



CITIZEN WATCH

Consolidated Financial Statements for the Six Months Ended September 30, 2016

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

November 11, 2016

CITIZEN WATCH CO., LTD.

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Listings: First section of Tokyo Stock Exchange

(URL <http://www.citizen.co.jp>)

1. Results for the Six Months Ended September 30, 2016 (April 1, 2016 to September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Six months ended September 30, 2016	154,832	(11.2)	10,729	(28.4)	8,309	(47.1)	5,272	(48.4)
Six months ended September 30, 2015	174,278	11.7	14,988	20.9	15,699	13.2	10,226	3.7

Note: Comprehensive Income: As of September 30, 2016: - ¥ 7,117 million (-) As of September 30, 2015: ¥ 5,457 million (-68.6%)

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
Six months ended September 30, 2016	16.56	-
Six months ended September 30, 2015	31.89	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Six months ended September 30, 2016	376,536	227,312	57.9	685.13
March 31, 2016	406,462	237,469	56.0	715.38

Reference: Shareholders' Equity: As of September 30, 2016: ¥ 218,072 million As of March 31, 2016: ¥ 227,700 million

2. Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Full year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2016	-	8.50	-	8.50	17.00
March 31, 2017	-	8.50	-	-	-
March 31, 2017 (Estimate)	-	-	-	8.50	17.00

Note: Revision of dividend forecast for quarter in review: None

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Full Year	319,000	(8.4)	21,500	(29.4)	19,500	(36.3)	12,500	(5.3)	39.27

Note: Revision of consolidated forecasts for quarter in review: None

C I T I Z E N W A T C H

4. Others

- (1) Change in significant subsidiaries during this period: None
- (2) Adoption of simplified accounting method and special accounting methods: None
- (3) Changes of accounting policies applied, procedures and disclosures
 - (i) Changes associated with revised accounting standards: None
 - (ii) Changes other than those in (i)above: Yes
 - (iii) Changes in accounting estimate:Yes
 - (iv) Restatements: None

Note: For details, please refer to Attached Documents “2. Other Information (3) Changes in accounting policies, changes in accounting estimates, and restatements” on page 5.

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

		shares		shares
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	September 30, 2016	330,353,809	March 31, 2016	330,353,809
(ii) Number of treasury stock at the end of term	September 30, 2016	12,062,308	March 31, 2016	12,060,890
(iii) Average number of common stocks	September 30, 2016	318,292,337	September 30, 2015	320,654,477

** Information regarding the implementation of quarterly review procedures*

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law, have not been completed.

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

Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors. Please refer to the attached “Qualitative data on the consolidated earnings forecasts” on page 4 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. Qualitative Information on the Consolidated Financial Results for the Six Months Ended September 30, 2016

(1) Qualitative data on the consolidated financial results

During the six months ended September 30, 2016, the Japanese economy saw sluggish personal consumption due to the stronger yen, lower stock prices, and a decline in demand from inbound tourists since the beginning of the year. The U.S. economy has shown a moderate uptrend with uncertainty over the presidential election in November and the possibility of an interest hike by the FRB, creating an uncertain outlook. In Europe, personal consumption was stable, particularly in Germany, while the Brexit issue heightened uncertainty about the future outlook. In Asia, the Chinese economy and economies in the ASEAN region remained sluggish. Economic conditions in the region remain challenging.

In this environment, the Citizen Group posted decreases in sales and profits in the six months ended September 30, 2016. Net sales stood at 154.8 billion yen (down 11.2% year on year), and operating income was 10.7 billion yen (down 28.4% year on year). Ordinary income came to 8.3 billion yen (down 47.1% year on year), reflecting foreign exchange losses due to the rapid appreciation of the yen. Profit attributable to owners of parent was 5.2 billion yen (down 48.4% year on year).

Watches

The share of CITIZEN brand GPS satellite wave watches in the domestic market expanded, aided by the expansion of the assortment and the effects of promotion plans, advertisements and publicity. However, demand for watches is sluggish, mainly due to a decline in demand from inbound tourists, and overall revenues in the domestic market declined.

Revenues from overall overseas markets declined. The strong yen had a significant adverse effect on sales. In the North American market, consumption activities were stagnant partly due to the impact of the U.S. presidential election, the outlook for which is uncertain, and restrained buying due to growing inventory adjustment in many distribution channels, resulting in sluggish sales. In the European market, sales expanded mainly in Germany/Italy owing to higher demand for high-unit-price products such as GPS satellite wave watches, while there was concern about the impact of Brexit. In the Asian market, in addition to signs of sales holding steady in China, demand held firm in South Korea and Thailand, among other countries, which saw an increase in tourists. On the other hand, sales in Hong Kong were sluggish on a substantial drop in consumption by Chinese tourists.

Revenues from the BULOVA brand fell on a decrease in sales attributable to the stronger yen, despite sales growth arising from the development of new distribution channels as well as good results with the reproduction of a new product, Moon Watch, and CURV, which is equipped with the world's first curve-chrono movement. However, inventory adjustment continued through the distribution channels in North America, our main market.

Revenues from the Q&Q brand declined due to sluggish sales in each region affected by currency depreciation and slowing economies, despite sales expansion in Eastern Europe and some regions in the Middle East.

The FREDERIQUE CONSTANT brand contributed to the Company's sales expansion mainly in Europe after the completion of its acquisition in July 2016.

Sales of movements continued to face a challenging situation due to the appreciation of the yen, sluggish demand for some customer brand-name watches and a fall in unit prices caused by a change in the product mix, and revenues declined.

Operating income dropped significantly due to a decrease in sales and the stronger yen.

As a result of these developments, the watches segment posted a decrease in both sales and profits, with net sales of 77.6 billion yen (down 12.7% year-on-year) and operating income of 6.5 billion yen (down 35.3% year-on-year).

Machine Tools

Revenues from the domestic market decreased due to restraints on capital expenditures by certain customers because of their concern about the prospects of the global economy despite relatively high levels of orders backed by the effect of manufacturing subsidies.

In the Americas, sales in medical services were strong, but orders slowed in other industries. Overall, revenues in the market declined.

Revenues from the European market decreased despite strong sales in Germany, one of the key markets. Uncertainty over the future outlook arising from Brexit caused a more negative mood across Europe's manufacturing industry.

The Asian market appeared to have bottomed out, although it fell short of sustained recovery. Revenues from the market increased significantly, reflecting the significant contribution of sales, particularly of products related to PC components in East Asia.

Operating income rose as sales held largely steady from the previous year and with a rise in factory utilization resulting primarily from a significant increase in unit sales in Asia.

As a result, the machine tool segment posted decline in sales and growth in profits, with net sales of 25.0 billion yen (down 1.2% year on year) and operating income of 3.4 billion yen (up 1.9% year on year).

Devices and Components

New orders for automobile components, among other precision machining components, increased steadily both in Japan and abroad, despite sluggish unit sales of new vehicles in Japan and the U.S. Sales of smartphone switches expanded mainly among Chinese customers with the secured technology advantage. Sales of application products, which the Group launched last year, declined with the slowdown in demand. Overall revenues from precision machining components decreased.

In terms of opto-devices, sales of LED chips continued to expand steadily in the Japanese, European and Asian markets while the market continued to expand, owing to the increased awareness globally of the need for energy saving, despite intensifying competition in prices and performance in the LED lighting chips market. Of LED chips other than those for lighting, sales of automotive LED chips and LED chips for game machines were steady. In terms of unit products, sales of new backlight products for vehicles launched in the last year increased, but sales of products for smartphones declined. Overall revenues from opto-devices declined due to the stronger yen.

Among other parts, sales of quartz crystals and ferroelectric micro LCDs, main products, remained weak. However, overall revenues for other parts were on a par with the year-ago level.

Despite strong sales of key products, operating income in this segment declined due to a decrease in sales and the stronger yen.

As a result of these developments, the devices and components segment recorded a decrease in both sales and profits, with net sales of 36.2 billion yen (down 14.0% year-on-year) and an operating income of 2.1 billion yen (down 39.2% year-on-year).

Electronic Products

In the information equipment sector, sales of large printers were strong, reflecting an increase in demand associated with changes to the tax system in China, but sales of POS printers and label printers declined in markets other than Asia. As a result, overall revenues for information equipment declined.

Overall revenues from healthcare equipment declined, reflecting sluggish overseas sales in the Asian and Middle Eastern markets, despite strong sales of blood-pressure monitors and thermometers in the domestic market.

Despite a decrease in sales, operating income increased thanks to cost cutting and efforts to improve profitability.

As a result of these developments, the electronic products segment on the whole recorded a decrease in sales but an increase in profits, with net sales of 11.2 billion yen (down 7.1% year-on-year) and operating income of 0.2 billion yen (up 148.4% year-on-year).

Other Products

Consumers' motivation to buy jewelry products, key products, remained weak. The Group plans to withdraw from the pachinko-related products business and reduced sales in this area. As a result, overall revenues in this segment declined.

Thanks to the downsizing of the pachinko-related products business, which continued to be in the red, operating income in the other products segment moved into the black.

As a result of these developments, the other product segment recorded a decrease in sales and an increase in profits, with net sales of 4.5 billion yen (down 19.6% year-on-year) and operating income of 0.1 billion yen (compared with an operating loss of 0.2 billion yen in the same period of the previous fiscal year).

(2) Qualitative data on the consolidated financial position

As of the end of the second quarter under review, total assets decreased by 29.9 billion yen from the end of the previous fiscal year, to 376.5 billion yen. Current assets declined by 40.5 billion yen mainly because of a 28.8 billion yen decline in cash and deposits and a 6.2 billion yen decrease in notes and accounts receivable – trade. Non-current assets increased by 10.6 billion yen, primarily reflecting increases of 6.2 billion yen in goodwill, 1.4 billion yen in construction in progress and 0.9 billion yen in tools, furniture and fixtures.

Liabilities declined by 19.7 billion yen from the end of the previous fiscal year, to 149.2 billion yen. This decrease in liabilities mainly reflected declines of 13.0 billion yen in short-term loans payable, 2.7 billion yen in provision for loss on business restructuring (short-term), and 1.4 billion yen in income taxes payable.

Net assets decreased by 10.1 billion yen, to 227.3 billion yen, mainly due to decreases of 12.5 billion yen in foreign currency translation adjustment while retained earnings increased 2.5 billion yen.

(3) Qualitative data on the consolidated earnings forecasts

No changes have been made to the full-year forecasts for the consolidated financial results announced on August 12, 2016 in the Consolidated Financial Statements for the Three Months Ended June 30, 2016.

2. Other Information**(1) Important changes of subsidiaries during the term**

Not applicable.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

Change in accounting policy that is difficult to distinguish from change in accounting estimates
(Change in depreciation method for property, plant and equipment)

In the depreciation of property, plant and equipment, the Company and its domestic consolidated subsidiaries employed primarily the declining-balance method, and its overseas consolidated subsidiaries employed the straight-line method. Starting the first quarter of the consolidated fiscal year under review, the Company and its domestic consolidated subsidiaries are also employing the straight-line method.

In February 2013, the Company formulated Citizen Global Plan 2018, a medium-term management plan, the final year of which is the fiscal year ending March 31, 2019, and has carried out structural reform to reorganize its plants. We now expect stable operations of facilities for the long term and have determined that the straight-line method will enable us to reflect our actual condition more properly in the depreciation of property, plant and equipment.

Because of this change, operating income in the six months under review has increased 1,112 million yen, and ordinary income and income before income taxes have increased 1,122 million yen.

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting the first quarter of the consolidated fiscal year under review, we are applying the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	99,371	70,552
Notes and accounts receivable - trade	63,061	56,772
Electronically recorded monetary claims - operating	855	759
Merchandise and finished goods	53,328	52,938
Work in process	18,736	17,881
Raw materials and supplies	17,099	17,408
Consumption taxes receivable	2,755	2,114
Deferred tax assets	8,609	6,131
Other	8,034	6,497
Allowance for doubtful accounts	(1,301)	(1,045)
Total current assets	270,551	230,012
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,113	34,529
Machinery, equipment and vehicles, net	21,023	21,978
Tools, furniture and fixtures, net	5,657	5,981
Land	10,904	10,908
Leased assets, net	1,175	1,265
Construction in progress	5,570	7,036
Total property, plant and equipment	78,443	81,698
Intangible assets		
Goodwill	2,097	8,301
Software	2,462	2,749
Leased assets	14	11
Other	1,953	1,460
Total intangible assets	6,529	12,523
Investments and other assets		
Investment securities	40,366	41,028
Long-term loans receivable	1,130	1,080
Deferred tax assets	5,886	6,722
Other	5,594	3,800
Allowance for doubtful accounts	(1,901)	(192)
Allowance for investment loss	(138)	(138)
Total investments and other assets	50,938	52,302
Total non-current assets	135,911	146,524
Total assets	406,462	376,536

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable – trade	19,589	21,904
Electronically recorded obligations - operating	13,564	14,403
Notes payable - facilities	376	433
Electronically recorded obligations - non-operating	885	1,426
Short-term loans payable	17,444	4,379
Income taxes payable	3,679	2,244
Deferred tax liabilities	120	4
Accrued expenses	14,655	13,269
Provision for bonuses	6,335	6,013
Provision for directors' bonuses	162	-
Provision for product warranties	1,011	966
Provision for environmental measures	11	-
Provision for loss on business restructuring	4,369	1,647
Other	9,697	5,099
Total current liabilities	91,901	71,793
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	30,000	30,365
Deferred tax liabilities	2,067	1,509
Provision for loss on guarantees	28	28
Provision for environmental measures	65	65
Provision for loss on business restructuring	1,663	1,653
Net defined benefit liability	21,139	21,301
Asset retirement obligations	97	95
Other	2,031	2,412
Total non-current liabilities	77,091	77,430
Total liabilities	168,993	149,224
Net assets		
Shareholders' equity		
Capital stock	32,648	32,648
Capital surplus	33,969	34,074
Retained earnings	159,684	162,251
Treasury shares	(10,400)	(10,401)
Total shareholders' equity	215,903	218,573
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,413	7,490
Foreign currency translation adjustment	5,756	(6,788)
Remeasurements of defined benefit plans	(1,372)	(1,204)
Total accumulated other comprehensive income	11,797	(501)
Non-controlling interests	9,768	9,240
Total net assets	237,469	227,312
Total liabilities and net assets	406,462	376,536

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

Consolidated Statement of Income (Six months ended September 30, 2016)

(Unit: Millions of yen)

	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)
Net sales	174,278	154,832
Cost of sales	108,363	95,932
Gross profit	65,914	58,899
Selling, general and administrative expenses	50,925	48,170
Operating income	14,988	10,729
Non-operating income		
Interest income	171	141
Dividend income	450	441
Share of profit of entities accounted for using equity method	339	184
Other	596	308
Total non-operating income	1,557	1,076
Non-operating expenses		
Interest expenses	232	222
Foreign exchange losses	370	2,838
Other	244	435
Total non-operating expenses	846	3,496
Ordinary income	15,699	8,309
Extraordinary income		
Gain on sales of investment securities	188	809
Gain on sales of non-current assets	284	53
Other	31	168
Total extraordinary income	504	1,032
Extraordinary losses		
Loss on retirement of non-current assets	135	54
Loss on sales of non-current assets	4	40
Impairment loss	2	15
Loss on business restructuring and liquidation	-	1,229
Other	66	70
Total extraordinary losses	208	1,410
Income before income taxes	15,995	7,930
Income taxes	5,426	2,522
Net income	10,569	5,408
Profit attributable to non-controlling interests	342	136
Profit attributable to owners of parent	10,226	5,272

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Consolidated Statement of Comprehensive Income (Six months ended September 30, 2016)

(Unit: Millions of yen)

	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)
Net income	10,569	5,408
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,503)	77
Foreign currency translation adjustment	(2,374)	(12,527)
Remeasurement of defined benefit plans	(2)	171
Share of other comprehensive income of entities accounted for using equity method	(231)	(247)
Total other comprehensive income	(5,111)	(12,526)
Comprehensive income	5,457	(7,117)
(Breakdown)		
Comprehensive income attributable to owners of parent	5,124	(7,418)
Comprehensive income attributable to non-controlling interests	333	300

(3) Consolidated Statement of Cash Flow

(Unit: Millions of yen)

	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes	15,995	7,930
Depreciation	7,232	5,856
Amortization of goodwill	569	711
Increase/decrease in provision	(1,049)	(5,247)
Increase/decrease in net defined benefit liability	316	474
Interest and dividends income	(621)	(582)
Interest expenses	232	222
Loss/gain on sales of investment securities	(188)	(809)
Loss/gain on sales of non-current assets	(279)	(12)
Loss on disposal of non-current assets	135	52
Increase/decrease in notes and accounts receivables - trade	(3,933)	3,768
Increase/decrease in inventories	(6,138)	(1,340)
Increase/decrease in notes and accounts payables - trade	4,253	3,284
Other	2,036	2,251
Sub total	18,560	16,559
Interest and dividends received	617	580
Interest payments	(224)	(233)
Income taxes	(7,846)	(2,079)
Net cash provided by operating activities	11,107	14,827
Cash flows from investing activities		
Payments for the purchase of investment securities	(5,017)	(1,501)
Proceeds from the sale of investment securities	479	1,360
Payments for the purchase of property, plant and equipment	(9,657)	(11,802)
Proceeds from the sale of property, plant and equipment	1,121	764
Payments for the purchases of Intangible assets	(562)	(648)
Payments for loans receivable	(6)	(7)
Collection of loans receivable	51	52
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(12,198)
Other	(240)	2,252
Net cash used in investing activities	(13,832)	(21,728)
Cash flows from financing activities		
Net increase/decrease in short-term loan payable	800	(13,432)
Repayments of long-term loans payable	-	(7)
Dividends paid	(2,591)	(2,705)
Dividends paid to non-controlling interests	(210)	(324)
Purchase of treasury shares	(5,003)	(0)
Other	86	(44)
Net cash used in financing activities	(6,918)	(16,514)
Effect of exchange rate changes on cash and cash equivalents	(853)	(4,331)
Increase/decrease in cash and cash equivalents	(10,497)	(27,747)
Cash and cash equivalents at the beginning of the term	105,276	95,042
Increase/decrease in cash and cash equivalents Resulting from a change in the scope of consolidation	20	-
Cash and cash equivalents at the end of the term	94,799	67,295

(4) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumptions)

Not applicable

(Notes regarding significant changes in shareholders' equity accounts)

Not applicable

(Segment Information)

(i) Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)

1. Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Watches	Machine Tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note 1)	Consolidated totals (Note 2)
Net sales								
Customers	88,964	25,390	42,181	12,083	5,658	174,278	-	174,278
Inter-segment	73	323	1,391	183	344	2,315	(2,315)	-
Total	89,038	25,713	43,573	12,266	6,002	176,593	(2,315)	174,278
Segment profit or loss	10,090	3,396	3,576	108	(209)	16,963	(1,974)	14,988

(Notes)

1. The 1,974 million yen negative adjustment to segment income (operating income) includes 64 million yen in inter-segment eliminations and 2,039 million yen in corporate expenses that could not be allocated to a particular segment.
2. Segment profits and losses are adjusted with operating income on the consolidated financial statements.

(ii) Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

1. Net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Watches	Machine Tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate (Note 1)	Consolidated totals (Note 2)
Net sales								
Customers	77,693	25,087	36,272	11,229	4,549	154,832	-	154,832
Inter-segment	86	448	1,174	62	385	2,155	(2,155)	-
Total	77,779	25,535	37,446	11,291	4,934	156,988	(2,155)	154,832
Segment profit	6,529	3,460	2,175	268	144	12,579	(1,849)	10,729

(Notes)

1. The 1,849 million yen negative adjustment to segment income (operating income) includes 39 million yen in inter-segment eliminations and 1,889 million yen in corporate expenses that could not be allocated to a particular segment.
2. Segment profits are adjusted with operating income on the consolidated financial statements.
3. Change related to segment information

(Change in depreciation method for property, plant and equipment)

As described in Changes in accounting policies, the Company and its domestic consolidated subsidiaries principally employed the declining-balance method, while its overseas consolidated subsidiaries mainly used the straight-line method in the depreciation of property, plant and equipment. Starting the first quarter of the consolidated fiscal year under review, the Company and its domestic consolidated subsidiaries are also employing the straight-line method.

Because of this change, segment income in the six months ended September 30, 2016 rose 519 million yen in the watches segment, 403 million yen in the devices and components segment, 34 million yen in the electronic products segment, and 10 million yen in the other products segment.

2. Impairment loss for non-current assets or goodwill, etc. by reporting segment
 (Significant changes in the amount of goodwill)

In the watches segment, the shares of Frederique Constant Holding SA were acquired to make it a subsidiary. The amount of goodwill increased 7,306 million yen due to the acquisition for the six months ended September 30, 2016. The amount of goodwill is provisionally calculated because allocation of the acquisition cost was not completed as of the end of the second quarter under review.

(Significant Subsequent Events)

Cancellation of Shares of Treasury Stock

The Company made a resolution for the cancellation of Shares of treasury stock held as set forth below according to the provisions of Article 178 of the Companies Act at the meeting of the Board of Directors held on November 11, 2016.

- | | |
|-------------------------------------|---|
| 1. Type of shares to be cancelled | Common shares of the Company |
| 2. Number of shares to be cancelled | 10,000,000 shares
(Percentage of the total number of issued shares before the cancellation: 3.03%) |
| 3. Scheduled date of cancellation | November 30, 2016 |
| 4. Other | The total number of issued shares after the cancellation will be 320,353,809 shares |