



Consolidated Financial Statements

for the Six Months Ended September 30, 2006

[Disclaimer: Please note that the following is translation of the original Japanese version prepared for ease of reference for our foreign investors. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. All financial information has been prepared in accordance with generally accepted accounting principles in Japan.]

All figures in these statements, which are less than 1 million yen, have been rounded down.

November 14, 2006

CITIZEN WATCH CO., LTD.

Ticker Code:	7762
	(URL http://www.citizen.co.jp/english/)
Stock exchange listings:	Tokyo
Location of head office:	Tokyo, Japan
Executive position of legal representative:	Makoto Umehara, President and CEO
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Board of Directors' Meeting on the Interim Settlement of Accounts:	November 14, 2006
U.S. Accounting Standards:	No

1. Results for the Interim Term of Fiscal 2006 (April 1, 2006 to September 30, 2006)

(1) Consolidated operating results

Six months (Year) ended	Net sales		Operating income		Recurring income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2005	161,922	(11.9)	12,883	(36.6)	14,621	(36.2)
September 30, 2006	163,546	1.0	10,189	(20.9)	11,704	(20.0)
March 31, 2006	335,940		30,516		34,634	

Six months (Year) ended	Net income		Earnings per share		Fully diluted earnings per share	
	(Millions of yen)	%	(Yen)	%	(Yen)	%
September 30, 2005	7,605	(34.4)	25.26		23.14	
September 30, 2006	4,235	(44.3)	11.21		10.45	
March 31, 2006	18,594		53.23		49.24	

(Notes)

- Equity in earnings of unconsolidated subsidiaries and affiliates:

September 2006 interim term: Not applicable	September 2005 interim term: Not applicable
March 2006 term: Not applicable	
- Average number of shares out during the term (consolidated):

September 2006 interim term: 377,644,611 shares	September 2005 interim term: 301,060,761 shares
March 2006 term: 344,088,879 shares	
- Changes in accounting methods: None
- Percent figures for net sales, operating income, recurring income and net income for the interim term represent a comparison with the same term of the prior year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
Six months (Year) ended	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2005	400,542	252,252	63.0	837.89
September 30, 2006	407,260	272,353	66.4	731.75
March 31, 2006	402,497	276,411	68.7	728.43

(Note)

Total number of shares outstanding at the interim term closing (consolidated):

September 2006 interim term: 369,551,962 shares September 2005 interim term: 301,056,675 shares

March 2006 term: 379,075,837 shares

(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
Six months (Year) ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
September 30, 2005	11,804	(4,852)	(3,336)	127,677
September 30, 2006	14,435	(15,378)	(10,071)	112,338
March 31, 2006	39,533	(19,141)	(24,173)	121,127

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 66

Number of non-consolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for the equity method: 0

(5) Changes in the scope of consolidation and application of the equity method

Consolidation (Newly added): 9; (eliminated): 0

Equity method (Newly added): 0; (eliminated): 0

2. Projected Results for Fiscal 2006 (April 1, 2006 to March 31, 2007)

	Net sales	Operating income	Recurring income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Full term	341,000	23,000	25,000	11,000

Reference: Estimated earnings per share (full term): 29.77 yen

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

Management Policy

1. Fundamental Management Policy

The Citizen group's management policy is based on the corporate philosophy that gave us our name: 'contribute to and strive to be respected by the citizens of the world.' We aim to enhance the corporate value as well as to contribute to 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 assembly technologies that we have developed from 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 'corporation with good quality' that is both profitable and responsive to change.

2. 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.

3. Medium-Term Management Strategy

The Company developed 2006 Medium-Term Management Plan aiming to transform into a group that creates high-added value. Based on the fundamental policies listed below, the Company carries forward reform plans to further promote growth strategy, to improve profitability and to establish a structure that is capable of responding appropriately to environmental changes.

- (1) Growth strategy by strengthening R&D
- (2) Growth strategy based on device business
- (3) Further improvement in stability and profitability and expansion in business size in watches, industrial machinery and electronic products businesses
- (4) Stronger head office

[Issues Facing the Company]

Stronger cooperation within the Group

- (1) The Company, with a view to enhancing its group corporate value, has been vigorously taking measures such as acquiring the entire equity ownerships of major consolidated subsidiaries to continue group-wide structural reforms.

In addition, the Company has decided to shift to a pure holding company system from April 2007 to improve the Group's competence and promote growth by taking the following measures:

- a. Establishment of optimal management system suitable for each business and industry of the Company's group companies;
 - b. Speedy and self-sustaining management;
 - c. Establishment of management systems that can respond flexibly to changes;
 - d. Selection and concentration based on portfolio management;
 - e. Strengthen head office function and pursue synergy effect
- (2) In order to further promote the growth strategy, the Company will focus on maximizing the Group value and enhancing corporate governance.

Maintaining stable earnings and expanding the Watch business

- (1) Lead the industry by expanding Citizen brand with high value-added products and by taking multi-brand strategy.
- (2) Expand the business aggressively by developing a new market.
- (3) Promote development and investment in finished watches and movements.

Strengthening business's ability to grow

- (1) Throughout the non-watch divisions, the Company will make efforts to expand the profit by promoting stronger cooperation, faster decision-making and more efficient management.
- (2) Themes of R&D and capital investments will be decided on group basis.
- (3) Strengthen and centralize intra-group functions in order to improve management efficiency by making more effective use of the group's financial resources and other assets.

Review of Operations and Financial Position

1. Operations

Summary of Operating Results

Millions of yen	Six months ended September 30,		Change	%
	2005	2006		
Net sales	161,922	163,546	1,623	1.0
Operating income	12,883	10,189	-2,693	-20.9
Recurring income	14,621	11,704	-2,917	-20.0
Net income	7,605	4,235	-3,370	-44.3

Breakdown of sales by segment

Millions of yen	Six months ended September 30,		Change	%
	2005	2006		
Watches and clocks	58,448	63,033	4,584	7.8
Electronic devices	57,444	49,869	-7,575	-13.2
Electronic products	11,508	13,556	2,048	17.8
Industrial machinery	17,693	21,043	3,350	18.9
Other products	16,828	16,044	-784	-4.7
	161,922	163,546	1,623	1.0

Breakdown of operating income by segment

Millions of yen	Six months ended September 30,		Change	%
	2005	2006		
Watches and clocks	8,903	9,493	590	6.6
Electronic devices	4,730	649	-4,081	-86.3
Electronic products	825	1,458	633	76.7
Industrial machinery	2,301	3,180	878	38.2
Other products	231	727	495	214.3
Eliminations or general corporate	(4,109)	(5,320)	-1,211	-
	12,883	10,189	-2,693	-20.9

During the interim fiscal period under review, despite a slowdown in American economy, conditions in China and other Asian countries remained strong and European business climate showed a recovery. Japanese economy also recovered gradually with an increase in capital investments and consumption due to good performance. However, in the mobile phone industry on which the Company heavily relies, environment became tougher with price decline and intensifying competition.

Under these circumstances, the Company continued to promote the Group's structural reform such as resolving to shift to a pure holding company system in order to strengthen competence and to promote growth.

As a result, consolidated sales increased to 163.5 billion yen (an increase of 1.0% from the same period of the previous fiscal year). Operating income decreased to 10.1 billion yen (a decrease of 20.9%). Recurring profit decreased to 11.7 billion yen (a decrease of 20.0%) and net income also declined to 4.2 billion yen (a decrease of 44.3%).

Watches and Clocks

In the Japanese market, foreign brand watches continued to sell well while Japanese brand watches struggled. In addition, competition is intensifying in radio-controlled watches as well. However, sales improved owing to the aggressive development and introduction of new products of Eco-Drive radio-controlled watches. High-end "Exceed" enjoyed healthy sales by introducing the world's thinnest radio-controlled watches for men. "Attesa" and "xC" had sales equivalent to last year. In licensed brands, "Paul Smith" and "FURLA" sold well, resulting in sales increase and "VAGARY" for young people also contributed to sales.

Market situation is tough in the overseas market as well due to globalization and increase in number of brands. Despite this circumstance, the Company continued promotion of high value-added strategy and successfully raised the unit price, resulting in sales increase worldwide.

Although new models were introduced, sales of "Q&Q" declined due to the shrinking selling space of low-end watches and change in global market environment.

Sales of OEM products increased owing to good American and European markets and sales efforts of high value-added watches.

While the Chinese low-end movements triggered the decline of the market price, the Company controlled the sales volume by putting the priority in strategy to maintain the unit price, which resulted in sales decline.

Sales of clocks declined due to the weak demand in stores and decline in demand of special clocks.

Consequently, sales of watches and clocks increased to 63.0 billion yen (an increase of 7.8%), and operating income increased to 9.4 billion yen (an increase of 6.6%).

Electronic Devices

In mobile phone market on which opto-devices business is highly dependent, number of handsets continued to increase worldwide, most of them being low-end models. However, increase of low-end handsets spurred decline of number of parts used and price decline, and also triggered severe competition from Asian newcomers. Moreover, mid to high-end handsets in which the Company has advantages in quality and function is not expected to see a dramatic growth, and in that limited market, competition is also getting intense. Under these circumstances, the Company put effort in flash LED for camera phones, which are still expected to grow, as well as in introduction of new products such as back light units. Moreover, the Company challenged to develop a new market including general lighting and amusement. However, it was not enough to compensate the poor performance of key lighting LED and back light unit for mobile phones.

Although Chinese customers remained weak, liquid crystal devices for mobile phone had steady sales as large European and American customers recovered. Moreover, our unique element for DVD enjoyed healthy sales on the back of expansion of DVD market.

Sales of quartz devices increased in TCXO, low frequency and high frequency owing to the recovery of mobile phone industry.

In other parts, although new businesses including glass substrate for HDD was launched, poor performance in acoustic products and others triggered sales decline.

As a result, sales in electronic devices business, overall, decreased to 49.8 billion yen (a decrease of 13.2%) and operating income decreased to 0.6 billion yen (a decrease of 86.3%).

Electronic Products

In Japan, small printers for issuing receipts had steady sales. In addition, portable printers and small printers sold well in Europe and USA, and dot matrix printers for China also increased. A new business of photo printer contributed to sales as well.

In healthcare equipment, although competition was fierce in Japan and in Europe, sales increased as demand for America was strong.

As a result, sales of electronic products business overall increased to 13.5 billion yen (an increase of 17.8%) and operating income increased to 1.4 billion yen (an increase of 76.7%).

Industrial Machinery

As for CNC automatic lathes, sales increased significantly in the Japanese market, as demand was strong in various industries including auto, medical and precision. In ASEAN, although production adjustment occurred in auto and HDD, sales were steady by introduction of products meeting customers' needs. In China, although rise of raw materials and short of labor force triggered an unstable situation, market demand remained high. Demand in American market was stable mainly in medical application. European market also boosted its sales as demand was stipulated by elaborate sales activities. In addition, the new product A20 received high evaluation in its cost performance and stiffness.

In other machinery, measuring instruments recorded sales of the same period as last year due to the effect of auto and bearing markets, while assembling machines enjoyed increased sales as electronic parts assembling machines increased due to the demand in automobile industry.

As a result, sales of industrial machinery segment as a whole totaled 21.0 billion yen (an increase of 18.9%), and operating income increased to 3.1 billion yen (an increase of 38.2%).

Other Products

Jewelry market continued to remain weak with a rise in prices of gold and platinum and decline of marriage couples.

In pachinko related products, many pachinko stores replaced the gaming machines significantly, resulting in low demand of peripheral equipments and sales decline.

Operating income increased by the contribution of auto parts.

As a consequence, sales in other products as a whole totaled 16.0 billion yen (a decline of 4.7%) and operating income decreased to 0.7 billion yen (an increase of 214.3%).

2. Financial Position

Cash and cash equivalents at the end of this half-year period decreased 15.3 billion yen as compared to the same period of the previous year, to 112.3 billion yen.

Cash flows from operating activities in the half-year yielded cash flow revenue of 14.4 billion yen. Income before adjustment for taxes in the half-year amounted to 8.6 billion yen. Depreciation expense was 8.7 billion yen, loss from impairment amounted 1.8 billion yen, inventories increased by 5.3 billion yen and payment of income taxes was 5.7 billion yen.

Cash flows from investing activities ran a deficit of 15.3 billion yen. This is mainly due to the payment of 13.9 billion yen for the purchase of property, plant and equipment and 2.0 billion yen for the purchase of investment securities.

Cash flows from financing activities ran a deficit of 10.0 billion yen. This is mainly due to the 1.9 billion yen of increase in borrowings, 2.8 billion yen of dividends paid and 9.1 billion yen for the purchase of treasury stock.

Trends in cash flow indices for the consolidated group are as follows.

Percent	Year ended March 31,				Six months ended September 30, 2006
	2003	2004	2005	2006	
Equity ratio	55.6	57.4	61.7	68.7	66.4
Equity ratio at market value	52.3	80.1	79.3	104.6	88.2
Debt repayment period (years)	1.0	0.8	0.7	0.7	-
Interest coverage ratio	110.0	154.7	204.7	1,416.5	12,946.3

Equity ratio at market value: Market capitalization/total assets

Debt repayment period: Interest-bearing debt/operating cash flow (Not applicable for interim period.)

Interest coverage ratio: Operating cash flow/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 at fiscal-year end (after subtracting treasury stock)

For cash flow, operating cash flow 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 statements of cash flow are used.

3. Prospects for Fiscal 2006

Millions of yen	Year ended March 31, 2006	Year ending March 31, 2007	Change	%
Net sales	335,940	341,000	5,059	1.5
Operating income	30,516	23,000	-7,516	-24.6
Recurring income	34,634	25,000	-9,634	-27.8
Net income	18,594	11,000	-7,594	-40.8

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2006	Year ending March 31, 2007	Change	%
Watches and clocks	125,038	133,000	7,961	6.4
Electronic devices	111,112	103,000	-8,112	-7.3
Electronic products	25,098	27,500	2,401	9.6
Industrial machinery	37,176	43,000	5,823	15.7
Other products	37,514	34,500	-3,014	-8.0
TOTAL	335,940	341,000	5,059	1.5

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2006	Year ending March 31, 2007	Change	%
Watches and clocks	20,538	21,500	961	4.7
Electronic devices	8,061	1,500	-6,561	-81.4
Electronic products	2,174	3,000	825	38.0
Industrial machinery	5,485	6,500	1,014	18.5
Other products	2,739	1,500	-1,239	-45.2
Eliminations or general corporate	(8,481)	(11,000)	-2,518	-
TOTAL	30,516	23,000	-7,516	-24.6

Although global economy is steadily improving, prospects for the second half are unclear due to the rising oil prices, the fear of terrorism and the intensifying competition in mobile phone related products.

Under these uncertain circumstances, the Company will promote following strategies in each business.

Watches and Clocks

In addition to changes in market environment such as penetration of mobile phones, launch of fashion market, and shorter lifecycle, competition is getting intense due to the rise of Chinese products and Swiss brand watches. However, the Company will promote sales growth with high value-added products.

Electronic Devices

High-luminosity LED for general lighting is expected to increase although the volume is small. In areas other than opto-devices, sales for the second half is expected to increase from the interim result owing to rising trend in production volume of CMOS camera module which began mass production in October, the new key sheet module and multi-function speakers.

Industrial Machinery

Large fairs such as JIMTOF, IMTS and AMB are held in Japan, USA and Europe in the second half, with expectation of further demand. The new product A20 that succeeded to catch the needs in auto and precision industries is expected to raise higher sales. In addition, to further expand the sales, the Company entered into chukker NC lathe business.

For the fiscal year ending March 2007, due to the low sales of mobile phone-related business in the first six months, the Group is forecasting consolidated sales of 341.0 billion yen (a 1.5% increase from the previous year), operating income of 23.0 billion yen (a 24.6% decline), recurring income of 25.0 billion yen (a 27.8% decline), and net income of 11.0 billion yen (a 40.8% decline).

These forecasts assume currency exchange rates of 110yen to the US dollar (116 yen for the first half) and 140 yen to the Euro (145 yen for the first half) for the second half of the fiscal year 2006.

(Note)

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

Consolidated Interim Balance Sheet

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
Current assets						
Cash and cash equivalents	113,822		112,322		107,881	
Notes and accounts receivable	78,711		74,393		73,796	
Marketable Securities	16,867		2,180		15,984	
Inventories	53,883		59,583		52,416	
Deferred tax assets	9,601		9,917		9,094	
Other current assets	8,242		7,664		9,882	
Allowance for doubtful accounts	(1,855)		(1,095)		(1,133)	
	<u>279,273</u>	69.7	<u>264,967</u>	65.1	<u>267,921</u>	66.6
Fixed assets						
Property, plant and equipment						
Buildings and structures	31,287		34,621		32,802	
Machinery, equipment and carriers	28,692		33,778		28,429	
Other	19,117		19,729		19,790	
	<u>79,097</u>	19.7	<u>88,129</u>	21.6	<u>81,022</u>	20.1
Intangible fixed assets	<u>1,019</u>	0.3	<u>1,453</u>	0.4	<u>1,062</u>	0.3
Investments and other assets						
Investment securities	37,716		45,970		46,006	
Deferred tax assets	680		3,698		591	
Other	3,935		4,629		6,825	
Allowance for doubtful accounts	(431)		(193)		(260)	
Reserve for valuation loss on investments	(749)		(1,394)		(672)	
	<u>41,152</u>	10.3	<u>52,710</u>	12.9	<u>52,490</u>	13.0
	<u>121,269</u>	30.3	<u>142,293</u>	34.9	<u>134,575</u>	33.4
Total assets	<u>400,542</u>	100.0	<u>407,260</u>	100.0	<u>402,497</u>	100.0

CITIZEN WATCH

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
Current liabilities						
Notes and accounts payable	37,261		33,723		34,855	
Short-term bank loans payable	5,326		6,178		4,233	
Income taxes payable	5,091		4,765		4,993	
Deferred tax liabilities	-		28		-	
Reserve for bonuses to employees	4,488		5,129		4,575	
Reserve for product warranties	940		1,053		974	
Other	27,003		37,202		29,718	
	80,111	20.0	88,082	21.6	79,351	19.7
Long-term liabilities						
Bonds with subscription right for new shares	23,000		23,000		23,000	
Long-term loans payable	2		5		2	
Deferred tax liabilities	1,788		10,687		7,516	
Reserve for defined retirement benefits	10,214		10,028		9,933	
Reserve for retirement bonuses to directors	487		-		502	
Other	1,766		3,103		3,708	
	37,259	9.3	46,825	11.5	44,663	11.1
Total liabilities	117,370	29.3	134,907	33.1	124,015	30.8
Minority interest	30,919	7.7	-	-	2,070	0.5
Shareholders' equity						
Paid-in capital	32,648	8.2	-	-	32,648	8.1
Additional paid-in capital	39,027	9.7	-	-	63,890	15.9
Retained earnings	178,920	44.7	-	-	165,246	41.0
Net unrealized gain/loss on other securities	11,601	2.9	-	-	16,064	4.0
Foreign currency translation adjustments	(1,804)	(0.5)	-	-	(176)	(0.0)
Treasury stock	(8,141)	(2.0)	-	-	(1,261)	(0.3)
Total shareholders' equity	252,252	63.0	-	-	276,411	68.7
Total liabilities, minority interest and shareholders' equity	400,542	100.0	-	-	402,497	100.0
Shareholders' equity						
Paid-in capital	-	-	32,648	8.0	-	-
Additional paid-in capital	-	-	63,890	15.7	-	-
Retained earnings	-	-	167,338	41.1	-	-
Treasury stock	-	-	(10,380)	(2.6)	-	-
Total shareholders' equity	-	-	253,497	62.2	-	-
Valuation and translation adjustments						
Net unrealized gain/loss on other securities	-	-	16,209	4.0	-	-
Foreign currency translation adjustments	-	-	713	0.2	-	-
Total valuation and translation adjustments	-	-	16,922	4.2	-	-
Minority interest	-	-	1,932	0.5	-	-
Total net assets	-	-	272,353	66.9	-	-
Total liabilities and net assets	-	-	407,260	100.0	-	-

Consolidated Interim Statement of Income

Millions of yen	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
		%		%		%
Net sales	161,922	100.0	163,546	100.0	335,940	100.0
Cost of sales	112,072	69.2	112,586	68.8	229,826	68.4
Gross Profit	49,849	30.8	50,960	31.2	106,113	31.6
Selling, general and administrative expenses	36,966	22.8	40,770	24.9	75,596	22.5
Operating income	12,883	8.0	10,189	6.3	30,516	9.1
Nonoperating income						
Interest and dividend income	597		724		1,263	
Foreign exchange gain	535		0		1,374	
Other	1,041		1,374		2,491	
	2,175	1.3	2,100	1.3	5,130	1.5
Nonoperating expenses						
Interest charges	30		6		33	
Loss on sale of bills	-		166		254	
Depreciation for lent properties	144		138		289	
Other	262		274		434	
	436	0.3	585	0.4	1,012	0.3
Recurring income	14,621	9.0	11,704	7.2	34,634	10.3
Extraordinary gains						
Gain on sales of fixed assets	-		45		-	
Reversal of allowance for doubtful accounts	131		127		771	
Gain on transition of retirement pension plan	-		259		515	
Other	93		158		216	
	224	0.2	590	0.3	1,504	0.5
Extraordinary losses						
Loss on disposal of properties	310		799		805	
Loss on impairment of fixed assets	94		1,893		309	
Reorganization costs	-		-		709	
Reserve for valuation loss on investments	-		728		-	
Valuation loss on investment securities	4		9		2	
Other	105		186		460	
	515	0.3	3,616	2.2	2,288	0.7
Income before income taxes	14,331	8.9	8,678	5.3	33,849	10.1
Income, inhabitant and enterprise taxes	4,327	2.7	5,410	3.3	9,493	2.8
Income tax adjustment	1,168	0.7	-875	-0.5	4,417	1.3
Minority interest	1,228	0.8	-92	-0.1	1,345	0.5
Net income	7,605	4.7	4,235	2.6	18,594	5.5

Consolidated Interim Statement of Retained Earnings

Millions of yen	Six months ended September 30, 2005	Year ended March 31, 2006
Additional paid-in capital		
Additional paid-in capital, beginning of term	39,027	39,027
Increase in additional paid-in capital	0	24,863
Increase due to share exchange	-	24,863
Gain on disposition of treasury stock	0	-
Additional paid-in capital, end of term	39,027	63,890
Retained earnings		
Retained earnings, beginning of term	173,173	173,173
Increase in retained earnings		
Net income	7,605	18,594
Increase due to integration	46	46
	7,652	18,640
Decrease in retained earnings		
Cash dividends	1,655	3,913
Bonuses to directors	249	251
Loss on deposit of treasury stocks	-	5,856
Cancellation of treasury stocks	-	16,547
	1,905	26,568
Retained earnings, end of term	178,920	165,246

Consolidated Interim Statement of Retained Earnings

(Six months from April 1, 2006 to September 30, 2006)

	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stocks	Total shareholder s' 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
Net income			4,235		4,235					4,235
Cash dividends*			(2,843)		(2,843)					(2,843)
Bonus to directors*			(276)		(276)					(276)
Repurchase of treasury stocks				(9,188)	(9,188)					(9,188)
Cancellation of treasury stocks			(9)	69	60					60
Changes in scope of consolidation			987		987					987
Changes except in shareholders' equity						144	890	1,034	(138)	896
Total changes			2,092	(9,118)	(7,025)	144	890	1,034	(138)	(6,129)
Balance at September 30, 2006	32,648	63,890	167,338	(10,380)	253,497	16,209	713	16,922	1,932	272,353

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

Consolidated Interim Statement of Cash Flow

Millions of yen	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
Cash flows from operating activities			
Income before income taxes	14,331	8,678	33,849
Depreciation	7,441	8,724	16,220
Increase/decrease in reserve for defined retirement benefits	26	(107)	(287)
Increase/decrease in allowance for doubtful accounts	(316)	611	(1,190)
Interest and dividends income	(597)	(724)	(1,263)
Interest charges	30	6	33
Loss on sales of marketable securities	2	7	2
Loss on sales of investment securities	(3)	9	219
Loss on sales of fixed assets	(30)	(100)	(115)
Loss on disposal of fixed assets	310	799	805
Loss on impairment	94	1,893	309
Payment of bonuses to directors	(289)	(281)	(292)
Increase/decrease in receivables - trade	1,816	(521)	7,588
Increase/decrease in inventories	(2,598)	(5,369)	(514)
Increase/decrease in payables - trade	(1,644)	1,253	(3,956)
Increase/decrease in accrued expenses	177	1,527	97
Increase/decrease in other current assets	282	2,623	(1,181)
Increase/decrease in other liabilities	(1,416)	651	52
Other	(565)	(252)	(996)
Sub total	17,048	19,429	49,378
Interest and dividends received	595	726	1,261
Interest payments	(23)	(1)	(27)
Income taxes	(5,815)	(5,719)	(11,079)
Net cash provided by operating activities	11,804	14,435	39,533
Cash flows from investing activities			
Proceeds from the sale of marketable securities	644	13	1,144
Payments for the purchase of investment securities	(2,017)	(2,095)	(3,923)
Proceeds from the sale of investment securities	5,069	32	6,083
Payments for the purchase of property, plant and equipment	(9,732)	(13,978)	(20,878)
Proceeds from the sale of property, plant and equipment	319	541	727
Increase/decrease in loans	138	363	(277)
Other	725	(254)	(2,016)
Net cash used in investing activities	(4,852)	(15,378)	(19,141)
Cash flows from financing activities			
Net increase/decrease in borrowings	(1,305)	1,942	(2,489)
Dividends paid by parent company	(1,655)	(2,843)	(3,913)
Dividends paid to the minority stockholders	(330)	(42)	(654)
Payments for purchase of treasury stock	(8)	(9,188)	(17,189)
Proceeds from sale of treasury stock	-	60	7
Other	(34)	-	66
Net cash used in financing activities	(3,336)	(10,071)	(24,173)
Effect of exchange rate changes on cash and cash equivalents	892	218	1,740
Net increase in cash and cash equivalents	4,508	(10,796)	(2,041)
Cash and cash equivalents at beginning of term	122,869	121,127	122,869
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	196	2,007	196
Increase in cash and cash equivalents associated with integration	103	-	103
Cash and cash equivalents at end of term	127,677	112,338	121,127

Basis of Presenting Consolidated Interim Financial Statements

Item	Basis of Presenting the Consolidated Financial Statements
1. Scope of consolidation	<p>(1) Consolidated subsidiaries (66 companies)</p> <p>Significant consolidated subsidiaries: Japan CBM Corporation, Citizen Miyota Co., Ltd., Citizen Electronics Co., Ltd., Citizen Fine Tech Co., Ltd., Sunciti Manufacturers Ltd., Citizen Watches (H.K.) Ltd., Citizen de Mexico, S.A. de C.V., Citizen Systems (H.K.) Limited, Citizen Watch Co., of America, Inc.</p> <p>From this interim period, Crown Young Industries Ltd. has changed its trade name to Citizen Systems (H.K.) Limited.</p> <p>In addition, 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.</p> <p>The combined assets, net sales, net income and retained earnings of the remaining nonconsolidated subsidiaries excluded from the scope of consolidation are not significant in the related consolidated totals.</p> <p>(2) Nonconsolidated subsidiaries (42 companies)</p>
2. Application of the equity method	<p>The Company's nonconsolidated subsidiaries and affiliates, for which the combined totals have little effect on consolidated interim net profit or loss and retained earnings, have been excluded from application of the equity method.</p>
3. Fiscal year-end of consolidated subsidiaries	<p>The consolidated subsidiaries which have different interim term closing dates from the consolidation closing date are 41 including SAKAE TRADING CO., LTD., TOKYO BIJUTSU CO., LTD., ONTIME CO., LTD., CITIZEN WATCH CO., OF AMERICA, INC. and other overseas subsidiaries.</p> <p>The interim term closing date of accounts for SAKAE TRADING CO., LTD., TOKYO BIJUTSU CO., LTD. and ONTIME CO., LTD. is August 31, and that for CITIZEN WATCH CO. OF AMERICA, INC. and 37 other overseas subsidiaries is June 30. In preparing the consolidated interim financial statements, when the difference between a domestic subsidiary's interim term closing date and that of the group consolidated interim term closing date is three months or less, the interim financial statements of the subsidiary for the relevant fiscal year are used. An adjustment is made in the consolidated statements for any material discrepancies in accounting records related to transactions between consolidated subsidiaries arising from the difference between a subsidiary's interim term closing date and the group consolidated interim term closing date. Overseas subsidiaries use an accounting method appropriate to prepare the interim financial statements.</p>
4. Accounting standards	<p>(1) Valuation standards and methods for major assets</p> <p>{1} Marketable and investment securities</p> <p>i. Debentures classified as held-to-maturity are valued on an amortized cost (straight-line) basis.</p> <p>ii. Stocks of subsidiaries and affiliates are valued at cost using the moving-average method.</p> <p>iii. Other marketable securities: If the market value is determinable, other marketable securities are valued at market based on their market value on the date of the interim balance sheet. (Net unrealized gain/loss on other marketable securities is recognized directly in the shareholders' equity section. Selling cost is computed by the moving-average method.) If the market value is not determinable, other marketable securities are valued at cost using the moving-average method.</p> <p>{2} Derivative financial instruments Derivative financial instruments are valued at market.</p> <p>{3} Inventories Inventories are primarily valued on a weight-average cost basis, which exceeds neither cost nor market.</p>

Item	Basis of Presenting the Consolidated Financial Statements
(2)	<p>Depreciation of fixed assets The depreciation of property, plant and equipment is computed on a declining-balance basis, whereas the amortization of intangible fixed assets is computed on a straight-line basis.</p>
(3)	<p>Recognition basis of provisions and reserves</p> <p>{1} Allowance for doubtful accounts In order to prepare for loss of receivables (trade) and loans, as for the Company and domestic consolidated subsidiaries and affiliates, an allowance for doubtful accounts is recorded based on the recoverability of each amount, using (1) the write-off ratio for ordinary accounts receivable and (2) the specific amount for certain accounts receivable, such as highly doubtful accounts. As for the overseas consolidated subsidiaries and affiliates, an allowance for doubtful accounts is estimates based on the recoverability of each amount.</p> <p>{2} Reserve for valuation loss on investments To provide for possible losses due to extreme devaluation in the stocks of non-consolidated subsidiaries (excluding stocks subject to impairment accounting), an allowance for valuation loss on investments is provided for an amount considering the actual stock prices on the balance sheet date.</p> <p>{3} Reserve for bonuses to employees The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments at consolidated companies other than overseas subsidiaries.</p> <p>{4} Reserve for product warranties At several overseas sales subsidiaries, certain rates of net sales are provided as an allowance for the possible expenses required for after-sales services of products sold.</p> <p>{5} Reserve for defined retirement benefits At the Company and its consolidated domestic subsidiaries, the reserve for defined retirement benefits is stated as the amount deemed to be correct on the balance sheet. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets on the date of the year-end balance sheet. Any differences arising as a result of changes in accounting standards are, as a rule, treated as an extraordinary loss for the year in which the difference arises. However, the straight-line method is applied over a period of 5 to 10 years at certain consolidated subsidiaries. In addition, prior service liabilities and differences arising from mathematical calculations will be accounted for using a fixed number of years that is no more than the average of the employee's remaining years of service when they occur (in principle, by applying the fixed-percentage method over 5 years). Prior service liabilities will be accounted for from the year in which they occur, and differences arising from mathematical calculations will be accounted for from the year following the year in which they occur. Some of the consolidated subsidiaries have changed a part of their retirement benefit system from tax-qualified pension plan to defined contribution plan. Those who are already recipients have changed to closed tax-qualified pension plan.</p>
(4)	<p>Translation of foreign currency assets or liabilities Foreign currency amounts are translated into Japanese yen at the rate prevailing on the interim balance sheet date for accounts receivable and accounts payable. The translation adjustments are stated as profit/loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot rate on the date of the interim balance sheet, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate. The differences arising from translation are included in foreign currency translation adjustments and minority interest in the net assets section.</p>
(5)	<p>Lease contracts Finance lease transactions, other than those that deem to transfer ownership of the leased assets to the lessee, are accounted for as operating lease transactions.</p>

Item	Basis of Presenting the Consolidated Financial Statements
	(6) Consumption tax The consumption tax is excluded from the amounts of income and expenses.
5. Cash in the statements of consolidated cash flows	Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits in banks, and highly liquid, short-term investments with low risk in value fluctuations for which the maturity expires within three months.

Notes

(Consolidated Interim Balance Sheet)

Millions of yen	September 30, 2005	September 30, 2006	March 31, 2006
1. Accumulated depreciation of property, plant and equipment	236,019	241,145	238,479
2. Loans guaranteed	204	344	689
3. Outstanding balance of export bill of exchange	770	1,364	669
4. Endorsed trade notes receivable	185	72	152
5. Bills extinguishing on September 30, 2006			
Although the last date of this consolidated interim period was a holiday, bills are treated as they were cleared on the extinguishment date. The amount of bills extinguishing on the last date of this interim period are shown below.			

Millions of yen	September 30, 2005	September 30, 2006	March 31, 2006
Notes receivable	-	823	-
Notes payable	-	995	-
Payables for equipments (Other current liabilities)	-	197	-

(Consolidated Interim Statement of Income)

1. Major items in selling, general and administrative expenses

Millions of Yen	Six months ended September 30, 2005	Six months ended September 30, 2006	The year ended March 31, 2006
Depreciation expenses	1,080	1,025	2,146
Allowance for doubtful accounts	0	44	97
Reserve for bonuses to employees	1,044	1,338	1,677
Retirement benefit expenses	565	503	1,230
Reserve for retirement bonuses to directors	95	25	150
Personnel cost	10,439	12,003	22,208
Advertisement expenses	5,057	5,844	10,997
Reserve for product warranties	106	124	202
R&D expenditures	5,531	6,726	11,070

2. Impairment Loss

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

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 have gone impairment and loss from impairment (1,893 million yen) is recorded in extraordinary losses. The breakdown is 319 million yen for machinery and equipment, and 1,508 million yen for long-term prepaid expenses.

(Consolidated Interim Statement of Retained Earnings)

Six months ended September 30, 2006

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	9,594,353	70,478	10,801,847
Total	1,277,972	9,594,353	70,478	10,801,847

Note (*)

- The breakdown of 9,594,353 shares of common stock increased in treasury stock
 - Increase due to purchase from the market 9,582,000 shares
 - Increase due to repurchase of stocks less than one unit 12,353 shares
- The breakdown of 70,478 shares of common stock decreased in treasury stock
 - Decrease due to sale of treasury stock less than one unit 478 shares
 - Decrease due to exercise of stock option 70,000 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

(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
Board of Directors (November 14, 2006)	Common stock	2,771 million yen	Earnings reserve	7.50 yen	September 30, 2006	December 8, 2006

(Consolidated Interim Statement of Cash Flow)

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

Millions of yen	September 30, 2005	September 30, 2006	March 31, 2006
Cash	113,822	112,322	107,881
Marketable securities	16,867	2,180	15,984
Time deposits with a deposit period greater than three months	(2,489)	(2,164)	(2,717)
Shares and bonds with a redemption period greater than three months	(522)	(0)	(21)
Cash and cash equivalents	127,677	112,338	121,127

(Marketable securities)**1. Debentures with market value classified as held-to-maturity**

Millions of yen	September 30, 2005			September 30, 2006			March 31, 2006		
	Amount on consolidated balance sheet	Market value	Valuation gain/loss	Amount on consolidated balance sheet	Market value	Valuation gain/loss	Amount on consolidated balance sheet	Market value	Valuation gain/loss
Others	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

2. Other marketable securities with market value

Millions of yen	September 30, 2005			September 30, 2006			March 31, 2006		
	Acquisition cost	Amount on consolidated balance sheet	Difference	Acquisition cost	Amount on consolidated balance sheet	Difference	Acquisition cost	Amount on consolidated balance sheet	Difference
Stocks	8,764	28,400	19,636	9,121	36,503	27,382	8,769	35,928	27,160
Bonds									
Others	1,024	1,023	(0)	-	-	-	23	21	(2)
Total	9,788	29,423	19,635	9,121	36,503	27,382	8,793	35,951	27,157

3. Major classification of marketable securities with no market value and their amounts on consolidated Interim balance sheet

Millions of yen	September 30, 2005	September 30, 2006	March 31, 2006
Bonds being held to maturity			
Unlisted bonds	12,397	-	11,497
Other marketable securities:			
Unlisted stocks	1,497	1,351	1,416
Investment trust	4,446	2,180	4,466

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
Six months ended September 30, 2005								
Net sales and operating profit/loss								
Net sales								
Unaffiliated customers	58,448	57,444	11,508	17,693	16,828	161,922	-	161,922
Intersegment	-	1,031	-	-	-	1,031	(1,031)	-
Total	58,448	58,475	11,508	17,693	16,828	162,953	(1,031)	161,922
Operating expenses	49,545	53,744	10,682	15,391	16,596	145,960	3,077	149,038
Operating income	8,903	4,730	825	2,301	231	16,992	(4,109)	12,883

Six months ended September 30, 2006**Net sales and operating profit/loss**

Net sales								
Unaffiliated customers	63,033	49,869	13,556	21,043	16,044	163,546	-	163,546
Intersegment	-	917	-	-	-	917	(917)	-
Total	63,033	50,786	13,556	21,043	16,044	164,463	(917)	163,546
Operating expenses	53,539	50,137	12,097	17,863	15,316	148,953	4,403	153,356
Operating income	9,493	649	1,458	3,180	727	15,510	(5,320)	10,189

Year ended March 31, 2006**Net sales and operating profit/loss**

Net sales								
Unaffiliated customers	125,038	111,112	25,098	37,176	37,514	335,940	-	335,940
Intersegment	-	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

*(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 external components of watches, 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, <i>pachinko</i> related products, automobile parts, jigs and tools, etc.

2. Geographic segment

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
Six months ended September 30, 2005								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	125,782	13,940	13,386	7,956	856	161,922	-	161,922
Intersegment	23,700	30,304	62	60	-	54,128	(54,128)	-
Total	149,483	44,244	13,449	8,016	856	216,050	(54,128)	161,922
Operating expenses	133,956	43,269	12,828	7,771	877	198,703	(49,664)	149,038
Operating income/loss	15,526	975	621	244	(21)	17,347	(4,463)	12,883
Six months ended September 30, 2006								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	121,440	14,720	15,252	11,277	855	163,546	-	163,546
Intersegment	29,204	35,136	942	71	-	65,355	(65,355)	-
Total	150,645	49,857	16,195	11,348	855	228,902	(65,355)	163,546
Operating expenses	139,085	49,540	15,032	10,695	866	215,220	(61,863)	153,356
Operating income/loss	11,559	316	1,163	653	(10)	13,682	(3,492)	10,189
Year ended March 31, 2006								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	259,329	25,489	31,331	17,974	1,816	335,940	-	335,940
Intersegment	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

(Notes)

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

3. Overseas sales

Millions of yen	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales
Asia	50,429	31.1	50,595	30.9	101,963	30.3
Americas	20,737	12.8	21,109	12.9	45,627	13.6
Europe	20,839	12.9	20,717	12.7	43,038	12.8
Other	1,977	1.2	1,963	1.2	4,283	1.3
Total	93,984	58.0	94,386	57.7	194,912	58.0
Consolidated sales	161,922	100.0	163,546	100.0	335,940	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, Singapore and Thailand, etc.
 - Americas: United States, Canada, Panama, Brazil and Mexico, etc.
 - Europe: Germany, United Kingdom, France, Italy and Spain, etc.
 - Other: Oceania and Africa

Subsequent events

Shift to a pure holding company system by corporation demerger

The Company has resolved at the Board of Directors held on October 26, 2006 to shift to a pure holding company system and to hold an extraordinary general meeting of shareholders.

In synchronization with the corporation demerger, the Company plans to become a pure holding company, changing its trade name to "Citizen Holdings Co., Ltd.," and continue to be listed.

1. Objectives

The Company, with a view to enhancing its group corporate value, has been vigorously taking measures such as acquiring the entire equity ownerships of major consolidated subsidiaries to continue group-wide structural reforms.

As a part of the Group structural reform, the Company intends to strengthen the Group's competence and promote growth by taking the following measures:

- Speedy and self-sustaining management;
- Establishment of optimal management system suitable for each business and industry of the Company's group companies;
- Establishment of management system that can respond flexibly to changes;
- Selection and concentration based on portfolio management; and
- Pursuit of synergy effect as a group

2. Method of corporation demerger

Citizen Watch Co., Ltd., Citizen Technology Center Co., Ltd. and Citizen Business Expert Co., Ltd. will be newly established under incorporation-type demerger, while Citizen Miyota Co., Ltd., Citizen Machinery Co., Ltd., Citizen Systems Japan Co., Ltd. and Citizen Displays Co., Ltd. will undergo absorption-type demerger.

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

3. Information about new companies

	As March 31, 2006	Planned to be established on April 2, 2007	Planned to be established on April 2, 2007
1. Trade name	Citizen Watch Co., Ltd. (planning to change to Citizen Holdings Co., Ltd.)	Citizen Watch Co., Ltd. (newly-established)	Citizen Technology Center Co., Ltd. (newly-established)
2. Major business	Production and sales of watches and parts, production and sales of electronic equipments, production and sales of industrial machinery	Production and sales of watches and parts	Research & development, analysis, commissioning business of controlling intellectual property rights
3. Address	Nishitokyo, Tokyo	Nishitokyo, Tokyo	Tokorozawa, Saitama
4. Representative	Makoto Umehara President and CEO	Tsuneo Nagai President and CEO	Katsuhiko Noguchi President and CEO
5. Paid-in capital	32,648 million yen	5,000 million yen	100 million yen
6. Employees	1,448 person	1,180 person	210 person

	Planned to be established on April 2, 2007	As of March 31, 2006	As of March 31, 2006
1. Trade name	Citizen Business Expert Co., Ltd. (newly-established)	Citizen Miyota Co., Ltd.	Citizen Machinery Co., Ltd.
2. Major business	Commissioning business and consulting of various office work	Production and sales of watches, quartz devices, liquid crystal devices and industrial machinery equipment	Production and sales of industrial machinery
3. Address	Nishitokyo, Tokyo	Miyota-cho, Kitasaku-gun, Nagano	Miyota-cho, Kitasaku-gun, Nagano
4. Representative	Osamu Yamada President and CEO	Mikiro Ueda President and CEO	Toshio Iwasaki President and CEO
5. Paid-in capital	100 million yen	1,753 million yen	498 million yen
6. Employees	100 person	481 person	274 person

	As of March 31, 2006	As of March 31, 2006
1. Trade name	Citizen Systems Japan Co., Ltd.	Citizen Displays Co., Ltd.
2. Major business	Development and sales of various printers, electronic equipments, healthcare equipments, medical instruments, calculators, etc.	Development, production and sales of liquid crystal displays and other electronic parts, commissioned assembly process of electronic parts
3. Address	Nishitokyo, Tokyo	Nishitokyo, Tokyo
4. Representative	Toshihiko Nakai President and CEO	Seigo Togashi President and CEO
5. Paid-in capital	450 million yen	450 million yen
6. Employees	164 person	148 person

4. Schedule of corporation demerger (plan)

April 1, 2007 Effective date for absorption-type demerger
 April 2, 2007 Effective date for incorporation-type demerger

5. Condition after the corporation demerger (plan)

1. Trade name	Citizen Holdings Co., Ltd.
2. Major business	Development and implementation of Group management strategy, audit of Group management, other management control as a holding company
3. Address	Nishitokyo, Tokyo
4. Representative	Makoto Umehara President and CEO
5. Paid-in capital	32,648 million yen
6. Total assets	207,587 million yen
7. Fiscal year-end	March 31
8. Employees	70 person (excluding dispatched persons)