Consolidated Financial Statements for the Year Ended March 31, 2008

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 12, 2008

CITIZEN HOLDINGS CO., LTD.

Code No.: 7762 (URL http://www.citizen.co.jp) Listings: First section of Tokyo Stock Exchange
Location of Head Office: Tokyo, Japan
Representative: Mitsuyuki Kanamori, President and CEO
Contact: Osamu Yamada, Managing Director Tel: +81 -42 -468 -4934
Scheduled ordinary general meeting of shareholders: June 25, 2008
Scheduled start of dividend payment: June 26, 2008
Scheduled release of fiscal 2008 Business Report: June 27, 2008

1. Results for the Year ended March 31, 2008

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

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2008	336,685	0.1	24,262	10.7	24,746	(4.8)	12,189	70.6
March 31, 2007	336,188	0.1	21,920	(28.2)	25,991	(25.0)	7,145	(61.6)

	Earnings per share	Fully diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
March 31, 2008	35.14	32.55	4.9	6.4	7.2
March 31, 2007	19.43	18.07	2.7	6.6	6.5

Equity in earnings of unconsolidated subsidiaries and affiliates: March 2008 term: ¥ (303) million March 2007 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, 2008	387,975	243,830	62.4	697.81
March 31, 2007	382,971	254,426	65.9	728.49

Reference: Shareholders' Equity: As of March 31, 2008: ¥ 242,143 million As of March 31, 2007: ¥ 252,530million

(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, 2008	26,379	(58,673)	25,268	70,480
March 31, 2007	30,561	(38,713)	(35,250)	80,698

2. Dividends

	Dividends per share			Total dividends paid (annual)	Pay-out ratio (Consolidated)	Dividends to consolidated net assets
	Interim	Year-end				
	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2007	7.50	7.50	15.00	5,371	77.2	2.1
March 31, 2008	7.50	15.00	22.50	7,806	64.0	3.2
March 31, 2009 (E)	7.50	7.50	15.00		40.0	

Note: The breakdown of the dividend for the year ended March 31, 2008, was as follows: Commemorative dividend: ¥7.50

3. Projected Consolidated Results for the Year ending March 31, 2009

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Interim term	169,000	0.8	10,000	(17.9)	10,500	(21.3)	5,500	(28.7)	15.85
Full term	356,000	5.7	24,000	(1.1)	25,000	1.0	13,000	6.7	37.46

4. Others

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

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

(i) Changes associated with revised accounting standards: Yes

(ii) Changes other than those in (i)above: None

Note: Described in page 14, "Changes in Significant Accounting Policies Used in Preparation of Consolidated Financial Statements")

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

(shares)	March 2008	March 2007
Number of shares issued and outstanding at the end of term (including treasury stock)	380,353,809	380,353,809
Number of treasury stock at the end of term	33,348,673	33,706,478

Note: For details regarding the number of shares forming the basis for calculating net income per share, refer to page 23, “Per share information”.

(Reference) Overview of Nonconsolidated Financial Results

1. Nonconsolidated Results for the Year ended March 31, 2008

(1) Nonconsolidated operating results (The percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2008	16,438	(90.3)	6,391	(8.3)	7,147	(61.0)	1,914	(85.7)
March 31, 2007	169,613	7.1	6,969	(23.9)	18,317	28.7	13,430	53.1

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
March 31, 2008	5.52	5.11
March 31, 2007	36.51	33.96

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2008	166,861	134,598	80.7	387.88
March 31, 2007	209,920	149,365	71.2	430.89

Reference: Shareholders’ Equity:
As of March 31, 2008: ¥ 134,598million As of March 31, 2007: ¥ 149,365million

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

Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors. Please refer to page 6 for assumptions underlying the above forecasts and precautions regarding their use.

1. Review of Operations

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

Millions of yen	Year ended March 31, 2007	2008	Year-on-year change	%
Net sales	336,188	336,685	496	0.1
Operating income	21,920	24,262	2,342	10.7
Ordinary income	25,991	24,746	(1,245)	(4.8)
Net income	7,145	12,189	5,043	70.6

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2007	2008	Year-on-year change	%
Watches and clocks	132,987	139,985	6,998	5.3
Electronic devices	99,167	99,235	68	0.1
Electronic products	27,778	27,104	(673)	(2.4)
Industrial machinery	44,285	39,639	(4,646)	(10.5)
Other products	31,970	30,720	(1,249)	(3.9)
Total net sales	336,188	336,685	496	0.1

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2007	2008	Year-on-year change	%
Watches and clocks	21,060	21,262	201	1.0
Electronic devices	405	654	249	61.5
Electronic products	3,203	2,694	(508)	(15.9)
Industrial machinery	6,451	4,448	(2,003)	(31.0)
Other products	1,461	1,519	57	3.9
Eliminations or general corporate	(10,662)	(6,316)	4,345	-
Total operating income	21,920	24,262	2,342	10.7

Summary of Operating Results

The Japanese economy showed gradual growth at the beginning of the Company’s consolidated fiscal year ending 31 March 2008. However, concern over global economic recession increased as the U.S. sub prime loan problem worsened. Other factors such as the steep rise in resource prices, including crude oil, brought a sense of uncertainty to the economic climate. Although the Japanese economy had shown signs of recovery, with strong corporate performance, the sharp appreciation of the yen and changes in consumer trends due to price rises of some products heightened uncertainty over the economic future.
Being alert to the situation, Citizen Group has adopted a pure holding company structure this fiscal year. We have focused on strengthening our revenue base and our management base, with the slogan of ‘restructuring to achieve a strong and healthy business organization.
Despite growing uncertainty surrounding the economy, the watches and clocks segment showed increased sales due to intensive promotion of advanced technologies and high-value added products such as “Eco-Drive” and radio-controlled watches in both domestic and global markets.
Although there are some positive features in the electronic devices segment (partial mass production of LEDs for general lighting started; switches showed a steady growth) income increased only slightly due to the impact of withdrawal from the mobile phone display business.
The electronic products segment increased its sales through the introduction of a new product line and aggressive sales of large size printers and business-use photo printers in China. But overall sales declined due to the impact of the Group’s withdrawal from the unprofitable FDD business.
The industrial machinery segment continued to see growing demand for facility investments world-wide. However, business was strongly affected by the sharp rise of raw material prices, mainly in Japan, and by uncertainty in the market caused by the high appreciation of the yen in the latter half of the fiscal year. As a result, overall sales in the segment decreased.
In the other products segment, sales in jewelry were sluggish as demand remained low. As for pachinko-related products, weak motivation for investment in peripheral devices, bankruptcy and the closure of many pachinko parlors led to a decline in overall sales.
Consequently, consolidated net sales for the year ended March 31, 2008 increased by 0.1% from the previous fiscal year to 336.6 billion yen. Operating income increased by 10.7% to 24.2 billion yen, ordinary income decreased by 4.8% to 24.7 billion yen, and net income for the year increased by 70.6% to 12.1 billion yen.

Watches and Clocks

In the domestic watch market, Japanese brands are still struggling whilst foreign high-end brands continue to be strong. But the trend favoring foreign high-end brands has slowed down since the price increase of foreign brands in the latter half of the fiscal year. Responding to the situation, the Citizen Group successfully increased sales by differentiating the products with high value-added functions such as “Eco-Drive” and radio-controlled watches, pursuing designs of high aesthetic quality, revising distribution policies and investing aggressive in marketing.
The overseas watch market is facing growing uncertainty with the economic slowdown due to the sub prime loan problem in the U.S., and the changes surrounding manufacturing industries in China. But the Group’s overall sales increased due to the rise in the average unit price. This was thanks to the steadily growing sales rate of “Eco-Drive” watches and the shift of focus to high value-added products such as promotion of radio-controlled watches in the overseas market.
Q&Q brand sales dropped in Latin America where it used to be strong, but overall sales of the brand posted an increase as affordably-priced combination quartz radio-controlled watches enjoyed healthy sales growth domestically.
The buyers’ brand struggled due to increased material costs and faced difficulties in securing production volume due to the change of employment conditions in Chinese factories. But we successfully increased sales by focusing on our main clients.
Movement products struggled due to the fall in demand for low-priced quartz watches and intensifying discount competition against Chinese manufacturers. Despite such adversity, the Group increased its sales by stabilizing the price of mainstay standard movements and strengthening sales of high value-added movements such as multi-hand and mechanical movements.
Clocks for facilities and time correction devices performed favorably though affected by adverse factors such as a merger of major domestic distribution companies and severe discount competition. As a result, the clock business posted a rise in sales.
Consequently, total sales of watches and clocks increased by 5.3 % from the previous fiscal year to 139.9 billion yen, and operating income increased by 1.0% to 21.2 billion yen.

Electronic Devices

In the opt-devices business, our mainstay chip LED performed well in the mobile phone market. The keypad backlight units using LED specialized for low-end models that are fastest growing market, and the flash LED for the mid to high-end models both massively extended their sales quantity. We also introduced new models one after another in the general lighting LED business, and many of the models that started being mass-produced showed healthy growth. As a result, the opt-devices business enjoyed an overall sales increase. Light sensors continued to have excellent growth, with the IrDAmodule as the highest selling product, and posted an increase in sales. Small size backlights reduced their sales volume while the overall profitability turned upward, reflecting the emphasis on profitability in the Group’s sales strategy.
In the crystal devices business, our mainstay tuning fork type cylindrical crystal oscillators sold well for use in clocks but the use for PC and audio-visual equipments went under controlled production in the latter half of the fiscal year. Tuning fork type compact SMD oscillators had excellent sales growth for use in mobile phones during the first half of the fiscal year, but it showed a downturn in the latter half reflecting lowered demand due to inventory adjustments by clients. TCXO had a severe sales drop as orders decreased due to the delay in the process of miniaturizing products. Crystal piece sales increased by efficiently satisfying the market demand for smaller size products.
As for other component products, in liquid crystal devices, our original aberration correction device for DVD pick-ups had a sales increase but overall income declined due to withdrawal from the mobile phone display business, which was the main product of the segment. In the switch business, where products are mainly sold as components for mobile phone handsets, our existing switch units performed well together with our new key sheet modules and other products. However, the Company struggled to make a profit for various reasons such as strict quality demands and changes in our customers’ sales strategies. In acoustic products, we introduced our new digital microphone to the market, but business remained stagnant. Glass substrate for HDD increased its sales thanks to a market upturn.
Overall, sales in electronic devices increased by 0.1% to 99.2 billion yen, and operating income increased by 61.5% to 0.6 billion yen.

Electronic Products

In printer related business, small size printer sales dropped due to low domestic demand. However overall sales increased as newly introduced products expanded sales of large size printers in China and of photo

printers. Calculators and related products decreased their sales in Japan reflecting the shrinkage of the market. But overall sales increased thanks to good performance overseas: steady growth in Russia, which is our core business area, and new market development in India. However, the fall in sales due to the Group's withdrawal from the FDD business weighed heavily on the overall printer and calculator related business, resulting in a sales decrease. In health care equipment, new pedometers introduced to the domestic market and thermometers sold overseas performed favorably. As a consequence, the business increased its overall sales.
On the other hand, operating income declined, affected by intensifying price competition in the Chinese large size printer market and reduced production efficiency due to a delay in launching production of our new photo printer.
Overall, sales in electronic products decreased by 2.4% to 27.1 billion yen, and operating income decreased by 15.9% to 2.6 billion yen.

Industrial Machinery

Our mainstay CNC automatic lathes decreased in overall sales, affected by varying regional demand levels. In the domestic market, there was a drop in facility investment in the automobile parts, electronics and precision equipment businesses, which were once very active and leading the market. We focused on stimulating demand by introducing our new A20VII but still suffered from a severe sales decline.
In the overseas market, the Group faced adversities in Asia such as continued production adjustments for automobiles and HDD-related products in ASEAN countries as well as changes in laws and regulations regarding tax benefits in China. Though sales of automobile parts and HDD related products turned upward in the latter half of the fiscal year, overall sales to the Asian market decreased. In North America, sales of medical equipment was lagging due to facility investment delay, but we achieved a sales volume comparable to the preceding year's mainly due to sales by general job shops and airplane- and automobile-related businesses. Europe enjoyed a significant sales increase from active facility investment continued from last year. The EMO show held in September also helped boost sales. The sales rise in North American and European markets greatly surpassed the drop in Asia, consequently increasing overall sales overseas.
In other machinery, measuring instruments increased sales from growth in our mainstay Digimetron series, while assembling machines sales stagnated due to a temporary drop in demand for special machines used for HDD.
As a result, sales of industrial machinery decreased by 10.5% from the previous year to 39.6 billion yen and operating income decreased by 31.0% to 4.4 billion yen.

Other Products

In jewelry, the deteriorating economic situation has cooled down consumer demand for jewelry consumption, and sales remained stagnant in all business types. Control over excessive selling and the high cost of precious metals slowed down demand even more. Pachinko related products struggled in the difficult market situation, as many small to mid size pachinko parlors closed down due to the fall in the pachinko player population. The business posted a decline in overall sales. On the other hand, this year the Group worked to improve our structure for market survival through a business merger of its pachinko related product subsidiaries and other means.
Consequently, sales of other products decreased by 3.9% from the previous year to 30.7 billion yen and operating income increased by 3.9% to 1.5 billion yen.

(ii) Prospects for the Year ending March 31, 2009

Millions of yen	Year ended March 31, 2008	2009	Year-on-year change	%
Net sales	336,685	356,000	19,314	5.7
Operating income	24,262	24,000	(263)	(1.1)
Ordinary income	24,746	25,000	253	1.0
Net income	12,189	13,000	811	6.7

Breakdown of sales by segment

Millions of yen	Year ended March 31, 2008	2009	Year-on-year change	%
Watches and clocks	139,985	157,000	17,014	12.2
Electronic devices	99,235	101,500	2,264	2.3
Electronic products	27,104	26,500	(605)	(2.2)
Industrial machinery	39,639	39,500	(139)	(0.4)
Other products	30,720	31,500	780	2.5
Total net sales	336,685	356,000	19,314	5.7

Breakdown of operating income by segment

Millions of yen	Year ended March 31, 2008	2009	Year-on-year change	%
Watches and clocks	21,262	19,000	(2,262)	(10.6)
Electronic devices	654	2,500	1,845	281.8
Electronic products	2,694	2,800	105	3.9
Industrial machinery	4,448	4,500	51	1.2
Other products	1,519	1,500	(19)	(1.3)
Eliminations or general corporate	(6,316)	(6,300)	(16)	-
Total operating income	24,262	24,000	(263)	(1.1)

As for the outlook for the future economic situation, with the strong concern over prolonged financial market confusion and other uncertainties, we consider that the Group's management will be under even more severe pressure. According to our new management policy announced in March 2007, the Citizen Group will work to achieve the objective of 'becoming a creative group that provides high added value' focusing on three main areas:

1) revising our business portfolio strategy,

2) strengthening our Group governance, and

3) restructuring our financial strategy.

For the fiscal year ending March 2009, we are forecasting consolidated sales of 356.0 billion yen (a 5.7% increase), operating income of 24.0 billion yen (a 1.1% decrease), ordinary income of 25.0 billion yen (a 1.0% increase), and net income of 13.0 billion yen (a 6.7% increase).

These forecasts are based on an exchange rate assumption for the year of 100 yen/US dollar and 150 yen/Euro.
The exchange rate for the year ended March 2008 was 115 yen/US dollar and 162 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 consolidated fiscal year end decreased by 5 billion year-on-year to 387.9 billion yen. Cash and cash equivalents decreased by 11.2 billion yen mainly due to the stock acquisition of Bulova Corporation, while inventories increased by 8.8 billion yen and goodwill increased by 13.3 billion yen. Investments and other assets decreased by 6.6 billion yen mainly due to disposal and devaluation of investment securities. Liabilities increased from the previous consolidated fiscal year end by 15.5 billion yen to 144.1 billion yen mainly due to the increase of long-term loans payable. Net assets decreased by 10.5 billion yen to 243.8 billion yen mainly due to the devaluation of marketable securities.

(ii) Cash Flows

On a consolidated basis, cash and cash equivalents at the fiscal year end decreased by 10.2 billion yen year-on-year to 70.4 billion yen.

Cash flows from operating activities

Cash flows from operating activities yielded revenue of 26.3 billion yen. The main factors were 21 billion yen of income before taxes and other adjustments, 21.4 billion yen of depreciation, 5.7 billion yen of decreased receivables, 3.9 billion yen decrease due to increased inventories and 10.6 billion yen expenditure for payment of income taxes.

Cash flows from investing activities

Cash flows from investing activities ran a deficit of 58.6 billion yen. The main factors were payments of 26 billion yen for the purchase of property, plant and equipment and payment of 25.2 billion yen for the stock acquisition of a consolidated subsidiary.

Cash flows for financing activities

Cash flows from financing activities yielded revenue of 25.2 billion yen. The main factors were 30 billion yen income from long-term loans payable and 5.2 billion yen of payment for dividends.

Cash flow indicators

Percent	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Equity ratio	57.4	61.7	68.7	65.9	62.4
Equity ratio at market value	80.1	79.3	104.6	100.1	75.4
Debt repayment period (years)	0.8	0.7	0.7	0.9	1.3
Interest coverage ratio	154.7	204.7	1,416.5	1,253.5	174.0

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.

As for the dividend for the end of the term, the total dividend per share will be 15 yen (the common dividend of 7.50 yen and a memorial dividend of 7.50 yen). This makes the annual dividend per share 22.50 yen, combined with the interim dividend. Annual dividend per share for the following term is expected to be 15 yen.

(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.

<u>Watches and clocks</u>

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

<u>Electronic devices</u>

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.

<u>Electronic products</u>

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.

<u>Industrial machinery</u>

The business may receive a great impact from trends in IT-related industries (PC and peripheral manufacturing and mobile phone manufacturing.)

(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. Therefore, interruption in production owing to problems occurring in China, execution of any new regulations that may interfere with the production, appreciation of the Chinese yuan or 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.

2. Corporate Group

The Citizen Group ("the Company" and its subsidiaries and affiliates) consists of the Company and its 126 subsidiaries and 8 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:

CITIZEN HOLDINGS CO., LTD.(A Pure Holding Company)

Group management / Business administration / Asset lending

Watches and Clocks

Major domestic production & marketing companies

- ○ CITIZEN WATCH CO., LTD.
- ○ JAPAN CBM CORPORATION
- ○ CITIZEN HEIWA WATCH CO., LTD.
- ○ CITIZEN TOHOKU CO., LTD.
- ○ CITIZEN T.I.C. CO., LTD.
- ○ CITZIEN SAITAMA CO., LTD.
- ○ SAKAETRADING CO., LTD.
- ○ ONTIME CO., LTD.
- ○ CITIZEN YUBARI CO., LTD.

Major overseas production & marketing companies

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

Electronic devices

Major domestic production & marketing companies

- ○ CITIZEN ELECTRONICS CO., LTD.
- ○ CITIZEN MIYOTA CO., LTD.
- ○ CITIZEN FINE TECH CO., LTD.
- ○ CITIZEN DISPLAYS CO., LTD.
- ○ CITIZEN ELECTRONICS FUNEHIKI CO., LTD.
- ○ CITIZEN ELECTRONICS TIMEL CO., LTD.

Major overseas production & marketing companies

- ○ FIRST COME ELECTRONICS LTD.
- ○ MOST CROWN INDUSTRIES LTD.
- ○ C-E (SUZUHOU) CO., LTD.
- ○ C-E (H.K.) LTD.
- ○ C-E (SINGAPORE) PTE. LTD.
- ○ C-E (DEUTSCHLAND) GmbH
- ○ CITIZEN (SHANGHAI) TRADING CO., LTD.

Electronic products

Major domestic production & marketing companies

- ○ CITIZEN SYSTEMS JAPAN CO., LTD.

Major overseas production & marketing companies

- ○ CITIZEN SYSTEMS (H.K.) LTD.
- ○ CITIZEN SYSTEMS AMERICA CORPORATION
- ○ CITIZEN SYSTEMS EUROPE GmbH

Industrial machinery

Major domestic production & marketing companies

- ○ CITIZEN MACHINERY CO., LTD.
- ★MIYANO MACHINERY INC.

Major overseas production & marketing companies

- ○ CITIZEN MACHINERY ASIA CO., LTD.
- ○ CITIZEN MACHINERY & BOLEY GmbH
- ※MARUBENI CITIZEN CINCOM INC.

Other products

Major domestic production & marketing companies

- ○ SAYAMA PRECISION CO., LTD.
- ○ CITIZEN SEIMITSU CO., LTD.
- ○ CITIZEN PLAZA CO., LTD.
- ○ CITIZEN JEWELRY CO., LTD.
- ○ TOKYO BIJUTSU CO., LTD.
- ○ SILVER DENKEN CO., LTD.

Business support companies

- ○ CITIZEN TECHNOLOGY CENTER CO., LTD.
- ○ CITIZEN BUSINESS EXPERT CO., LTD.
- ○ CITIZEN FINANCIAL SERVICE CO., LTD

○ : consolidated subsidiaries ★ : nonconsolidated subsidiaries not accounted for by the equity method

※ : affiliate not accounted for by the equity method

Note: SAYAMA PRECISION CO., LTD. has altered its corporate name to CITIZEN SAYAMA CO., LTD. as of April 1, 2008.

3. 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) Management Objectives

Our medium-term objective is a constant achievement of over 10% of operating profit ratio.

(3) Medium-Term Management Strategy

Citizen is striving to become a group company creating high added values. Our goal is to be a highly profitable company with a balanced portfolio in stable revenue base centering on small precise technology business and growing businesses.

(4) Issues Facing the Company

On adopting a pure holding company structure last April, the Citizen Group announced a new medium-term management policy. Following the new policy we will go back to the Group's original spirit: 'manufacturing products Japan can be proud of using state-of-the-art precision technology descended and evolved from watch making'. We take our business forward with micro, ultra-precise and low-power consumption technologies as our core competencies, optimizing our portfolio in the two main axes of a stable revenue base and growing businesses.

Based on the Group's three priority issues in the medium-term management policy, 1) revising our business portfolio strategy, 2) strengthening our group governance, and 3) restructuring our financial strategy, we will focus on the following major issues in fiscal year 2008:

1. Identify and pursue every possibility to improve operating income ratio

2. Achieve improved management, placing emphasis on operational companies

(i) Focus on each on-site operation to respond to the rapidly changing environment

(ii) Strengthen the management structure in electronic device and industrial machinery businesses

3. Restructure the Group's development structure through activities such as acquisition of Citizen Technology Center Co. Ltd.

4. Utilize human resource efficiently and enhance motivation by focusing on people.

In the fiscal year 2008, the Citizen Group will place emphasis on re-strengthening our management base, based on the restructuring we went through last year. We will continue our effort to establish a strong structure as a holding company, and focus on implementing measures to improve the Group's operating income.

While we work to enhance our profitability through these operations, we will also actively engage in CSR activities and pursue activities that promote harmony in the local community and global environment under our corporate philosophy: "To contribute and strive to be worthy of respect from the citizens of the world."

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2007		March 31, 2008		Comparison with the Previous Period
	Amount	Composition Ratio(%)	Amount	Composition Ratio(%)	Increase/ Decrease
Current assets					
Cash and cash equivalents	82,975		71,680		
Notes and accounts receivable	75,132		72,814		
Marketable Securities	0		0		
Inventories	55,980		64,805		
Deferred tax assets	10,262		12,190		
Accrued consumption tax	2,233		3,954		
Other current assets	5,851		8,637		
Allowance for doubtful accounts	(994)		(1,102)		
	231,442	60.4	232,980	60.1	1,538
Fixed assets					
Property, plant and equipment					
Buildings and structures	34,553		35,593		
Machinery, equipment and carriers	29,764		27,847		
Tools, furniture and fixtures	6,231		5,773		
Land	10,039		10,124		
Construction in progress	3,335		1,262		
	83,925	21.9	80,601	20.8	(3,324)
Intangible fixed assets					
Goodwill	-		13,369		
Software	1,207		1,295		
Other intangible fixed assets	336		269		
	1,544	0.4	14,934	3.8	13,389
Investments and other assets					
Investment securities	56,713		47,849		
Long-term loans	274		767		
Deferred tax assets	5,995		7,313		
Other intangible fixed assets	5,093		5,839		
Allowance for doubtful accounts	(184)		(217)		
Allowance for valuation loss on investments	(1,833)		(2,094)		
	66,059	17.3	59,459	15.3	(6,600)
	151,529	39.6	154,994	39.9	3,465
Total assets	382,971	100.0	387,975	100.0	5,003

Millions of yen	March 31, 2007		March 31, 2008		Comparison with the Previous Period
	Amount	Composition Ratio(%)	Amount	Composition Ratio(%)	Increase/ Decrease
Current liabilities					
Notes and accounts payable	35,558		27,793		
Short-term bank loans payable	4,613		4,917		
Income taxes payable	5,849		3,532		
Deferred tax liabilities	21		92		
Accrued expenses	10,266		13,082		
Reserve for bonuses to employees	5,065		5,306		
Reserve for bonuses to directors	268		296		
Reserve for product warranties	1,260		1,049		
Notes payable for equipment	2,048		1,199		
Other current liabilities	18,625		17,960		
	83,578	21.8	75,231	19.4	(8,347)
Long-term liabilities					
Bonds with subscription right for new shares	23,000		23,000		
Long-term loans payable	1		30,000		
Deferred tax liabilities	9,577		4,995		
Reserve for defined retirement benefits	9,718		9,369		
Consolidation adjustments	1,879		1,226		
Other long-term liabilities	789		320		
	44,965	11.8	68,912	17.8	23,947
Total liabilities	128,544	33.6	144,144	37.2	15,599
Shareholders' equity					
Paid-in capital	32,648	8.5	32,648	8.4	-
Additional paid-in capital	63,890	16.7	63,885	16.5	(5)
Retained earnings	167,478	43.7	174,397	45.0	6,919
Treasury stock	(31,219)	(8.1)	(30,893)	(8.0)	325
Total shareholder’s equity	232,798	60.8	240,038	61.9	7,240
Valuation and translation adjustments					
Net unrealized gain/loss on other securities	18,195	4.7	6,436	1.6	(11,759)
Foreign currency translation adjustments	1,536	0.4	(4,331)	(1.1)	(5,867)
Total Valuation and translation adjustments	19,732	5.1	2,104	0.5	(17,627)
Minority interest	1,896	0.5	1,687	0.4	(208)
Total net assets	254,426	66.4	243,830	62.8	(10,596)
Total liabilities and net assets	382,971	100.0	387,975	100.0	5,003

(2) Consolidated Statement of Income

Millions of yen	March 31, 2007		March 31, 2008		Comparison with the Previous Period
	Amount	Composition Ratio(%)	Amount	Composition Ratio(%)	Increase/ Decrease
Net sales	336,188	100.0	336,685	100.0	496
Cost of sales	230,423	68.5	226,383	67.2	(4,039)
Gross profit	105,765	31.5	110,302	32.8	4,536
Selling, general and administrative expenses	83,845	25.0	86,039	25.6	2,194
Operating income	21,920	6.5	24,262	7.2	2,342
Nonoperating income					
Interest and dividend income	1,780		2,277		
Rent received	393		297		
Foreign currency exchange gain	198		-		
Amortization of consolidation adjustments	1,257		755		
Other	1,515		1,361		
	5,144	1.5	4,692	1.4	(452)
Nonoperating expenses					
Interest charges	36		140		
Loss on sales of bills	414		387		
Depreciation expenses for lent properties	204		89		
Investment loss from the application of equity method	-		303		
Foreign currency exchange loss	-		2,703		
Other	418		583		
	1,073	0.3	4,208	1.2	3,135
Ordinary income	25,991	7.7	24,746	7.4	(1,245)
Extraordinary gains					
Gain on sales of fixed assets	55		12		
Gain on sales of investment securities	2		2,370		
Reversal of allowance for doubtful accounts	196		149		
Gain on transition of retirement pension plan	138		2,059		
Other	189		295		
	582	0.2	4,886	1.4	4,303
Extraordinary losses					
Loss on sales of properties	-		20		
Loss on disposal of properties	2,554		846		
Loss on impairment	6,825		2,888		
Reorganization costs	618		-		
Business restructuring costs	-		3,719		
Valuation loss on investment securities	274		351		
Other	1,462		776		
	11,735	3.5	8,602	2.6	(3,132)
Income before income taxes	14,839	4.4	21,030	6.2	6,191
Income taxes					
Current	11,268	3.4	8,056	2.4	(3,211)
Deferred	(3,531)	(1.1)	663	0.2	4,195
Minority interests	(42)	(0.0)	121	0.0	164
Net income	7,145	2.1	12,189	3.6	5,043

(3) Changes in Shareholder's Equity

(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
Changes during the consolidated fiscal year										
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 March 31, 2008	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.

(The year ended March 31, 2008)

(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, 2007	32,648	63,890	167,478	(31,219)	232,798	18,195	1,536	19,732	1,896	254,426
Changes during the consolidated fiscal year										
Cash dividends			(5,201)		(5,201)					(5,201)
Net income			12,189		12,189					12,189
Repurchase of treasury stocks				(69)	(69)					(69)
Cancellation of treasury stocks		(5)		395	390					390
Decrease due to changes in shareholder's equity			(16)		(16)					(16)
Decrease in reserves due to alteration of accounting term of a subsidiary			(51)		(51)					(51)
Changes except in shareholders' equity						(11,759)	(5,867)	(17,627)	(208)	(17,836)
Total changes		(5)	6,919	325	7,240	(11,759)	(5,867)	(17,627)	(208)	(10,596)
Balance at March 31, 2008	32,648	63,885	174,397	(30,893)	240,038	6,436	(4,331)	2,104	1,687	243,830

(4) Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31, 2007	Year ended March 31, 2008	Comparison with the Previous Period Increase/Decrease
Cash flows from operating activities			
Income before income taxes	14,839	21,030	
Depreciation	18,914	21,405	
Increase/decrease in reserve for defined retirement benefits	(388)	(1,565)	
Increase/decrease in allowance for doubtful accounts	1,441	655	
Interest and dividends income	(1,760)	(2,277)	
Interest charges	36	140	
Loss on sales of marketable securities	7	-	
Loss on sales of investment securities	271	(2,015)	
Loss on sales of fixed assets	112	(210)	
Loss on disposal of fixed assets	2,554	794	
Loss on impairment	6,825	2,888	
Payment of bonuses to directors	(294)	-	
Increase/decrease in receivables - trade	(904)	5,782	
Increase/decrease in inventories	(1,472)	(3,942)	
Increase/decrease in payables - trade	449	(2,587)	
Amortization expense of negative goodwill	(1,257)	(755)	
Other	599	(4,485)	
Sub total	39,975	34,857	(5,118)
Interest and dividends received	1,761	2,273	
Interest payments	(24)	(151)	
Income taxes	(11,150)	(10,600)	
Net cash provided by operating activities	30,561	26,379	(4,182)
Cash flows from investing activities			
Proceeds from the sale of marketable securities	13	-	
Payments for the purchase of investment securities	(12,370)	(12,693)	
Proceeds from the sale of investment securities	48	4,331	
Payments for the purchase of property, plant and equipment	(26,248)	(26,088)	
Proceeds from the sale of property, plant and equipment	599	2,236	
Increase/decrease in loans	265	(450)	
Payments for the acquisition of consolidated subsidiaries' stocks	-	(25,225)	
Other	(1,021)	(783)	
Net cash used in investing activities	(38,713)	(58,673)	(19,960)
Cash flows from financing activities			
Net increase/decrease in borrowings	372	187	
Increase/decrease in Long-term loans payable	-	30,000	
Repayment of long-term loans payable	-	(0)	
Dividends paid by parent company	(5,614)	(5,201)	
Dividends paid to the minority stockholders	(41)	(38)	
Payments for purchase of treasury stock	(30,027)	(69)	
Proceeds from sale of treasury stock	60	390	
Net cash used in financing activities	(35,250)	25,268	60,519
Effect of exchange rate changes on cash and cash equivalents	927	(3,215)	(4,142)
Net increase in cash and cash equivalents	(42,475)	(10,241)	(32,233)
Cash and cash equivalents at beginning of term	121,127	80,698	(40,428)
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	2,007	-	(2,007)
Net increase in cash and cash equivalents associated with provisional account settlement of subsidiaries	-	23	23
Increase in cash and cash equivalents associated with integration	39	-	(39)
Cash and cash equivalents at end of term	80,698	70,480	(10,218)

Basis of Presenting the Consolidated Financial Statements

Item	Basis of Presenting the Consolidated Financial Statements
1. Scope of consolidation	(1) Consolidated subsidiaries (75 companies) Significant consolidated subsidiaries: Citizen watch Co., Ltd., Citizen Machinery Co., Ltd., Citizen Systems Japan Co., Ltd., Citizen Electronics Co., Citizen Displays Co., Ltd., Citizen Miyota Co., Ltd., Citizen Fine Tech Co., Ltd., Citizen Seimitsu Co., Ltd., Sayama Precision Co., Ltd. Starting from this consolidated fiscal year, we have included Bulova Corporation and its 7 subsidiary companies in our consolidation following the share acquisition of Bulova Corporation. 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. (2) Nonconsolidated subsidiaries (51 companies)
2. Application of the equity method	(1) Equity method affiliate company: one company Miyano Machinery Inc. The company's nonconsolidated subsidiaries and affiliates, for which the net profit and loss (amount that meets equity method standards) and accumulated profit (amount that meets equity method standards) have a minor effect on consolidated financial statements and no overall significance, so have been excluded from application of the equity method.
	(2) Miyano Machinary Inc's financial statements for this consolidated financial year are used.
3. Fiscal year-end of consolidated subsidiaries	The 46 overseas companies within our consolidated subsidiaries have a different closing date. The closing date for the Group's 46 overseas subsidiaries is December 31. On creating the consolidated financial statements, overseas subsidiaries have settled necessary accounts on the consolidated closing date to prepare their financial statements to be the basis of consolidated financial statements. SAKAE TRADING CO., LTD., TOKYO BIJUTSU CO., LTD. and ONTIME CO., LTD. have changed their fiscal year end to March from this consolidated period.
4. Accounting standards	(1) Valuation standards and methods for major assets {1} Marketable and investment securities i. Debentures classified as held-to-maturity are valued on an amortized cost (straight-line) basis. ii. Stocks of subsidiaries and affiliates are valued at cost using the moving-average method. 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 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. (Additional information) In the past, the Group has treated other marketable securities with determinable market value as loss on impairment when their market value dropped by over 30%, considering that the securities' market value was unrecoverable. However, we have altered our process from this consolidated fiscal year to first determine the recovery potential of each individual marketable security once its market value fell by between 30% to about 50%, and then deciding whether to register it as loss on impairment. This is because the recent drop in the market value of securities owes more to the decline in the entire stock market as it faces changes in wider surrounding factors, rather than to the inherent features of the marketable

security itself. Another reason of the alteration is its increased financial importance. The Group has decided we must make more rational decisions regarding the recovering potential of marketable securities.

As a result of the new process, income before taxes and other adjustments has increased by 1,612 million yen than would have been the case with the previous method.

{2} Derivative financial instruments

Derivative financial instruments are valued at market.

{3} Inventories

Inventories are primarily valued on a weight-average cost basis, which exceeds neither cost nor market.

(2) Depreciation of fixed assets

Property, plant and equipment-----------Mainly calculated using a declining balance basis.

Intangible fixed asset----------Calculated using a straight line basis.

(Changes in accounting policy)

Corporation tax law was revised by partial amendment of income tax law on March 30, 2007, Law 6, and government ordinance partially amending corporation tax law enforcement order on March 30, 2007, ordinance 83. Citizen and its domestic consolidated subsidiaries have changed to the depreciation method following the revised corporation tax law from this consolidated accounting period regarding property, plant and equipment acquired after April 1, 2007.

As a result, operating income, recurring income and income before income taxes have each decreased by 1,644 million yen.

The effect on each segment information has been stated accordingly.

(Additional information)

Following the revised corporation tax law, the Group and its domestic consolidated subsidiaries have recorded assets acquired before March 31, 2007 based on the previous depreciation method. When the assets reach 5% of acquisition cost, the balance of the value equivalent to 5% of acquisition cost and reminder price are amortized equally for 5 years and included in depreciation from the next consolidated financial year.

As a result, operating income, recurring income and income before income taxes have each decreased by 1,083 million yen.

The effect on each segment information has been stated accordingly.

(3) Recognition basis of provisions and reserves

{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.

{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.

{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.

{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.

{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.

(Additional information)

The Citizen Group provides a tax-qualified pension plan and a termination allowance plan as our defined benefit system. However, some of the consolidated subsidiaries have changed a part of their retirement benefit system from a tax-qualified pension plan to a defined contribution plan. Upon transition, "Accounting related to transition of retirement benefit scheme" (Application Guideline No. 1 of the Business Accounting Principles) has been applied.

As the result of the transition, we have posted 2,059 million yen as an extraordinary profit.

(4) Translation of foreign currency assets or liabilities

Foreign currency amounts are translated into Japanese yen at the rate prevailing on the balance sheet date for accounts receivable and accounts payable. The translation adjustments are stated as profit/loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot rate on the date of the balance sheet, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate.

The differences arising from translation are included in foreign currency translation adjustments and minority interest in the net assets section.

(5) 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.

(6) Consumption tax

(i) Accounting method for consumption tax

Consumption tax is calculated using a tax exclusion method.

(ii) Application of Consolidated taxation system

Consolidated taxation system is applied from the consolidated accounting period ended March 31, 2008.

Notes

(Consolidated balance sheet)

Millions of yen	As of March 31, 2007	As of March 31, 2008
1. Accumulated depreciation of property, plant and equipment	240,525	241,391
2. Loans guaranteed	352	509
3. Outstanding balance of export bill of Exchange	830	673
4. Endorsed trade notes receivable	72	32

(Consolidated statement of income)

1. Major items in selling, general and administrative expenses

Millions of yen	As of March 31, 2007	As of March 31, 2008
Depreciation expenses	2,204	4,133
Allowance for doubtful accounts	98	201
Reserve for bonuses to employees	2,135	2,067
Retirement benefit expenses	979	1,014
Reserve for retirement bonuses to directors	268	232
Personnel cost	24,442	24,789
Advertisement expenses	12,683	14,448
Reserve for product warranties	392	189
R&D expenditures	13,782	10,800

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.

In this consolidated fiscal year, the Group treated unused facilities and land, and assets of unprofitable business in the electronic devices segment as impaired asset and declared the loss due to impairment (2,888 million yen) as an extraordinary loss. The breakdown is mainly 2,633 million yen for machinery and equipment, and 125 million yen for land.

(Consolidated statement of retained earnings)

The year ended March 31, 2008

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	-	-	380,353,809
Total	380,353,809	-	-	380,353,809
Treasury stock				
Common stock*	33,706,478	69,234	427,039	33,348,673
Total	33,706,478	69,234	427,039	33,348,673

Note (*)

1. The breakdown of 69,234 shares of common stock increased in treasury stock
   Increase due to repurchase of stocks less than one unit 69,234 shares
2. The breakdown of 427,039 shares of common stock decreased in treasury stock
   Decrease due to exercise of warrant 427,039 shares
   Decrease due to purchase of stocks less than one unit 9,639 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 26, 2007)	Common stock	2,599 million yen	7.50 yen	March 31, 2007	June 27, 2007
Board of Directors (Nov.12, 2007)	Common stock	2,601 million yen	7.50 yen	Sep. 30, 2007	Dec. 6, 2007

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

(Resolution)	Type	Total amount of dividends	Source	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders (June 25, 2008)	Common stock	5,205 million yen	Earnings reserve	15.00 yen	March 31, 2008	June 26, 2008

(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, 2007	March 31, 2008
Cash	82,975	71,680
Marketable securities	0	0
Time deposits with a deposit period greater than three months	(2,276)	(1,199)
Shares and bonds with a redemption period greater than three months	0	0
Cash and cash equivalents	80,698	70,480

(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, 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	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
Year ended March 31, 2008								
Net sales								
Customers	139,985	99,235	27,104	39,639	30,720	336,685	-	336,685
Inter-segment	117	173	41	5	1,114	1,453	(1,453)	-
Total	140,103	99,409	27,146	39,644	31,834	338,139	(1,453)	336,685
Operating expenses	118,841	98,754	24,452	35,195	30,315	307,559	4,863	312,422
Operating income	21,262	654	2,694	4,448	1,519	30,579	(6,316)	24,262
Assets	153,493	108,140	20,037	34,232	37,561	353,466	34,508	387,975
Depreciation and amortization	6,760	10,010	722	1,382	1,350	20,226	1,178	21,405
Impairment loss	8	2,754	-	-	-	2,763	125	2,888
Capital expenditures	6,169	12,891	816	2,047	2,434	24,358	822	25,181

(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, 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, Automotive Components, jigs and tools, etc.

3. *Unallocatable operating expenses in operating expenses, either eliminated or included in corporate items*

Millions of yen	March 31, 2007	March 31, 2008	Key contents
Unallocatable operating expenses either eliminated or included in corporate items	10,662	6,420	Cost for administrative and management functions of the company headquarters and fundamental research.

4. *Amount of corporate assets in "assets", which were either eliminated or included in corporate items*

Millions of yen	March 31, 2007	March 31, 2008	Key contents
Amount of corporate assets, which were either eliminated or included in corporate items	81,586	131,466	Surplus funds (cash and cash equivalents, marketable securities) and long-term investment funds (investment securities) managed by the holding company, etc..

5. Changes in accounting methods
(The Year ended March 31, 2008)
Changes in depreciation method for property, land and equipment

As described in "Basis of Presenting the Consolidated Financial Statements" (Changes in accounting policy), Citizen Group and its domestic consolidated subsidiaries have changed to depreciation method following the revised corporation tax law from this consolidated accounting period regarding property, plant and equipment acquired after April 1, 2007. As also described in "Basis of Presenting the Consolidated Financial Statements" (Additional information), the Group and its domestic consolidated subsidiaries have recorded assets acquired before March 31, 2007, based on depreciation method before the revised corporation tax law: when the assets reach 5% of acquisition cost, the balance of the value equivalent to 5% of acquisition cost and reminder price are amortized equally for 5 years and included in depreciation from the next consolidated financial year. Following these changes, the increases of operating expenses for this consolidated financial year were 767 million yen for watches and clocks, 1,544 million yen for electronic devices, 124 million yen for electronic products, 87 million yen for industrial machinery, 115 million yen for other products and 87 million yen for unclassifiable expenses, while operating profit decreased by the same amounts.

2. Geographic segment

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
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
Year ended March 31, 2008								
Net sales								
Customers	245,793	29,022	32,146	27,301	2,422	336,685	-	336,685
Inter-segment	57,850	76,181	888	126	-	135,047	(135,047)	-
Total	303,644	105,203	33,034	27,428	2,422	471,733	(135,047)	336,685
Operating expenses	279,250	103,412	31,222	25,863	2,269	442,018	(129,595)	312,422
Operating income	24,394	1,790	1,811	1,565	152	29,714	(5,451)	24,262
Assets	279,705	44,765	41,027	20,181	1,539	387,219	755	387,975

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

3. *Unallocatable operating expenses in operating expenses, either eliminated or included in corporate items*

Millions of yen	March 31, 2007	March 31, 2008	Key contents
Unallocatable operating expenses either eliminated or included in corporate items	10,662	6,420	Cost for administrative and management functions of the company headquarters and fundamental research.

4. *Amount of corporate assets in "assets", either eliminated or included in corporate items*

Millions of yen	March 31, 2007	March 31, 2008	Key contents
Amount of corporate assets, either eliminated or included in corporate items	81,586	131,466	Surplus funds (cash and cash equivalents, marketable securities) and long-term investment funds (investment securities) managed by the holding company, etc..

5. Changes in accounting methods
(The Year ended March 31, 2008)
Changes in depreciation method for property, land and equipment

As described in "Basis of Presenting the Consolidated Financial Statements" (Changes in accounting policy), Citizen Group and its domestic consolidated subsidiaries have changed to depreciation method following the revised corporation tax law from this consolidated accounting period regarding property, plant and equipment acquired after April 1, 2007. As also described in "Basis of Presenting the Consolidated Financial Statements" (Additional information), the Group and its domestic consolidated subsidiaries have recorded assets acquired before March 31, 2007, based on depreciation method before the revised corporation tax law: when the assets reach 5% of acquisition cost, the balance of the value equivalent to 5% of acquisition cost and reminder price are amortized equally for 5 years and included in depreciation from the next consolidated financial year. Following these changes, the increases of operating expenses for this consolidated financial year were 2,640 million yen for Japan and 87 million yen for unclassifiable expenses, while operating profits decreased accordingly.

3. Overseas sales

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

	Year ended March 31, 2007		Year ended March 31, 2008	
Millions of yen	**Overseas sales**	**As % of consolidated net sales**	**Overseas sales**	**As % of consolidated net sales**
Asia	103,681	30.8	109,460	32.5
Americas	43,391	12.9	43,504	12.9
Europe	44,549	13.3	45,308	13.5
Other	3,209	1.0	4,113	1.2
Total	194,831	58.0	202,387	60.1
Consolidated sales	336,188	100.0	336,685	100.0

(Notes)

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

(Per Share Information)

	Year ended March 31, 2007	Year ended March 31, 2008
Net asset per share	728.49 yen	697.81yen
Basic net income per share	19.43 yen	35.14yen
Diluted net income per share	18.07 yen	32.55yen

The basis of calculation of basic net income per share information is as follows:

Basic net income per share	Year ended March 31, 2007	Year ended March 31, 2008
Net income (millions of yen)	7,145	12,189
Amount not attributed to common stock (millions of yen)	-	-
Net income on common stock (millions of yen)	7,145	12,189
Average number of common stocks (thousand shares)	367,812	346,840

Diluted net income per share	Year ended March 31, 2007	Year ended March 31, 2008
Adjustments to net income (millions of yen)	-	-
Number of common stock increased (thousand shares)	27,662	27,674
(convertible bonds)	(27,577)	(27,577)
(stock options)	(84)	(96)
Summary of residual securities not included in diluted net income per share as it has no dilution effect.	-	-

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

Net assets per share	Year ended March 31, 2007	Year ended March 31, 2008
Net assets (millions of yen)	254,426	243,830
Amount deducted from total net assets (millions of yen)	1,896	1,687
(Minority interest)	(1,896)	(1,687)
Net assets on common stock (millions of yen)	252,530	242,143
Number of common stocks at end of term (thousand shares)	346,647	347,005

(Subsequent Events)

None.

(Changes in the Board of Directors of the Company (scheduled on June 25, 2008))

(1) Retiring directors (tentative)

Takashi Masuzawa (Currently Director of Citizen Holdings Co., Ltd.)
Yasuhiro Yamazaki (Currently Corporate Auditor of Citizen Holdings Co., Ltd.)
Yasuhiro Okawa (Currently Corporate Auditor of Citizen Holdings Co., Ltd.)

(2) Candidate for appointment to Board of Directors (tentative)

Takeshi Kakishima
[Scheduled to be appointed to Director.]
Masaomi Suizu
[Scheduled to be appointed to Corporate Auditor.]

(3) Change of roles:

Kenji Sugimoto (Currently Managing Director of Citizen Holdings Co., Ltd.)
[Scheduled to be appointed to Director.]