

Consolidated Financial Statements for the Year Ended March 31, 2007

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

May 14, 2007

CITIZEN HOLDINGS CO., LTD.

Code No.: 7762 (URL <http://www.citizen.co.jp>)

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Representative: Makoto Umehara, President and CEO

Contact: Osamu Yamada, Managing Director

1. Results for the Year ended March 31, 2007

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2007	336,188	0.1	21,920	(28.2)	25,991	(25.0)
March 31, 2006	335,940	(6.0)	30,516	(17.7)	34,634	(13.7)

	Net income		Earnings per share	Fully diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
March 31, 2007	7,145	(61.6)	19.43	18.07	2.7	6.6	6.5
March 31, 2006	18,594	(8.1)	53.23	49.24	7.2	8.7	9.1

Equity in earnings of unconsolidated subsidiaries and affiliates: March 2007 term: N/A March 2006 term: N/A

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2007	382,971	254,426	65.9	728.49
March 31, 2006	402,497	276,411	68.7	728.43

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2007	30,561	(38,713)	(35,250)	80,698
March 31, 2006	39,533	(19,141)	(24,173)	121,127

2. Dividends

	Dividends per share			Total dividends paid (annual)	Pay-out ratio (Consolidated)	Dividends to consolidated net assets
	Interim	Year-end	(Yen)			
March 31, 2006	7.50	7.50	15.00	5,100	28.2	2.0
March 31, 2007	7.50	7.50	15.00	5,371	77.2	2.0
March 31, 2008 (E)	7.50	7.50	15.00		37.1	

3. Projected Consolidated Results for the Year ending March 31, 2008

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Interim term	161,000	(1.6)	7,700	(24.4)	8,500	(27.4)	4,500	6.3	12.98
Full term	344,000	2.3	24,000	9.5	26,000	0.0	14,000	95.9	40.39

The percentages shown next to net sales, operating income, ordinary income and net income represent year-on-year changes.

4. Others

(1) Changes in the scope of consolidation during the term: None

(2) Changes in accounting methods

(i) Changes due to amendment to accounting standards: Yes

(ii) Changes due to factors other than (i): None

(3) Number of issued shares

(shares)	March 2007	March 2006
Issued shares at the end of term (including treasury stock)	380,353,809	380,353,809
Issued shares at the end of term	33,706,478	1,277,972

Nonconsolidated Results for the Year ended March 31, 2007

(1) Nonconsolidated operating results

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2007	169,613	7.1	6,969	(23.9)	18,317	28.7
March 31, 2006	158,320	1.7	9,164	43.6	14,233	43.1

	Net income		Earnings per share	Fully diluted earnings per share
	(Millions of yen)	%	(Yen)	(Yen)
March 31, 2007	13,430	53.1	36.51	33.96
March 31, 2006	8,773	34.2	25.25	23.36

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2007	209,920	149,365	71.2	430.89
March 31, 2006	230,890	169,348	73.3	446.54

The percentages represent year-on-year changes.

The above forecasts are based on the information available and using assumptions made regarding the variable effects of future business results as of the date of the announcement of these financial results. Actual results could differ significantly depending on a variety of factors hereafter. Please refer to page 6 for assumptions underlying the above forecasts and precautions regarding their use.

1. Review of Operations

(1). Overview of the Year ended March 31, 2007

Millions of yen	Year ended March 31,		Year-on-year change	%
	2006	2007		
Net sales	335,940	336,188	248	0.1
Operating income	30,516	21,920	(8,596)	(28.2)
Ordinary income	34,634	25,991	(8,642)	(25.0)
Net income	18,594	7,145	(11,448)	(61.6)

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2006	2007		
Wristwatches and clocks	125,038	132,987	7,948	6.4
Electronic devices	111,112	99,167	(11,944)	(10.8)
Electronic products	25,098	27,778	2,680	10.7
Industrial machinery	37,176	44,285	7,109	19.1
Other products	37,514	31,970	(5,544)	(14.8)
Total net sales	335,940	336,188	248	0.1

Breakdown of operating income by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2006	2007		
Wristwatches and clocks	20,538	21,060	521	2.5
Electronic devices	8,061	405	(7,655)	(95.0)
Electronic products	2,174	3,203	1,028	47.3
Industrial machinery	5,485	6,451	966	17.6
Other products	2,739	1,461	(1,277)	(46.6)
Eliminations or general corporate	[8,481]	[10,662]	(2,180)	-
Total operating income	30,516	21,920	(8,596)	(28.2)

Summary of Operating Results

During the fiscal year under review, although uncertain factors remained including the rising price of crude oil, the Japanese economy gradually recovered with improved corporate earnings and a high level of capital investment.

Under these conditions, the Citizen Group strengthened its competitiveness and put efforts to grow by deciding to shift to a pure holding company system, for instance.

In watches and clocks, to differentiate Citizen brand from other brands, high value added watches such as Eco-Drive and radio-controlled watches were introduced, resulting in sales increase.

In electronic devices, although our plan was to increase flash LED for camera phones, intense price competition and weak demand of adopted models resulted in a significantly lower results.

In electronic products, introduction of new products and active sales activities of large printers for China and business photo printers contributed to sales increase.

In industrial machinery, aggressive sales activities in addition to steady growth in global capital expenditure contributed to sales increase.

In other products, sales significantly decreased in pachinko-related products due to lower motivation of investment.

As a result, consolidated net sales for the year ended March 31, 2007 increased by 0.1% from the previous fiscal year to 336.1 billion yen. Operating income, ordinary income and net income decreased by 28.2% to 21.9 billion yen, 25.0% to 25.9 billion yen and 61.6% to 7.1 billion yen, respectively.

Watches and Clocks

In the Japanese watch market, foreign high-end brands have strong sales, which makes a tough situation for Japanese brands. However, Citizen has continued to introduce new models of Eco-Drive radio-controlled watches, which is the key factor of sales increase. Particularly, ladies' radio-controlled watches of XC brand were sold well owing to introduction of new products and holding fairs.

Sales in the overseas watch market increased due to good global economy, strong dollar, strong euro and higher sales of high-value added products. Sales increase in North America was brought by continuing introduction of Eco-Drive watches and advertisement featuring prominent athletes. High-value added products also contributed in Europe and China. In India, increase of number of special stores resulted in sales increase.

Q&Q brand posted a lower sales owing to the global shrinking trend of low-end watches. Sales increased in North, Middle and South America and Japan, while Europe, Asia and Middle East struggled.

Sales of licensed brands increased due to good circumstances in North America and Europe, introduction of high-value added products and improvement in customer services.

Although high-value added movements such as multi-hand type and mechanical type were sold well, movement business as a whole resulted in a slightly lower sales as Citizen continued to put priority in maintaining the price of standard movement, and limit the volume.

Sales of clocks declined due to the lower demand of special order products and weak sales at stores.

Consequently, total sales of watches and clocks increased by 6.4% from the previous fiscal year to 132.9 billion yen, and operating income increased by 2.5% to 21.0 billion yen.

Electronic Devices

In opto-devices, Citizen focused on developing low cost products of chip LED and back light unit for low-end mobile phones and gaining market share in the volume zone. In addition, for mid to high-end market, Citizen also focused on expansion of flash LED for camera phones and introduction of new key sheet modules. The outcome of our challenge to develop new markets such as general lighting, large back lights, automobile and amusement were not able to cover the low sales of chip LED and back light unit. Sales of optic sensors increased owing to dramatic volume increase of IrDA.

In liquid crystal devices, although our unique active aberration compensation element had steady sales, sales of devices for mobile phones declined due to selective orders.

In quartz devices, despite low volume for watches, cylinder-type tuning fork oscillators for PCs and peripheral equipments had steady sales. Small tuning fork SMD oscillator posted a significant sales increase thanks to the new products for mobile phones. High frequency quartz oscillators had steady sales for automobiles. TCXO for mobile phones struggled due to lower orders.

Of other parts, switches recorded a sales increase as one type of small switches became a de facto standard in Korea and China, and as new key sheet module contributed to sales increase. Although sales activities were successful as large mobile phone manufacturers decided to adopt our acoustic products in several models, delay in production and inventory problems in customers resulted in low sales.

Overall, sales in electronic devices declined by 10.8% to 99.1 billion yen, and operating income decreased by 95.0% to 0.4 billion yen.

Electronic Products

Sales of small printers steadily increased for POS use and KIOSK use. In addition, large printers for China and business photo printers reported a significant sales increase owing to introduction of new products and aggressive sales activities. In healthcare equipments, although sales for Japanese market declined due to intense competition, sales for overseas market increased. Electronic equipment such as calculators had a slightly lower sales as a result of low demand in Japan.

Overall, sales in electronic products increased by 10.7% to 27.7 billion yen, and operating income increased by 47.3% to 3.2 billion yen.

Industrial Machinery

CNC automatic lathes enjoyed improved sales driven by steady demand. Geographically, sales in Japan increased as demand was strong in various industries including automobiles, medical and precision and as large events were held. Overseas sales also increased. In Asia, sales decreased due to unstable market conditions such as production adjustment in automobile and HDD in ASEAN, and a rise in raw materials and chronic shortage of labor in China. On the other hand, the strong demand in medical industry and the popularity of new products resulted in sales increase in the US market. In addition, strong investment in medical industry in Europe contributed to a significant sales increase, which exceeded the decline in Asian market.

Of other machinery, although measuring machinery for automobile industry and bearing industry was affected by the market, assembling machinery recorded a higher sales on the back of strong automobile and amusement industries.

As a result, sales of industrial machinery increased by 19.1% from the previous year to 44.2 billion yen and operating income by 17.6% to 6.4 billion yen.

Other Products

The jewelry business was beset by severe market conditions and high price of platinum and gold. Sales of pachinko related products decreased due to lower investment in peripheral equipments. Consequently, sales of other products decreased by 14.8% from the previous year to 31.9 billion yen and operating income decreased by 46.6% to 1.4 billion yen.

Prospects for the Year ending March 31, 2008

Millions of yen	Year ended March 31, 2007	Year ending March 31, 2008	Year-on-year change	%
Net sales	336,188	344,000	7,811	2.3
Operating income	21,920	24,000	2,079	9.5
Ordinary income	25,991	26,000	8	0.0
Net income	7,145	14,000	6,854	95.9

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2007	Year ending March 31, 2008	Year-on-year change	%
Watches and clocks	132,987	137,000	4,012	3.0
Electronic devices	99,167	98,500	(667)	(0.7)
Electronic products	27,778	30,500	(2,721)	9.8
Industrial machinery	44,285	45,000	714	1.6
Other products	31,970	33,000	1,029	3.2
Total net sales	336,188	344,000	7,811	2.3

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2007	Year ending March 31, 2008	Year-on-year change	%
Watches and clocks	21,060	20,600	(460)	(2.2)
Electronic devices	405	300	(105)	(26.0)
Electronic products	3,203	3,500	296	9.3
Industrial machinery	6,451	6,600	148	2.3
Other products	1,461	800	(661)	(45.3)
Eliminations or general corporate	[10,662]	[7,800]	2,862	-
Total operating income	21,920	24,000	2,079	9.5

Although the business outlook is estimated to improve gradually, factors including surging prices of raw materials including crude oil and intensifying competition in our market make the operating environment for the Citizen Group uncertain.

Under these circumstances, based on the new medium-term management policy which was announced in March 2007, Citizen Group will focus on 3 areas; revision of business portfolio strategy, strengthening of governance and restructuring of financial strategy.

For the fiscal year ending March 2008, we are forecasting consolidated sales of 344.0 billion yen (a 2.3% increase), operating income of 24.0 billion yen (a 9.5% increase), ordinary income of 26.0 billion yen (a 0.0% increase), and net income of 14.0 billion yen (a 95.9% increase).

These forecasts are based on an exchange rate assumption for the year of 115 yen/US dollar and 150 yen/Euro.

The exchange rate for the year ended March 2007 was 117 yen/US dollar and 150 yen/EURO.

(Note)

This report includes forward-looking statements about Citizen's forecasts and prospects that are not historical facts. They reflect assumptions and beliefs adopted in light of information currently available. Citizen cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

(2) Financial Position**(i) Assets Outstanding at Fiscal Year End**

Total assets at the fiscal year end decreased 19.5 billion yen from the previous fiscal year end to 382.9 billion yen. Mainly due to 30.0 billion yen of share buyback and 7.8 billion yen of capital investment in Miyano Machinery Inc., cash and cash equivalents and marketable securities together decreased 40.8 billion yen. On the other hand, investment securities increased 10.7 billion yen mainly due to the capital investment in Miyano Machinery Inc. Property, plant and equipment increased 2.9 billion yen mainly

because of aggressive capital expenditure. Total liabilities increased 4.5 billion yen from the previous fiscal year to 128.5 billion yen. Net assets decreased 24.0 billion yen to 254.4 billion yen mainly due to share buyback.

(ii) Cash Flows

On a consolidated basis, cash and cash equivalents at the fiscal year end decreased 40.4 billion yen from the end of the previous fiscal year, to 80.6 billion yen.

Cash flows from operating activities

Cash flows from operating activities yielded a cash flow revenue of 30.5 billion yen. The main factors were 14.8 billion yen of income before income taxes, 18.9 billion yen of depreciation, 6.8 billion yen for impairment loss, 2.5 billion yen for loss on disposal of fixed assets and 11.1 billion yen of income taxes payment.

Cash flows from investing activities

Cash flows from investment activities ran a deficit of 38.7 billion yen. The main factors were payments of 26.2 billion yen for the purchase of property, plant and equipment and payment of 12.3 billion yen for purchase of investment securities.

Cash flows for financing activities

Cash flows from financing activities ran a deficit of 35.2 billion yen. There were payments of 30.0 billion yen for share buyback and 5.6 billion yen for dividends.

Cash flow indicators

Percent	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Equity ratio	55.7	57.4	61.7	68.7	65.9
Equity ratio at market value	52.3	80.1	79.3	104.6	100.1
Debt repayment period (years)	1.0	0.8	0.7	0.7	0.9
Interest coverage ratio	110.0	154.7	204.7	1,416.5	1,253.5

Equity ratio: Net assets (Shareholder's equity, before fiscal 2005) /total assets

Equity ratio at market value: Market capitalization/total assets

Debt repayment period: Interest-bearing debt/operating cash flows

Interest coverage ratio: Operating cash flows/interest paid

- * These ratios are all calculated from consolidated financial statements
- * Market capitalization is calculated by multiplying the closing stock price at fiscal-year end by the number of outstanding stocks (after subtracting treasury stock)
- * For cash flow, operating cash flows is used. Interest-bearing debt refers to all liabilities shown in the balance sheet on which interest is payable. For interest paid, interest payments shown in the consolidated statement of cash flow are used.

(3) Fundamental Policy Regarding the Distribution of Profits

The total amount of dividends and share buyback divided by consolidated net income will be stated as "ratio of return to shareholders" and the Company has decided to make the average ratio of the 3 to 5 year period to over 30%. Dividend will be decided taking into consideration of the balance of its performance and stability of dividend. Regarding the share buyback, the Company will aim to improve the capital efficiency as well as the return to shareholders by raising the earnings per share.

For the year ended March 2007, the Company plans to pay 7.50 yen as year-end dividend, resulting in 15 yen dividend for the full year. In addition, the Company schedules to maintain 15 yen dividend per share for the year ending March 2008.

(4) Risks

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

(i) Risks regarding our businesses

The Citizen Group's main business is to manufacture and sell watches, electronic devices, electronic products and industrial machinery. 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

The competition in watch market is intensifying not only against Japanese brands, high-end Swiss brands and low-end Chinese manufacturers, but also against alternative products such as mobile phones, resulting in a flattish sales. 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.

Electronic devices

Device businesses are significantly influenced by mobile phone market trends. In addition, due to factors including rapid technology innovation and intense competition, sales price decline and delay in development may affect operating results. Furthermore, in case any patent alliance is dissolved, our business may be influenced.

Electronic products

Due to factors including intense competition against Japanese and Chinese manufacturers, rapid technology innovation, sales price decline and delay in development may affect operating results.

Industrial machinery

The business may have an impact from trends in IT-related industry.

(ii) Overseas sales

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

(iii) Foreign currency fluctuation risk

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

(iv) Manufacturing in China

About 40% of the Group's products are manufactured overseas, and China is the main production base. Thus, execution of any new regulations that may interfere the production or yuan's appreciation or some other factors may influence our operating results.

(v) Impairment loss

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

(vi) Patent and intangible property

The Citizen Group uses various intangible properties in R&D and production process. If any disputes occurs, it may affect the Group's operating results.

(vii) Risk related to natural disaster such as earthquakes

The Citizen Group establishes a risk management system through simulation activities to avoid any human suffering or facility damages. However, if any earthquakes larger than expected occurs, it may have an impact on the production activities or product supply. It may also have a significant effect on the operating results and financial positions.

(viii) Other risks

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

Corporate Group

The Citizen Group (“the Company” and its subsidiaries and affiliates) consists of the Company and its 107 subsidiaries and 9 affiliates. The Group companies are mainly engaged in production and sales in four business segments: watches and clocks, electronic devices, electronic products, and industrial machinery.

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

Segment	Major production companies	Major marketing companies
Watches and clocks	CITIZEN TOHOKU CO., LTD. CITIZEN SAITAMA CO., LTD. CITIZEN HEIWA WATCH CO., LTD. CITIZEN ELECTRONICS CO., LTD. CITIZEN FINE TECH CO., LTD. CITIZEN MIYOTA CO., LTD. CITIZEN SEIMITSU CO., LTD. CITIZEN SEIMITSU KAGOSHIMA CO., LTD. CITIZEN ELECTRONICS FUNEHIKI CO., LTD. SAYAMA PRECISION CO., LTD. CITIZEN YUBARI CO., LTD. CITIZEN PRECISION OF KOREA CO., LTD. SUNCITI MANUFACTURERS LTD. ASTAR PRECISION CO., LTD. CITIZEN DE MEXICO, S.A. DE C.V. ROYAL TIME CITI CO., LTD. FARBEST INDUSTRIES LTD. GOODRINGTON CO., LTD., etc.	JAPAN CBM CORPORATION ONTIME CO., LTD. CITIZEN WATCHES (H.K.) LTD CITIZEN WATCH COMPANY OF AMERICA, INC. CITIZEN WATCH UNITED KINGDOM, LTD. CITIZEN WATCHES AUSTRALIA PTY LTD. CITIZEN WATCH EUROPE GmbH CITIZEN WATCH ITALY S.P.A. CITIZEN LATIN AMERICA CORP. CITIZEN WATCH ESPAÑA S.A. CITIZEN DE MEXICO, S.A. DE C.V. CITIZEN T.I.C. CO., LTD. CITIZEN WATCH (CHINA) CO., LTD., etc.
Electronic devices	CITIZEN ELECTRONICS CO., LTD. CITIZEN MIYOTA CO., LTD. CITIZEN FINE TECH CO., LTD. CITIZEN DISPLAYS CO., LTD. CITIZEN SEIMITSU CO., LTD. CITIZEN ELECTRONICS FUNEHIKI CO., LTD. CITIZEN ELECTRONICS TIMEL CO., LTD. FIRST COME ELECTRONICS LTD. MOST CROWN INDUSTRIES LTD. C-E (SUZHOU) LTD., etc.	C-E (H.K.) LTD. C-E (SINGAPORE) PTE. LTD., etc. C-E (DEUTSCHLAND) GmbH CITIZEN (SHANGHAI) TRADING CO., LTD.
Electronic products	CITIZEN SEIMITSU CO., LTD. CITIZEN HEIWA WATCH CO., LTD. CROWN YOUNG INDUSTRIES LTD., etc.	CITIZEN SYSTEMS JAPAN CO., LTD. CITIZEN SYSTEMS AMERICA CORPORATION CITIZEN SYSTEMS EUROPE GmbH, etc.
Industrial machinery	CITIZEN MACHINERY CO., LTD. CITIZEN MECHATRONICS CO., LTD. SAYAMA PRECISION CO., LTD. CITIZEN MACHINERY ASIA CO., LTD. MIYANO MACHINERY INC.*1, etc.	CITIZEN MACHINERY & BOLEY GmbH. MARUBENI CITIZEN-CINCOM INC.*2, etc.
Other products	CITIZEN SEIMITSU CO., LTD. SAYAMA PRECISION CO., LTD. CITIZEN HEIWA WATCH CO., LTD., etc. FUJIMI CORP.	CITIZEN PLAZA CO., LTD. SILVER DENKEN CO., LTD. TOKYO BIJUTSU CO., LTD. CITIZEN JEWELRY CO., LTD., etc.

No mark: consolidated subsidiaries

*1: nonconsolidated subsidiaries not accounted for by the equity method

*2: affiliate not accounted for by the equity method

Management Policy

1. Fundamental Management Policy

The Citizen group's management policy is based on the philosophy that gave us our name: 'Creating products that are close to the hearts of citizens everywhere.' We aim to contribute to the society through ongoing activities that are in harmony not only with the local community but also with the global environment. Our mission is to utilize the precision manufacturing and mounting technology that we have developed through our watch-making businesses to offer products that satisfy customers and contribute to the lives of people around the world.

With all employees sharing the same goals, the Citizen group is focused on becoming a 'quality corporation' that is both profitable and responsive to changes.

2. Medium-Term Management Strategy

The Company aims to become a profitable company with good portfolio balance of stable profitable businesses utilizing precision technology and growth businesses.

3. Issues Facing the Company

The Company, taking advantage of becoming a pure holding company system this April, revised the Group Management Strategy. According to the new medium-term management strategy, the Company will focus on 3 areas; revise business portfolio strategy, strengthen governance and restructure financial strategy.

Revise business portfolio strategy

- (i) Aggressive investment in profitable businesses
- (ii) Select and concentrate in Electronic Devices

Strengthen governance

- (i) Adoption of outside Directors
- (ii) Strict implementation of rules to begin a new business and rules to exit from a business
- (iii) Defined business responsibility structure and stronger monitoring

Restructure financial strategy

- (i) Improvement of financial efficiency

The year ending March 2008 is the first year of the medium-term plan, in which various measures are planned to be taken intensively.

Consolidated Balance Sheet

Millions of yen	March 31, 2006	%	March 31, 2007	%	Year-on-year change
Current assets					
Cash and cash equivalents	107,881		82,975		(24,905)
Notes and accounts receivable	73,796		75,132		1,336
Marketable Securities	15,984		0		(15,984)
Inventories	52,416		55,980		3,564
Deferred tax assets	9,094		10,262		1,168
Accrued consumption tax	2,438		2,233		(204)
Other current assets	7,444		5,851		(1,592)
Allowance for doubtful accounts	(1,133)		(994)		139
	<u>267,921</u>	66.6	<u>231,442</u>	60.4	<u>(36,479)</u>
Fixed assets					
Property, plant and equipment					
Buildings and structures	32,802		34,553		1,751
Machinery, equipment and carriers	28,429		29,764		1,335
Tools, furniture and fixtures	6,317		6,231		(85)
Land	9,634		10,039		405
Construction in progress	3,839		3,335		(503)
	<u>81,022</u>	20.1	<u>83,925</u>	21.9	<u>2,903</u>
Intangible fixed assets					
Software	671		1,207		535
Other intangible fixed assets	390		336		(54)
	<u>1,062</u>	0.3	<u>1,544</u>	0.4	<u>481</u>
Investments and other assets					
Investment securities	46,006		56,713		10,707
Long-term loans	1,245		274		(971)
Deferred tax assets	591		5,995		5,404
Other intangible fixed assets	5,579		5,093		(486)
Allowance for doubtful accounts	(260)		(184)		76
Allowance for valuation loss on investments	(672)		(1,833)		(1,161)
	<u>52,490</u>	13.0	<u>66,059</u>	17.3	<u>13,568</u>
	<u>134,575</u>	33.4	<u>151,529</u>	39.6	<u>16,953</u>
Total assets	<u>402,497</u>	100.0	<u>382,971</u>	100.0	<u>(19,526)</u>

CITIZEN WATCH

Millions of yen	March 31, 2006	%	March 31, 2007	%	Year-on-year change
Current liabilities					
Notes and accounts payable	34,855		35,558		702
Short-term bank loans payable	4,233		4,613		379
Income taxes payable	4,993		5,849		855
Deferred tax liabilities	-		21		21
Accrued expenses	9,074		10,266		1,129
Reserve for bonuses to employees	4,575		5,065		489
Reserve for bonuses to directors	-		268		268
Reserve for product warranties	974		1,260		286
Notes payable for equipment	3,236		2,048		(1,188)
Other current liabilities	17,406		18,625		1,218
	79,351	19.7	83,578	21.8	4,226
Long-term liabilities					
Bonds with subscription right for new shares	23,000		23,000		-
Long-term loans payable	2		1		(1)
Deferred tax liabilities	7,516		9,577		2,061
Reserve for defined retirement benefits	9,933		9,718		(215)
Reserve for retirement bonuses to directors	502		-		(502)
Consolidation adjustments	2,848		1,879		(969)
Other long-term liabilities	860		789		(70)
	44,663	11.1	44,965	11.8	302
Total liabilities	124,015	30.8	128,544	33.6	4,529
Minority interest	2,070	0.5	-	-	-
Shareholders' equity					
Paid-in capital	32,648	8.1	-	-	-
Additional paid-in capital	63,890	15.9	-	-	-
Retained earnings	165,246	41.0	-	-	-
Net unrealized gain/loss on other securities	16,064	4.0	-	-	-
Foreign currency translation adjustments	(176)	(0.0)	-	-	-
Treasury stock	(1,261)	(0.3)	-	-	-
Total shareholders' equity	276,411	68.7	-	-	-
Total liabilities, minority interest and shareholders' equity	402,497	100.0	-	-	-
Shareholders' equity					
Paid-in capital	-	-	32,648	8.5	-
Additional paid-in capital	-	-	63,890	16.7	-
Retained earnings	-	-	167,478	43.7	-
Treasury stock	-	-	(31,219)	(8.1)	-
Valuation and translation adjustments					
Net unrealized gain/loss on other securities	-	-	18,195	4.7	-
Foreign currency translation adjustments	-	-	1,536	0.4	-
Minority interest	-	-	1,896	0.5	-
Total net assets	-	-	254,426	66.4	-
Total liabilities and net assets	-	-	382,971	100.0	-

Consolidated Statement of Income

Millions of yen	Year ended March 31, 2006		Year ended March 31, 2007		Year-on-year change
		%		%	
Net sales	335,940	100.0	336,188	100.0	248
Cost of sales	229,826	68.4	230,423	68.5	596
Gross profit	106,113	31.6	105,765	31.5	(347)
Selling, general and administrative expenses	75,596	22.5	83,845	25.0	8,248
Operating income	30,516	9.1	21,920	6.5	(8,596)
Nonoperating income					
Interest and dividend income	1,263		1,780		516
Rent received	460		393		(67)
Foreign currency exchange gain	1,374		198		(1,176)
Amortization of consolidation adjustments	988		1,257		269
Other	1,043		1,515		471
	5,130	1.5	5,144	1.5	14
Nonoperating expenses					
Interest charges	33		36		3
Loss on sales of bills	254		414		159
Depreciation expenses for lent properties	289		204		(85)
Other	434		418		(16)
	1,012	0.3	1,073	0.3	60
Ordinary income	34,634	10.3	25,991	7.7	(8,642)
Extraordinary gains					
Gain on sales of fixed assets	-		55		55
Gain on sales of investment securities	3		2		(0)
Reversal of allowance for doubtful accounts	771		196		(575)
Gain on transition of retirement pension plan	515		138		(376)
Other	213		189		(23)
	1,504	0.5	582	0.2	(921)
Extraordinary losses					
Loss on disposal of properties	805		2,554		1,748
Loss on impairment	309		6,825		6,516
Reorganization costs	709		618		(91)
Valuation loss on investment securities	2		274		271
Other	460		1,462		1,001
	2,288	0.7	11,735	3.5	9,446
Income before income taxes	33,849	10.1	14,839	4.4	(19,010)
Income taxes					
Current	9,493	2.8	11,268	3.4	1,775
Deferred	4,417	1.3	(3,531)	(1.1)	(7,949)
Minority interests	1,345	0.5	(42)	(0.0)	(1,387)
Net income	18,594	5.5	7,145	2.1	(11,448)

Consolidated Statement of Retained Earnings

Millions of yen	Year ended March 31, 2006
Additional paid-in capital	
Additional paid-in capital, beginning of term	39,027
Increase in additional paid-in capital	24,863
Increase due to share exchange	24,863
Additional paid-in capital, end of term	63,890
Retained earnings	
Retained earnings, beginning of term	173,173
Increase in retained earnings	
Net income	18,594
Increase due to integration	46
	18,640
Decrease in retained earnings	
Cash dividends	3,913
Bonuses to directors	251
Loss on deposit of treasury stocks	5,856
Cancellation of treasury stocks	16,547
	26,568
Retained earnings, end of term	165,246

Consolidated Statement of Retained Earnings

(The year ended March 31, 2007)

Millions of yen										
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stocks	Total shareholders' equity	Net unrealized gain/loss on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interest	Total net assets
Balance at March 31, 2006	32,648	63,890	165,246	(1,261)	260,523	16,064	(176)	15,887	2,070	278,482
Cash dividends*			(2,843)		(2,843)					(2,843)
Cash dividends			(2,771)		(2,771)					(2,771)
Bonus to directors*			(288)		(288)					(288)
Net income			7,145		7,145					7,145
Repurchase of treasury stocks				(30,027)	(30,027)					(30,027)
Cancellation of treasury stocks			(9)	70	60					60
Changes in scope of consolidation			998		998					998
Changes except in shareholders' equity						2,131	1,713	3,844	(173)	3,670
Total changes			2,232	(29,957)	(27,725)	2,131	1,713	3,844	(173)	(24,055)
Balance at September 30, 2006	32,648	63,890	167,478	(31,219)	232,798	18,195	1,536	19,732	1,896	254,426

Asterisk (*) indicates items in the appropriation of retained earnings resolved at the ordinary general meeting of shareholders held in June 2006.

Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31,	
	2006	2007
Cash flows from operating activities		
Income before income taxes	33,849	14,839
Depreciation	16,220	18,914
Increase/decrease in reserve for defined retirement benefits	(287)	(388)
Increase/decrease in allowance for doubtful accounts	(1,190)	1,441
Interest and dividends income	(1,263)	(1,760)
Interest charges	33	36
Loss on marketable securities sold	2	7
Loss on investment securities sold	219	271
Loss on properties sold	(115)	112
Loss on disposal of properties	805	2,554
Payment of bonuses to directors	(292)	(294)
Increase/decrease in receivables - trade	7,588	(904)
Increase/decrease in inventories	(514)	(1,472)
Increase/decrease in notes and accounts payable - trade	(3,956)	449
Consolidation adjustments	(988)	(1,257)
Loss on impairment	309	6,825
Other	(1,040)	599
Subtotal	49,378	39,975
Interest and dividends received	1,261	1,761
Interest payments	(27)	(24)
Income taxes	(11,079)	(11,150)
Net cash provided by operating activities	39,533	30,561
Cash flows from investing activities		
Proceeds from the sale of marketable securities	1,144	13
Payments for the purchase of investment securities	(3,923)	(12,370)
Proceeds from the sale of investment securities	6,083	48
Payments for the purchase of property, plant and equipment	(20,878)	(26,248)
Proceeds from the purchase of property, plant and equipment	727	599
Increase/decrease in loans	(277)	265
Other	(2,016)	(1,021)
Net cash used in investing activities	(19,141)	(38,713)
Cash flows from financing activities		
Net increase/decrease in borrowings	(2,489)	372
Dividends paid by parent company	(3,913)	(5,614)
Dividends paid to the minority stockholders	(654)	(41)
Payments for purchase of treasury stock	(17,189)	(30,027)
Proceeds from the sale of treasury stock	7	60
Other	66	-
Net cash used in financing activities	(24,173)	(35,250)
Effect of exchange rate changes on cash and cash equivalents	1,740	927
Net increase in cash and cash equivalents	(2,041)	(42,475)
Cash and cash equivalents at beginning of term	122,869	121,127
Increase/decrease in cash and cash equivalents due to change in scope of consolidation	196	2,007
Increase in cash and cash equivalents due to merger	103	39
Cash and cash equivalents at end of term	121,127	80,698

Basis of Presenting the Consolidated Financial Statements

1. Scope of consolidation

From this term, 9 companies are included in the Company's consolidated subsidiaries, Ontime Co., Ltd., Citizen Electronics Timel Co., Ltd., Fujimi Corp., Citizen Watch China Co., Ltd., C-E (Deutschland) GmbH, Citizen Electronics (China) Co., Ltd., Citizen Electronics (Nan Jing) Co., Ltd., Citizen Systems Europe GmbH, and Citizen Machinery Asia Co., Ltd. due to its significance. In addition, Crown Young Industries Ltd. has changed its trade name to Citizen Systems (H.K.) Limited. Due to the aforesaid addition, the Citizen Group has 66 consolidated subsidiaries and 41 nonconsolidated subsidiaries for this term.

2. Application of equity method

The company applies equity method for Miyano Machinery Inc. from the year ended March 31, 2007 as the company began to hold an equity stake.

3. Items regarding accounting standards

(Reserve for bonuses to directors)

Reserve for bonuses to directors are provided for the estimated amounts from this term.

Changes in Basis of Presenting the Consolidated Financial Statements

(Additional information)

Reserve for retirement benefits

Some of the consolidated subsidiaries changed a part of their retirement benefit system from tax-qualified pension plan to defined contribution plan. As a result of this change, 138 million yen is recorded under extraordinary income.

Reserve for retirement bonuses to directors

For some of the domestic consolidated subsidiaries, reserve for retirement bonuses to directors was provided for necessary amounts based on internal regulations. However, the Company abolished its system of retirement bonuses to directors. The equivalent value of the reserve for retirement bonuses to directors has been transferred to other accounts payable and other long-term liabilities.

Notes

(Consolidated balance sheet)

Millions of yen	As of March 31, 2006	As of March 31, 2007
Accumulated depreciation of fixed assets	238,479	240,525

(Consolidated statement of income)

Impairment Loss

The Group, in principle, considers department unit based on management accounting as the minimum unit that generates cash flow. Some of the consolidated subsidiaries are classified based on company unit due to its business size. In addition, assets that are not clearly related to certain business, such as head office, are categorized as common assets.

During this consolidated interim period, idle equipment with no plan to be used, and business assets related to electronic devices parts, which had poor business performance or from which it was decided to exit or shrink, have gone impairment and loss from impairment (6,825 million yen) is recorded in extraordinary losses. The breakdown is 5,032 million yen for machinery and equipment, and 1,508 million yen for long-term prepaid expenses.

(Consolidated statement of retained earnings)

1. Type and number of issued stocks and treasury stocks

Shares	Beginning of the period	Increase during this interim period	Decrease during this interim period	End of the period
Issued shares				
Common stock	380,353,809	0	0	380,353,809
Total	380,353,809	0	0	380,353,809
Treasury stock				
Common stock*	1,277,972	32,449,508	71,002	33,706,478
Total	1,277,972	32,449,508	71,002	33,706,478

Note (*)

- The breakdown of 32,449,508 shares of common stock increased in treasury stock

Increase due to purchase from the market	32,471,600 shares
Increase due to repurchase of stocks less than one unit	22,908 shares
Increase due to other reasons	5,000 shares
- The breakdown of 71,002 shares of common stock decreased in treasury stock

Decrease due to exercise of warrant	70,000 shares
Decrease due to purchase of stocks less than one unit	1,002 shares

2. Cash dividends

(1) Cash dividends

(Resolution)	Type	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 28, 2006)	Common stock	2,843 million yen	7.50 yen	March 31, 2006	June 29, 2006
Board of Directors (Nov.14, 2006)	Common stock	2,771 million yen	7.50 yen	Sep. 30, 2006	Dec. 8, 2006

(2) Of the cash dividends with record date during this period, those with effective date after this period

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 26, 2007)	Common stock	2,599 million yen	Earnings reserve	7.50 yen	March 31, 2007	June 27, 2007

(Consolidated statement of cash flow)

Relationship between the ending balance of cash and cash equivalents and account items listed in the consolidated balance sheets

Millions of yen	March 31, 2006	March 31, 2007
Cash	107,881	82,975
Marketable securities	15,984	0
Time deposits with a deposit period greater than three months	(2,717)	(2,276)
Shares and bonds with a redemption period greater than three months	(21)	0
Cash and cash equivalents	121,127	80,699

(Segment information)**1. Business segment**

Millions of yen	Watches and clocks	Electronic devices	Electronic Products	Industrial machinery	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Year ended March 31, 2006								
Net sales								
Customers	125,038	111,112	25,098	37,176	37,514	335,940	-	335,940
Inter-segment	-	2,078	-	-	-	2,078	[2,078]	-
Total	125,038	113,191	25,098	37,176	37,514	338,019	[2,078]	335,940
Operating expenses	104,499	105,129	22,924	31,691	34,774	299,020	6,403	305,423
Operating income	20,538	8,061	2,174	5,485	2,739	38,998	[8,481]	30,516
Assets								
Assets	128,411	111,116	15,732	29,036	28,582	312,878	89,618	402,497
Depreciation and amortization	6,287	6,297	458	1,142	1,269	15,456	764	16,220
Impairment loss	58	232	-	-	18	309	-	309
Capital expenditures	5,908	9,593	483	1,395	1,668	19,048	2,305	21,353
Year ended March 31, 2007								
Net sales								
Customers	132,987	99,167	27,778	44,285	31,970	336,188	-	336,188
Inter-segment	-	1,741	-	-	-	1,741	[1,741]	-
Total	132,987	100,908	27,778	44,285	31,970	337,930	[1,741]	336,188
Operating expenses	111,926	100,503	24,575	37,833	30,508	305,347	8,920	314,268
Operating income	21,060	405	3,203	6,451	1,461	32,582	[10,662]	21,920
Assets								
Assets	132,734	114,190	22,379	37,069	29,985	336,358	46,612	382,971
Depreciation and amortization	6,101	8,007	541	1,353	1,429	17,433	1,480	18,914
Impairment loss	13	6,692	16	0	0	6,722	102	6,825
Capital expenditures	7,484	15,007	791	1,768	2,358	27,410	1,621	29,032

(Notes)

1. Business segments

The following business segments are classified based on the type, nature and manufacturing methods of products and the similarity of markets.

2. Major products by business segment

Segment	Major products
Watches and clocks	Analog, digital and analog/digital combination watches, internal and facing parts of wristwatches, various kinds of clocks, etc.
Electronic devices	Chip LEDs, back light units, liquid crystal displays, quartz oscillators, electronic viewfinders, etc.
Electronic products	Various kinds of printers, floppy disk drives, electronic thermometers, calculators, etc.
Industrial machinery	Small CNC automatic lathes, various types of robots, general-purpose machine tools, measuring instruments, etc.
Other products	Jewelry, pachinko related products, eyewear, jigs and tools, etc.

3. During the year ended March 2006, operating expenses that could not be allocated to business segments were costs associated with the parent company's administrative expenses and basic research. Such expenses amounted to 8,481 million yen and were included in the "eliminations or general corporate" account.

During the year ended March 2007, such operating expenses amounted to 10,662 million yen and were included in the "eliminations or general corporate" account.

4. Among assets, general corporate assets included in the "eliminations and general corporate" account amounted to 81,586 million yen for the year ended March 2007 and 89,821 million yen for the year ended March 2006. They consisted mainly of surplus funds for investment (e.g., cash, marketable securities) and funds for long-term investment (e.g., investment securities) in the parent company.

2. Geographic segment

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
Year ended March 31, 2006								
Net sales								
Customers	259,329	25,489	31,331	17,974	1,816	335,940	-	335,940
Inter-segment	43,516	58,786	1,197	101	-	103,602	[103,602]	-
Total	302,845	84,276	32,528	18,076	1,816	439,543	[103,602]	335,940
Operating expenses	270,757	83,651	29,755	17,326	1,792	403,283	[97,859]	305,423
Operating income	32,087	625	2,773	750	23	36,260	[5,743]	30,516
Assets	264,223	38,625	22,608	13,814	1,298	340,569	61,927	402,497
Year ended March 31, 2007								
Net sales								
Customers	248,182	28,497	32,416	25,231	1,861	336,188	-	336,188
Inter-segment	54,174	69,545	1,391	148	-	125,259	[125,259]	-
Total	302,356	98,042	33,807	25,379	1,861	461,448	[125,259]	336,188
Operating expenses	274,300	97,812	31,021	23,978	1,822	428,933	[114,665]	314,268
Operating income	28,056	230	2,786	1,401	39	32,514	[10,593]	21,920
Assets	276,614	49,466	21,995	19,047	1,335	368,460	14,511	382,971

(Notes)

- Nations or regions are classified according to geographic proximity.
- Major nations or regions in the respective categories:
 - Asia: China/Hong Kong, South Korea, Taiwan, Singapore, Thailand and Malaysia
 - Americas: United States, Panama and Mexico
 - Europe: Germany, United Kingdom, Italy and Spain
 - Other: Australia

3. Overseas sales

Overseas sales, consolidated net sales, and percentage of overseas sales to consolidated net sales are as follows:

Millions of yen	Year ended March 31, 2006		Year ended March 31, 2007	
	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales
Asia	101,963	30.3	103,681	30.8
Americas	45,627	13.6	43,391	12.9
Europe	43,038	12.8	44,549	13.3
Other	4,283	1.3	3,209	1.0
Total	194,912	58.0	194,831	58.0
Consolidated sales	335,940	100.0	336,188	100.0

(Notes)

- Overseas sales are exports of the Company and its consolidated domestic subsidiaries, and sales (other than exports to Japan) of overseas subsidiaries.
- Nations or regions are classified according to geographic proximity.
- Major nations or regions in the respective categories:
 - Asia: China/Hong Kong, South Korea, Taiwan, Singapore, Thailand, etc.
 - Americas: United States, Canada, Panama, Brazil, Mexico, etc.
 - Europe: Germany, United Kingdom, France, Italy, Spain, etc.
 - Other: Oceania and Africa

(Per Share Information)

	Year ended March 31, 2006	Year ended March 31, 2007
Net asset per share	728.43 yen	728.49 yen
Basic net income per share	53.23 yen	19.43 yen
Diluted net income per share	49.24 yen	18.07 yen

The basis of calculation of per share information is as follows:

Basic net income per share	Year ended March 31, 2006	Year ended March 31, 2007
Net income (millions of yen)	18,594	7,145
(bonus to directors) (millions of yen)	(279)	(-)
Net income on common stock (millions of yen)	18,314	7,145
Average number of common stocks (thousand shares)	344,088	367,812

Diluted net income per share	Year ended March 31, 2006	Year ended March 31, 2007
Adjustments to net income (millions of yen)	-	-
Number of common stock increased (thousand shares)	27,887	27,662
(convertible bonds)	(27,577)	(27,577)
(stock options)	(309)	(84)

Net assets per share	Year ended March 31, 2006	Year ended March 31, 2007
Net assets (millions of yen)	-	254,426
(Minority interest)	(-)	(1,896)
Net assets on common stock (millions of yen)	-	252,530
Number of common stocks at end of term (thousand shares)	-	346,647

(Subsequent Events)

None.

Changes in the Board of Directors of the Company (scheduled on June 26, 2007)**(1) Retiring directors (tentative)**

Takao Suzuki (Currently Director of Citizen Holdings Co., Ltd.)

Masato Hiraishi (Currently Director of Citizen Holdings Co., Ltd.)

(2) Candidate for appointment to Board of Directors

Katsuhiko Noguchi (Currently Officer of Citizen Holdings Co., Ltd.)
[Scheduled to be appointed to Director.]

Kazumoto Yamamoto (Currently Standing Councillor of Asahi Kasei Corporation)
[Scheduled to be appointed to independent outside director.]

Teruaki Aoki (Currently Managing Director of Sony Foundation for Education)
[Scheduled to be appointed to independent outside director.]