a decline in demands in Europe, resulting in an overall revenue growth.

As a result of these developments, the devices and components segment reported a decrease in both sales and profits, with net sales of 59.8 billion yen (down 2.5% year-on-year) and operating income of 0.9 billion yen (down 3.3% year-on-year).

Electronic Products

For printers, POS printers and label printers performed solidly in the U.S. market with new orders, but stagnant sales in Japan and Europe pushed down the overall revenues below the year-earlier level. Large-size printers' revenues decreased as the introduction of tax collection systems in China slowed down. Photo printers' revenues increased owing to the growth of replacement demand and media sales. With these, the overall printer revenues decreased.

Calculators' revenues increased with solid performance in the European market centering on Russia and Eastern European countries.

Healthcare equipment fared well in Japan helped by expanded sales channels and new products. Overseas, sales were solid in the U.S. but fell below the year-earlier level in other regions. This sector as a result achieved an overall revenue growth.

As a result of these developments, the electronic products segment reported a decrease in both sales and profits, with net sales of 21.5 billion yen (down 4.8% year-on-year) and operating income of 0.4 billion yen (down 45.8% year-on-year).

Other Products

For jewelries, a sign of recovery was seen mainly in high-end products such as designer's jewelries, but the situation became severe in and after autumn, resulting in a revenue decline. Pachinko-related products achieved a revenue growth with increasing replacement demands from major customers and the receipt of large orders including those for parlor interior decorating work.

As a result of these developments, the other products segment reported an increase in both sales and profits, with net sales of 15.6 billion yen (up 8.5% year-on-year) and operating income of 0.4 billion yen (compared to a 0.3 billion yen operating loss a year earlier).

(ii) Prospects for the Year ending March 31, 2014

Millions of yen	Year ended March 31, 2013	2014	Year-on-year change	%
Net sales	272,050	292,500	20,449	7.5%
Operating income	11,549	19,000	7,450	64.5%
Ordinary income	13,805	17,500	3,694	26.8%
Net income	△8,855	10,000	18,855	-

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2013	2014	Year-on-year change	%
Watches and clocks	139,508	155,000	15,491	11.1%
Industrial machinery	35,533	38,500	2,966	8.3%
Electronic products	59,852	61,000	1,147	1.9%
Devices and components	21,504	23,000	1,495	7.0%
Other products	15,651	15,000	△651	△4.2%
Total net sales	272,050	292,500	20,449	7.5%

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2013	2014	Year-on-year change	%
Watches and clocks	10,957	15,500	4,542	41.5%
Industrial machinery	2,097	3,000	902	43.1%
Electronic products	936	2,500	1,563	167.1%
Devices and components	458	800	341	74.5%
Other products	486	500	13	2.9%
Eliminations or general corporate	(3,386)	(3,300)	86	-
Total operating income	11,549	19,000	7,450	64.5%

As for future economic conditions, there are such positive factors as the solid economic trend in the U.S. and a weaker yen in Japan, but lingering fiscal problems in Europe and the weakening Chinese economy indicate uncertainty over the future.

Under these circumstances, we are forecasting, for the new consolidated fiscal year, net sales of 292.5 billion yen (7.5% year-on-year increase), operating income of 19.0 billion yen (64.5% increase), ordinary income of 17.5 billion yen (26.8% increase), and net income of 10.0 billion yen.

These forecasts are based on an exchange rate assumption for the year of 90 yen/US dollar and 120 yen/euro.

The exchange rates for the year ended March 2013 were 82 yen/US dollar and 106 yen/euro.

(2) Financial Position

(i) Assets Outstanding at Fiscal Year End

As of the end of the consolidated fiscal year under review, assets increased by 16.6 billion yen year-on-year to 354.6 billion yen. Current assets increased by 6.4 billion yen mainly because inventories increased by 5.6 billion yen. Fixed assets increased by 10.2 billion yen with a 4.6 billion yen increase in investment securities and a 4.3 billion yen increase in intangible fixed assets. Liabilities increased by 13.0 billion yen year-on-year to 162.2 billion yen with a 15.8 billion yen increase in reserve for business restructuring losses. Net assets increased by 3.5 billion yen to 192.4 billion yen with a 10.6 billion yen increase in foreign currency translation adjustments and a 25.4 billion yen decrease in retained earnings.

(ii) Cash Flows

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter "funds") decreased by 1.4 billion yen year-on-year to 67.5 billion yen at the end of the consolidated fiscal year under review.

Cash flows from operating activities

Funds provided by operating activities decreased by 0.7 billion yen year-on-year to 18.7 billion yen. Major factors contributing to this result included 9.4 billion yen in loss before income taxes, 15.4 billion yen in depreciation, a 15.5 billion yen increase in reserve for business restructuring losses, a 6.3 billion yen decrease in receivables - trade, and a 9.8 billion yen decrease in payables – trade.

Cash flows from investing activities

Funds used in investing activities decreased by 8.7 billion yen year-on-year to 23.8 billion yen. Major factors contributing to this result included 18.0 billion yen in outlays for the purchase of property, plant and equipment and a 5.4 billion yen outlays for the purchase of subsidiary shares.

Cash flows for financing activities

Funds provided by financing activities increased by 3.2 billion yen year-on-year to 0 billion yen. Major factors contributing to this result included 10.0 billion yen in proceeds from bond issuance and 10.5 billion yen in outlays for the repayment of long-term loans payable.

(3) Fundamental Policy Regarding the Distribution of Profits

The total amount of dividends and share buyback divided by consolidated net income will be stated as “ratio of return to shareholders” and the Company has decided to make the average ratio of the 3 year period to over 30%. Dividend will be decided taking into consideration of the balance of its performance and stability of dividend. Regarding the share buyback, the Company will aim to improve the capital efficiency as well as the return to shareholders by raising the earnings per share.

The Company is planning to set the year-end dividend for the fiscal year under review at 3.00 yen per share. At that level, the dividend for the fiscal year ending March 2013 would come to 8.00 yen per share.

Regarding dividends for the fiscal year ending March 2014, based on an overall consideration of factors like our intent to pay a stable dividend amount and business results we expect to achieve, we are planning to pay a full-year dividend of 10.00 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, electronic devices, 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 and clocks

Competition in the watch market is intensifying not only against Japanese brands, but also against high-end Swiss brands and low-end Chinese manufacturers along with alternative products such as mobile phones with watch functions. With regard to movement business, despite our high market share, volume growth is slowing down and low demand due to the rise of Chinese manufacturers may trigger price decline.

Machine tools

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

Devices and components

The devices and components business is characterized by rapid technological innovation and fierce competition among companies, so sales price declines or development delays, for example, can greatly impact business results. Results for opto-devices are greatly affected by developments among customers like mobile phone and lighting manufacturers. Results for Quartz crystals devices are also potentially highly dependent on what happens among mobile phone manufacturers, who are key customers. And patent licensing agreements are essential for the manufacture 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 expenditure and personal consumption declines resulting from economic downturns and, therefore, could experience sales declines depending on economic conditions. In addition, with intense competition, with not only domestic manufacturers but also 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 section, 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 the operating results.

(iii) Foreign currency fluctuation risk

As mentioned in (ii), as our overseas sales ratio is high, we take foreign currency contracts, currency options, etc. as risk hedge. Although we are strengthening overseas production, our operating results are affected by the currency fluctuation.

(iv) Manufacturing in China

About 40% of the Group's products are manufactured overseas, and China is the main production base. Therefore, interruption in production owing to problems occurring in China, execution of any new regulations that may interfere with the production, appreciation of the Chinese yuan or other factors may influence our operating results.

(v) Impairment loss

In case the market value of our assets declined significantly or the profitability of a business worsens, impairment loss will be recorded, affecting our operating results and financial positions.

(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, and the break down of the cooperative relationship underlying those licenses, and loss of access to the related patents, could affect 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 have an impact on the production activities or product supply. It may also have a significant effect on the operating results and financial positions.

(viii) Risk related to borrowings

The Citizen Group's borrowings include syndicated loan and commitment line agreements it has entered into with financial institutions. Violations of the financial covenants of these agreements could result in demands for the accelerated repayment of the related borrowings and impact the Group's financial condition.

(ix) Other risks

The Group's operating results are influenced from various factors, such as changes of infrastructure and competition, changes of our financial and managerial situations, trading regulations in major markets and substantial changes in stock market and bond market.

2. Corporate Group

The Citizen Group ("the Company" and its subsidiaries and affiliates) consists of the Company and its 135 subsidiaries and 8 affiliates. The Group companies are mainly engaged in production and sales in four business segments: watches and clocks, Machine tools, Devices and components, and electronic products.

The major Group companies in the respective business segments are as follows:

CITIZEN HOLDINGS CO., LTD.(A Pure Holding Company)

Group management / Business administration / Asset lending

Watches and Clocks

Major domestic production & marketing companies

- ○ CITIZEN WATCH CO., LTD.
- ○ CITIZEN HEIWA WATCH CO., LTD.
- ○ CITIZEN TOHOKU CO., LTD.
- ○ CITIZEN MICRO CO., LTD.
- ○ CITIZEN WATCH MIYOTA CO., LTD.
- ○ CITIZEN WATCH KAWAGUCHIKO CO., LTD.
- ○ CITIZEN T.I.C. CO., LTD.
- ○ ON-TIME CO., LTD.
- ○ CITIZEN SAKAE TRADING CO., LTD.
- ○ CITIZEN YUBARI CO., LTD.
- ○ CITIZEN WATCH KAGOSHIMA CO., LTD.

Major overseas production & marketing companies

- ○ SUNCITI MANUFACTURERS LTD.
- ○ CITZIEN WATCHES (H.K.) LTD.
- ○ GOODRINGTON COMPANY LTD..
- ○ CITIZEN WATCHES CO., OF AMERICA, INC.
- ○ CITIZEN WATCHES AUSTRALIA PTY LTD.
- ○ CITIZEN WATCHES EUROPE GmbH
- ○ CITIZEN WATCH ITALY S.P.A.
- ○ CITIZEN DEMEXICO, S.A. DEC.V.
- ○ CITIZEN WATCH (CHINA) CO., LTD.
- ○ BULOVA CORPORATION

Industrial machinery

Major domestic production & marketing companies

- ○ CITIZEN MACHINERY MIYANO 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.

※MARUBENI CITIZEN-CINCOM INC.

Devices and components

Major domestic production & marketing companies

- ○ CITIZEN ELECTRONICS CO., LTD.
- ○ CITIZEN FINE TECH MIYOTA CO., LTD.
- ○ CITIZEN SEIMITSU CO., LTD.
- ○ CITIZEN ELECTRONICS FUNEHIKI CO., LTD.
- ○ CITIZEN ELECTRONICS TIMEL CO., LTD.
- ○ CITIZEN CHIBA PRECISION CO.,LTD.
- ○ CITIZEN PRECISION HACHINOHE CO., Ltd.

Major overseas production & marketing companies

- ○ FIRSTCOME ELECTRONICS LTD.
- ○ MASTER CROWN ELECTRONICS (WUZHOU) LTD.
- ○ CITIZEN MICRO DEVICES (SUZHOU) CO.,LTD.
- ○ C-E (H.K.) LTD.
- ○ C-E (DEUTSCHLAND) GmbH
- ○ XUNKE ELECTRONICS LTD.
- ○ CITIZEN (SHANGHAI) TRADING CO., LTD.
- ○ WALOP LIMITED

Electronic products

Major domestic production & marketing companies

- ○ CITIZEN SYSTEMS JAPAN CO., LTD.

Major overseas production & marketing companies

- ○ CITIZEN SYSTEMS (H.K.) LTD.
- ○ CITIZEN SYSTEMS AMERICA CORPORATION
- ○ CITIZEN SYSTEMS EUROPE GmbH

Other products

Major domestic production & marketing companies

- ○ CITIZEN JEWELRY CO., LTD.
- ○ SILVER DENKEN CO., LTD.
- ○ CITIZEN PLAZA CO., LTD.
- ○ TOKYO BIJUTSU CO., LTD.

Indirect Operations, Group Internal Finance and Other

Business support companies

- ○ CITIZEN BUSINESSEXPERT CO., LTD.
- ○ CITIZEN FINANCIAL SERVICE CO., LTD

○ : consolidated subsidiaries　　※ : affiliate not accounted for by the equity method

3. Management Policy

(1) Fundamental Management Policy

The Company in February 2013 compiled the "Citizen Global Plan 2018" medium-term management plan, which covers years until the fiscal year ending in March 2019 (hereinafter "the Management Plan").

Under the "Aiming to Be a Solid Global Company - business group with speed and dynamics -" slogan, the Company, with the following two targets as a basic management policy, aims to be a "solid global company" that consistently provides "value" required in the global market.

1) The Company will focus on the machinery product business and the precision component product business for automotive components, etc., which are the business area using the strengths developed and accumulated on years of experience of the watches and clocks business, and aim to establish an industry leading business group with global competitiveness.
2) Considering China and other emerging countries in Asia as its strategic marketplace, the Company will accelerate growth in profit through boosting sales concurrently with the promotion of streamlining.

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

The first three years (FY2013 - FY2015) of the Management Plan will be devoted for thorough structural reform and improvement, and funds generated as a result of the structural reform for cost-effectiveness will be put in aggressive growth investments in the following three years (FY2016 - FY2018) to enhance business performance. Through these stages the Company will pursue the FY2018 goal to become a "solid global company," so as to survive against international competition.

During the first three years (FY2013 - FY2015), the Company will focus on the following five tasks to overcome its management challenges.

1) Thorough structural reform for cost-effectiveness
   Each of the subsidiaries will, as necessary, seek more appropriate number of employees, companies and business bases so that they can build muscular management structure in the early stage of the medium term.

2) Clarify the business portfolio
   i. Watches and clocks
      Concentrate the group's management resources in this business, which is the "core business to develop the group's growth"
   ii. Machine tools
      Develop this business as the second core business to the watches and clocks business
   iii. Precision components
      Develop this business as a growing business with great potential by taking advantage of the group's strength
   iv. Devices and components, Electronics products and others
      Achieve stable management by increasing profits rather than by expanding sales

3) Strengthen the production capability
   The Company will check and review the current status including the points as stated below with an aim to strengthen the production capability.
   i. Break away from the self-manufacture and seek an appropriate balance with the external procurement after identifying the Company's core competence
   ii. Promote the most appropriate global production system with roles shared by the domestic production (creation of added value) and overseas production (cost reduction)
   iii. Avoid risks by pulling out of excess concentration of business in China

4) Promote efficiency in productivity and development of human resources
   i. Change the compensation structure to a performance related/individual assessment system with an aim to revitalize the personnel and organization
   ii. Cultivate human resources capable of supporting the group in the medium to long term period
   iii. Cultivate human resources capable of working in the international fields
   iv. Streamline multi-stratified organization and overlapping services/business to promote efficiency in productivity

5) Active marketing to meet the needs of the growing emerging markets in Asia
   The watches and clocks business has achieved higher sales in China with active marketing investments. This growth scheme will be launched in the surrounding countries to accelerate growth in this region and boost the global Citizen brand presence.
   The Company booked 23.6 billion yen in an extraordinary loss in the fiscal year ended in March 2013 to

cover the expenses necessary to implement these measures.

Strategies of each business segment

1) Watches and clocks
   Under the slogan of "From Functionality to Corporate Branding," the Company will strengthen the corporate brand marketing. Active investments will be made in China and other emerging countries in Asia, which are regarded as the strategic markets for sales expansion, with an aim to create business structure capable of generating high profit margins. The Company will maximize its impact on the distribution channels and maintain/expand the existing distribution territory, and at the same time promote multi-brand strategies that will help expand sales of the Citizen brand, so that it can boost revenues of the overall watches and clocks business.

2) Machine tools
   The Company will establish a position as the "new manufacturing company," which provides its customers with the most-advanced solutions based on its miniaturization/high-rigidity technology developed in the watch part business. As such it will secure a stable position with the leading share in the automatic lathe market.

3) Devices and components
   The Company will expand the precision component business to beat competitors in the global niche market based on the group's strength in the technology to process metallic parts and brittle materials. For LED products, the Company will seek to stabilize and expand profits by refining the group's unique strength in the technology to make the products smaller and thinner and at the same time by taking advantage of a capital/business alliance with Nichia Corporation. For other device products, the Company will put stable profits before higher sales.

4) Electronic products
   Having commercial and photo printers of high quality/reliability as the core products, the Company will seek to generate stable profits by developing businesses mainly in the global niche market.

The Company will push ahead with these efforts and strategies to pursue both higher sales and more efficient operation with an aim to accelerate profit growth.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2012	March 31, 2013
Current assets		
Cash and cash equivalents	73,026	71,105
Notes and accounts receivable	*4 61,490	*4 60,342
Commodity and Finished products	34,016	37,646
Work in process	20,707	20,922
Raw materials	13,452	15,212
Accrued consumption tax	1,639	1,394
Deferred tax assets	10,057	13,005
Other current assets	6,250	7,842
Allowance for doubtful accounts	△1,203	△1,603
Total current assets	219,438	225,868
Fixed assets		
Property, plant and equipment		
Buildings and structures	31,227	32,063
Machinery, equipment and carriers	19,220	20,403
Tools, furniture and fixtures	3,861	4,024
Land	12,403	11,727
Lease	413	459
Construction in progress	2,457	2,134
Total Property, plant and equipment	*1 69,582	*1 70,813
Intangible fixed assets		
Goodwill	6,412	7,200
Software	2,368	2,097
Lease	41	29
Other intangible fixed assets	1,611	5,499
Total Intangible fixed assets	10,433	14,826
Investments and other assets		
Investment securities	30,046	34,673
Long-term loans	707	732
Deferred tax assets	5,176	4,969
Other intangible fixed assets	3,420	3,775
Allowance for doubtful accounts	△282	△321
Allowance for valuation loss on investments	△499	△667
Total Investments and other assets	38,570	43,162
Total fixed assets	118,587	128,801
Total assets	338,025	354,670

Millions of yen	March 31, 2012	March 31, 2013
Current liabilities		
Notes and accounts payable	*4 19,135	*4 16,174
Short-term bank loans payable	21,522	43,261
Bonds to be redeemed within a year	500	500
Income taxes payable	1,987	2,027
Deferred tax liabilities	5	14
Accrued expenses	11,901	11,935
Reserve for bonuses to employees	5,027	4,678
Reserve for bonuses to directors	137	143
Reserve for product warranties	723	828
Notes payable for equipment	*4 465	*4 1,248
Reserve for environmental measures	-	23
Reserve for business restructuring losses	1,909	14,400
Asset retirement obligations	62	-
Reserve for disaster losses	70	38
Other current liabilities	20,899	18,363
Total Current liabilities	84,349	113,638
Long-term liabilities		
Bonds with subscription right for new shares	550	10,050
Long-term loans payable	50,650	20,150
Deferred tax liabilities	490	546
Reserve for defined retirement benefits	11,976	13,078
Reserve for environmental measures	50	63
Reserve for business restructuring losses	-	3,326
Asset retirement obligations	271	248
Other long-term liabilities	833	1,158
Total Long-term liabilities	64,822	48,622
Total liabilities	149,171	162,260
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in capital	37,167	33,890
Retained earnings	152,562	127,080
Treasury stock	△22,319	△5,380
Total shareholder’s equity	200,059	188,239
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	3,142	5,743
Deferred gains or losses on hedges	51	-
Foreign currency translation adjustments	△15,755	△5,082
Total Valuation and translation adjustments	△12,560	661
Minority interest	1,354	3,508
Total net assets	188,853	192,409
Total liabilities and net assets	338,025	354,670

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

Consolidated Statement of Income

Millions of yen	March 31, 2012	March 31, 2013
Net sales	279,786	272,050
Cost of sales	180,977	176,598
Gross profit	98,809	95,451
Selling, general and administrative expenses	*1 82,280	*1 83,902
Operating income	16,528	11,549
Nonoperating income		
Interest income	397	364
Dividend income	925	1,042
Subcontractor rental income	274	246
Foreign exchange gains	-	1,603
Investment gain from the application of equity method	-	186
Other	1,232	1,049
	2,830	4,493
Nonoperating expenses		
Interest charges	1,205	1,209
Loss on sales of bills	91	88
Depreciation expenses for lent properties	56	58
Investment loss from the application of equity method	4	-
Foreign currency exchange loss	761	-
Other	510	881
	2,631	2,237
Ordinary income	16,727	13,805
Extraordinary gains		
Gain on sales of investment securities	-	112
Gain on sales of fixed assets	915	1,335
Reversal of reserve for investment losses	2	40
Reversal of provision for business restructuring losses	771	559
Gain on negative goodwill	3	31
Other	110	349
	1,803	2,427
Extraordinary losses		
Loss on sales of properties	12	233
Loss on disposal of properties	357	557
Loss on impairment	*2 234	*2 5,060
Reorganization costs	657	18,647
Valuation loss on investment securities	57	116
Provision for investment losses	44	247
Loss on disaster	111	-
Other	551	790
	2,028	25,653
Income or loss (△) before income taxes	16,502	△9,420
Income, residential and enterprise taxes	3,891	3,636
Corporate tax adjustment	4,828	△4,191
Total Corporate tax	8,719	△554
Income or loss (△) before minority interests	7,782	△8,865
Minority interests	84	△10
Net income or loss (△)	7,698	△8,855

Consolidated Statements of Comprehensive Income

Millions of yen	**March 31, 2012**	**March 31, 2013**
Income or loss (△) before minority interests	7,782	△8,865
Other comprehensive income		
Valuation difference on available-for-sale securities	54	2,600
Deferred gains or losses on hedges	51	△51
Foreign currency translation adjustment	△1,153	10,500
Share of other comprehensive income of associates accounted for using equity method	△26	153
Other comprehensive income	△1,073	13,202
Comprehensive Income	6,709	4,336
(Breakdown)		
Comprehensive income attributable to owners of the parent	6,625	4,367
Comprehensive income attributable to minority interests	84	△30

(3) Changes in Shareholder’s Equity

Millions of yen	**March 31, 2012**	**March 31, 2013**
Shareholders’ equity		
Paid-in capital		
Balance at beginning of year	32,648	32,648
Balance at end of year	32,648	32,648
Additional paid-in capital		
Balance at beginning of year	37,167	37,167
Changes during the year		
Cancellation of treasury stocks	△0	△0
Retirement of treasury stock	-	△3,276
Total changes	△0	△3,276
Balance at end of year	37,167	33,890
Retained earnings		
Balance at beginning of year	146,840	152,562
Changes during the year		
Cash dividends	△2,430	△2,916
Net income or loss (△)	7,698	△8,855
Cancellation of treasury stocks	-	△0
Decline due to stock swap	-	△13,663
Changes in scope of consolidation	△99	△13
Decrease due to change in equity	553	-
Capital increase/decrease of consolidated subsidiaries	-	△34
Total changes	5,722	△25,482
Balance at end of year	152,562	127,080
Treasury stocks		
Balance at beginning of year	△22,318	△22,319
Changes during the year		
Repurchase of treasury stocks	△1	△1
Cancellation of treasury stocks	0	0
Decline due to stock swap	-	16,939
Total changes	△1	16,938
Balance at end of year	△22,319	△5,380

Millions of yen	March 31, 2012	March 31, 2013
Total shareholders' equity		
Balance at beginning of year	194,338	200,059
Changes during the year		
Cash dividends	△2,430	△2,916
Net income or loss (△)	7,698	△8,855
Repurchase of treasury stocks	△1	△1
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	△99	△13
Decrease due to change in equity	553	-
Decline due to stock swap	-	△34
Total changes	5,721	△11,820
Balance at end of year	200,059	188,239
Accumulated other comprehensive income		
Valuation and translation adjustments		
Net unrealized gain/loss on other securities		
Balance at beginning of year	3,087	3,142
Changes during the year		
Changes except in shareholders' equity	54	2,600
Total changes	54	2,600
Balance at end of year	3,142	5,743
Deferred gains or losses on hedges		
Balance at beginning of year	-	51
Changes during the year		
Changes except in shareholders' equity	51	△51
Total changes	51	△51
Balance at end of year	51	-
Foreign currency translation adjustments		
Balance at beginning of year	△14,575	△15,755
Changes during the year		
Changes except in shareholders' equity	△1,179	10,673
Total changes	△1,179	10,673
Balance at end of year	△15,755	△5,082
Total accumulated other comprehensive income		
Balance at beginning of year	△11,487	△12,560
Changes during the year		
Changes except in shareholders' equity	△1,073	13,222
Total changes	△1,073	13,222
Balance at end of year	△12,560	661
Minority interest		
Balance at beginning of year	1,282	1,354
Changes during the year		
Changes except in shareholders' equity	72	2,153
Total changes	72	2,153
Balance at end of year	1,354	3,508
Total net assets		
Balance at beginning of year	184,132	188,853
Changes during the year		
Cash dividends	△2,430	△2,916
Net income or loss (△)	7,698	△8,855
Repurchase of treasury stocks	△1	△1
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	△99	△13
Decrease due to change in equity	553	-
Capital increase/decrease of consolidated subsidiaries	-	△34
Changes except in shareholders' equity	△1,000	15,376
Total changes	4,721	3,555
Balance at end of year	188,853	192,409

(4) Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Cash flow from operating activities		
Income or loss (△) before income taxes	16,502	△9,420
Depreciation	14,249	15,406
Increase/decrease in reserve for business restructuring losses	△1,332	15,586
Increase/decrease in reserve for defined retirement benefits	269	650
Increase/decrease in allowance for doubtful accounts	△930	42
Amortization of goodwill	1,101	1,296
Gain on negative goodwill	△3	△31
Interest and dividends income	△1,323	△1,406
Interest charges	1,205	1,209
Loss on sales of investment securities	-	△111
Loss on Valuation of investment securities	57	116
Loss on sales of fixed assets	△902	△1,101
Loss on disposal of fixed assets	352	557
Increase/decrease in receivables - trade	△1,959	6,329
Increase/decrease in inventories	△9,636	102
Increase/decrease in payables - trade	2,704	△9,844
Loss on impairment	234	5,060
Other	3,103	△2,270
Sub total	23,694	22,171
Interest and dividends received	1,317	1,396
Interest payments	△1,165	△1,258
Income taxes	△4,300	△3,519
Net cash provided by operating activities	19,545	18,789
Cash flow from investing activities		
Payments for the purchase of investment securities	△55	△1,194
Proceeds from the sale of investment securities	1	325
Payments for the purchase of property, plant and equipment	△14,519	△18,047
Proceeds from the sale of property, plant and equipment	976	1,806
Payments for Intangible fixed assets	△1,239	△1,551
Proceeds from sales of intangible fixed assets	-	0
Payments for loans receivable	△400	△786
Proceeds from the recovery of loans receivable	328	620
Payments for purchase of subsidiary shares	△0	*2 △5,484
Other	△224	457
Net cash used in investing activities	△15,135	△23,853
Cash flow from financing activities		
Net increase/decrease in borrowings	△177	△7,829
Proceeds from long-term loans payable	-	10,000
Repayment of long-term loans payable	△0	△10,500
Proceeds from issuance of bonds	-	10,000
Redemption of bonds	△500	△500
Dividends paid	△2,430	△2,916
Dividends paid to the minority stockholders	△7	△23
Proceeds from issuance of common stock	-	1,999
Payments for purchase of treasury stock	△1	△1
Proceeds from sale of treasury stock	0	0
Other	△81	△133

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Net cash used in financing activities	△3,198	95
Effect of exchange rate changes on cash and cash equivalents	△1,494	3,547
Net increase in cash and cash equivalents	△282	△1,420
Cash and cash equivalents at beginning of term	68,201	68,937
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	1,019	-
Cash and cash equivalents at end of term	*1 68,937	*1 67,517

(5) Notes

(Regarding premise of going concern)

Not applicable

(Basis of Presenting the Consolidated Financial Statements)

1. Scope of consolidation	(1) Consolidated subsidiaries (100 companies) Major consolidated subsidiaries Citizen Watch Co., Ltd., Citizen Machinery Miyano Co., Ltd., Citizen Electronics Co., Ltd., Citizen Finetech Miyota Co., Ltd., Citizen Seimitsu Co., Ltd., Citizen Systems Japan Co., Ltd. Newly added (13 companies) Beginning with the consolidated fiscal year under review, CINCOM MIYANO TAIWAN CO., LTD. in consideration of their importance, have been included in the scope of consolidation. In addition, SUNCITI TRADING DONGGUAN LTD., Citizen Systems (Dongguan) Limited, Miyota Development Center of America, Inc., Bright Crown Industries (ShenZhen) LTD., Cincom Miyano Hong Kong Co.,Ltd., CINCOM MIYANO KOREA CO.,LTD., CITIZEN SEIMITSU (THAILAND) CO., LTD., having been newly established, and have been included in the scope of consolidation. Prothor Holding S.A., Prototec S.A., Manufacture La Joux-Perret S.A., Arnold & Son S.A. and Eplamo S.A. have been included in the scope of consolidation as they became subsidiaries through share purchases. Excluded (1 companies) Beginning with the consolidated fiscal year under review, Citizen Electronics (Nan Jing) Co., Ltd., having been liquidated, has been excluded from the scope of consolidation. (2) Nonconsolidated subsidiaries (34 companies) Major nonconsolidated subsidiaries Sirma Macchine S.R.L. (Reasons for Exclusion from the Scope of Consolidation) The total assets, net sales, net income (equivalent portion for equity holdings), and retained earnings (equivalent portion for equity holdings) of each nonconsolidated subsidiary excluded from the scope of consolidation were individually immaterial in comparison to net 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 Beginning with the consolidated fiscal year under review, Marubeni Citizen Cincom Inc. has been included in the scope of equity method application due to its overall importance to the consolidated group. (2) Non-consolidated subsidiaries to which the equity method is not applied (Sirma Macchine S.R.L. and others) and a key related company (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	70 overseas consolidated subsidiaries have a closing date that is different from the closing date for the consolidated financial statements. These overseas consolidated subsidiaries close their books on December 31, but perform account closings as of the consolidated financial statement closing date for financial statements used in preparing the consolidated financial statements, so that the latter can be prepared.

4. Accounting standards	The accounting standards applied by the consolidated subsidiaries are, in principle, consistent with those supplied by the Company and there are no differences to note. The key accounting standards applied by the Company and its consolidated subsidiaries are described below.
(1) Valuation standards and methods for major assets	(i) Marketable and investment securities Bonds held to maturity Bonds with market values Accounted for at market value as of the closing date for the consolidated financial statements (Valuation differences are recorded directly in net assets and sales cost is calculated using mainly the moving average method.) Bonds without market values Cost method using the moving average method. (ii) Derivatives Market value method. (iii) Inventory assets Inventories are primarily valued at cost method based on the gross average approach (with balance sheet values reflecting write downs for decreased profitability)
(2) Depreciation of fixed assets	(i) Property, plant and equipment t(excluding leased assets) Mainly calculated using a declining balance basis. Primary useful life figures are as follows. Buildings and other structures 2 to 60 years. Machinery and equipment 2 to 10 years. (ii) Intangible fixed asset(excluding leased assets) Calculated using a straight line basis. (iii) Leased assets Leased assets related to finance lease transactions that do not transfer 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. For finance lease transactions that do not transfer ownership of the leased assets to the lessee and began on or before march 31,2008, accounting treatment complying with the method applied for ordinary lease transactions is being continued.
(3) Deferred assets	Bond issuance expenses One-time depreciation in the year of issuance.
(4) Recognition basis of provisions and reserves	(i) Allowance for doubtful accounts In setting aside an allowance for possible losses related to trade receivables, loans, etc. for the Company and its domestic consolidated subsidiaries, individual ordinary receivables regarded as doubtful are evaluated for collectibility and an amount equivalent to the portion judged to be uncollectible is recorded based on the lone loss ratio. For overseas consolidated subsidiaries, individual receivables are evaluated for collectibility and required loss estimates are recorded. (ii) Reserve for valuation loss on investments To provide for possible losses due to extreme devaluation in the stocks of non-consolidated subsidiaries (excluding stocks subject to impairment accounting), an allowance for valuation loss on investments is provided for an amount considering the actual stock prices on the balance sheet date. (iii) Reserve for bonuses to employees The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments at consolidated companies other than overseas subsidiaries. (iv) Reserve for bonuses to directors To provide for the payment of bonuses to directors, the Company and some of its consolidated subsidiaries record an allowance based on the estimated forthcoming payments. (v) Reserve for product warranties At several overseas sales subsidiaries, certain rates of net sales are provided as an allowance for the possible expenses required for after-sales services of products sold. (vi) Reserve for business restructuring losses To provide for expenses and losses related to business restructurings, an allowance is set aside in an amount equal to the estimated forthcoming payments.

(4) Recognition basis of provisions and reserves	(vii) Provision for environmental measures To provide for expenses related to future environmental measures, an allowance is set aside in an amount based on a reasonable estimate. (viii)Reserve for retirement benefits At the Company and its consolidated domestic subsidiaries, the reserve for defined retirement benefits is stated as the amount deemed to be correct on the balance sheet. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets on the date of the year-end balance sheet. Any differences arising as a result of changes in accounting standards are, as a rule, treated as an extraordinary loss for the year in which the difference arises. However, the straight-line method is applied over a period of 5 to 10 years at certain consolidated subsidiaries. In addition, prior service liabilities and differences arising from mathematical calculations will be accounted for using a fixed number of years that is no more than the average of the employee's remaining years of service when they occur (in principle, by applying the fixed-percentage method over 5 years). Prior service liabilities will be accounted for from the year in which they occur, and differences arising from mathematical calculations will be accounted for from the year following the year in which they occur. In some consolidated subsidiaries, retirement benefit scheme has partially been changed from qualified pension plan to defined contribution pension plan. (ix) Reserve for disaster related losses To provide for outlays for the restoration of assets damaged by the Great East Japan Earthquake, an allowance is set aside for the amount based on reasonable estimation of forthcoming payments.
(5) Translation of foreign currency assets or liabilities	Foreign currency amounts are translated into Japanese yen at the rate prevailing on the balance sheet date for accounts receivable and accounts payable. The translation adjustments are stated as profit/loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot rate on the date of the balance sheet, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate. The differences arising from translation are included in foreign currency translation adjustments and minority interest in the net assets section.
(6) Hedge accounting method	(i) Hedge accounting method When the conditions are met, the special treatment is applied to interest-rate swaps. (ii) Hedging method and target Interest-rate swaps are used in regard to the interest rates for certain borrowings. (iii) Hedge policy Hedging is used to address interest-rate risk for certain borrowings. (iv) Method for evaluating hedge effectiveness Evaluations of effectiveness are omitted because the special treatment is applied to interest-rate swaps.
(7) Amortization method and period for goodwill	Goodwill is amortized evenly over the period that its effects are expected to be realized (up to 20 years from the time of recording). If the difference from elimination is immaterial, it is recorded as a gain or loss in the period which it arises.
(8) Scope of funds covered by the consolidated statement of cash flow	The scope of funds covered by the consolidated statement of cash flow include cash on hand, demand deposits, and short-term investments which mature within three months of acquisition as well as which are easily convertible to cash and bear very little value fluctuation risk.
(9) Other important matters regarding the preparation of consolidated financial statements	(i) Accounting method for consumption tax Consumption tax is calculated using a tax exclusion method. (ii)Application of Consolidated taxation system Application of Consolidated taxation system Consolidated taxation system is applied

(Changes in accounting policies)

(Changes in depreciation method)

Pursuant to an amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries changed the depreciation method starting from the first quarter under review based on the stipulations in the amended Act for property, plant and equipment acquired on and after April 1, 2012.

Impacts on earnings results caused by this change are immaterial.

(Consolidated balance sheet)

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

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Accumulated depreciation on property, plant and equipment	228,709	229,863

※2. Guarantee obligation

Guarantees of bank borrowings by companies other than members of the consolidated group are being provided.

Guarantees of lease obligations for business partners of Citizen Group companies

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Guarantees of lease obligations	583	479

※3. Export bill discounts

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Export bill discounts	10	0

※4. Notes receivable and payable maturing at the end of the consolidated fiscal year

Regarding notes receivable and payable maturing at the end of the consolidated fiscal year, the end of the consolidated fiscal year under review fell on a bank holiday, but were accounted for as if settlement occurred on the maturity date. Notes receivable and payable maturing at the end of the consolidated fiscal year under review were as shown below.

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Notes receivable	620	638
Notes payable	604	58
Notes payable for equipment	0	0

(Consolidated statement of income)

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

Millions of yen	Year ended March 31, 2012	Year ended March 31, 2013
Depreciation expenses	2,990	3,674
Allowance for doubtful accounts	△403	181
Reserve for bonuses to employees	2,176	1,913
Reserve for bonuses to directors	174	97
Retirement benefit expenses	1,182	1,291
Personnel cost	25,652	26,990
Advertisement expenses	15,499	14,741
Reserve for product warranties	44	75
R&D expenditures	8,012	7,595

※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 its business size. In addition, assets that are not clearly related to certain business, such as head office, are categorized as common assets.

For the previous 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, 234 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 123 million yen for buildings and structures, and 105 million yen for machinery, equipment and carriers.

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, 5,060 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 2,242 million yen for buildings and structures, 1,404 million yen for machinery, equipment and carriers, and 1,019 million yen for land.

Recoverable values were estimated as net realizable values or value in use. Net realizable values were estimated as disposal values and values in use were calculated as future cash flows discounted at 5%.

(Consolidated statement of retained earnings)

The year ended March 31, 2012

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	350,353,809	-	-	350,353,809
Total	350,353,809	-	-	350,353,809
Treasury stock				
Common stock*	26,347,657	3,035	286	26,350,406
Total	26,347,657	3,035	286	26,350,406

Notes (*)
1. The 3,035 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 286 share decrease in treasury stock resulted from the sale of shares to shareholders originally acquired as shares less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 28, 2011)	Common stock	1,134 million yen	3.50 yen	March 31, 2011	June 29, 2011
Board of Directors (Nov.8, 2011)	Common stock	1,296 million yen	4.00 yen	Sep. 30, 2011	Dec. 2, 2011

(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 22, 2012)	Common stock	1,296 million yen	Earnings reserve	4.00 yen	March 31, 2012	June 25, 2012

The year ended March 31, 2013

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	350,353,809	-	20,000,000	330,353,809
Total	350,353,809	-	20,000,000	330,353,809
Treasury stock				
Common stock*	26,350,406	3,761	20,000,278	6,353,889
Total	26,350,406	3,761	20,000,278	6,353,889

Notes (*)
1. The 20,000,000 share decrease in issued shares resulted from the cancellation of treasury stock.
2. The 3,761 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
3. The 20,000,278 share decrease in treasury stock resulted from the cancellation of 20,000,000 shares and the sale of 278 shares to shareholders originally acquired as shares less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 22, 2012)	Common stock	1,296 million yen	4.00 yen	March 31, 2012	June 25, 2012
Board of Directors (Nov. 7, 2012)	Common stock	1,620 million yen	5.00 yen	Sep. 30, 2012	Dec. 4, 2012

(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, 2013)	Common stock	971 million yen	Earnings reserve	3.00 yen	March 31, 2013	June 28, 2013

(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, 2012	Year ended March 31, 2013
Cash	73,026	71,105
Time deposits with a deposit period greater than three months	△4,088	△3,587
Cash and cash equivalents	68,937	67,517

※2 Primary assets and liabilities of consolidated subsidiaries newly added through share purchases in the consolidated fiscal year under review

Prothor Holding S.A. and its four subsidiaries became consolidated subsidiaries as a result of share purchases. The primary assets and liabilities of these companies as of the timing of consolidation, together with the relationship between the acquisition value of Prothor Holding S.A. shares and net outlays to acquire the company, are shown below.

Current assets	2,413 million yen
Fixed assets	4,120million yen
Goodwill	1,605 million yen
Current liabilities	△827 million yen
Long-term liabilities	△1,140 million yen
Minority interests	△132 million yen
Acquisition value of Prothor Holding S.A. shares	6,038 million yen
Cash and cash equivalents of Prothor Holding S.A. and its four subsidiaries	△554 million yen
Difference: Net outlays to acquire Prothor Holding S.A.	5,484 million yen

(Segment information)

a. Business segment

The Citizen Group's reportable segments are group components for which separate financial information can be obtained. Each segment is subject to periodic examinations to allow the Board of Directors to decide how to allocate management resources and assess performance.

The Citizen Group has adopted a pure holding company structure and comprehensive strategies are proposed and businesses are pursued by individual operating companies.

Consequently, the Citizen Group, starting from a foundation of operating companies manages its businesses through five reportable segments – Watches and clocks, Machine tools, Devices and components, Electronic products, and Other products – based on factors like similarity of types and characteristics of products.

Each segment and its major products are as shown below.

Segment	Major products
Watches and clocks	Watches, Movements
Machine Tools	NC automatic lathes
Devices and Components	Chip LEDs, auto parts, Quartz crystals, micro LCDs, switches
Electronic products	printers, health care equipment, calculators
Other products	Jewelry, pachinko related products

b. Method for calculating sales, income/loss, assets, liabilities, and other items for reportable segments

The accounting methods applied to the business segments reported are generally the same as those described under "Basis of Presenting the Consolidated Financial Statements."

Reportable segment income is based on operating income.

Inter-segment earnings and transfers are based on market prices.

c. Net sales, income/loss, assets, liabilities, and other items by segment

Year ended March 31, 2012

Millions of yen	**Watches and clocks**	**Machine tools**	**Devices and components**	**Electronic Products**	**Other products**	**Segment totals**	**Eliminations or general corporate (Note:1)**	**Consolidated totals (Note:2)**
Net sales								
Customers	139,369	41,981	61,412	22,594	14,427	279,786	-	279,786
Inter-segment	4,039	571	5,107	1,077	959	11,753	(11,753)	-
Total	143,408	42,552	66,519	23,672	15,386	291,540	(11,753)	279,786
Operating expenses								
Operating income	13,047	5,090	967	845	△387	19,564	(3,035)	16,528
Assets	149,347	48,248	83,432	14,750	15,897	311,677	26,348	338,025

Notes:

1. Adjustments were made as described below.
   (1) The 3,035 million negative adjustment to segment income (operating income) includes 15 million yen in inter-segment eliminations and 3,051 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 26,348 million yen positive adjustment to segment assets includes 102,765 million yen in corporate assets that could not be allocated to a particular segment and 76,416 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with operating income on the consolidated financial statements.

Year ended March 31, 2013

Millions of yen	Watches and clocks	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	139,508	35,533	59,852	21,504	15,651	272,050	-	272,050
Inter-segment	3,084	526	5,344	1,038	686	10,680	(10,680)	-
Total	142,593	36,060	65,196	22,542	16,338	282,731	(10,680)	272,050
Operating expenses								
Operating income	10,957	2,097	936	458	486	14,935	(3,386)	11,549
Assets	165,836	46,431	85,469	15,568	14,742	328,048	26,622	354,670

Notes:
1. Adjustments were made as described below.
   (1) The 3,386 million negative adjustment to segment income (operating income) includes 183 million yen in inter-segment eliminations and 3,202 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 26,622 million yen positive adjustment to segment assets includes 103,824 million yen in corporate assets that could not be allocated to a particular segment and 77,202 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with operating income on the consolidated financial statements.

(Per Share Information)

	Year ended March 31, 2012	Year ended March 31, 2013
Net asset per share	578.69 yen	583.03 yen
Basic net income per share	23.76 yen	△27.33 yen

Note: 1. Diluted net income per share for the previous consolidated fiscal year is not reported because there were no dilutive shares. Diluted net income per share for the consolidated fiscal year under review is not reported because the result was a net loss per share and there were no dilutive shares.

Note: 2. The basis of calculation of basic net income/loss per share information is as follows:

Basic net income per share	Year ended March 31, 2012	Year ended March 31, 2013
Net income or loss (△) (millions of yen)	7,698	△8,855
Amount not attributed to common stock (millions of yen)	-	-
Net income or loss (△) on common stock (millions of yen)	7,698	△8,855
Average number of common stocks (thousand shares)	324,004	324,001
Summary of residual securities not included in diluted net income per share as it has no dilution effect.	-	-

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

Net assets per share	Year ended March 31, 2012	Year ended March 31, 2013
Net assets (millions of yen)	188,853	192,409
Amount deducted from total net assets (millions of yen)	1,354	3,508
(Minority interest)	(1,354)	(3,508)
Net assets on common stock (millions of yen)	187,499	188,900
Number of common stocks at end of term (thousand shares)	324,003	323,999

(Subsequent Events)

Not applicable

(Disclosure omitted)

Subsequent events concerning lease transactions, related party transactions, tax-effect accounting, marketable securities, derivative transactions, retirement pensions, stock options, business mergers, and other matters were judged to be of too little significance to disclose in this report and were omitted.

5. Others

(Changes in the Board of Directors of the Company)

(1) Retiring directors (tentative)
Mitsuyuki Kanamori (Currently Director, Executive Advisor of Citizen Holdings Co., Ltd.)
Kenji Sugimoto (Currently Director of Citizen Holdings Co., Ltd.)
Takeshi Kakishima (Currently Director of Citizen Holdings Co., Ltd.)
Katsushige Osano (Currently Director of Citizen Holdings Co., Ltd.)
Kazumoto Yamamoto (Currently Outside Director of Citizen Holdings Co., Ltd.)
Hisato Hiraishi (Currently Corporate Auditor of Citizen Holdings Co., Ltd.)

(2) Candidate for appointment to Board of Directors (tentative)
Keiichi Nakajima
[Scheduled to be appointed to Director.]
Kenji Ito
[Scheduled to be appointed to Outside Director.]
Kenichiro Hanyu
[Scheduled to be appointed to Corporate Auditor.]