



Consolidated Financial Statements

for the Six Months Ended September 30, 2007

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

November 12, 2007

CITIZEN HOLDINGS CO., LTD.

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

Location of Head Office: Tokyo, Japan

Representative: Makoto Umehara, President and CEO

Contact: Osamu Yamada, Managing Director

Scheduled release of fiscal 2007 interim Business Report: December 25, 2007

Scheduled start of dividend payment: December 6, 2007

Listings: First section of Tokyo Stock Exchange

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1. Results for the Interim Term of Fiscal 2007 (April 1, 2007 to September 30, 2007)

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

	Net sales		Operating income		Recurring income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2007	167,722	2.6	12,178	19.5	13,338	14.0
September 30, 2006	163,546	1.0	10,189	(20.9)	11,704	(20.0)
March 31, 2007	336,188	-	21,920	-	25,991	-

	Net income		Earnings per share		Fully diluted earnings per share
	(Millions of yen)	%	(Yen)	(Yen)	(Yen)
September 30, 2007	7,715	82.2	22.25	20.60	20.60
September 30, 2006	4,235	(44.3)	11.21	10.45	10.45
March 31, 2007	7,145	-	19.43	18.07	18.07

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:

September 2007 interim term: (¥ 206million) September 2006 interim term: ¥ -million March 2007 term: ¥ -million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2007	395,631	261,954	65.8	750.55
September 30, 2006	407,260	272,353	66.4	731.75
March 31, 2007	382,971	254,426	65.9	728.49

Reference: Shareholders' Equity:

As of September 30, 2007: ¥ 260,310million As of September 30, 2006: ¥ 270,420million

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)
September 30, 2007	11,105	(12,021)	(699)	79,060
September 30, 2006	14,435	(15,378)	(10,071)	112,338
March 31, 2007	30,561	(38,713)	(35,250)	80,698

2. Dividends

(Record data)	Dividends per share		
	Interim	Year-end	Annual
	(Yen)	(Yen)	(Yen)
March 31, 2007	7.50	7.50	15.00
March 31, 2008	7.50	-	15.00
March 31, 2008 (E)	-	7.50	

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

(The percentages represent year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Full term	344,000	2.3	24,000	9.5	26,000	0.0	14,000	95.9	40.37

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 interim consolidated financial statements
(described in "Changes in Significant Accounting Policies Used in Preparation of Interim Consolidated Financial Statements")
- (i) Changes associated with revised accounting standards: Yes
- (ii) Changes other than those in (i) above: None
- (3) Number of shares issued and outstanding (common stock)

(shares)	September 2007	September 2006	March 2007
Number of shares issued and outstanding at the end of term (including treasury stock)	380,353,809	380,353,809	380,353,809
Number of treasury stock at the end of term	33,529,259	10,801,847	33,706,478

Note: For details regarding the number of shares forming the basis for calculating interim net income per share, refer to page 27, "Per share information".

(Reference) Overview of Nonconsolidated Financial Results

Nonconsolidated Results for the Interim Term of Fiscal 2007 (April 1, 2007 to September 30, 2007)

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

	Operating revenues		Operating income		Recurring income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
September 30, 2007	8,863	(89.6)	3,634	1.7	3,926	(52.8)	4,327	(31.0)	12.48
September 30, 2006	85,145	11.9	3,572	14.0	8,317	44.6	6,276	53.1	16.62
March 31, 2007	169,613	-	6,969	-	18,317	-	13,430	-	36.51

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2007	186,049	153,848	82.7	443.59
September 30, 2006	226,100	163,882	72.5	443.46
March 31, 2007	209,920	149,365	71.2	430.89

Reference: Shareholders' Equity:

As of September 30, 2007: ¥ 153,848million As of September 30, 2006: ¥ 163,882million

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.

1. Review of Operations

(1) Analysis of Operating Results

(i) Interim Fiscal 2007 Operating Results

Millions of yen	Six months ended September 30,		Change	%
	2006	2007		
Net sales	163,546	167,722	4,175	2.6
Operating income	10,189	12,178	1,989	19.5
Recurring income	11,704	13,338	1,634	14.0
Net income	4,235	7,715	3,480	82.2

Breakdown of sales by segment

Millions of yen	Six months ended September 30,		Change	%
	2006	2007		
Watches and clocks	63,033	67,691	4,657	7.4
Electronic devices	49,869	50,291	421	0.8
Electronic products	13,556	13,898	341	2.5
Industrial machinery	21,043	20,819	(223)	(1.1)
Other products	16,044	15,022	(1,021)	(6.4)
Total net sales	163,546	167,722	4,175	2.6

Breakdown of operating income by segment

Millions of yen	Six months ended September 30,		Change	%
	2006	2007		
Watches and clocks	9,493	9,721	227	2.4
Electronic devices	649	1,194	544	83.9
Electronic products	1,458	1,413	(45)	(3.1)
Industrial machinery	3,180	2,611	(569)	(17.9)
Other products	727	643	(83)	(11.5)
Eliminations or general corporate	(5,320)	(3,405)	1,914	-
Total operating income	10,189	12,178	1,989	19.5

Summary of Operating Results

During the six-month period for these consolidated interim results, the economy in Europe and Asian regions continued to show steady growth. However, global economic conditions remained uncertain due to various factors such as U.S. subprime house loan issues bringing confusion to the world financial market. The economic situation in Japan continued to be stable with improved corporate profit, steady business investment and robust consumer spending.

In such an environment our group transferred to a pure holding company system this year and continued our efforts to realize best management as a whole group.

Sales of watches and clocks grew for high value-added products including Eco-Drive and radio-controlled watches. In addition, our effort in strengthening sales for high value-added movements achieved satisfying results, and the segment increased its overall sales.

Sales of electronic devices increased due to strong sales of switches in other component businesses, in spite of tough conditions such as intensive market competition and component unit price decline.

Sales of electronic products increased owing to growing demand for printers mainly in BRICs and other newly developing countries, and excellent sales of large size printers and photo printers in China.

Industrial machinery showed strong sales growth in Europe, but on the whole it decreased because of the weakened demand in the Japanese market and heavy market swings in other Asian countries.

Sales decreased in other products. Jewelry business sales were sluggish as demands remained stagnant. In pachinko related products motivation to invest in peripheral equipment was low, and many pachinko parlors also went bankrupt or closed business.

As a consequence, total sales increased to 167.7 billion yen (2.6% increase from the same period of previous fiscal year), operating income increased to 12.1 billion yen (19.5% increase), recurring income increased to 13.3 billion yen (14.0% increase) and net income increased to 7.7 billion yen (82.2% increase).

Watches and Clocks

Foreign high-end brands remained strong in the Japanese watch market, while Japanese brands continued to struggle. However the Group successfully increased sales by differentiating products with high value-added functions such as Eco-Drive and radio-controlled watches, pursuing designs of high aesthetic quality, revising distribution policies and aggressively investing in advertising. As for the products trend, Citizen group introduced new ladies' high-end brand "KARIDEA". The 30th anniversary model of high-priced brand "EXCEED" also achieved good results. In general products, "xC" and multi-band Eco-Drive radio-controlled watch for "ATTESA" led sales, but sales of licensed brands were sluggish because of inventory adjustment of the market.

The economy in the overseas watch market is rapidly slowing down from concerns over the prospects of the economic environment. But the Group succeeded in pushing up the average unit price by steadily shifting to high value-added products, increasing sales percentage of Eco-Drive and expanding sales of radio-controlled watches overseas. Consequently, sales increased overall.

Q&Q brand struggled because of a decrease of domestic shops for low-priced watches, but on the whole sales rose thanks to good performance overseas such as sales of designed articles in Latin America.

Buyer's brand strived to expand sales by focusing on main clients and by other means. But sales decreased owing to a rise in material cost and difficulties in securing production volume due to a change of employment conditions in Chinese factories.

Sales of movements are in a tough situation with decline in demand for low-priced quartz watches and intensifying discount competition between Chinese manufacturers. Despite the adversity the Group posted sales rise 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 and achieved higher sales.

Consequently, the watches and clocks segment increased both in total net sales and operating income with net sales of 67.6 billion yen (7.4% increase from the same period of previous fiscal year) and operating income of 9.7 billion yen (2.4% increase).

Electronic Devices

Our opt-devices business relies mostly on the mobile phone industry. The number of handsets is continuing to grow with low-end models in the lead. However, the number and price of used components continued to drop in the mobile phone market as a whole. We launched various new products in these tough market conditions, including an extremely thin backlight unit that realizes thinner liquid crystal, and ultra high-intensity flash LED for high-resolution camera, etc, aiming to beat other companies with our unique products. The company also sought to develop new markets in general lighting, automobile-mounted equipment, large and medium-sized liquid crystal and amusement products. We have accomplished some positive results. Mass production of LED for general lighting is already underway, and some of the other products have also been adopted in the new market. However, in the mid to high-end mobile phone market where our company holds functional advantage, competition among handset manufacturers intensified as many newcomers introduced appealing new technologies and usages. Component manufacturers continued to be under tight competition as well. As a result, the opt-devices segment saw an overall drop in sales.

Our mainstay for crystal devices is the tuning fork type cylindrical crystal oscillator. Clock sales were slow throughout the term, but consumer sales continued to be stable. The company is currently focusing on production of the tuning fork type compact SMD oscillator. Sales for mobile phones showed significant growth though later in the term customer demand slowed down due to seasonal effect. The high-frequency oscillator / transmitter segment dropped sales due to delay in the development of small size SMD products demanded by the market. TCXO struggled as the transition to small size products lagged behind, resulting in order decrease.

In other products, we developed a thinner mobile phone keypad without affecting its appearance. Key sheet modules that enable reduced man hours for handset manufacturers and subminiature side-push switches greatly extended our switch business. In contrast, acoustic products dropped in terms of both sales and profit reflecting factors such as changes in product strategy by a manufacturer where we deliver our products. In liquid crystal devices, expanded application of our unique active aberration compensation element for Blue laser DVD into the next generation DVD resulted in sales increase. However, overall sales declined due to the company's decision to withdraw from mobile phone display business.

As a consequence, electronic devices segment increased its sales to 50.2 billion yen (0.8% increase from the same period of previous fiscal year) and operation profit to 1.1 billion yen (83.9% increase).

Electronic Products

In printer related business, overall sales increased thanks to strong results in large size printers and photo printers in China. Domestic sales of calculators dropped reflecting market shrinkage, but overall sales rose as a result of overseas product expansion in Europe and Asia, in addition to our main Russian market. In health care equipment we expanded sales activity for both domestic and foreign Citizen brands, but the result was a decline as sales for overseas OEM dropped. Operating income decreased as a result of sales decline in FDD business where we are scaling down operations for withdrawal, and increased investment in development in preparation for business expansion.

As a consequence, electronic products segment posted sales of 13.8 billion yen (2.5% increase from the same period of previous fiscal year) and operation profit of 1.4 billion yen (3.1% decrease).

Industrial Machinery

Sales of CNC automatic lathes decreased as demand in the domestic market cooled down after hovering at high standards in automobiles, electronics and precision equipment last year. In the overseas market, Asia also dropped sales and production adjustments continued for automobiles and HDD-related products in ASEAN countries, while China and Taiwan still showed an upturn but suffered from severe swings in the market. In North America, demand was stable for medical and related equipment and other business. In Europe, the business boom continued from last year centering on medical and related equipment and job shop related business, producing significant sales increase.

In other machinery, measuring instruments leveled out due to automobile / bearing related market conditions, and assembling machines sales dropped, reflecting a downturn in demand for the electric parts insertion machine for automobile / amusement related products.

Though European sales of CNC automatic lathes increased, it was not enough compensate for the decrease in domestic / Asian market results. Overall, sales in industrial machinery segment decreased to 20.8 billion yen (1.1% down from the same period of previous fiscal year) and operation profit decreased to 2.6 billion yen (17.9% down).

Other Products

In jewelry, gold and platinum are still soaring, but demands remain slow due to the high cost of products. Moreover, control over credit card usage derived from excessive selling slowed down sales even more.

In pachinko related products, sales decreased as expenditure for removing old standard slot machines and installing new machines was at its height. Investments in peripherals remained low, while many pachinko parlors also went bankrupt or closed business.

Overall, sales of other products decreased to 15.0 billion yen (6.4% down from the same period of previous fiscal year) and operation profit decreased to 0.6 billion yen (11.5% down).

(ii) Prospects for the Year ending March 31, 2008

Millions of yen	Year ended March 31,		Change	%
	2006	2007		
Net sales	336,188	344,000	7,811	2.3
Operating income	21,920	24,000	2,079	9.5
Recurring income	25,991	26,000	8	0.0
Net income	7,145	14,000	6,854	95.9

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Change	%
	2006	2007		
Watches and clocks	132,987	140,000	7,012	5.3
Electronic devices	99,167	100,000	832	0.8
Electronic products	27,778	30,000	2,221	8.0
Industrial machinery	44,285	41,000	(3,285)	(7.4)
Other products	31,970	33,000	1,029	3.2
Total net sales	336,188	344,000	7,811	2.3

Breakdown of operating income by segment

Millions of yen	Year ended March 31,		Change	%
	2006	2007		
Watches and clocks	21,060	21,500	439	2.1
Electronic devices	405	1,000	594	146.7
Electronic products	3,203	3,000	(203)	(6.3)
Industrial machinery	6,451	5,000	(1,451)	(22.5)
Other products	1,461	1,000	(461)	(31.6)
Eliminations or general corporate	(10,662)	(7,500)	3,162	-
Total operating income	21,920	24,000	2,079	9.5

As for the prospects for latter half-year, we expect it to be generally steady, though there are uncertain factors such as concerns over an economic slowdown caused by anxieties over the U.S. economy.

Under such economic conditions, the company will proceed with the following approaches.

Sales of watches and clocks are on knife-edge with intensifying competition from growing Chinese brands and Swiss brand products, but the Group will continue to produce fair values in each business area and continue to differentiate our products under the concept of "integrating technology and beauty".

Electronic devices segment has a stable outlook on the whole. In opt-devices, mainstay LED for mobile phones are expected to grow upward. In addition, some of our high brightness LED for general lighting and LED for mid size liquid crystals have begun to sell. In other products, switches and key sheet modules continue to have steady sales. Acoustic products also expect to see sales increase with commercialization of digital microphones.

In industrial machinery, the Group is anticipating a decrease in overall sales reflecting the downward market trend. But we will strive to expand sales with a new model now prepared for release. Its series are popular in automobile / precision related equipment industries for high stiffness and good cost performance.

Looking ahead to prospects for the fiscal year ending March 31, 2008, there are no changes from our previous forecast (announced on May 14, 2007). We are expecting net sales of 344.0 billion yen (2.3% increase from the previous year), operating income of 24.0 billion yen (9.5% increase), recurring profit of 26.0 billion yen (0.0% increase) and net income of 14.0 billion yen (95.9% increase).

The exchange rate for the latter half of the financial year is predicted to be 115 yen/US dollar (actual for the first six months was 119 yen/US dollar) and 150 yen/Euro (actual for the first six months was 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) Analysis of Financial Condition**Cash flows from operating activities**

Cash flows increased from 13.2 billion yen of income before taxes and 9.4 billion yen of depreciation, but owing to factors such as increased loss on sales of investment securities and a rise in inventories, cash flows from operating activities yielded a revenue of 11.1 billion yen (down 3.3 billion yen from the same period of previous fiscal year).

Cash flows from investing activities

Cash flows from investing activities ran a deficit of 12.0 billion yen (3.3 billion yen less than the same period of previous fiscal year). The main factors were payments of 1.7 billion yen for purchase of investment securities, payments of 14.4 billion yen for the purchase of property, plant and equipment, mainly the purchase of shares of CITIZEN CHIBA PRECISION Co., LTD, and investments related to new businesses.

The total of free cash flows from cash flows from operating and investing activities ran a deficit of 0.9 billion yen.

Cash flows for financing activities

Cash flows from financing activities ran a deficit of 0.6 billion yen (9.3 billion yen less than the same period of previous fiscal year). The main factors were an increase in borrowings and payments of dividends.

Cash and cash equivalents decreased by 1.6 billion yen, balanced at 79.0 billion yen.

Cash flow indicators

Percent	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	September 30, 2007
Equity ratio	57.4	61.7	68.7	65.9	65.8
Equity ratio at market value	80.1	79.3	104.6	100.1	101.3
Debt repayment period (years)	0.8	0.7	0.7	0.9	-
Interest coverage ratio	154.7	204.7	1,416.5	1,253.5	956.0

Equity ratio at market value: Market capitalization/total assets

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

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.

Cash dividends for the six months ended September 30, 2007 was decided on 7.5 yen per share, considering our half-year performance and full-year outlook. Currently, the Group is planning to distribute the same amount for the year's end as well, and the total dividends will 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.

Watches and clocks

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

Electronic devices

Device businesses are significantly influenced by mobile phone market trends. In addition, due to factors including rapid technology innovation and intense competition, sales price decline and delay in development may affect operating results.

Electronic products

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

Industrial machinery

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

(ii) Overseas sales

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

(iii) Foreign currency fluctuation risk

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

(iv) Manufacturing in China

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

(v) Impairment loss

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

(vi) Patent and intangible property

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

(vii) Risk related to natural disaster such as earthquakes

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

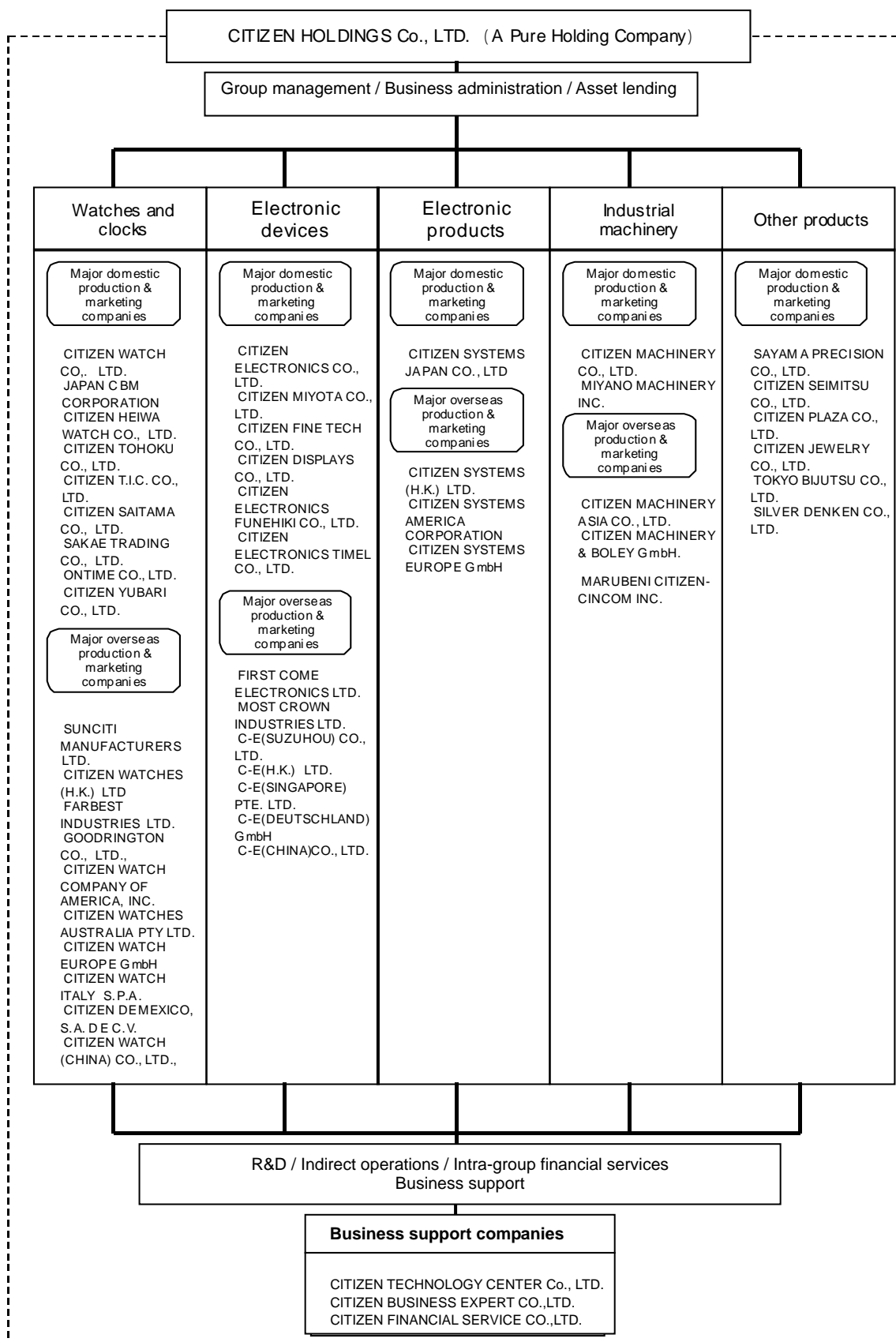
(viii) Other risks

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

2. Corporate Group

The Citizen Group (“the Company” and its subsidiaries and affiliates) consists of the Company and its 109 subsidiaries and 9 affiliates. The Group companies are mainly engaged in production and sales in four business segments: watches and clocks, electronic devices, electronic products, and industrial machinery.

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



: consolidated subsidiaries
: nonconsolidated subsidiaries not accounted for by the equity method
: affiliate not accounted for by the equity method

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

Since shifting to a pure holding company system this April, we have restructured our group management strategy. Citizen Group's original point is "manufacturing in Japan using state-of-the-art precision technology developed from DNA cultivated through watch making". We will go back to this base again and take our business forward with micro, ultra-precise and low-power consumption technologies as a core competence, optimizing our portfolio in the two main axis of stable revenue base and growing businesses.

The Group will focus on three main areas based on the new medium-term management policy,:

1. revising our business portfolio strategy
2. strengthening our group governance
3. restructuring our financial strategy.

Revise business portfolio strategy

- (i) Prioritize investment allocation to highly profitable businesses with competitive superiority.
- (ii) Thoroughly select products and areas to concentrate in our electronic devices segment

Strengthen governance

- (i) Strengthen group governance
- (ii) Strict implementation of rules to begin a new business and rules to exit from a business
- (iii) Defined business responsibility structure and stronger monitoring

Restructure financial strategy

- (i) Improvement of financial efficiency

From the inaugural fiscal year 2007, we will start constitutional restructuring and reinforce our business base by focusing on profit improvement measures.

4. Consolidated Interim Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	September 30, 2006		September 30, 2007		Comparison with the Previous Interim Period Increase/ Decrease	March 31, 2007	
	Amount	Composition Ratio(%)	Amount	Composition Ratio(%)		Amount	Composition Ratio(%)
Current assets							
Cash and cash equivalents	112,322		80,713			82,975	
Notes and accounts receivable	74,393		75,832			75,132	
Marketable Securities	2,180		0			0	
Inventories	59,583		60,154			55,980	
Deferred tax assets	9,917		10,227			10,262	
Other current assets	7,664		7,344			8,085	
Allowance for doubtful accounts	(1,095)		(974)			(994)	
	<u>264,967</u>	65.1	<u>233,298</u>	59.0	(31,668)	<u>231,442</u>	60.4
Fixed assets							
Property, plant and equipment							
Buildings and structures	34,621		34,661			34,553	
Machinery, equipment and carriers	33,778		33,861			29,764	
Other	19,729		19,430			19,607	
	<u>88,129</u>	21.6	<u>87,953</u>	22.2	(176)	<u>83,925</u>	21.9
Intangible fixed assets							
software	990		1,141			1,207	
Other intangible fixed assets	462		314			336	
	<u>1,453</u>	0.4	<u>1,456</u>	0.4	2	<u>1,544</u>	0.4
Investments and other assets							
Investment securities	45,970		61,541			56,713	
Deferred tax assets	3,698		6,831			5,995	
Other	4,629		6,512			5,368	
Allowance for doubtful accounts	(193)		(158)			(184)	
Reserve for valuation loss on investments	(1,394)		(1,803)			(1,833)	
	<u>52,710</u>	12.9	<u>72,923</u>	18.4	20,212	<u>66,059</u>	17.3
	<u>142,293</u>	34.9	<u>162,332</u>	41.0	20,038	<u>151,529</u>	39.6
Total assets	<u>407,260</u>	100.0	<u>395,631</u>	100.0	(11,629)	<u>382,971</u>	100.0

CITIZEN HOLDINGS

Millions of yen	September 30, 2006		September 30, 2007		Comparison with the Previous Interim Period	March 31, 2007	
	Amount	Composition Ratio(%)	Amount	Composition Ratio(%)		Increase/ Decrease	Amount
Current liabilities							
Notes and accounts payable	33,723		35,925			35,558	
Short-term bank loans payable	6,178		6,414			4,613	
Income taxes payable	4,765		2,745			5,849	
Deferred tax liabilities	28		74			21	
Reserve for bonuses to employees	5,129		5,451			5,065	
Reserve for product warranties	1,053		1,162			1,260	
Other	37,202		32,241			31,209	
	88,082	21.6	84,016	21.2	(4,066)	83,578	21.8
Long-term liabilities							
Bonds with subscription right for new shares	23,000		23,000			23,000	
Long-term loans payable	5		1			1	
Deferred tax liabilities	10,687		14,972			9,577	
Reserve for defined retirement benefits	10,028		9,522			9,718	
Negative goodwill	2,215		1,502			1,879	
Other	888		661			789	
	46,825	11.5	49,660	12.6	2,834	44,965	11.8
Total liabilities	134,907	33.1	133,676	33.8	(1,231)	128,554	33.6
Shareholders' equity							
Paid-in capital	32,648	8.0	32,648	8.3		32,648	8.5
Additional paid-in capital	63,890	15.7	63,884	16.1		63,890	16.7
Retained earnings	167,338	41.1	172,541	43.6		167,478	43.7
Treasury stock	(10,380)	(2.6)	(31,058)	(7.8)		(31,219)	(8.1)
Total shareholders' equity	253,497	62.2	238,016	(60.2)	(15,481)	232,798	60.8
Valuation and translation adjustments							
Net unrealized gain/loss on other securities	16,209	4.0	20,965	5.3		18,195	4.7
Foreign currency translation adjustments	713	0.2	1,328	0.3		1,536	0.4
Total valuation and translation adjustments	16,922	4.2	22,293	5.6	5,371	19,732	5.1
Minority interest	1,932	0.5	1,644	0.4	(288)	1,896	0.5
Total net assets	272,353	66.9	261,954	66.2	(10,398)	254,426	66.4
Total liabilities and net assets	407,260	100.0	395,631	100.0	(11,629)	382,971	100.0

(2) Consolidated Statement of Income

Millions of yen	Six months ended September 30, 2006		Six months ended September 30, 2007		Comparison with the Previous Interim Period	Year ended March 31, 2007	
	Amount	Composition Ratio(%)	Amount	Composition Ratio(%)		Amount	Composition Ratio(%)
Net sales	163,546	100.0	167,722	100.0	4,175	336,188	100.0
Cost of sales	112,586	68.8	111,454	66.5	(1,131)	230,423	68.5
Gross Profit	50,960	31.2	56,268	33.5	5,307	105,765	31.5
Selling, general and administrative expenses	40,770	24.9	44,089	26.3	3,318	83,845	25.0
Operating income	10,189	6.3	12,178	7.3	1,989	21,920	6.5
Nonoperating income							
Interest and dividend income	724		951			1,780	
Foreign currency exchange gain	0		-			198	
Amortization expense of negative goodwill	632		377			1,257	
Other	742		757			1,908	
	2,100	1.3	2,086	1.2	(13)	5,144	1.5
Nonoperating expenses							
Interest charges	6		12			36	
Loss on sale of bills	166		152			414	
Depreciation for lent properties	138		39			204	
Investment loss from the application of equity method	-		206			-	
Foreign currency exchange loss	-		219			-	
Other	274		295			418	
	585	0.4	926	0.5	341	1,073	0.3
Recurring income	11,704	7.2	13,338	8.0	1,634	25,991	7.7
Extraordinary gains							
Gain on sales of fixed assets	45		12			55	
Gain on sales of investment securities	2		2,370			2	
Reversal of allowance for doubtful accounts	127		119			196	
Gain on transition of retirement pension plan	259		136			138	
Other	155		224			189	
	590	0.3	2,861	1.7	2,271	582	0.2
Extraordinary losses							
Loss on disposal of properties	799		246			2,554	
Loss on impairment of fixed assets	1,893		126			6,825	
Reorganization costs	-		-			618	
Business restructuring costs	-		2,488			-	
Reserve for valuation loss on investments	728		-			1,179	
Valuation loss on investment securities	9		11			274	
Other	186		112			283	
	3,616	2.2	2,985	1.8	(631)	11,735	3.5
Income before income taxes	8,678	5.3	13,214	7.9	4,536	14,839	4.4
Income, inhabitant and enterprise taxes	5,410	3.3	3,299	2.0	(2,110)	11,268	3.4
Income tax adjustment	(875)	(0.5)	2,188	1.3	3,063	(3,531)	(1.1)
Minority interest	(92)	(0.1)	11	0.0	103	(42)	(0.0)
Net income	4,235	2.6	7,715	4.6	3,480	7,145	2.1

(3) Consolidated Statement of Changes in Shareholder's Equity

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

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 period										
Cash dividends*			(2,843)		(2,843)					(2,843)
Bonus to directors*			(276)		(276)					(276)
Net income			4,235		4,235					4,235
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.

(Six months from April 1, 2007 to September 30, 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, 2007	32,648	63,890	167,478	(31,219)	232,798	18,195	1,536	19,732	1,896	254,426
Changes during the period										
Cash dividends			(2,599)		(2,599)					(2,599)
Net income			7,715		7,715					7,715
Repurchase of treasury stocks				(18)	(18)					(18)
Cancellation of treasury stocks		(6)		180	173					173
Decrease in reserves due to provisional account settlement of subsidiaries			(51)		(51)					(51)
Changes except in shareholders' equity						2,769	(207)	2,561	(252)	2,309
Total changes	-	(6)	5,063	161	5,218	2,769	(207)	2,561	(252)	7,527
Balance at September 30, 2007	32,648	63,884	172,541	(31,058)	238,016	20,965	1,328	22,293	1,644	261,954

CITIZEN HOLDINGS

(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 period										
Cash dividends*			(2,843)		(2,843)					(2,843)
Cash dividends			(2,771)		(2,771)					(2,771)
Bonus to directors*			(288)		(288)					(288)
Net income			7,145		7,145					7,145
Repurchase of treasury stocks				(30,027)	(30,027)					(30,027)
Cancellation of treasury stocks			(9)	70	60					60
Changes in scope of consolidation			998		998					998
Changes except in shareholders' equity						2,131	1,713	3,844	(173)	3,670
Total changes	-	-	2,232	(29,957)	(27,725)	2,131	1,713	3,844	(173)	(24,055)
Balance at September 30, 2006	32,648	63,890	167,478	(31,219)	232,798	18,195	1,536	19,732	1,896	254,426

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

(4) Consolidated Statement of Cash Flow

Millions of yen	Six months ended September 30, 2006	Six months ended September 30, 2007	Comparison with the Previous Interim Period Increase/Decrease	Year ended March 31, 2007
Cash flows from operating activities				
Income before income taxes	8,678	13,214		14,839
Depreciation	8,724	9,408		18,914
Increase/decrease in reserve for defined retirement benefits	(107)	(193)		(388)
Increase/decrease in allowance for doubtful accounts	611	116		1,441
Interest and dividends income	(724)	(951)		(1,760)
Interest charges	6	12		36
Loss on sales of marketable securities	7	-		7
Loss on sales of investment securities	9	(2,355)		271
Loss on sales of fixed assets	(100)	(46)		112
Loss on disposal of fixed assets	799	245		2,554
Loss on impairment	1,893	126		6,825
Payment of bonuses to directors	(281)	-		(294)
Increase/decrease in receivables - trade	(521)	(962)		(904)
Increase/decrease in inventories	(5,369)	(4,386)		(1,472)
Increase/decrease in payables - trade	1,253	(429)		449
Increase/decrease in accrued expenses	1,527	1,432		938
Amortization expense of negative goodwill	(632)	(377)		(1,257)
Increase/decrease in other current assets	2,623	201		2,586
Increase/decrease in other liabilities	651	807		(3,428)
Other	380	620		502
Sub total	19,429	16,482	(2,947)	39,975
Interest and dividends received	726	940		1,761
Interest payments	(1)	(11)		(24)
Income taxes	(5,719)	(6,306)		(11,150)
Net cash provided by operating activities	14,435	11,105	(3,329)	30,561
Cash flows from investing activities				
Proceeds from the sale of marketable securities	13	-		13
Payments for the purchase of investment securities	(2,095)	(1,788)		(12,370)
Proceeds from the sale of investment securities	32	4,329		48
Payments for the purchase of property, plant and equipment	(13,978)	(14,433)		(26,248)
Proceeds from the sale of property, plant and equipment	541	702		599
Increase/decrease in loans	363	(67)		265
Other	(254)	(764)		(1,021)
Net cash used in investing activities	(15,378)	(12,021)	3,357	(38,713)
Cash flows from financing activities				
Net increase/decrease in borrowings	1,942	1,785		372
Dividends paid by parent company	(2,843)	(2,599)		(5,614)
Dividends paid to the minority stockholders	(42)	(39)		(41)
Payments for purchase of treasury stock	(9,188)	(18)		(30,027)
Proceeds from sale of treasury stock	60	173		60
Net cash used in financing activities	(10,071)	(699)	9,372	(35,250)
Effect of exchange rate changes on cash and cash equivalents	218	(45)	(264)	927
Net increase in cash and cash equivalents	(10,796)	(1,661)	9,134	(42,475)
Cash and cash equivalents at beginning of term	121,127	80,698	(40,428)	121,127
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	2,007	-	(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
Cash and cash equivalents at end of term	112,338	79,060	(33,277)	80,698

Basis of Presenting the Consolidated Financial Statements

Item	Basis of Presenting the Consolidated Financial Statements
1. Scope of consolidation	<p>(1) Consolidated subsidiaries (67 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. 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>(1) Equity method affiliate company: one company Miyano Machinery Inc.</p> <p>The company's nonconsolidated subsidiaries and affiliates, for which the interim 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 interim financial statements and no overall significance, so have been excluded from application of the equity method.</p> <p>(2) Miyano Machinery Inc's interim financial statement is based on the company's interim accounting period as there is less than 3 months' difference between the consolidated interim closing date of Citizen.</p>
3. Fiscal year-end of consolidated subsidiaries	<p>The 38 overseas companies within our consolidated subsidiaries have a different closing date. The interim closing date for the Group's 38 overseas subsidiaries is June 30. On creating the consolidated interim financial statements, overseas subsidiaries have settled necessary accounts on the consolidated interim closing date to prepare their interim financial statements to be the basis of consolidated interim 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 interim period.</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
	<p>(2) Depreciation of fixed assets</p> <p>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 interim 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 435 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 remainder 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 550 million yen. The effect on each segment information has been stated accordingly.</p>
	<p>(3) 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>

Item	Basis of Presenting the Consolidated Financial Statements
	<p>{5} Reserve for defined retirement benefits</p> <p>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.</p> <p>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.</p> <p>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>
	<p>(4) Translation of foreign currency assets or liabilities</p> <p>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>
	<p>(5) Lease contracts</p> <p>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>
	<p>(6) Consumption tax</p> <p>(i) Accounting method for consumption tax Consumption tax is calculated using a tax exclusion method.</p> <p>(ii) Application of Consolidated taxation system Consolidated taxation system is applied from the consolidated interim accounting period ended September 30, 2007.</p>
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, 2006	September 30, 2007	March 31, 2007
1. Accumulated depreciation of property, plant and equipment	241,145	243,563	240,525
2. Loans guaranteed	344	319	352
3. Outstanding balance of export bill of Exchange	1,364	769	830
4. Endorsed trade notes receivable	72	70	72
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, 2006	September 30, 2007	March 31, 2007
Notes receivable	823	837	838
Notes payable	995	1,011	935
Payables for equipments (Other current liabilities)	197	297	241

(Consolidated Interim Statement of Income)

1. Major items in selling, general and administrative expenses

Millions of Yen	Six months ended September 30, 2006	Six months ended September 30, 2007	The year ended March 31, 2007
Depreciation expenses	1,025	1,973	2,204
Allowance for doubtful accounts	44	107	98
Reserve for bonuses to employees	1,338	617	2,135
Retirement benefit expenses	503	529	979
Reserve for retirement bonuses to directors	-	19	268
Personnel cost	12,003	12,966	24,442
Advertisement expenses	5,844	7,182	12,683
Reserve for product warranties	124	95	392
R&D expenditures	6,726	5,494	13,782

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, the Group recorded losses on impairment for lands showing drastic market price decline and idle equipment which has no planned use, recording extraordinary loss of 126 million yen. The breakdown is 1 million yen for machinery and equipment, and 125 million yen for land.

(Consolidated statement of retained earnings)

Six months ended September 30, 2006

1. Type and number of issued stocks and treasury stocks

Shares	The year ended March 31, 2006	Increase during the interim period	Decrease during the interim period	Six months ended September 30, 2006
Issued shares				
Common stock	380,353,809	-	-	380,353,809
Total	380,353,809	-	-	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 exercise of warrant 70,000 shares
 - Decrease due to purchase of stocks less than one unit 478 shares

CITIZEN HOLDINGS

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 28, 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

Six months ended September 30, 2007

1. Type and number of issued stocks and treasury stocks

Shares	The year ended March 31, 2007	Increase during this interim period	Decrease during this interim period	Six months ended September 30, 2007
Issued shares				
Common stock	380,353,809	-	-	380,353,809
Total	380,353,809	-	-	380,353,809
Treasury stock				
Common stock*	33,706,478	17,195	194,414	33,529,259
Total	33,706,478	17,195	194,414	33,529,259

Note (*)

- The breakdown of 17,195 shares of common stock increased in treasury stock
Increase due to repurchase of stocks less than one unit 17,195 shares
- The breakdown of 194,414 shares of common stock decreased in treasury stock
Decrease due to exercise of warrant 192,400 shares
Decrease due to purchase of stocks less than one unit 2,014 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

(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 12, 2007)	Common stock	2,601 million yen	Earnings reserve	7.50 yen	September 30, 2007	December 6, 2007

Year ended March 31, 2007

1. Type and number of issued stocks and treasury stocks

Shares	The year ended March 31, 2006	Increase during this period	Decrease during this period	The year ended March 31, 2007
Issued shares				
Common stock	380,353,809	-	-	380,353,809
Total	380,353,809	-	-	380,353,809
Treasury stock				
Common stock*	1,277,972	32,499,508	71,002	33,706,478
Total	1,277,972	32,499,508	71,002	33,706,478

Note (*)

- The breakdown of 32,499,508 shares of common stock increased in treasury stock
Increase due to purchase from the market 32,471,600 shares
Increase due to repurchase of stocks less than one unit 22,908 shares
- The breakdown of 71,002 shares of common stock decreased in treasury stock
Decrease due to exercise of warrant 70,000 shares
Decrease due to purchase of stocks less than one unit 1,002 shares

CITIZEN HOLDINGS

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 28, 2006
Board of Directors (November 14, 2006)	Common stock	2,771 million yen	7.50 yen	September 30, 2006	December 8, 2006

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

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

(Consolidated statement of cash flow)

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

Millions of yen	September 30, 2006	September 30, 2007	March 31, 2007
Cash	112,322	80,713	82,975
Marketable securities	2,180	0	0
Time deposits with a deposit period greater than three months	(2,164)	(1,652)	(2,276)
Shares and bonds with a redemption period greater than three months	(0)	(0)	(0)
Cash and cash equivalents	112,338	79,060	80,698

(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, 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

Six months ended September 30, 2007**Net sales and operating profit/loss**

Net sales								
Unaffiliated customers	67,691	50,291	13,898	20,819	15,022	167,722	-	167,722
Intersegment	33	80	1	3	686	804	(804)	-
Total	67,724	50,371	13,899	20,822	15,708	168,526	(804)	167,722
Operating expenses	58,002	49,176	12,486	18,211	15,064	152,942	2,601	155,543
Operating income	9,721	1,194	1,413	2,611	643	15,584	(3,405)	12,178

Year ended March 31, 2007**Net sales and operating profit/loss**

Net sales								
Unaffiliated customers	132,987	99,167	27,778	44,285	31,970	336,188	-	336,188
Intersegment	-	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

*(Notes)*1. *Business segments*

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

2. *Major products by business segment*

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

CITIZEN HOLDINGS

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

	Six months ended September 30, 2006 (million yen)	Six months ended September 30, 2007 (million yen)	Year ended March 31, 2007 (million yen)	Key contents
Unallocatable operating expenses either eliminated or included in corporate items	5,320	3,440	10,662	Cost for administrative and management functions of the company headquarters and fundamental research.

4. Changes in accounting process

(Six months ended September 30, 2007)

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 interim 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. As a result, operating expenses for each segment in this consolidated interim period have increased: watches and clocks segment by 359 million yen, electronic devices segment by 454 million yen, electronic products segment by 45 million yen, industrial machinery segment by 38 million yen and other products segment by 41 million yen. Unallocatable expenses also rose by 45 million yen, while operating income dropped by the same amounts correspondingly.

2. Geographic segment

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
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
Six months ended September 30, 2007								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	123,577	14,468	15,341	13,149	1,184	167,722	-	167,722
Intersegment	30,107	37,398	478	22	-	68,006	(68,006)	-
Total	153,684	51,866	15,820	13,171	1,184	235,729	(68,006)	167,722
Operating expenses	139,671	51,174	15,171	12,537	1,087	219,641	(64,098)	155,543
Operating income/loss	14,013	692	649	634	97	16,087	(3,908)	12,178
Year ended March 31, 2007								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	248,182	28,497	32,416	25,231	1,861	336,188	-	336,188
Intersegment	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

(Notes)

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

	Six months ended September 30, 2006 (million yen)	Six months ended September 30, 2007(million yen)	Year ended March 31, 2007 (million yen)	Key contents
Unallocatable operating expenses either eliminated or included in corporate items	3,492	3,440	10,593	Costs for administrative and management functions of the company headquarters and fundamental research.

4. Changes in accounting process

(Six months ended September 30, 2007)

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 the six months ended September 30, 2007, 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. As a result, operating expenses in Japan increased by 940 million yen and unallocatable expenses rose by 45 million yen, while operating income decreased equivalently.

3. Overseas sales

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

Millions of yen	Six months ended September 30, 2006		Six months ended September 30, 2007		Year ended March 31, 2007	
	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales
Asia	50,595	30.9	54,558	32.5	103,681	30.8
Americas	21,109	12.9	21,278	12.7	43,391	12.9
Europe	20,717	12.7	22,468	13.4	44,549	13.3
Other	1,963	1.2	2,151	1.3	3,209	1.0
Total	94,386	57.7	100,456	59.9	194,831	58.0
Consolidated sales	163,546	100.0	167,722	100.0	336,188	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)

Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
Net asset per share 731.75 yen	Net asset per share 750.55yen	Net asset per share 728.49 yen
Basic net income per share 11.21 yen	Basic net income per share 22.25yen	Basic net income per share 19.43 yen
Diluted net income per share 10.45 yen	Diluted net income per share 20.60yen	Diluted net income per share 18.07 yen

Note: Basis of calculation for net income per share and diluted net income per share is as follows:

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
Basic net income per share			
Net income (millions of yen)	4,235	7,715	7,145
Amount not attributed to common stock (millions of yen)	-	-	-
Net income on common stock (millions of yen)	4,235	7,715	7,145
Average number of common stock (thousand shares)	377,644	346,722	367,812
Diluted net income per share			
Net income adjustments (millions of yen)	-	-	-
Number of common stock increased (thousand shares)	27,697	27,723	27,662
(convertible bonds)	(27,577)	(27,577)	(27,577)
(stock options)	(119)	(145)	(84)

(Subsequent Events)

(Acquisition of companies by purchase of shares)

At the board meeting held on October 4, 2007, the company approved a resolution on CITIZEN WATCH CO., LTD's purchase of 100% of the shares of Bulova Corporation (based in USA) from Loews Corporation (based in USA), making the company a new subsidiary. Share transfer agreement was concluded the same day.

1. Rationale for purchasing the company's shares

By purchasing a notable brand Bulova from the largest watch market, the USA, ,Citizen Group will endeavor to expand its watch business and increase income through deployment of multi-brand products.

2. Details of the former shareholding company

(1) Corporate name: Loews Corporation

(2) CEO: Andrew H. Tisch

(3) Head office location: 667 Madison Avenue, New York 10065-8087, USA

(4) Main business: insurance, cigarette, gas pipelines, ocean mining plants, hotels, etc.

(5) Relation to Citizen Group: no capital or personal relationships

3. Details of the acquired company

- (1) Corporate name: Bulova Corporation
- (2) CEO: Herbert C. Hofmann, President and CEO
- (3) Head office location: One Bulova Avenue, Woodside, New York 11377, USA
- (4) Date of foundation: June 7, 1911
- (5) Main business: watches, planning, purchasing and selling of clocks
- (6) Account closing date: December
- (7) Number of employees: 581 (consolidated, as of September 20, 2007)
- (8) Main offices: USA, Canada, Mexico, Switzerland, Hong Kong
- (9) Capital: 5,327 million yen (exchange rate 115 yen/US dollar)
- (10) Number of shares authorized: 1,000 shares (unlisted shares)
- (11) Major shareholders and share holding ratio: Loews Corporation 100%
- (12) Recent business performance (exchange rate 115 yen/US dollar)
 - Year ended December, 2006
 - Net sales: 23,806 million yen
 - Gross profit: 12,077 million yen
 - Operating income: 2,630 million yen
 - Recurring income: 2,797 million yen
 - Net income: 1,726 million yen
 - Total assets: 26,265 million yen
 - Net assets: 20,053 million yen
 - Net dividend per share: 3,450,000 yen

4. Period of purchase

Share-certificate delivery date (scheduled date) January 10, 2008

5. Details of purchase

- (1) Number of purchased shares: 1,000 shares
- (2) Total purchase price (scheduled amount): approximately 28.8 billion yen (exchange rate 115 yen/US dollar)
- (3) Ratio of shareholder's equity after purchase: 100.0%

Further details are to be decided by the companies.

(Disclosure)

Annotations on leasing transactions, marketable securities, derivative trading, stock options and other issues are not disclosed as it is not a priority requirement in the interim financial statements.