



## Consolidated Financial Statements for the Nine Months Ended December 31, 2007

February 6, 2008

Citizen Holdings Co., Ltd.

Code No.: 7762

Representative: Makoto Umehara, President and CEO

Contact: Osamu Yamada, Managing Director

Listings: First section of Tokyo Stock Exchange

(URL: <http://www.citizen.co.jp>)

Tel: +81 -42 -468 -4934

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)

### 1. Results for the Nine months ended December 31, 2007 (From April 1, 2007 to December 31, 2007)

#### (1) Consolidated operating results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Recurring income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Nine months ended December 31, 2007	259,754	1.8	22,018	14.1	23,606	7.7
Nine months ended December 31, 2006	255,261	0.3	19,296	(19.9)	21,912	(19.2)
Year ended March 31, 2007	336,188	-	21,920	-	25,991	-

	Net income (9 months)		Earnings per share (9 months)	Fully diluted earnings per share (9 months)
	(Millions of yen)	%	(Yen)	(Yen)
Nine months ended December 31, 2007	13,626	36.0	39.29	36.39
Nine months ended December 31, 2006	10,022	(27.6)	26.81	24.96
Year ended March 31, 2007	7,145	-	19.43	18.07

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Nine months ended December 31, 2007	419,140	258,277	61.2	739.41
Nine months ended December 31, 2006	401,513	265,987	65.8	739.01
Year ended March 31, 2007	382,971	254,426	65.9	728.49

### 2. Consolidated projected results for the year ending March 31, 2008 (From April 1, 2007 to March 31, 2008)

(Percentage figures for the full year denote the year-on-year increase or decrease.)

	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

### 3. Other

(1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): No

(2) Adoption of simplified accounting policies: Yes

(3) Changes in accounting policies: Yes

(Note) For more details, please see Page 3, "4. Other" of "Qualitative Data, Financial Statements and Other Information"

#### \* 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.

[Qualitative Data, Financial Statements and Other Information]

## 1. Qualitative data on the consolidated financial results

(Millions of yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2006	Change Amount	Change %
Watches and clocks	109,035	101,186	7,849	7.8
Electronic devices	76,515	75,607	907	1.2
Electronic products	20,441	20,744	(303)	(1.5)
Industrial machinery	29,937	32,606	(2,668)	(8.2)
Other products	23,823	25,115	(1,292)	(5.1)
Total net sales	259,754	255,261	4,492	1.8
Watches and clocks	18,339	17,436	903	5.2
Electronic devices	1,264	1,029	235	22.9
Electronic products	2,110	2,470	(360)	(14.6)
Industrial machinery	3,464	4,756	(1,291)	(27.2)
Other products	1,554	1,289	264	20.5
Eliminations or general corporate	(4,715)	(7,685)	2,970	-
Total operating income	22,018	19,296	2,721	14.1

With regard to the consolidated financial results for the third quarter (total of nine months), sales for electronic products and industrial machinery fell but increased for watches and clocks, and electronic devices. Overall sales and profit both marked an increase with total net sales ending at 259.7 billion yen (up 1.8% from the same period of previous fiscal year) and total operating income ending at 22 billion yen (up 14.1%).

The Group's strategy of promoting high-value added products such as Eco-drive and radio-controlled watches with the flagship CITIZEN brand showed success nationally and internationally. Net sales for watches and clocks increased despite uncertainties such as the economic slow down centered around the U.S., sharp appreciation of the yen and low demand for watches world wide. With regard to the movement business, the price maintenance strategy in standard products and aggressive expansion of value added products resulted in higher net sales than the previous year. The Q&Q business struggled due to sluggishness in the popular price market as a whole, but the overall sales increased thanks to the healthy sales of overseas designed products and other factors.

As a result, sales and operating income for watches and clocks both increased, each recording 109 billion yen (7.8% increase from the same period of previous fiscal year) and 18.3 billion yen (5.2% increase).

In electronic devices, chip LED lamp which is the core product in opt-devices business enjoyed good sales in the mainstay mobile phone market, though full-scale production for the new markets such as general lighting has not yet started. Our chip LED lamp strategically produced for LED low-end models and used in key lights sold well, as well as the flash LED used in mid- to high-end models. In the light sensor business, mainstay IrDA module maintained healthy sales. As for the backlight for mobile phones, we focused on customers who value performance, promoting our extra bright, slim and thin framed products. However, the business struggled overall as heavy investment was made into development of mid- to large-size backlights where market expansion is expected.

As for the crystal devices, our mainstay tuning fork type cylindrical crystal oscillator saw sluggish growth in sales for watches and clocks throughout the term, but saw steady growth in the consumer market. The tuning fork type compact SMD oscillator on which the company is currently focusing showed significant growth in sales for mobile phones though later in the term customer demand slowed down due to seasonal factors.

In other products, liquid crystal optical element for DVD pickup systems increased its sales. However, overall sales in liquid crystal device business declined as the company proceeded with further withdrawal from color liquid crystal products for the mobile phone market. Switch business extended sales in various models including the compact side-push switches which increased sales substantially in the Korean and Chinese mobile phone market. As for acoustic products, the Group disposed of underperforming products and focused on profitable models. Also, our newly introduced digital condenser microphone was adopted by a major overseas manufacturer. The business is showing indications of recovery.

As a consequence, electronic devices increased its sales to 76.5 billion yen (1.2% increase from the same period of previous year) and operation profit to 1.2 billion yen (22.9% increase).

In electronic products, printer related business increased its sales thanks to the steady sales of bar-code printers mainly in Europe as well as the healthy sales of large-size printers and photo printers in China. Calculator related business also achieved a rise in sales due to sales expansion in Russia and Eastern Europe. However, printer and calculator related business decreased its sales on the whole, heavily affected by the sales decline due to the company's withdrawal from FDD business. Health care equipment business increased its sales as new thermometer and pedometer models sold well domestically and overseas sales maintained steady growth. On the other hand, operation profit dropped affected by the increase in development investment aimed at business reinforcement.

Consequently, electronic products decreased both in total net sales and operating income with net sales of 20.4 billion yen (1.5% down from the same period of previous fiscal year) and operating income of 2.1 billion yen (14.6% down from the same period of previous fiscal year).

Regarding the industrial machinery, demand for our mainstay CNC automatic lathe used in automobiles, electronic and precision related products was very strong last fiscal year but this year recorded slower growth in the domestic market. Overseas market demands remained steady achieving sales growth especially in Europe and the U.S., but it was not enough to compensate for the decline in domestic results.

Overall, sales of industrial machinery decreased to 29.9 billion yen (8.2% down from the same period of previous fiscal year) and operation profit decreased to 3.4 billion yen (27.2% down).

In other products, sales for jewelry continued to be sluggish both in shops and in special events. This was due to factors such as the further price rise in the precious metals market and tighter regulations on the use of the credit cards, as well as the decreasing demand for gift usages and a decline in the unit price. As for the pachinko related products, the business environment of pachinko parlors had grown worse than we expected at the beginning of the term. Despite the Group's efforts to recover the losses by introducing new products, the year-end sales battle hit a wall.

Consequently, sales for these products recorded 23.8 billion yen (5.1% decrease from the same term of previous fiscal year) and operating income recorded 1.5 billion yen (20.5% increase).

## 2. Qualitative data on the consolidated financial position

Our gross assets as of the end of the third quarter ending December 31, 2007 increased by 36.1 billion yen to 419.1 billion yen compared to the end of the previous fiscal year (consolidated), mainly due to the increase in cash-in-hand and bank deposits. Liabilities increased by 32.3 billion yen due to increase in long-term loans payable and other factors. Increase in accumulated profit contributed to the 3.8 billion yen rise in net assets.

## 3. Qualitative data on the consolidated earnings forecasts

Projected consolidated results have not changed from those announced on May 14, 2007.

## 4. Other

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

(2) Adoption of simplified accounting policies  
Simplified methods are adopted for matters such as accounting standards for income taxes and allowances.

(3) Changes in accounting policies  
Corporation tax law 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.

### (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.

5. Condensed Consolidated Financial Statements  
 (1) Condensed Consolidated Balance Sheet

(Unit: Millions of yen, %)

Item	As of December 31, 2006	As of December 31, 2007	Increase/ Decrease		As of March 31, 2007
	Amount	Amount	Change Amount	Change %	Amount
<b>Assets</b>					
<b>Current assets</b>	257,392	261,108	3,715	1.4	231,442
Cash and cash equivalents	98,953	95,916	(3,037)	(3.1)	82,975
Notes and accounts receivable	80,088	79,347	(741)	(0.9)	75,132
Marketable securities	0	0	(0)	(4.9)	0
Inventories	60,518	60,599	80	0.1	55,980
Other current assets	17,832	25,245	7,413	41.6	17,353
<b>Fixed assets</b>	144,120	158,032	13,912	9.7	151,529
Property, plant and equipment	89,503	85,797	(3,706)	(4.1)	83,925
Intangible fixed assets	1,613	1,573	(40)	(2.5)	1,544
Investments and other assets	53,002	70,661	17,658	33.3	66,059
<b>Total assets</b>	401,513	419,140	17,627	4.4	382,971
<b>Liabilities</b>					
<b>Current liabilities</b>	88,415	85,330	(3,085)	(3.5)	83,578
Notes and accounts payable	37,276	34,501	(2,775)	(7.4)	35,558
Short-term bank loans payable	6,294	7,605	1,310	20.8	4,613
Other	44,844	43,223	(1,620)	(3.6)	43,406
<b>Long-term liabilities</b>	47,110	75,532	28,422	60.3	44,965
Bonds with subscription right for new shares	23,000	23,000	-	-	23,000
Long-term loans payable	4	30,001	29,996	624,015.0	1
Reserve for defined retirement benefits	10,095	9,630	(464)	(4.6)	9,718
Other	14,010	12,900	(1,109)	(7.9)	12,246
<b>Total liabilities</b>	135,526	160,862	25,336	18.7	128,544
<b>Net assets</b>					
<b>Shareholders' equity</b>	246,029	241,511	(4,518)	(1.8)	232,798
Common stock	32,648	32,648	-	-	32,648
Additional paid-in capital	63,890	63,885	(4)	(0.0)	63,890
Retained earnings	170,364	175,837	5,472	3.2	167,478
Treasury stock	(20,874)	(30,860)	(9,986)	(47.8)	(31,219)
Valuation and translation adjustments	18,077	15,094	(2,982)	(16.5)	19,732
Net unrealized gain/loss on other marketable securities	16,138	13,900	(2,238)	(13.9)	18,195
Profit and loss on deferred hedge	-	133	133	-	-
Foreign currency translation adjustments	1,938	1,060	(877)	(45.3)	1,536
Minority interests	1,880	1,671	(208)	(11.1)	1,896
<b>Total net assets</b>	265,987	258,277	(7,709)	(2.9)	254,426
<b>Total liabilities and net assets</b>	401,513	419,140	17,627	4.4	382,971

## (2) Condensed Consolidated Statement of Income

(Unit: Millions of yen, %)

Item	As of December 31, 2006	As of December 31, 2007	Increase/Decrease		As of March 31, 2007
	Amount	Amount	Change Amount	Change %	Amount
Net sales	255,261	259,754	4,492	1.8	336,188
Cost of sales	173,479	170,687	(2,791)	(1.6)	230,423
<u>Gross profit</u>	81,782	89,066	7,283	8.9	105,765
Selling, general and administrative expenses	62,486	67,048	4,562	7.3	83,845
<u>Operating income</u>	19,296	22,018	2,721	14.1	21,920
Nonoperating income	3,400	3,450	49	1.5	5,144
Interest and dividend income	1,171	1,563	392	33.5	1,780
Foreign currency exchange gain	162	-	(162)	-	198
Other	2,067	1,886	(180)	(8.7)	3,165
Nonoperating expenses	784	1,861	1,077	137.3	1,073
Interest changes	9	14	5	56.4	36
Foreign currency exchange loss	-	888	888	-	-
Other	775	958	182	23.6	1,036
<u>Ordinary income</u>	21,912	23,606	1,694	7.7	25,991
Extraordinary gains	555	2,921	2,365	425.7	582
Extraordinary losses	3,978	3,190	(787)	(19.8)	11,735
<u>Income before income taxes</u>	18,489	23,337	4,847	26.2	14,839
Income taxes	8,543	9,664	1,121	13.1	7,736
Minority interests	(76)	45	121	-	(42)
<u>Net income</u>	10,022	13,626	3,604	36.0	7,145