

ANNUAL REPORT 2015

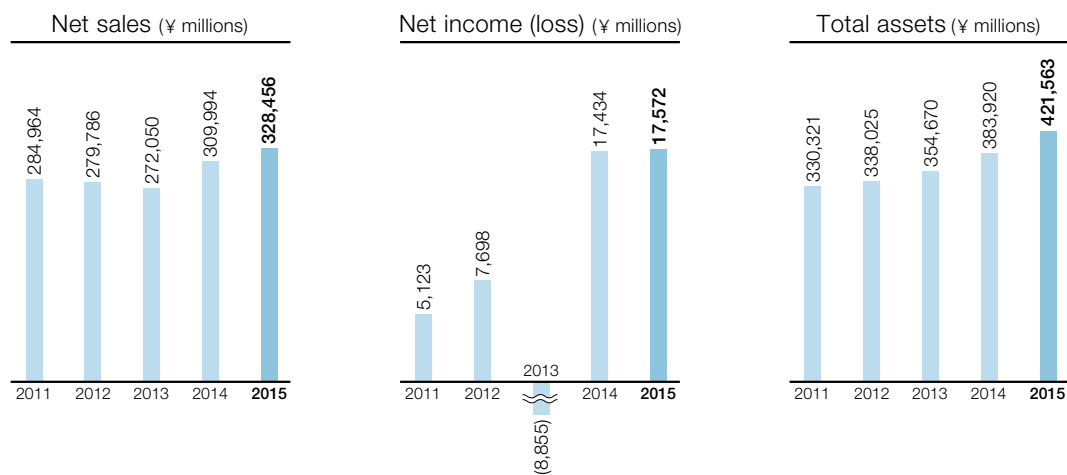
(Financial Section)
For the Year Ended March 31, 2015

Consolidated Financial Highlights

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)
	2015	2014	2015
For the year			
Net sales -----	¥ 328,456	¥ 309,994	\$ 2,737,134
Operating Income -----	27,889	23,706	232,411
Net income -----	17,572	17,434	146,434
At year-end			
Total assets -----	¥ 421,563	¥ 383,920	\$ 3,513,028
Total net assets -----	247,972	217,412	2,066,434
Per-share			
Net income -----	¥ 54.24	¥ 53.81	\$ 0.45
Cash dividends applicable to the year -----	16.00	13.00	0.13

Note: Yen amounts have been translated, for convenience only, at the rate of ¥120 to US\$1, the approximate exchange rate on March 31, 2015.



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Five-Year Summary

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2015	2014	2013	2012	2011	2015
For the year:						
Net sales -----	¥ 328,456	¥ 309,994	¥ 272,050	¥ 279,786	¥ 284,964	\$ 2,737,134
Watches and Clocks-----	172,280	162,061	139,508	139,369	137,396	1,435,667
Machine tools-----	51,702	41,728	35,533	41,981	37,768	430,856
Devices and Components-----	67,536	66,784	59,852	61,412	72,585	562,807
Electronic Products-----	24,717	24,349	21,504	22,594	22,033	205,983
Other Products-----	12,218	15,071	15,651	14,427	15,182	101,821
Operating Income -----	27,889	23,706	11,549	16,528	16,702	232,411
Income (loss) before income taxes and minority interests -----	31,890	25,881	(9,420)	16,502	10,266	265,753
Income taxes						
Current-----	11,000	4,044	3,636	3,891	3,725	91,671
Deferred-----	3,055	4,166	(4,191)	4,828	1,247	25,463
Net income (loss) -----	17,572	17,434	(8,855)	7,698	5,123	146,434
Per Share data (yen and U.S. dollars):						
Net income (loss)						
Basic-----	¥ 54.24	¥ 53.81	¥ (27.33)	¥ 23.76	¥ 15.90	\$ 0.45
Diluted-----	—	—	—	—	—	—
Cash dividends -----	16.00	13.00	8.00	8.00	7.00	0.13
Depreciation -----	14,386	14,282	15,406	14,249	14,440	119,890
Capital expenditures -----	18,913	14,003	25,914	17,265	13,957	157,608
R&D expenditures -----	8,169	7,440	7,595	8,012	8,273	68,079
At Year-End:						
Total assets -----	¥ 421,563	¥ 383,920	¥ 354,670	¥ 338,025	¥ 330,321	\$ 3,513,028
Total net assets -----	247,972	217,412	192,409	188,853	184,133	2,066,434
Number of share issued (thousands) -----	330,353	330,353	330,353	350,354	350,354	—

Note: Yen amounts have been translated, for convenience only, at the rate of ¥120 to US\$1, the approximate exchange rate on March 31, 2015.

Management's Discussion and Analysis

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015

I. OVERVIEW OF FINANCIAL RESULTS

During the consolidated fiscal year under review, the Japanese economy as a whole continued to recover from downturn against the temporary rush of demand before the consumption tax hike, however; the economic growth deemed to be sluggish.

Meanwhile, the increase of foreign tourists raised the domestic consumption. With respect to the demand of capital investments supported by governmental economic strategies, it has been steadily progressing in renewing and repairing deteriorated facilities and equipments. The U.S. economy continued to see its positive trend, supported by recovery of personal consumption and strong capital investment demand, despite some negative factors such as trend of interest rate hikes. On the contrary, the European economy remained uncertain although the recovery trend of consumption has been shown. The Asian economy continued to face some negative factors such as worries over long-term economic downturn of China and the recent deterioration in the market sentiment in ASEAN region due to political uncertainty and currency instability.

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 structural reform under the "Citizen Global Plan 2018", a medium-term management plan formulated in February 2013.

The Citizen Group's consolidated results included net sales of ¥328.4 billion (up 6.0% year-on-year), and operating income of ¥27.8 billion (up 17.6% year-on-year), achieving strong growth both in sales and profits due to the effect of restructuring and impact of weakening yen. In addition, foreign currency exchange gain and gain on sales of property, plant and equipment were recorded as other income, and reorganization costs and provision of allowance for long-term receivables were recorded as other expenses. As a result, net income reached ¥17.5 billion for the fiscal year (up 0.8% year-on-year).

II. FINANCIAL POSITION

As of the end of the consolidated fiscal year under review, total assets increased by ¥37.6 billion compared to prior year to ¥421.5 billion. Current assets increased by ¥31.6 billion mainly because inventories increased by ¥16.5 billion and cash and time deposits increased by ¥14.5 billion. Non-current assets increased by ¥5.9 billion with a ¥4.1 billion increase in investment securities, a ¥3.5 billion increase in property, plant and equipment, and a ¥2.9 billion decrease in goodwill.

Total liabilities increased by ¥7.0 billion year-on-year to ¥173.5 billion, with a ¥8.8 billion decrease in short-term loans payable, a ¥5.4 billion increase in income taxes payable, a ¥4.2 billion increase in liability for retirement benefits, a ¥3.0 billion increase in accrued expenses, and a ¥2.2 billion increase in deferred tax liabilities.

Net assets increased by ¥30.5 billion to ¥247.9 billion with a ¥11.3 billion increase in foreign currency translation adjustments, a ¥9.5 billion increase in retained earnings, and a ¥6.1 billion increase in minority interests.

III. CASH FLOWS

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter "funds") increased by ¥12.6 billion compared to prior year to ¥105.2 billion at the end of the consolidated fiscal year.

Cash flows from operating activities

Funds provided by operating activities decreased by ¥3.6 billion to ¥29.0 billion. Major factors contributing to this result included a ¥11.2 billion increase in inventories, ¥5.6 billion in income taxes paid, ¥31.8 billion in income before income taxes and minority interests, ¥14.3 billion in

depreciation and amortization, and a ¥6.7 billion decrease in receivables, trade.

Cash flows from investing activities

Funds used in investing activities decreased by ¥1.7 billion to ¥9.2 billion. Major factors contributing to this result included ¥10.6 billion in proceeds from sales of property, plant and equipment and ¥16.5 billion in payments for purchases of property, plant and equipment.

Cash flows from financing activities

Funds used in financing activities increased by ¥9.9 billion to ¥9.7 billion. Major factors contributing to this result included ¥4.9 billion in proceeds from stock issuance to minority interests, ¥10.2 billion in repayments of long-term debt, and ¥5.2 billion in dividends paid.

IV. RISKS

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

(i) Risks regarding our businesses

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

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

● Watches and Clocks

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

● Machine tools

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

● Devices and Components

The devices and components business is characterized by rapid technological innovation and fierce competition among companies, so sales price declines or development delays, for example, can greatly impact business results. Results for opto-devices are greatly affected by developments among customers like mobile phone and lighting manufacturers. Results for Quartz crystals devices are also potentially highly dependent on what happens among mobile phone manufacturers, who are key customers. And patent licensing agreements are essential for manufacture of some products, which could be seriously affected should a cooperative relationship underlying a patent agreement break down and access to the patent be lost.

● Electronic Products

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

(ii) Overseas Sales

As it is mentioned under segment 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 and currency options 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 some problems, the implementation of new regulations that may affect production, and a sharp appreciation in the Chinese yuan, may affect our operating results.

(v) Impairment Loss

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

(vi) Patent and intangible property

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

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

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

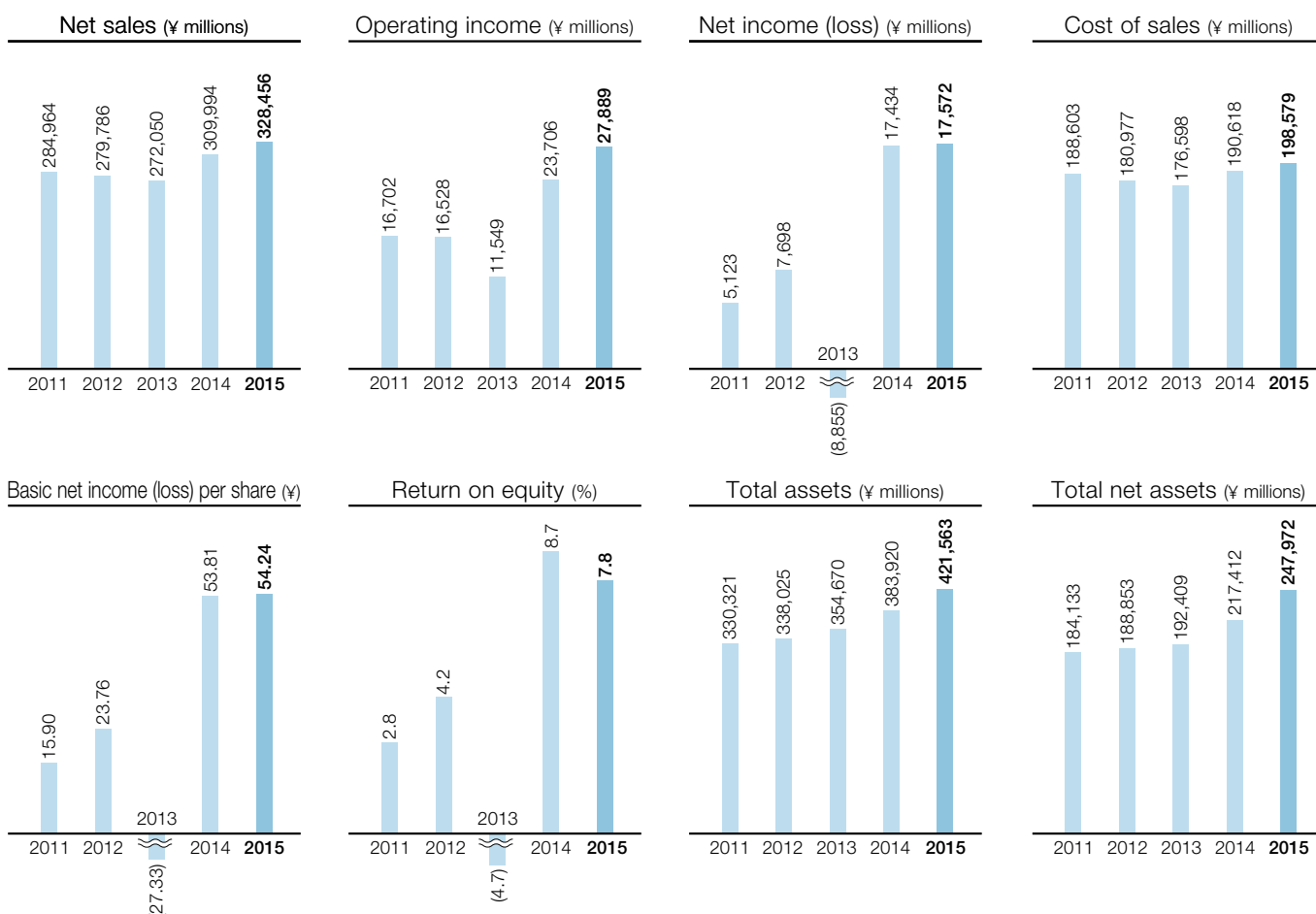
The Citizen Group strives to enhance its business foundation through M&As and business alliances. In executing these activities, we conduct thorough research and examinations on targeted companies. Nevertheless, there may be risks which we may later find out such as unrealized liabilities and obstacles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

(ix) Risk related to borrowings

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

(x) Other risks

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



Consolidated Balance Sheets

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits (Note 2 and 13)-----	¥ 110,716	¥ 96,202	\$ 922,637
Notes and accounts receivable, trade: (Note 13)-----	65,734	66,811	547,790
Inventories (Note 4)-----	90,126	73,591	751,054
Deferred tax assets (Note 5)-----	9,944	9,490	82,872
Other current assets (Note 13)-----	9,351	8,591	77,920
Less: Allowance for doubtful accounts-----	(1,428)	(1,912)	(11,908)
Total current assets-----	284,443	252,775	2,370,365
Property, plant and equipment, at cost (Note 11):			
Buildings and structures-----	111,445	109,145	928,712
Machinery and equipment-----	134,974	131,141	1,124,790
Tools, furniture and fixtures-----	43,774	42,199	364,786
Leased assets (Note 10)-----	1,826	1,245	15,217
	292,020	283,731	2,433,505
Less: accumulated depreciation-----	(232,350)	(226,087)	(1,936,252)
	59,670	57,644	497,253
Land-----	11,607	12,103	96,726
Construction in progress-----	3,988	1,989	33,240
Property, plant and equipment, net-----	75,266	71,736	627,219
Investments and other assets:			
Investment securities (Note 3 and 13)-----	40,724	36,526	339,367
Long-term loans (Note 13)-----	1,152	1,049	9,603
Goodwill-----	3,198	6,131	26,652
Software-----	2,209	2,217	18,413
Other intangible assets-----	5,589	5,599	46,586
Deferred tax assets (Note 5)-----	5,174	4,665	43,119
Others (Note 13)-----	5,580	3,645	46,503
Less: Allowance for long-term receivables (Note 13)-----	(1,637)	(288)	(13,649)
Less: Allowance for loss on investments (Note 3)-----	(138)	(138)	(1,150)
Total investments and other assets-----	61,853	59,409	515,444
Total assets (Note 15)-----	¥ 421,563	¥ 383,920	\$ 3,513,028

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Short-term loans payable and current portion of long-term debt (Note 6 and 13)----	¥ 4,164	¥ 13,015	\$ 34,701
Notes and accounts payable, trade (Note 13)-----	20,371	20,243	169,761
Current portion of unsecured bonds (Note 13)-----	—	50	—
Income taxes payable (Note 5)-----	7,176	1,687	59,804
Deferred tax liabilities (Note 5)-----	1	39	15
Accrued expenses-----	16,210	13,124	135,089
Accrued bonuses to employees-----	6,419	5,861	53,494
Provision for reorganization costs (Note 14)-----	2,915	1,916	24,297
Other current liabilities-----	25,176	23,940	209,804
Total current liabilities-----	82,435	79,881	686,965
Long-term liabilities:			
Long-term debt (Note 6 and 13)-----	45,000	45,283	375,000
Unsecured bonds (Note 6 and 13)-----	20,000	20,000	166,667
Deferred tax liabilities (Note 5)-----	3,467	1,209	28,895
Liability for retirement benefits (Note 7)-----	18,800	14,598	156,673
Provision for reorganization costs (Note 14)-----	2,013	3,885	16,782
Other long-term liabilities-----	1,873	1,650	15,612
Total long-term liabilities-----	91,155	86,626	759,629
Total liabilities-----	173,591	166,508	1,446,594
Net assets:			
Common stock			
Authorized — 959,752,000 shares in 2015 and 2014			
Issued — 330,353,809 shares in 2015 and 2014-----	32,648	32,648	272,074
Capital surplus-----	33,890	33,890	282,420
Retained earnings-----	151,689	142,159	1,264,075
Less: treasury stock, at cost			
(6,371,070 shares and 6,363,200 shares in 2015 and 2014)-----	(5,394)	(5,387)	(44,952)
Total shareholders' equity-----	212,834	203,311	1,773,617
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities-----	11,190	7,880	93,257
Foreign currency translation adjustments-----	14,843	3,523	123,696
Remeasurements of retirement benefit-----	(362)	(612)	(3,024)
Total accumulated other comprehensive income-----	25,671	10,791	213,929
Minority interests-----	9,466	3,309	78,888
Total net assets-----	247,972	217,412	2,066,434
Total liabilities and net assets-----	¥ 421,563	¥ 383,920	\$ 3,513,028

Consolidated Statements of Income

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1) (except per share amounts)
	2015	2014	2015
Net sales (Note 15) -----	¥ 328,456	¥ 309,994	\$ 2,737,134
Cost of sales -----	198,579	190,618	1,654,830
Gross profit-----	129,876	119,376	1,082,304
Selling, general and administrative expenses (Note 7 and 9) -----	101,987	95,669	849,893
Operating income (Note 15)-----	27,889	23,706	232,411
Other income (expenses):			
Interest income-----	392	355	3,267
Dividends income-----	1,112	1,203	9,270
Interest expense-----	(670)	(1,115)	(5,584)
Loss on disposal of property, plant and equipment-----	(309)	(375)	(2,576)
Gain on sales of property, plant and equipment-----	8,079	755	67,332
Gain on sales of investment securities-----	367	1,977	3,063
Loss on valuation of investment securities-----	(4)	(10)	(41)
Loss on impairment (Note 11 and 15)-----	(2,515)	(144)	(20,962)
Reorganization costs (Note 14)-----	(2,395)	(944)	(19,965)
Foreign currency exchange gain-----	1,835	588	15,298
Casualty losses-----	—	(30)	—
Provision of allowance for long-term receivables-----	(1,620)	—	(13,502)
Others, net-----	(271)	(82)	(2,258)
Other income, net-----	4,001	2,174	33,342
Income before income taxes and minority interests -----	31,890	25,881	265,753
Income taxes (Note 5):			
Current-----	11,000	4,044	91,671
Deferred-----	3,055	4,166	25,463
Total income taxes-----	14,056	8,210	117,134
Income before minority interests -----	17,834	17,670	148,619
Minority interests in income of consolidated subsidiaries -----	262	235	2,185
Net income -----	¥ 17,572	¥ 17,434	\$ 146,434
		Yen	U.S. dollars (Note 1)
Per share of common stock:			
Net income			
Basic-----	¥ 54.24	¥ 53.81	\$ 0.45
Cash dividends applicable to the year-----	16.00	13.00	0.13

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests -----	¥ 17,834	¥ 17,670	\$ 148,619
Other comprehensive income			
Unrealized gain on available-for-sale securities -----	3,310	2,136	27,591
Foreign currency translation adjustments -----	11,245	8,500	93,713
Remeasurements of retirement benefit, net of taxes -----	237	—	1,978
Share of other comprehensive in affiliates -----	315	133	2,625
Total other comprehensive income -----	15,108	10,771	125,907
Total comprehensive income -----	¥ 32,943	¥ 28,441	\$ 274,526
Total comprehensive income attributable to			
Owners of the company -----	¥ 32,452	¥ 28,177	\$ 270,433
Owners of minority interests -----	491	264	4,093

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of retirement benefit	Total accumulated other comprehensive income		
Balance as of March 31, 2013	¥ 32,648	¥ 33,890	¥127,080	¥ (5,380)	¥188,239	¥ 5,743	¥ (5,082)	¥ —	¥ 661	¥ 3,508	¥192,409
Changes during the consolidated fiscal year											
Cash dividends			(2,591)		(2,591)						(2,591)
Net income			17,434		17,434						17,434
Repurchases of treasury stock				(6)	(6)						(6)
Disposal of treasury stock			(0)	0	0						0
Changes in scope of consolidation			235		235						235
Changes in capital increase of consolidated subsidiaries					—						—
Net changes other than shareholders' equity						2,136	8,605	(612)	10,130	(199)	25,002
Balance as of March 31, 2014	32,648	33,890	142,159	(5,387)	203,311	7,880	3,523	(612)	10,791	3,309	217,412
Cumulative effects from changes of accounting policies			(2,451)		(2,451)					(12)	(2,463)
Restarted balance as of April 1	32,648	33,890	139,708	(5,387)	200,859	7,880	3,523	(612)	10,791	3,296	214,948
Changes during the consolidated fiscal year											
Cash dividends			(5,183)		(5,183)						(5,183)
Net income			17,572		17,572						17,572
Repurchases of treasury stock				(6)	(6)						(6)
Disposal of treasury stock			(0)	0	0						0
Changes in scope of consolidation			293		293						293
Changes in capital increase of consolidated subsidiaries			(700)		(700)						(700)
Net changes other than shareholders' equity						3,310	11,319	249	14,879	6,169	21,049
Balance as of March 31, 2015	¥ 32,648	¥ 33,890	¥151,689	¥ (5,394)	¥212,834	¥ 11,190	¥ 14,843	¥ (362)	¥ 25,671	¥ 9,466	¥247,972

2015

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of retirement benefit	Total accumulated other comprehensive income		
Balance as of March 31, 2014	\$ 272,074	\$ 282,420	\$1,184,661	\$ (44,897)	\$1,694,258	\$ 65,667	\$ 29,366	\$ (5,103)	\$ 89,930	\$ 27,578	\$1,811,766
Cumulative effects from changes of accounting policies			(20,427)		(20,427)					(103)	(20,530)
Restarted balance as of April 1	272,074	282,420	1,164,234	(44,897)	1,673,831	65,667	29,366	(5,103)	89,930	27,475	1,791,236
Changes during the consolidated fiscal year											
Cash dividends			(43,199)		(43,199)						(43,199)
Net income			146,434		146,434						146,434
Repurchases of treasury stock				(56)	(56)						(56)
Disposal of treasury stock			(0)	1	1						1
Changes in scope of consolidation			2,445		2,445						2,445
Changes in capital increase of consolidated subsidiaries			(5,839)		(5,839)						(5,839)
Net changes other than shareholders' equity						27,590	94,330	2,079	123,999	51,413	175,412
Balance as of March 31, 2015	\$ 272,074	\$ 282,420	\$1,264,075	\$ (44,952)	\$1,773,617	\$ 93,257	\$ 123,696	\$ (3,024)	\$ 213,929	\$ 78,888	\$2,066,434

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests-----	¥ 31,890	¥ 25,881	\$ 265,753
Depreciation and amortization-----	14,386	14,282	119,890
Decrease in provision for reorganization costs-----	(860)	(12,064)	(7,171)
Increase in other provision-----	1,139	1,029	9,496
Increase in liability for retirement benefits-----	730	680	6,084
Amortization of goodwill-----	1,306	1,349	10,886
Interest and dividends income-----	(1,504)	(1,559)	(12,537)
Interest expense-----	670	1,115	5,584
Gain on sales of investment securities, net-----	(367)	(1,976)	(3,063)
Loss on valuation of investment securities, net-----	4	10	41
(Gain) Loss on sales of property, plant and equipment, net-----	(8,079)	755	(67,332)
Loss on impairment-----	2,515	144	20,962
Loss on disposal of property, plant and equipment, net-----	309	374	2,576
Decrease (Increase) in receivables, trade-----	6,755	(1,831)	56,298
Decrease (Increase) in inventories-----	(11,203)	4,123	(93,365)
Increase (Decrease) in payable, trade-----	(5,072)	3,594	(42,272)
Other-----	1,309	2,313	10,902
Subtotal-----	33,927	36,711	282,732
Interest and dividends received-----	1,512	1,564	12,606
Interest payments-----	(705)	(1,122)	(5,877)
Income taxes paid-----	(5,682)	(4,428)	(47,352)
Net cash provided by operating activities-----	29,053	32,724	242,109
Cash flows from investing activities:			
Payments for purchases of investment securities-----	(3)	(217)	(26)
Proceeds from sales of investment securities-----	860	2,444	7,166
Payments for purchases of property, plant and equipment-----	(16,507)	(13,773)	(137,559)
Proceeds from sales of property, plant and equipment-----	10,669	1,353	88,912
Payments for purchases of intangible assets-----	(1,188)	(901)	(9,903)
Payments of loans-----	(598)	(644)	(4,986)
Proceeds from collection of loans-----	481	566	4,013
Payments for purchases of consolidated subsidiaries (Note 2)-----	(0)	(1)	(6)
Other-----	(2,959)	173	(24,665)
Net cash used in investing activities-----	(9,246)	(11,000)	(77,054)
Cash flows from financing activities:			
Increase (Decrease) in short-term debt-----	1,043	(955)	8,693
Proceeds from long-term debt-----	—	35,266	—
Repayments of long-term debt-----	(10,289)	(40,500)	(85,744)
Proceeds from issuance of bonds-----	—	10,000	—
Payments for redemption of convertible bonds-----	(50)	(500)	(416)
Proceeds from stock issuance to minority interests-----	4,999	34	41,666
Proceeds from sales of treasury stock-----	0	0	0
Payments for purchases of treasury stock-----	(6)	(6)	(55)
Dividends paid-----	(5,264)	(3,105)	(43,880)
Other-----	(177)	(51)	(1,475)
Net cash provided by (used in) financing activities-----	(9,745)	181	(81,211)
Foreign currency translation adjustments on cash and cash equivalents	2,550	2,824	21,251
Net increase in cash and cash equivalents-----	12,611	24,729	105,095
Increase in cash and cash equivalents due to change in scope of consolidation-----	3	414	29
Cash and cash equivalents at the beginning of year-----	92,661	67,517	772,179
Cash and cash equivalents at the end of year (Note 2)-----	¥105,276	¥ 92,661	\$ 877,303

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Citizen Holdings Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

Note 1 Basis of presenting consolidated financial statements

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

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

The consolidated financial statements are stated in Japanese yen, the currency in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to U.S. \$1, the approximate rate of exchange at March 31, 2015. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

As permitted by the Financial Instruments and Exchange Act, for the years ended March 31, 2015 and 2014, amounts of less than one million yen have been omitted. Consequently, totals shown in the accompanying consolidated financial statements for the years ended March 31, 2015 and 2014 do not necessarily agree with the sums of the individual amounts.

Note 2 Summary of significant accounting policies

a. Consolidation

The Company had 128 subsidiaries at March 31, 2015 (128 for 2014). The consolidated financial statements include the accounts of the Company and 102 (100 for 2014) of its significant consolidated subsidiaries (collectively, the "Group").

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

The remaining 26 (28 for 2014) non-consolidated subsidiaries whose combined assets, net sales, net income and retained earnings are not significant in the related consolidated totals, have not been consolidated with the Company.

Investments in non-consolidated subsidiaries and affiliates (generally 20% - 50% ownership) over which the Company has the ability to exercise significant influence in operating and financial policies are accounted for by the equity method. Equity method is applied to 2 affiliates for 2015 (2 for 2014).

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

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

b. Cash and cash equivalents

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

The balance of cash and cash equivalents as of March 31, 2015 and 2014 are reconciled with the balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance sheet:			
Cash and time deposits-----	¥ 110,716	¥ 96,202	\$ 922,637
Less:			
Time deposits over three months--	5,440	3,541	45,334
Cash and cash equivalents	¥ 105,276	¥ 92,661	\$ 877,303

c. Marketable and investment securities

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

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

d. Allowance for doubtful accounts

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

e. Inventories

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

f. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed on the declining-balance method at the rates based on the estimated useful lives of the respective assets ranging from 2 to 60 years for buildings and from 2 to 10 years for machinery and equipment.

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

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

g. Goodwill and other intangible assets

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

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

h. Leases

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

Finance leases transactions without transferring ownership of which starting date of lease transaction is prior to April 1, 2008, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

i. Retirement benefits

(1) Calculation of retirement benefit obligation

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

(2) Amortization of actuarial differences and prior service costs

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

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

j. Foreign currency translation

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

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

k. Per share information

The computation of net income per common share is based on the weighted average number of shares outstanding during each year. The average number of common shares used in the computation was 323,987 thousand shares and 323,995 thousand in 2015 and 2014, respectively.

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

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

l. Derivative financial instruments

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

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

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

m. Accounting changes

The Company has applied the "Accounting Standard for Retirement Benefits" (Statement No.26 by ASBJ on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Guidance No.25 by ASBJ on March 26, 2015) pursuant to certain provisions in the main clause of Article 35 of the standard and in the main clause of Article 67 of the guidance effective from the beginning of the fiscal year ended March 31, 2015.

Under the new standards, the calculation methods of retirement benefit obligations and service costs are revised. In addition, the method of attributing the projected benefits is changed from the straight-line basis to the benefit formula basis, and the calculation method of the discount rates is also changed from the discount rate based on the average remaining service years of the employees to a single weighted average discount rate.

In accordance with transitional treatment as stipulated in Article 37 of the standard, the effects of these changes are recognized in retained earnings at April 1, 2014.

As a result, liability for retirement benefits has increased by ¥3,600 million (\$30,005 thousand), retained earnings and minority interests have decreased by ¥2,451 million (\$20,427 thousand) and ¥12 million (\$103 thousand) at March 31, 2015, while operating income and income before income taxes and minority interests have decreased by ¥102 million (\$851 thousand) respectively.

Moreover, net assets value per share has decreased by ¥7.57 (\$0.06), and the impact on net income per share was immaterial.

n. New accounting pronouncement

Accounting Standard for Business Combinations (Statement No.21 by ASBJ on September 13, 2013)

Accounting Standard for Consolidated Financial Statements (Statement No.22 by ASBJ on September 13, 2013)

Accounting Standard for Business Divestitures (Statement No.7 by ASBJ on September 13, 2013)

Accounting Standard for Earnings Per Share (Statement No.2 by ASBJ on September 13, 2013)

Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No.10 by ASBJ September 13, 2013)

Guidance on Accounting Standard for Earnings Per Share (Guidance No.4 by ASBJ September 13, 2013)

(1) Summary

Under the revised accounting standards and guidance, the accounting treatment for changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary in the additional acquisition of shares in the subsidiary and acquisition related costs were revised. In addition, the presentation method of net income was amended, the name "minority interests" was changed to "non-controlling interests" and provisional accounting treatments were revised.

(2) Scheduled date for application

The company plans to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

(3) Impact of the application of these accounting standards and guidance

The effects of adopting these accounting standards and guidance on its consolidated financial statements are being evaluated.

Note 3 Investment securities

Investment securities consist of equity securities. Unrealized gain and fair value pertaining to available-for-sale securities as of March 31, 2015 and 2014 are as follows:

Millions of yen					
2015			2014		
Cost	Fair value	Unrealized gain	Cost	Fair value	Unrealized gain
Available-for-sales					
Equity securities--	¥14,169	¥28,785	¥14,616	¥14,658	¥25,097
				¥ 10,438	

Thousands of U.S. dollars			
2015			2014
Cost	Fair value	Unrealized gain	
Available-for-sale			
Equity securities-----	\$118,075	\$239,881	\$121,806

Major securities with no market value and their amounts on the consolidated balance sheets as of March 31, 2015 and 2014 are as follows:

Millions of yen		Thousands of U.S. dollars
2015	2014	2015
Subsidiaries and affiliates-----	¥ 3,398	¥ 2,884
Unlisted equity securities-----	8,539	8,544
		\$ 28,320
		71,166

Allowance for loss on investments of ¥138 million (\$1,150 thousand) and ¥138 million were recorded in the consolidated balance sheets as of March 31, 2015 and 2014, respectively.

Note 4 Inventories

Inventories as of March 31, 2015 and 2014 are as follows:

Millions of yen		Thousands of U.S. dollars
2015	2014	2015
Finished goods-----	¥ 50,765	¥ 38,306
Work-in-process-----	19,611	19,986
Raw materials-----	19,749	15,298
Total	¥ 90,126	¥ 73,591
		\$ 751,054

Note 5 Income taxes

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

Major components of deferred tax assets and liabilities at March 31, 2015 and 2014 are as follows:

Millions of yen		Thousands of U.S. dollars
2015	2014	2015
Deferred tax assets:		
Depreciation in excess-----	¥ 2,409	¥ 3,636
Inter-company profits and write down on inventory-----	4,999	4,391
Liability for retirement benefits--	5,690	4,795
Net operating loss carry-forward---	4,385	7,836
Provision for reorganization costs---	1,629	2,281
Others-----	12,636	13,585
Total deferred tax assets	31,748	36,527
Less: Valuation allowance	(12,710)	(17,389)
Total deferred tax assets	¥ 19,037	¥ 19,137
		\$ 20,077
		41,665
		47,424
		36,550
		13,577
		105,276
		264,569
		(105,921)
		\$ 158,648
Deferred tax liabilities:		
Unrealized gain on securities----	¥ (3,503)	¥ (2,708)
Undistributed earnings of foreign subsidiaries-----	(2,923)	(2,453)
Others-----	(960)	(1,068)
Total deferred tax liabilities	(7,387)	(6,230)
Net deferred tax assets	¥ 11,649	¥ 12,906
		\$ 97,081

The net deferred tax assets as of March 31, 2015 and 2014 are presented as follows:

Millions of yen		Thousands of U.S. dollars
2015	2014	2015
Current assets		
Deferred tax assets-----	¥ 9,944	¥ 9,490
Investments and other assets		
Deferred tax assets-----	5,174	4,665
Current liabilities		
Deferred tax liabilities-----	1	39
Long-term liabilities		
Deferred tax liabilities-----	3,467	1,209
		\$ 82,872
		43,119
		15
		28,895

Reconciliation of the differences between the statutory tax rate and the effective tax rates as of March 31, 2015 and 2014 are as follows:

	2015	2014
Statutory tax rate-----	35.6%	38.0%
Expenses not deductible for tax purposes-----	0.8%	1.0%
Non-taxable dividend income-----	-1.1%	-1.3%
Changes in valuation allowance-----	0.8%	-10.7%
Amortization of goodwill-----	3.2%	1.9%
Difference of statutory tax rate in subsidiaries-----	-2.9%	-4.4%
Changes in tax effect of foreign subsidiaries-----	1.9%	2.1%
Charge in tax law-----	4.9%	4.8%
Other, net-----	0.9%	0.3%
Tax rate changes due to tax reform	44.1%	31.7%

Adjustments to the Amounts for Deferred Tax Assets and Deferred Tax Liabilities Due to Changes in Tax Rates for Corporate Tax.

On March 31, 2015, the "Act for Partial Revision of the income Tax Act and Others" (Act No.9 of 2015) and the "Act for Partial Revision of the Local Tax Act and Others" (Act No.2 of 2015) were officially enacted and the income tax rate has been reduced from the fiscal year beginning April 1, 2015. Under these revised acts, the effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from 35.6% to 33.1% for the temporary differences expected to reserve the fiscal year beginning April 1, 2015 and to 32.3% for those expected to reserve from the fiscal year beginning April 1, 2016.

As a result, deferred tax assets (after offsetting deferred tax liabilities) decreased by ¥1,202 million (\$10,018 thousand), and income taxes deferred, unrealized gain on available-for-sale securities and reserve for advanced depreciation of fixed assets increased by ¥1,574 million (\$13,120 thousand), ¥367 million (\$3,059 thousand) and ¥20 million (\$172 thousand) as of and for the year ended March 31, 2015 respectively. Remeasurements of retirement benefit and minority interests decreased by ¥14 million (\$124 thousand) and ¥0 million (\$4 thousand) as of and for the year ended March 31, 2015 respectively.

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

Short-term loans payable represent primarily overdrafts from banks bearing interest at 2.1% and 1.9% per annum (weighted average interest rate) at March 31, 2015 and 2014, respectively.

Short-term bank loans at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured-----	¥ 4,033	¥ 2,865	\$ 33,614

Long-term debt are loans principally from banks and insurance companies due through 2022 with interest rate of 0.8% in 2015. (1.9% in 2014)

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured-----	¥ 45,130	¥ 55,433	\$ 376,087
Less amount due within one year----	130	10,150	1,087
	¥ 45,000	¥ 45,283	\$ 375,000

The annual maturities of long-term debt at March 31, 2015 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	Long-term loans payable	Long-term loans payable
2016	¥ 130	\$ 1,087
2017	15,000	125,000
2018	3,200	26,667
2019	3,700	30,833
2020	10,000	83,333
2021 and thereafter	13,100	109,167
	¥ 45,130	\$ 376,087

Unsecured bonds at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured-----	¥ 20,000	¥ 20,050	\$ 166,667
Less amount due within one year----	—	50	—
	¥ 20,000	¥ 20,000	\$ 166,667

The annual maturities of unsecured bonds at March 31, 2015 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	¥	\$
2016	—	—
2017	—	—
2018	10,000	83,333
2019	10,000	83,334
2020	—	—

Note 7 Liability for retirement benefits

1. Summary of retirement benefit plan

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

2. Defined benefit plan

(1) Reconciliation for retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1-----	¥ 16,790	¥ 16,347	\$ 139,923
Cumulative effects from changes of accounting policies-----	3,600	—	30,005
Restated balance as of April 1-----	20,391	16,347	169,928
Service costs-----	1,297	973	10,816
Interest costs-----	200	197	1,672
Actuarial differences-----	(265)	276	(2,211)
Benefits paid-----	(832)	(1,387)	(6,939)
Translation adjustments-----	326	489	2,716
Others-----	93	(109)	776
Balance at March 31	¥ 21,211	¥ 16,790	\$ 176,758

(2) Reconciliation for plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1-----	¥ 2,192	¥ 2,586	\$ 18,268
Expected return on plan assets----	58	55	490
Actuarial differences-----	(62)	(4)	(517)
Contributions paid by employer----	63	24	528
Benefit paid-----	(100)	(853)	(839)
Translation adjustments-----	233	319	1,944
Others-----	25	63	211
Balance at March 31	¥ 2,410	¥ 2,192	\$ 20,085

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ 5,380	¥ 4,468	\$ 44,838
Plan assets -----	(2,410)	(2,192)	(20,085)
	2,970	2,276	24,753
Unfunded retirement benefit obligations --	15,830	12,322	131,920
Total net liability for retirement benefits --	18,800	14,598	156,673
Liability for retirement benefits -----	18,800	14,598	156,673
Total net liability for retirement benefits --	¥18,800	¥14,598	\$156,673

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs -----	¥ 1,297	¥ 973	\$ 10,816
Interest costs -----	200	197	1,672
Expected return on plan assets ----	(58)	(55)	(489)
Amortization of actuarial differences --	283	244	2,362
Amortization of prior service costs --	(66)	(5)	(551)
Retirement benefit costs	¥ 1,657	¥ 1,353	\$ 13,810

(5) Adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs -----	¥ 5	¥ —	\$ 46
Actuarial differences -----	(430)	—	(3,591)
Total	¥ (425)	¥ —	\$ (3,545)

(6) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service costs ---	¥ (12)	¥ (18)	\$ (106)
Unrecognized actuarial differences --	638	1,069	5,318
Total -----	¥ 625	¥ 1,050	\$ 5,212

(7) Plan assets

① Breakdown for plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	
Equity securities -----	74.3	77.1	
Bonds -----	9.5	5.2	
Cash and deposits -----	3.6	4.0	
Other -----	12.6	13.7	
Total -----	100.0	100.0	

② Long-term expected rate of return

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

(8) Assumptions of actuarial differences

	Millions of yen		Thousands of U.S. dollars
	2015	2014	
Discount rate -----	0.79 ~ 3.80	1.04 ~ 3.80	
Expected rates of long-term return on plan assets -----	0.50 ~ 7.00	0.50 ~ 7.00	

3. Defined contribution plan

Contributions to defined contribution plan for the year ended March 31, 2015 and 2014 are ¥1,105 million (\$9,209 thousand) and ¥1,108 million respectively.

Note 8 Contingent liabilities

Contingent liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bank loans guaranteed and other -----	¥ 266	¥ 504	\$ 2,224
Notes receivable discounted -----	0	3	2

Note 9 Research and development costs

Research and development costs incurred and charged to income for the years ended March 31, 2015 and 2014 were ¥8,169 million (\$68,079 thousand) and ¥7,440 million, respectively.

Note 10 Leases

As described in Note 2, h, under the existing accounting standards, finance leases, commenced prior to April 1, 2008, which do not transfer ownership of leased property to the lessee are accounted for in the same manner of operating leases.

Equivalent amounts of purchase price, accumulated depreciation and book value of leased properties were as follows (including the interest portion thereon):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Machinery and equipment, etc.			
Acquisition cost -----	¥ 118	¥ 181	\$ 991
Accumulated depreciation -----	—	(179)	—
Net book value	¥ 118	¥ 1	\$ 991

The equivalent amounts of future lease payments as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year -----	¥ —	¥ 1	\$ —
Due after one year -----	—	—	—
Total	¥ —	¥ 1	\$ —

Future lease payments are calculated before deducting portions attributable to interest charges, as the book value equivalent of accrued lease expenses accounts for only small percentage of property, plant and equipment.

Lease payments and depreciation equivalents as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease payments -----	¥ 1	¥ 22	\$ 13
Depreciation equivalents -----	1	22	13
Amortization of provision for impairment --	—	—	—

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Within one year -----	¥ 19	¥ 28	\$ 165
Over one year -----	26	27	219
Total	¥ 46	¥ 56	\$ 384

Note 11 Loss on impairment

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

The Group recognized impairment losses on fixed assets for the years ended March 31, 2015 and 2014.

Type	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings and structures-----	¥ 285	¥ 58	\$ 2,382
Land-----	328	23	2,735
Goodwill-----	1,654	—	13,791
Other-----	246	62	2,054
Total	¥ 2,515	¥ 144	\$ 20,962

The main breakdown of impaired assets for the years ended March 31, 2015 and 2014 as follows:

For the year 2015

Location	Use	Type
Nishitokyo-city, Tokyo	Assets for business	Buildings and structures
—	Other	Goodwill
Other	Assets for business	Land

For the year 2014

Location	Use	Type
Nishitokyo-city, Tokyo	Idle facilities	Machinery and equipment
Thailand	Production facilities	Buildings and structures
Other	Assets for business	Land

Note 12 Derivative transactions

Fair value of derivative transactions as of March 31, 2015 and 2014 are as follows:

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

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
	Amount on contract	Fair value	Amount on contract	Fair value	Amount on contract	Fair value
Foreign currency forward contract:						
To sell-----	¥ 9,991	¥ 34	¥ 9,584	¥ (45)	\$ 83,265	\$ 287
To buy-----	2,236	141	3,301	20	18,636	117

Note:

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

(b) Derivative transactions which are designated for hedge accounting

	Millions of yen					
	2015			2014		
	Amount on contract	Amount on contract over 1 year	Fair value	Amount on contract	Amount on contract over 1 year	Fair value
Interest rate swap--	¥ 35,900	¥ 35,900	Note	¥ 45,900	¥ 35,900	Note

Thousands of U.S. dollars

	2015		
	Amount on contract	Amount on contract over 1 year	Fair value
Interest rate swap-----	\$ 299,167	\$ 299,167	Note

Note:

Interest rate swap is qualified for hedge accounting and meets specific criteria. The fair value of the interest rate swap is included in fair value of long-term debt.

Note 13 Financial instruments

(a) Status of financial instruments

(1) Policies

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

(2) Risk management

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

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

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

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

(3) Estimated fair value

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

(b) Fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets and their fair values as of March 31, 2015 and 2014, as well as their differences.

Millions of yen			
2015			
	Carrying amount	Fair value	Unrealized
Cash and time deposits	¥ 110,716	¥ 110,716	¥ —
Notes and accounts receivable, trade	65,734	65,729	(5)
Investment securities			
Available-for-sale securities	28,785	28,785	—
Long-term loans	1,152	1,148	(4)
Long-term receivables	1,713		
Allowance for Long-term receivables	(1,637)		
	75	75	—
Total	¥ 206,465	¥ 206,455	¥ (10)
Notes and accounts payable, trade	¥ 20,371	¥ 20,371	¥ —
Short-term bank loans	4,033	4,033	—
Unsecured bonds	20,000	20,110	110
Long-term debt	45,130	45,252	122
Total	¥ 89,535	¥ 89,767	232
Derivatives	¥ 175	¥ 175	¥ —

Note:

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

Thousands of U.S.dollars			
2015			
	Carrying amount	Fair value	Unrealized
Cash and time deposits	\$ 922,637	\$ 922,637	\$ —
Notes and accounts receivable, trade	547,790	547,743	(47)
Investment securities			
Available-for-sale securities	239,881	239,881	—
Long-term loans	9,603	9,571	(32)
Long-term receivables	14,277		
Allowance for Long-term receivables	(13,649)		
	628	628	—
Total	\$ 1,720,539	\$ 1,720,460	\$ (79)
Notes and accounts payable, trade	\$ 169,761	\$ 169,761	\$ —
Short-term bank loans	33,614	33,614	—
Unsecured bonds	166,667	167,583	916
Long-term debt	376,087	377,104	1,017
Total	\$ 746,129	\$ 748,062	\$ 1,933
Derivatives	\$ 1,466	\$ 1,466	\$ —

Note:

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

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

Assets:

Cash and time deposits

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

Notes and accounts receivable

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

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

Investment securities

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

Long-term loans

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

However, as the interest rates of long-term loans receivable with floating

rate are to be revised by certain prescribed period, their carrying amount approximate their fair value.

Liabilities:

Notes and accounts payable and Short-term loans payable

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

Bonds

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

Long-term debt

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

(ii) Unmarketable securities of ¥8,539 million (\$71,166 thousand) and ¥8,544 million as of March 31, 2015 and 2014, are not included in "Investment securities, Available-for-sale securities" since their market prices are not available and it is not possible to estimate their future cash flows, and therefore it is deemed extremely difficult to assume their fair value.

(iii) Expected maturities of cash and time deposits, notes and accounts receivable and long-term loans at March 31, 2015

	Millions of yen			
	Within one year	over one year within five years	over five years within ten years	over ten years
Cash and time deposits -----	¥ 110,716	¥ —	¥ —	¥ —
Notes and accounts receivable,				
trade -----	64,970	764	—	—
Long-term loans -----	53	1,091	7	—

	Thousands of U.S. dollars			
	Within one year	over one year within five years	over five years within ten years	over ten years
Cash and time deposits -----	\$ 922,637	\$ —	\$ —	\$ —
Notes and accounts receivable,				
trade -----	541,419	6,371	—	—
Long-term loans -----	443	9,093	67	—

Note 14 Reorganization costs

The total amount of reorganization costs are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Reorganization costs-----	¥ 2,395	¥ 944	\$ 19,965

Reorganization costs in the consolidated statements of income for the years ended March 31, 2015 and 2014 relate to expenses for restructuring of the Company and its consolidated subsidiaries. The major items in the costs are the severance payments for the workforce and reorganization of production systems with consideration of unprofitable productions.

Note 15 Segment information

(a) General information about reportable segments:

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

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

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

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

Reportable segment information as of and for the years ended March 31, 2015 and 2014 are as follows:

March 31, 2015	Millions of yen							Eliminations or general corporate	Consolidated totals
	Watches and Clocks	Machine tools	Devices and Components	Electronic Products	Other Products	Segment total			
I. Net sales and operating income									
Net sales									
(1) Sales to outside customers	¥172,280	¥ 51,702	¥ 67,536	¥ 24,717	¥ 12,218	¥328,456	¥ —	¥328,456	
(2) Inter-segment sales and transfers	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	
Segment profit (loss)	19,669	6,794	4,721	904	(464)	31,625	(3,736)	27,889	
Segment assets	180,277	53,153	86,832	17,531	12,018	349,813	71,750	421,563	
II. Other									
Depreciation	6,209	1,602	4,857	467	127	13,265	1,121	14,386	
Investment in affiliates	—	2,364	—	—	—	2,364	—	2,364	
Capital expenditures	9,714	1,447	5,530	608	104	17,405	1,507	18,913	
Amortization of goodwill	1,268	—	38	—	—	1,306	—	1,306	

March 31, 2014	Millions of yen							Eliminations or general corporate	Consolidated totals
	Watches and Clocks	Machine tools	Devices and Components	Electronic Products	Other Products	Segment total			
I. Net sales and operating income									
Net sales									
(1) Sales to outside customers	¥162,061	¥ 41,728	¥ 66,784	¥ 24,349	¥ 15,071	¥309,994	¥ —	¥309,994	
(2) Inter-segment sales and transfers	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	
Segment profit (loss)	17,215	3,805	4,481	1,457	(25)	26,933	(3,227)	23,706	
Segment assets	162,177	48,624	80,520	17,280	14,961	323,564	60,356	383,920	
II. Other									
Depreciation	6,548	1,571	4,606	329	156	13,212	1,070	14,282	
Investment in affiliates	—	1,782	—	—	—	1,782	—	1,782	
Capital expenditures	5,422	634	5,519	321	78	11,976	2,027	14,003	
Amortization of goodwill	1,310	—	38	—	—	1,349	—	1,349	

March 31, 2015	Thousands of U.S. dollars							Eliminations or general corporate	Consolidated totals
	Watches and Clocks	Machine tools	Devices and Components	Electronic Products	Other Products	Segment total			
I. Net sales and operating income									
Net sales									
(1) Sales to outside customers	\$1,435,667	\$430,856	\$562,807	\$205,983	\$101,821	\$2,737,134	\$ —	\$2,737,134	
(2) Inter-segment sales and transfers	1,147	1,897	50,015	4,879	5,948	63,886	(63,886)	—	
Total	1,436,814	432,753	612,822	210,862	107,769	2,801,020	(63,886)	2,737,134	
Segment profit (loss)	163,913	56,621	39,345	7,541	(3,871)	263,549	(31,138)	232,411	
Segment assets	1,502,309	442,947	723,602	146,093	100,158	2,915,109	597,919	3,513,028	
II. Other									
Depreciation	51,750	13,351	40,476	3,900	1,065	110,542	9,348	119,890	
Investment in affiliates	—	19,703	—	—	—	19,703	—	19,703	
Capital expenditures	80,953	12,065	46,085	5,071	870	145,044	12,564	157,608	
Amortization of goodwill	10,567	—	319	—	—	10,886	—	10,886	

Notes:

For the year 2015

- "Eliminations or general corporate" segment profit (loss) totaling ¥(3,736) million (\$31,138) thousand includes intersegment elimination of ¥(22) million (\$188) thousand and general corporate expenses of ¥(3,714) million (\$30,950) thousand not allocated to any reportable segments.
- "Eliminations or general corporate" segment assets totaling ¥71,750 million (\$597,919) thousand includes intersegment elimination of ¥(48,947) million (\$407,899) thousand and general corporate assets of ¥120,698 million (\$1,005,818) thousand not allocated to any reportable segments.
- Reported segment income or loss is reconciled to operating income in the consolidated statements of income.

For the year 2014:

- "Eliminations or general corporate" segment profit (loss) totaling ¥(3,227) million (\$31,334) thousand includes intersegment elimination of ¥(119) million (\$1,160) thousand and general corporate expenses of ¥(3,107) million (\$30,174) thousand not allocated to any reportable segments.
- "Eliminations or general corporate" segment assets totaling ¥60,356 million (\$585,981) thousand includes intersegment elimination of ¥(45,840) million (\$445,054) thousand and general corporate assets of ¥106,196 million (\$1,031,035) thousand not allocated to any reportable segments.
- Reported segment income or loss is reconciled to operating income in the consolidated statements of income.

(c) Other information

1) Overseas sales for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan	¥ 107,920	¥ 104,827	\$ 899,336
Asia	102,165	101,655	851,380
America	69,229	61,163	576,914
Europe	45,873	39,878	382,279
Others	3,267	2,469	27,225
Total	¥ 328,456	¥ 309,994	\$ 2,737,134

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

2) Property, plant and equipment as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japan -----	¥ 48,704	¥ 49,749	\$ 405,875
Asia -----	20,339	17,116	169,495
Others -----	6,221	4,869	51,849
Total	¥ 75,266	¥ 71,736	\$ 627,219

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

3) Loss on impairment for the years ended March 31, 2015 and 2014

Loss on impairment	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Watches and Clocks -----	¥ 1,846	¥ 107	\$ 15,386
Machine tools -----	97	4	814
Devices and Components -----	26	9	219
Electronic Products -----	—	—	—
Other Products -----	7	23	63
Eliminations or general corporate -----	537	—	4,480
Consolidated totals	¥ 2,515	¥ 144	\$ 20,962

4) Goodwill information as of and for the years ended March 31, 2015 and 2014

Amortization	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Watches and Clocks -----	¥ 1,268	¥ 1,310	\$ 10,567
Machine tools -----	—	—	—
Devices and Components -----	38	38	319
Electronic Products -----	—	—	—
Other Products -----	—	—	—
Eliminations or general corporate -----	—	—	—
Consolidated totals	¥ 1,306	¥ 1,349	\$ 10,886

Goodwill	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Watches and Clocks -----	¥ 3,109	¥ 6,004	\$ 25,909
Machine tools -----	—	—	—
Devices and Components -----	89	127	743
Electronic Products -----	—	—	—
Other Products -----	—	—	—
Eliminations or general corporate -----	—	—	—
Consolidated totals	¥ 3,198	¥ 6,131	\$ 26,652

Note 16 Subsequent events

1. Repurchase of treasury stock

The Board of directors' meeting held on May 15, 2015 determined the matter regarding to repurchase of treasury stock, pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act.

(1) Reason for repurchase of treasury stock

To improve capital efficiency and enable flexible capital policies in accordance with the change of managerial situations.

(2) Details of repurchase

- 1) Type of repurchase stocks common stock
- 2) Number of repurchase stocks up to 6,500,000 shares
(2.01% of total number of outstanding stocks issued, excluding treasury stock)
- 3) Repurchase cost up to ¥5,000 million (\$41,666 thousand)
- 4) Repurchase period from May 18, 2015 to August 31, 2015
- 5) Repurchase method on Tokyo Stock Exchange (First Section)

2. Cash dividends

The General Meeting of Shareholders of the Company held on June 25, 2015 approved the following appropriations of retained earnings for the year ended on March 31, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends -----	¥ 2,591	\$ 21,598

Report of Independent Auditors (Translation)

NIHOMBASHI CORPORATION

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

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

Report of Independent Auditors (Translation)

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

We have audited the accompanying consolidated balance sheet of Citizen Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' responsibility for the consolidated financial statements:

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

Auditors' responsibility:

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

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

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

Opinion:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citizen Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of matter:

We draw attention to Note 16 of the consolidated financial statements, which describes the resolution of the board of directors' meeting regarding repurchase of treasury stock.

Our opinion is not modified in respect of this matter.

Nihombashi Corporation

Tokyo, Japan

June 25, 2015

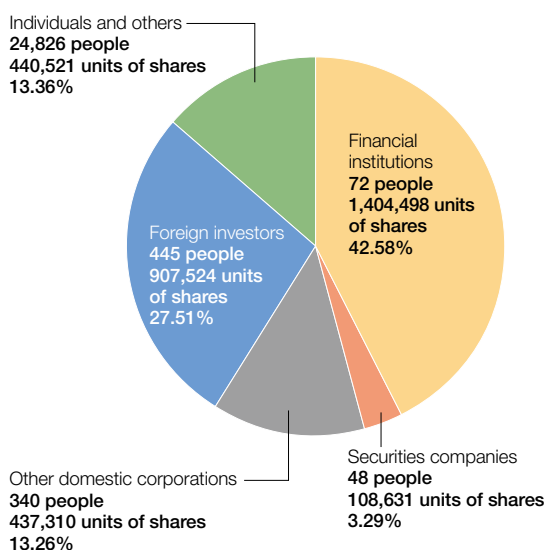
Investors Information

Stock Information

March 31, 2015

Total Number of Stocks Authorized to Be Issued	959,752,000
Total Number of Outstanding Stocks Issued	330,353,809
Number of Shareholders	25,731

Percentage of Shares Held by Size of Holdings



Major Shareholders

Percentage of Total Common Shares Outstanding

Japan Trustee Services Bank, Ltd. (trust account)	13.39%
The Master Trust Bank of Japan, Ltd. (trust account)	9.44%
Nippon Life Insurance Company	4.02%
Trust & Custody Services Bank, Ltd.	3.47%
Nichia Corporation	3.03%
National Mutual Insurance Federation of Agricultural Cooperatives	2.47%
MIZUHO Bank, Ltd	1.85%
Mitsubishi UFJ Trust and Banking Corporation	1.63%
Marubeni Corporation	1.36%
Tokio Marine and Nichido Fire Insurance Co., Ltd.	1.33%

Note: Shareholding ratio is calculated after deducting 6,371,070 shares of treasury stock.

Company Profile

Corporate Name: Citizen Holdings Co., Ltd.

Established: May 28, 1930

Capital: ¥32,648 million

Employees: 19,173 (consolidated)

Stock Exchange Listings:

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

Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation

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

For further financial information, please contact

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