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

Consolidated Financial Statements for the Year Ended March 31, 2015

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 15, 2015

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 25, 2015
Scheduled start of dividend payment: June 26, 2015
Scheduled release of fiscal 2014 Business Report: June 26, 2015

1. Results for the Year ended March 31, 2015

(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, 2015	328,456	6.0	27,889	17.6	31,403	24.1	17,572	0.8
March 31, 2014	309,994	13.9	23,706	105.3	25,307	83.3	17,434	-

Note: Comprehensive income As of March 31, 2015: ¥ 32,943million (15.8%) As of March 31, 2014: ¥ 28,441million (555.9%)

	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, 2015	54.24	-	7.8	7.8	8.5
March 31, 2014	53.81	-	8.7	6.9	7.6

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:
As of March 31, 2015: ¥ 380million As of March 31, 2014: ¥ 252million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2015	421,563	247,972	56.6	736.17
March 31, 2014	383,920	217,412	55.8	660.83

Reference: Shareholders' Equity: As of March 31, 2015: ¥ 238,505million As of March 31, 2014: ¥ 214,102million

(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, 2015	29,053	△9,246	△9,745	105,276
March 31, 2014	32,724	△11,000	181	92,661

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, 2014	-	5.00	-	8.00	13.00	4,211	24.2	2.1
March 31, 2015	-	8.00	-	8.00	16.00	5,183	29.5	2.3
March 31, 2016 (E)	-	8.50	-	8.50	17.00		29.0	

3. Projected Consolidated Results for the Year ending March 31, 2016

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Interim term	167,000	7.1	13,000	4.9	13,000	△6.3	8,500	△13.8	26.24
Full term	347,000	5.6	30,500	9.4	30,500	△2.9	19,000	8.1	58.65

4. Others

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

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

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

(Note) Note: For details, please refer to the Attached Documents “5. Consolidated Financial Statements (5) Notes to the Consolidated Financial Statements (Changes in accounting policies)” on page 25.

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

(shares)	March 2015	March 2014
Number of shares issued and outstanding at the end of term (including treasury stock)	330,353,809	330,353,809
Number of treasury stock at the end of term	6,371,070	6,363,200
Average number of common stocks	323,987,268	323,995,794

(Reference) Overview of Nonconsolidated Financial Results

1. Nonconsolidated Results for the Year ended March 31, 2015

(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, 2015	12,911	△31.5	6,931	△47.8	7,260	△45.0	13,113	△1.8
March 31, 2014	18,836	94.1	13,286	230.8	13,208	264.0	13,351	672.8

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
March 31, 2015	40.48	-
March 31, 2014	41.21	-

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2015	201,286	125,368	62.3	386.96
March 31, 2014	196,602	114,627	58.3	353.80

Reference: Shareholders’ Equity: As of March 31, 2015: ¥ 125,368million As of March 31, 2014: ¥ 114,627million

※ 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 2 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. Analysis of Operating Results/Financial Position

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

	Year ended March 31,			
Millions of yen	2014	2015	Year-on-year change	%
Net sales	309,994	328,456	18,461	6.0%
Operating income	23,706	27,889	4,182	17.6%
Ordinary income	25,307	31,403	6,095	24.1%
Net income	17,434	17,572	137	0.8%

During the consolidated fiscal year under review, the Japanese economy began to improve from the reactionary decline that occurred following the rush demand prior to the consumption tax hike, although the recovery was sluggish. However, a boost in consumer spending was seen as a result of an increase in the number of foreign tourists. Regarding demand for capital investment, steady progress was made in replacing outdated equipment and facilities on the back of the government's economic policies, among other measures. The U.S. economy is solid, with further recovery seen in personal consumption, along with vigorous demand for capital spending, although the possibility of an interest rate hike in the future can be flagged as a negative factor. As for the European economy, consumer spending is in a recovery trend, but future conditions remain uncertain. With respect to the Asian economy, lingering sluggish economic conditions continue in China, in addition to deteriorating market conditions in the ASEAN region due to factors including political instability and weakening currencies.

Under these circumstances, the Citizen Group has been pursuing new growth strategies to become a true global company, while striving to further strengthen its business structure through continued structural reform under the "Citizen Global Plan 2018," a medium-term management plan formulated in February 2013.

The Citizen Group's consolidated results for the fiscal year under review showed net sales of 328.4 billion yen (up 6.0% year-on-year), and operating income of 27.8 billion yen (up 17.6% year-on-year), achieving growth in both sales and profits mainly due to the impact of structure reform and the weakening yen. The results also included ordinary income of 31.4 billion yen (up 24.1% year-on-year) due to the recognition of foreign exchange gains, etc. Net income stood at 17.5 billion yen (up 0.8% year on year), reflecting the posting of extraordinary losses such as a loss on business restructuring and the provision of an allowance for doubtful accounts, despite the recording of extraordinary income such as a gain on sales of non-current assets.

Watches and Clocks

Revenues from CITIZEN brand watches in the domestic market saw a temporary drop in the form of a reactionary decline to the rush in demand seen prior to the consumption tax hike, but robust growth in sales was seen in mass merchandise outlets and duty-free shops due to healthy consumer spending at home and an increase in the number of foreign tourists. Sales growth for ATTESA was strong across a wide price range, while sales of xC grew was healthy, resulting in a rise in revenues.

Revenues from overall overseas markets increased due to the North American and European markets remaining strong, in addition to the impact of the weak yen. Revenues from the U.S. market rose as major growth was seen via Internet marketing channels amid a recovery in personal consumption, and also due to strong growth at major department stores. Regarding the European market, revenues increased as a result of solid trends in countries including Germany and the U.K. amid generally sluggish conditions in the euro zone economy. Revenues from the Asian market were generally lower as market conditions in the ASEAN region remained harsh, with a sales decline seen in Hong Kong, a major market, as it experienced a drop in the number of foreign tourists and waning appetite for buying domestically, while market conditions remained stagnant in China.

Revenues from the BULOVA Brand increased as sales primarily recovered at major department stores starting in the New Year amid initiatives aimed at bolstering the brand's image through rebranding, despite sluggish sales growth during the Christmas season in North America, which is one of the main marketing areas.

Revenues from the Q&Q brand rose as a result of healthy levels seen in the domestic market as well as the U.S. market doing well in the context of overseas markets. Also, sales promotion campaigns being held around the world for a new series of products are contributing to sales growth.

Revenues from movements increased due to solid demand for high-value added products such as multi-hand movements and movements with mechanical features throughout the year.

As a result of these developments, the watches and clocks segment posted growth in both sales and profits, with net sales of 172.2 billion yen (up 6.3% year-on-year) and operating income of 19.6 billion yen (up 14.3% year-on-year).

Machine Tools

Revenues from the domestic market increases as market conditions remained robust, buoyed by solid demand mainly in automobiles, IT and medical equipment.

Revenues from the Asian market rose as it was bolstered by demand in automobiles, IT and medical equipment although the economic slowdown was seen in China and growth slowed in the Southeast Asian region.

Revenues from the American market increased as it was supported by healthy demand in a wide range of areas including automobiles, aircraft as well as medical equipment, and especially as a result of demand in products related to Japanese cars.

Revenues from the European market rose, buoyed by solid demand for automobile-related products, despite a slowing in the pace of growth seen in Germany, among other countries.

Against this background, revenues from the Cincom brand and the Miyano brand increased.

As a result of these developments, the machine tools segment achieved growth in both sales and profits, with net sales of 51.7 billion yen (up 23.9% year-on-year) and operating income of 6.7 billion yen (up 78.6% year-on-year).

Devices and Components

Revenues from automobile components, among other precision machining components, increased as demand remained strong through the end of the fiscal year under review and demand continued to be robust in the overseas markets, centered on North America, despite the consumption tax hike having an impact on the automobile industry in the domestic market. Revenues from switches rose as a result of an increase in the number of orders received from Chinese manufacturers in the smartphone market, in addition to new products performing well and staging substantial sales growth, resulting in increased revenues from the overall precision machining components.

Revenues from LED lighting products, among other opto-devices, increased as the market continued to expand. Revenues from the Asian region decreased from the impact of falling prices, but revenues from North America and Europe increased. Orders for LEDs used in automobiles were healthy, but overall revenues from opto-devices declined due mainly to sluggish sales of LEDs for smartphones and the impact of customers' inventory adjustment on lighting units.

Revenues from quartz crystals, among other products, decreased due to a sales decline in quartz crystal blanks as a result of the impact of weak sales among some customers as well as a decrease in sales of tuning fork type quartz crystals affected by weakening demands and intensifying competition. Revenues from ferroelectric micro LCDs declined as a result of a downturn in the digital camera market, even though sales grew through development of new product markets.

As a result of these developments, the devices and components segment recorded growth in both sales and profits, with net sales of 67.5 billion yen (up 1.1% year-on-year) and an operating income of 4.7 billion yen (up 5.4% year-on-year).

Electronic Products

Revenues from overall printers increased due to strong sales in POS printers as well as label printers in Japan and overseas, despite large-size printers being affected by the impact of the slowdown in the Chinese economy.

Revenues from overall healthcare equipment decreased as a result of an impact from the downturn in the U.S. in the overseas market, even though core products, namely blood-pressure monitors and thermometers, both fared well in the domestic market. Revenues from calculators remained unchanged, with healthy activity seen in orders for Asia, while revenues decreased for orders for Europe, centered on Eastern Europe and Russia.

As a result of these developments, the electronic products segment recorded an increase in sales but a decline in profits, with net sales of 24.7 billion yen (up 1.5% year-on-year) and an operating income of 0.9 billion yen (down 37.9% year-on-year).

Other Products

Revenues from pachinko-related products decreased as customers continued to take a wait-and-see attitude toward capital spending and demand did not strengthen during the year-end season.

Revenues from jewelries declined as the reactionary decline from the rush in demand prior to the consumption tax hike was substantial, even though signs of recovery in demand was seem among the wealthy on the back of a sense of domestic economic recovery.

As a result of these developments, the other products segment recorded a decrease in both sales and profits, with net sales of 12.2 billion yen (down 18.9% year-on-year) and an operating loss of 0.4 billion yen (compared with an operating loss of 0.0 billion yen in the previous fiscal year)

(ii) Prospects for the Year ending March 31, 2016

Millions of yen	Year ended March 31, 2015	2016	Year-on-year change	%
Net sales	328,456	347,000	18,543	5.6%
Operating income	27,889	30,500	2,610	9.4%
Ordinary income	31,403	30,500	△903	△2.9%
Net income	17,572	19,000	1,427	8.1%

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2015	2016	Year-on-year change	%
Watches and clocks	172,280	185,000	12,719	7.4%
Industrial machinery	51,702	52,000	297	0.6%
Electronic products	67,536	71,000	3,463	5.1%
Devices and components	24,717	26,000	1,282	5.2%
Other products	12,218	13,000	781	6.4%
Total net sales	328,456	347,000	18,543	5.6%

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2015	2016	Year-on-year change	%
Watches and clocks	19,669	21,000	1,330	6.8%
Industrial machinery	6,794	6,700	△94	△1.4%
Electronic products	4,721	5,500	778	16.5%
Devices and components	904	1,100	195	21.6%
Other products	△464	200	664	-
Eliminations or general corporate	(3,736)	(4,000)	△263	-
Total operating income	27,889	30,500	2,610	9.4%

Regarding economic outlook, an improved outlook for the Japanese economy and solid economic growth in the U.S. can be anticipated, but the outlook for the European economy is uncertain. As for Asia, overall growth, including that in the ASEAN region, is expected to continue at a certain level despite concerns about slowing growth in China.

Under these circumstances, we are forecasting, for the new consolidated fiscal year, net sales of 347.0 billion yen (up 5.6% year-on-year), operating income of 30.5 billion yen (up 9.4%), ordinary income of 30.5 billion yen (down 2.9%) and net income of 19.0 billion yen (up 8.1%).

These forecasts are based on an exchange rate assumption for the year of 115 yen/US dollar and 130 yen/euro.

The exchange rates for the year ended March 2015 were 109 yen/US dollar and 139 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, assets increased by 37.6 billion yen year-on-year to 421.5 billion yen. Current assets increased by 31.6 billion yen mainly due to an increase of 16.5 billion yen in inventories (merchandise and finished goods, work in process and raw materials and supplies) and a rise of 14.5 billion yen in cash and deposits. Non-current assets increased by 5.9 billion yen as investment securities rose by 4.1 billion yen as well as property, plant and equipment, including machinery, equipment and vehicles, rose by 3.5 billion yen, despite goodwill declining by 2.9 billion yen.

Liabilities increased by 7.0 billion yen year-on-year to 173.5 billion yen as short-term bank loans payable declined by 8.8 billion yen, while income taxes payable increased by 5.4 billion yen, net defined benefit liability rose by 4.2 billion yen, accrued expenses increased by 3.0 billion yen and deferred tax liabilities rose by 2.2 billion yen.

Net assets increased by 30.5 billion yen year-on-year to 247.9 billion yen mainly as a result of a 11.3 billion yen increase in foreign currency translation adjustments, a 9.5 billion yen rise in retained earnings and a 6.1 billion yen rise in minority interest.

(ii) Cash Flows

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter “funds”) increased by 12.6 billion yen year-on-year to 105.2 billion yen at the end of the consolidated fiscal year under review.

<u>Cash flows from operating activities</u>

Funds provided by operating activities decreased by 3.6 billion yen year-on-year to 29.0 billion yen. Major factors contributing to this result included an 11.2 billion yen increase in inventories, a 5.6 billion yen payment in income taxes, 31.8 billion yen in income before income taxes, 14.3 billion yen in depreciation, and a 6.7 billion yen decline in receivables-trade.

<u>Cash flows from investing activities</u>

Funds used in investing activities decreased by 1.7 billion yen year-on-year to 9.2 billion yen. Major factors contributing to this result included 10.6 billion yen in proceeds from the sale of property, plant and equipment and 16.5 billion yen in payments for the purchase of property, plant and equipment.

<u>Cash flows for financing activities</u>

Funds used in financing activities increased by 9.9 billion yen year-on-year to 9.7 billion yen. Major factors contributing to this result included 4.9 billion yen in proceeds from stock issuance to minority shareholders, 10.2 billion yen in repayments of long-term loans payable and 5.1 billion yen in dividends paid.

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

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

The Company is planning to set the year-end dividend for the fiscal year under review at 8.00 yen per share. At that level, the dividend for the fiscal year ending March 2015 would come to 16.00 yen per share.

Regarding dividends for the fiscal year ending March 2016, based on an overall consideration of factors like our intent to pay a stable dividend amount and business results we expect to achieve, we are planning to pay a full-year dividend of 17.00 yen per share.

(4) Risks

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

(i) Risks regarding our businesses

The Citizen Group's main business is to manufacture and sell watches, machine tools, 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.

<u>Watches and clocks</u>

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.

<u>Machine tools</u>

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.

<u>Devices and components</u>

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.

<u>Electronic products</u>

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

(iii) Foreign currency fluctuation risk

As 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, currency fluctuations may affect our operating results.

(iv) Manufacturing in China

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

(v) Impairment loss

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

(vi) Patent and intangible property

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

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

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

(vii) Risk related to natural disaster such as earthquakes

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

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

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

(ix) Risk related to borrowings

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

(x) Other risks

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

2. Corporate Group

The Citizen Group (“the Company” and its subsidiaries and affiliates) consists of the Holding Company and its 128 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 WATCH MANUFACTURING 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.
- ○ CITIZEN MICRO CO., LTD
- ○ .CITIZEN NEW FLAG CO., LTD.

Major overseas production & marketing companies

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

Industrial machinery

Major domestic production & marketing companies

- ○ CITIZEN MACHINERY 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.
- ○ SIRMA MACCHINE S.R.L.

※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

Citizen Machinery Miyano Co., Ltd. changed its corporate name to Citizen Machinery Co., Ltd. on April 1, 2015.

Citizen Finetech Miyota Co., Ltd. conducted an absorption-type merger with Citizen Seimitsu Co., Ltd. on April 1, 2015, and the new corporate name after the merger is Citizen Finedevice Co., Ltd.

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.

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

4. Fundamental Views on Selecting Accounting Standards

The Citizen Group will continue to compile its consolidated financial statements using Japanese standards for the foreseeable future, as they enable comparison of fiscal years in the consolidated financial statements as well as a comparison among companies. The Group has the policy of appropriately dealing with the application of IFRS, by taking into consideration circumstances in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2014	March 31, 2015
Current assets		
Cash and cash equivalents	96,202	110,716
Notes and accounts receivable	66,811	65,734
Commodity and Finished products	38,306	50,765
Work in process	19,986	19,611
Raw materials	15,298	19,749
Accrued consumption tax	1,547	3,381
Deferred tax assets	9,490	9,944
Other current assets	7,044	5,968
Allowance for doubtful accounts	△1,912	△1,428
Total current assets	252,775	284,443
Fixed assets		
Property, plant and equipment		
Buildings and structures	32,769	32,885
Machinery, equipment and carriers	19,481	20,623
Tools, furniture and fixtures	4,845	5,095
Land	12,103	11,607
Lease	548	1,065
Construction in progress	1,989	3,988
Total Property, plant and equipment	71,736	75,266
Intangible fixed assets		
Goodwill	6,131	3,198
Software	2,217	2,209
Lease	18	12
Other intangible fixed assets	5,581	5,577
Total Intangible fixed assets	13,948	10,998
Investments and other assets		
Investment securities	36,526	40,724
Long-term loans	1,049	1,152
Deferred tax assets	4,665	5,174
Other intangible fixed assets	3,645	5,580
Allowance for doubtful accounts	△288	△1,637
Allowance for valuation loss on investments	△138	△138
Total Investments and other assets	45,460	50,855
Total fixed assets	131,145	137,119
Total assets	383,920	421,563

Millions of yen	March 31, 2014	March 31, 2015
Current liabilities		
Notes and accounts payable	20,243	20,371
Short-term bank loans payable	13,015	4,164
Bonds to be redeemed within a year	50	-
Income taxes payable	1,687	7,176
Deferred tax liabilities	39	1
Accrued expenses	13,124	16,210
Reserve for bonuses to employees	5,861	6,419
Reserve for bonuses to directors	235	168
Reserve for product warranties	1,070	1,119
Notes payable for equipment	175	473
Reserve for environmental measures	10	11
Reserve for business restructuring losses	1,916	2,915
Reserve for disaster losses	43	4
Other current liabilities	22,407	23,399
Total Current liabilities	79,881	82,435
Long-term liabilities		
Bonds with subscription right for new shares	20,000	20,000
Long-term loans payable	45,283	45,000
Deferred tax liabilities	1,209	3,467
Reserve for loss on guarantees	39	12
Reserve for environmental measures	76	72
Reserve for business restructuring losses	3,885	2,013
Net defined benefit liability	14,598	18,800
Asset retirement obligations	248	97
Other long-term liabilities	1,285	1,690
Total Long-term liabilities	86,626	91,155
Total liabilities	166,508	173,591
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in capital	33,890	33,890
Retained earnings	142,159	151,689
Treasury stock	△5,387	△5,394
Total shareholder’s equity	203,311	212,834
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	7,880	11,190
Foreign currency translation adjustments	3,523	14,843
Remeasurements of defined benefit plans	△612	△362
Total Valuation and translation adjustments	10,791	25,671
Minority interest	3,309	9,466
Total net assets	217,412	247,972
Total liabilities and net assets	383,920	421,563

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

Consolidated Statement of Income

Millions of yen	March 31, 2014	March 31, 2015
Net sales	309,994	328,456
Cost of sales	190,618	198,579
Gross profit	119,376	129,876
Selling, general and administrative expenses	95,669	101,987
Operating income	23,706	27,889
Non-operating income		
Interest income	355	392
Dividend income	1,203	1,112
Subcontractor rental income	259	279
Foreign exchange gains	588	1,835
Investment gain from the application of equity method	252	380
Other	833	662
	3,493	4,663
Non-operating expenses		
Interest charges	1,115	670
Loss on sales of bills	74	56
Depreciation expenses for lent properties	127	94
Other	574	327
	1,891	1,149
Ordinary income	25,307	31,403
Extraordinary gains		
Gain on sales of investment securities	1,977	367
Gain on sales of fixed assets	768	8,095
Gain on negative goodwill	8	23
Other	49	132
	2,803	8,619
Extraordinary losses		
Loss on sales of properties	13	15
Loss on disposal of properties	375	309
Loss on impairment	144	2,515
Reorganization costs	944	2,395
Valuation loss on investment securities	10	4
Loss on disaster	30	-
Compensation expenses	229	-
Additional provision for bonuses associated with the change in the period subject to bonus payment	209	70
Allowance for doubtful accounts	-	1,620
Settlement package	-	454
Other	271	747
	2,230	8,133
Income or loss (△) before income taxes	25,881	31,890
Income, residential and enterprise taxes	4,044	11,000
Corporate tax adjustment	4,166	3,055
Total Corporate tax	8,210	14,056
Income or loss (△) before minority interests	17,670	17,834
Minority interests	235	262
Net income or loss (△)	17,434	17,572

Consolidated Statements of Comprehensive Income

Millions of yen	**March 31, 2014**	**March 31, 2015**
Income or loss (△) before minority interests	17,670	17,834
Other comprehensive income		
Valuation difference on available-for-sale securities	2,136	3,310
Foreign currency translation adjustment	8,500	11,245
Remeasurements of defined benefit plans	-	237
Share of other comprehensive income of associates accounted for using equity method	133	315
Other comprehensive income	10,771	15,108
Comprehensive Income	28,441	32,943
(Breakdown)		
Comprehensive income attributable to owners of the parent	28,177	32,452
Comprehensive income attributable to minority interests	264	491

(3) Consolitated Statements of Changes in Equity

Millions of yen	**March 31, 2014**	**March 31, 2015**
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	33,890	33,890
Changes during the year		
Total changes	-	-
Balance at end of year	33,890	33,890
Retained earnings		
Balance at beginning of year	127,080	142,159
Cumulative effects of changes in accounting policies	-	△2,451
Changes during the year		
Cash dividends	△2,591	△5,183
Net income or loss (△)	17,434	17,572
Cancellation of treasury stocks	△0	△0
Changes in scope of consolidation	235	293
Net changes of items other than shareholders' equity		△700
Total changes	15,078	11,980
Balance at end of year	142,159	151,689
Treasury stocks		
Balance at beginning of year	△5,380	△5,387
Changes during the year		
Repurchase of treasury stocks	△6	△6
Cancellation of treasury stocks	0	0
Total changes	△6	△6
Balance at end of year	△5,387	△5,394

Millions of yen	March 31, 2014	March 31, 2015
Total shareholders' equity		
Balance at beginning of year	188,239	203,311
Cumulative effects of changes in accounting policies		△2,451
Changes during the year		
Cash dividends	△2,591	△5,183
Net income or loss (△)	17,434	17,572
Repurchase of treasury stocks	△6	△6
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	235	293
Net changes of items other than shareholders' equity		△700
Total changes	15,071	11,974
Balance at end of year	203,311	212,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of year	5,743	7,880
Changes during the year		
Changes except in shareholders' equity	2,136	3,310
Total changes	2,136	3,310
Balance at end of year	7,880	11,190
Foreign currency translation adjustments		
Balance at beginning of year	△5,082	3,523
Changes during the year		
Changes except in shareholders' equity	8,605	11,319
Total changes	8,605	11,319
Balance at end of year	3,523	14,843
Remeasurements of defined benefit plans		
Balance at beginning of year	-	△612
Changes during the year		
Changes except in shareholders' equity	△612	249
Total changes	△612	249
Balance at end of year	△612	△362
Total accumulated other comprehensive income		
Balance at beginning of year	661	10,791
Changes during the year		
Changes except in shareholders' equity	10,130	14,879
Total changes	10,130	14,879
Balance at end of year	10,791	25,671
Minority interest		
Balance at beginning of year	3,508	3,309
Cumulative effects of changes in accounting policies		△12
Changes during the year		
Changes except in shareholders' equity	△199	6,169
Total changes	△199	6,169
Balance at end of year	3,309	9,466
Total net assets		
Balance at beginning of year	192,409	217,412
Cumulative effects of changes in accounting policies		△2,463
Changes during the year		
Cash dividends	△2,591	△5,183
Net income or loss (△)	17,434	17,572
Repurchase of treasury stocks	△6	△6
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	235	293
Net changes of items other than shareholders' equity		△700
Changes except in shareholders' equity	9,930	21,049
Total changes	25,002	33,023
Balance at end of year	217,412	247,972

(4) Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31, 2014	Year ended March 31, 2015
Cash flow from operating activities		
Income or loss (△) before income taxes	25,881	31,890
Depreciation	14,282	14,386
Increase/decrease in reserve for business restructuring losses	△12,064	△860
Increase/decrease in allowance for doubtful accounts	1,029	1,139
Increase/decrease in net defined benefit liability	680	730
Amortization of goodwill	1,349	1,306
Gain on negative goodwill	△8	△23
Interest and dividends income	△1,559	△1,504
Interest charges	1,115	670
Loss on sales of investment securities	△1,976	△367
Loss on Valuation of investment securities	10	4
Loss on sales of fixed assets	△755	△8,079
Loss on disposal of fixed assets	374	309
Increase/decrease in receivables - trade	△1,831	6,755
Increase/decrease in inventories	4,123	△11,203
Increase/decrease in payables - trade	3,594	△5,072
Loss on impairment	144	2,515
Other	2,321	1,332
Sub total	36,711	33,927
Interest and dividends received	1,564	1,512
Interest payments	△1,122	△705
Income taxes	△4,428	△5,682
Net cash provided by operating activities	32,724	29,053
Cash flow from investing activities		
Payments for the purchase of investment securities	△217	△3
Proceeds from the sale of investment securities	2,444	860
Payments for the purchase of property, plant and equipment	△13,773	△16,507
Proceeds from the sale of property, plant and equipment	1,353	10,669
Payments for Intangible fixed assets	△901	△1,188
Payments for loans receivable	△644	△598
Proceeds from the recovery of loans receivable	566	481
Payments for purchase of subsidiary shares	△1	△0
Other	173	△2,959
Net cash used in investing activities	△11,000	△9,246
Cash flow from financing activities		
Net increase/decrease in borrowings	△955	1,043
Proceeds from long-term loans payable	35,266	-
Repayment of long-term loans payable	△40,500	△10,289
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	△500	△50
Dividends paid	△2,591	△5,183
Dividends paid to the minority stockholders	△513	△81
Proceeds from stock issuance to minority shareholders	34	4,999
Payments for purchase of treasury stock	△6	△6
Proceeds from sale of treasury stock	0	0
Other	△51	△177

Millions of yen	Year ended March 31, 2014	Year ended March 31, 2015
Net cash used in financing activities	181	△9,745
Effect of exchange rate changes on cash and cash equivalents	2,824	2,550
Net increase in cash and cash equivalents	24,729	12,611
Cash and cash equivalents at beginning of term	67,517	92,661
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	414	3
Cash and cash equivalents at end of term	92,661	105,276

(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 (102 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 (4companies) Starting the consolidated fiscal year under review, Eastern Eagle Time(HK) Ltd., Citizen Systems (Shanghai) Co., Ltd., Citizen Finedevice Philippines Ins. were newly established and included into the scope of consolidation. Also, Citizen New Flag Co., Ltd. is included into the scope of consolidation due to its importance. Excluded (2 companies). Starting the consolidated fiscal year under review, Miyano Machinery Shanghai Co., Ltd. and Bright Crown Industries (ShenZhen) Ltd. were excluded from consolidation due to liquidation. Otherwise, Bulova Italy S.p.A changed its name to Bulova Italy S.r.L. (2) Nonconsolidated subsidiaries (26 companies) Major nonconsolidated subsidiaries Kunohe Seimitsu Co., Ltd. (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 (Kunohe Seimitsu Co., Ltd. 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	74 overseas consolidated subsidiaries have a closing date that is different from the closing date for the consolidated financial statements. These 74 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 (excluding leased assets） Mainly calculated using a declining balance basis. Primary useful life figures are as follows. Buildings and structures 2 to 60 years. Machinery, equipment and carriers 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 collectability 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 collectability and required loss estimates are recorded. (ii) Allowance for investment loss 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 To provide for the payment of bonuses to employees, the Company and some of its consolidated subsidiaries record an allowance based on the estimated forthcoming payments. (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) Reserve 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 disaster losses To provide for outlays for the restoration of assets damaged by the Great East Japan Earthquake, etc., an allowance is set aside in an amount based on a reasonable estimate at the end of the fiscal year under review. (ix) Provision for loss on guarantees Provision for loss on guarantees is provided to cover the estimated amount of payments for such loss in consideration of the financial position and other factors of guarantees.
(5) Accounting treatment regarding retirement benefits	(i) The method of attributing expected benefit to periods With respect to the method of attributing expected benefit to periods up to the end of the fiscal year under review, we adopt straight-line attribution for the calculation of estimated amounts of retirement benefits. (ii) Actuarial difference on obligation and past service costs Prior service costs are recognized as expense and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle). Actuarial difference is recognized as expense starting from the consolidated fiscal year following the year in which it occurs and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle)
(6) 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.
(7) Hedge accounting method	(i) Hedge accounting method The Company adopts the deferral hedge accounting. When the conditions are met, the special treatment is applied to interest rate swaps. (ii) Hedging instruments and hedged items The hedging instruments and hedged items by adopting the hedge accounting are as follows. Hedging instruments: Interest rate swaps Hedged items: Interest payments on borrowings (iii) Hedge policy Some of the loans payable are hedged against the risk of interest-rate fluctuations. (iv) Method for evaluating hedge effectiveness Since the special matching criteria are applied to the interest rate swaps, an assessment of hedge effectiveness is not performed.
(8) 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.
(9) 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.
(10) 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 Consolidated taxation system is applied

(Changes in accounting policies)

(Application of the accounting standard for retirement benefits)

We adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012) starting from the consolidated fiscal year under review. We reviewed the calculation methods of retirement benefit obligations and service costs and changed the method of attributing all contributions over all periods to periods of service based on a benefit formula instead of on a straight-line basis, as well as the method of determining a discount rate from the use of a discount rate based on the number of years similar to that of the average remaining service period of employees to the use of a single weighted average discount rate that reflects the estimated payment period of retirement benefits and the amount per that period.

We adopt these accounting standard and guidance in accordance with the transitional treatment specified in Article 37 of the Accounting Standard for Retirement Benefits. Amounts occurred due to such changes in calculation methods are recognized by adding to or deducting from retained earnings at the beginning of the fiscal year under review.

As a result, we recorded an increase of 3,600 million yen in net defined benefit liability, a decrease of 2,451 million yen in retained earnings and a decline of 12 million yen in minority interests at the beginning of the fiscal year under review. Operating income, ordinary income and income before income taxes for the fiscal year under review increased by 102 million yen, respectively.

Net assets per share declined 7.57 yen in the fiscal year under review, and its impact on the amount of earnings per share is minor.

(Accounting standard issued but not yet adopted)

・ Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013)
・ Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013)
・ Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013)
・ Accounting Standard for Earnings per Share (ASBJ Statement No. 2 issued on September 13, 2013)
・ Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on September 13, 2013)
・ Guidance on Accounting Standard for Earnings per Share (ASBJ Guidance No. 4 issued on September 13, 2013)

(1) Summary

In the context of additional acquisition of subsidiary shares, revisions have been made to the treatment of changes in the parent company's holdings of subsidiaries that remain under the auspices of the parent, treatment of acquisition-related expenses, presentation of net income and changes from minority interests to non-controlling interests as well as treatment of the finalization of the provisional accounting.

(2) Planned application date

We will adopt the revisions starting from the beginning of the fiscal year ending in March 2016.

The finalization of the provisional accounting will be applied to business combinations that will take place starting in the fiscal year ending in March 2016.

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

The amount of impact of the revisions to Accounting Standard for Business Combinations on the consolidated financial statements is currently under review.

(Consolidated balance sheet)

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

Millions of yen	Year ended March 31, 2014	Year ended March 31, 2015
Accumulated depreciation on property, plant and equipment	226,087	232,350

※2. Guarantee obligation

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

Millions of yen	Year ended March 31, 2014	Year ended March 31, 2015
Guarantees of lease obligations	504	266

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

Millions of yen	Year ended March 31, 2014	Year ended March 31, 2015
Trade notes receivable transferred by endorsement	3	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, 2014	Year ended March 31, 2015
Depreciation expenses	3,878	4,224
Allowance for doubtful accounts	14	△64
Reserve for bonuses to employees	2,545	2,218
Reserve for bonuses to directors	172	121
Retirement benefit expenses	1,333	1,423
Personnel cost	30,601	33,240
Advertisement expenses	18,882	20,852
Reserve for product warranties	78	48
R&D expenditures	7,440	8,169

※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, 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, 144 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 58 million yen for buildings and structures, 55 million yen for machinery, equipment and vehicles, and 23 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. Also, impairment losses were recorded for goodwill because profitability initially assumed was no longer expected in the business plan examined at the time of the acquisition of shares. The book values of these assets and goodwill were written down to recoverable values and the amount by which these assets and goodwill were written down, 2,515 million yen, was recorded as an impairment loss under extraordinary losses. The main impairment losses recorded included 285 million yen for buildings and structures, 328 million yen for land and 1,654 million yen for goodwill.

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, 2014

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	-	-	330,353,809
Total	350,353,809	-	-	330,353,809
Treasury stock				
Common stock*	6,353,889	9,445	134	6,363,200
Total	6,353,889	9,445	134	6,363,200

Notes (*)
1. The 9,445 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 134 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 27, 2013)	Common stock	971 million yen	3.00 yen	March 31, 2013	June 28, 2013
Board of Directors (Nov. 8, 2013)	Common stock	1,619 million yen	5.00 yen	Sep. 30, 2013	Dec. 4, 2013

(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 26, 2014)	Common stock	2,591 million yen	Earnings reserve	8.00 yen	March 31, 2014	June 27, 2014

The year ended March 31, 2015

1. Type and number of issued stocks and treasury stocks

Shares	Beginning of the period	Increase during this interim period	Decrease during this interim period	End of the period
Issued shares				
Common stock	330,353,809	-	-	330,353,809
Total	330,353,809	-	-	330,353,809
Treasury stock				
Common stock*	6,363,200	7,961	91	6,371,070
Total	6,363,200	7,961	91	6,371,070

Notes (*)
1. The 7,961 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 91 share decrease in treasury stock resulted from the sale of shares to shareholders originally acquired as shares less than one unit.

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 26, 2014)	Common stock	2,591 million yen	8.00 yen	March 31, 2014	June 27, 2014
Board of Directors (Nov. 10, 2014)	Common stock	2,591 million yen	8.00 yen	Sep. 30, 2014	Dec. 4, 2014

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

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 25, 2015)	Common stock	2,591 million yen	Earnings reserve	8.00 yen	March 31, 2015	June 26, 2015

(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, 2014	Year ended March 31, 2015
Cash	96,202	110,716
Time deposits with a deposit period greater than three months	△3,541	△5,440
Cash and cash equivalents	92,661	105,276

(Segment information)

a. Business segment

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

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

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

Each segment and its major products are as shown below.

Segment	Major products
Watches and clocks	Watches, Movements
Machine Tools	NC automatic lathes
Devices and Components	Auto parts, switches , Chip LEDs, micro LCDs, Quartz crystals
Electronic products	Printers, Health care equipment, Calculators
Other products	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, 2014

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	162,061	41,728	66,784	24,349	15,071	309,994	-	309,994
Inter-segment	3,560	374	5,335	1,250	770	11,291	(11,291)	-
Total	165,621	42,103	72,120	25,600	15,841	321,286	(11,291)	309,994
Operating expenses								
Operating income	17,215	3,805	4,481	1,457	△25	26,933	(3,227)	23,706
Assets	162,177	48,624	80,520	17,280	14,961	323,564	60,356	383,920

Notes:

1. Adjustments were made as described below.
   (1) The 3,227 million negative adjustment to segment income (operating income) includes 119 million yen in inter-segment eliminations and 3,107 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 60,356 million yen positive adjustment to segment assets includes 106,196 million yen in corporate assets that could not be allocated to a particular segment and 45,840 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, 2015

Millions of yen	Watches and clocks	Machine tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note:1)	Consolidated totals (Note:2)
Net sales								
Customers	172,280	51,702	67,536	24,717	12,218	328,456	-	328,456
Inter-segment	137	227	6,001	585	713	7,666	(7,666)	-
Total	172,417	51,930	73,538	25,303	12,932	336,122	(7,666)	328,456
Operating expenses								
Operating income	19,669	6,794	4,721	904	△464	31,625	(3,736)	27,889
Assets	180,277	53,153	86,832	17,531	12,018	349,813	7,1750	421,563

Notes:

1. Adjustments were made as described below.
   (1) The 3,736 million negative adjustment to segment income (operating income) includes 22 million yen in inter-segment eliminations and 3,714 million yen in corporate expenses that could not be allocated to a particular segment.
   (2) The 71,750 million yen positive adjustment to segment assets includes 120,698 million yen in corporate assets that could not be allocated to a particular segment and 48,947 million yen to eliminate inter-segment obligations.
2. Segment profits and losses are adjusted with operating income on the consolidated financial statements.

(Per Share Information)

	Year ended March 31, 2014	Year ended March 31, 2015
Net asset per share	660.83 yen	736.17 yen
Basic net income per share	53.81 yen	54.24 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, 2014	Year ended March 31, 2015
Net income or loss (△) (millions of yen)	17,434	17,572
Amount not attributed to common stock (millions of yen)	-	-
Net income or loss (△) on common stock (millions of yen)	17,434	17,572
Average number of common stocks (thousand shares)	323,995	323,987
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, 2014	Year ended March 31, 2015
Net assets (millions of yen)	217,412	247,972
Amount deducted from total net assets (millions of yen)	3,309	9,466
(Minority interest)	(3,309)	(9,466)
Net assets on common stock (millions of yen)	214,102	238,505
Number of common stocks at end of term (thousand shares)	323,990	323,982

(Subsequent Events)

Acquisition of treasury stock

Citizen Holdings Co., Ltd. resolved to acquire treasury stock under Article 156 of the Companies Act applied by the reading of terms pursuant to Article 165, Paragraph 3 of the Companies Act. at a meeting of its Board of Directors held on May 15, 2015. Details are as follows:

1. Reason for the acquisition of treasury stock
   To enable the Company to implement a flexible capital policy in response to changes in the business environment and to improve capital efficiency

2. Details of the acquisition
   (1) Type of stock to be acquired : Common shares in the Company
   (2) Number of shares that can be acquired : 6.5 million (maximum)
   (2.01% of the number of shares outstanding[excluding treasury stock])
   (3) Total acquisition cost : 5 billion yen (maximum)
   (4) Acquisition period : From May 18, 2015 to August 31, 2015
   (5) Acquisition method : Purchase in the market

(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.

6. Others

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

i. Change to the Representative Director

Not applicable

ii. Change to the Board of Directors of the Company

・ Candidates for newly appointed Board of Directors

Board of Director Toshihiko Sato (currently Representative Director of CITIZEN FINEDEVICE CO., LTD.)

Outside Board of Director Masaaki Komatsu (currently Outside Director of Ryosan Co., Ltd.)

・ Board of Directors scheduled for retirement

Board of Director Takao Nakajima

Outside Board of Director Teruaki Aoki

iii. Scheduled Appointment Date

June 25, 2015

(2) Others

Not applicable