

Consolidated Financial Statements for the Year Ended March 31, 2011

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 11, 2011

CITIZEN HOLDINGS CO., LTD.

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

Listings: First section of Tokyo Stock Exchange

Representative: Mitsuyuki Kanamori, President and CEO

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Scheduled ordinary general meeting of shareholders: June 28, 2011

Scheduled start of dividend payment: June 29, 2011

Scheduled release of fiscal 2009 Business Report: June 29, 2011

1. Results for the Year ended March 31, 2011

(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, 2011	284,964	12.9	16,702	131.0	14,802	85.6	5,123	45.2
March 31, 2010	252,502	14.9	7,229	416.9	7,976	965.3	3,527	-

Note: Comprehensive income As of March 31, 2011: ¥ 159 million (-%) As of March 31, 2010: ¥ 4,185 million(-%)

	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, 2011	15.90	-	2.8	4.3	5.9
March 31, 2010	11.01	-	2.0	2.2	2.9

Reference: Equity in earnings of unconsolidated subsidiaries and affiliates:

As of March 31, 2011: ¥ 36 million As of March 31, 2010: ¥ 10 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2011	330,321	184,132	55.4	564.34
March 31, 2010	352,462	186,362	51.8	570.06

Reference: Shareholders' Equity: As of March 31, 2011: ¥ 182,850 million As of March 31, 2010: ¥ 182,562million

(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, 2010	21,950	14,431	28,808	68,201
March 31, 2011	33,428	6,437	23,689	90,877

2. Dividends

	Dividends per share					Total dividends paid (annual)	Pay-out ratio (Consoli)	Dividends to consolidated net assets
	First quarter	Second quarter	Third quarter	Year-end	Full year			
March 31, 2010	-	(Yen) 3.50	-	(Yen) 3.50	(Yen) 7.00	(Millions of yen) 2,241	% 63.6	% 1.2
March 31, 2011	-	3.50	-	3.50	7.00	2,254	44.0	1.2
March 31, 2012 (E)	-	-	-	-	-	-	-	-

Note: The expected dividend at the end of the term ending March is to be confirmed.

3. Projected Consolidated Results for the Year ending March 31, 2012

(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	133,500	3.2	5,000	37.6	4,500	29.6	2,500	32.2	7.72
Full term	286,000	0.4	15,000	10.2	14,000	5.4	7,500	46.4	23.15

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: Yes
- Note: Described in page 27, "Changes in Basis of Presenting the Consolidated Financial Statement"
- (3) Number of shares issued and outstanding (common stock)

(shares)	March 2011	March 2010
Number of shares issued and outstanding at the end of term (including treasury stock)	350,353,809	350,353,809
Number of treasury stock at the end of term	26,347,657	30,099,812
Average number of common stocks	322,120,471	320,257,278

Note: For details regarding the number of shares forming the basis for calculating net income per share, refer to page 36, "Per share information".

(Reference) Overview of Nonconsolidated Financial Results

1. Nonconsolidated Results for the Year ended March 31, 2011

- (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, 2011	10,394	13.1	4,480	25.9	3,964	26.8	3,228	47.6
March 31, 2010	11,962	8.0	6,048	30.3	5,415	1.0	6,157	-

	Earnings per share	Fully diluted earnings per
	(Yen)	(Yen)
March 31, 2011	10.02	-
March 31, 2010	19.23	-

- (2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2011	166,082	101,314	61.0	312.69
March 31, 2010	162,216	99,141	61.1	309.57

Reference: Shareholders' Equity: As of March 31, 2011: ¥ 101,314 million As of March 31, 2010: ¥ 99,141 million

*** 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.

(Attached Documents)

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1. Review of Operations

(1) Analysis of Operating Results

(i) Fiscal Year End Operating Results

Millions of yen	Year ended March 31,		Year-on-year change	%
	2010	2011		
Net sales	252,502	284,964	32,461	12.9
Operating income	7,229	16,702	9,472	131.0
Ordinary income	7,976	14,802	6,826	85.6
Net income	3,527	5,123	1,595	45.2

Summary of Operating Results

During the consolidated fiscal year under review, the Japanese economy remained on a mild recovery trend despite the harsh economic environment with sharp appreciation of yen and slow capital spending. The Great East Japan Earthquake occurred on March 11, however, has had a grave impact not only in the Tohoku region but in the country as a whole with its magnitude way beyond the assumption. On the other hand, despite some countries' fiscal problems, US and Europe showed robust economic growth on the whole supported by Asian economies' continuing high growth.

Under these circumstances, the Citizen Group, aiming to be a company group that makes solid development, has strived to further strengthen its business structure as well as continuously pursued a new growth strategy. Watches and clocks business reported increase in sales as our high-value added products strategy such as Eco-Drive was successfully accepted and achieved steady sales in the global economic recovery trend. Among device and component business, LED for lighting, which is positioned as a field with strong growth potential, saw its market expansion and significant sales growth. However, mobile phone LEDs or HDD glass substrates were under strong downward pressure on its price led by such factors as appreciation of yen and intense market competition, and experienced difficult business condition. As a result, total sales of the segment declined. In the electronic product business, the sales increased in POS printers and label printers, our mainstay products, showing steady sales backed by the upward momentum of global economy. The sales of the industrial machinery business rose showing strong sales amid the sharp recovery of demand. In Other product business, the domestic consumption was still stagnant over a prolonged period and the sales declined.

As a result of these developments, the Citizen Group's consolidated results included net sales of 284.9 billion yen (up 12.9% year-on-year), operating income of 16.7 billion yen (up 131.0% year-on-year) ordinary income of 14.8 billion yen (up 85.6% year-on-year) and net income of 5.1 billion yen (up 45.2% year-on-year).

Watches and Clocks

CITIZEN brand watches and clocks experienced a tentative sales decline because fewer Chinese tourists who have strong purchasing interest visited Japan since last autumn. However, with the demand for Japanese brand improving, the sales of our brand recovered mainly by the women's watch brand xC. As a result, the watches and clock business saw increased sales. In overseas markets, business conditions were on the recovery track and the Company was continuously implementing sales promotion by featuring Eco-Drive as its core technology. Even though there was still uncertainty in the future including job conditions, the sales in North America rose steadily as the economy is getting back on a recovery track and the Christmas sales were strong. In Europe, although fiscal problems still persist, our products introduced during this fiscal year enjoyed good sales in Germany and Italy. However, the sales from this market decreased because of the significant effect of strong yen. In Asia, continued active sales promotions in the growing Chinese market achieved a significant increase in sales. Also overall sales in other Asian countries rose in reflection of the region's strong economic recovery.

Although the Q&Q brand sales was negatively affected by the price fall in the Japanese market, the sales remained the same level as previous fiscal year as a result of continued aggressive sales of radio-controlled watches. In overseas markets, while in Latin American regions business was strong through the year, the sales declined because of the stronger yen trend against almost all the currencies.

Bulova brand showed a stable recovery in North America, which is our main market, despite the negative factors such as unimproved unemployment rate or weak personal consumption. The sales of the brand increased as a result of strong sales led by factors such as the brand attracting attention through introduction of a model for commemorating the 50th anniversary of the first tuning fork watches, or watches which have a sweep motion second with an accuracy of +/- few seconds per year.

Demand for movements is rapidly increasing due to the market recovery throughout the world. With increasing demand for high-quality products and high-added value products such as those with mechanical features or multi-hand movements, our efforts to focus on the movements made in Japan or high-value-added products contributed to the significant sales increase.

As a result of these developments, the watches and clocks segment reported net sales of 137.3 billion yen and operating income of 14.4 billion yen.

Devices and Components

The sales of opto-devices dramatically increased in LED for lighting, which is positioned as a field with strong growth potential, benefited from the expansion of the market and as a result of the successful acquisitions of new customers such as major equipment manufacturers and venture businesses. On the other hand, mobile phone LEDs faced tough competition in overseas market due to appreciation of yen. As for backlight units, while our market share of medium-size models for vehicles steadily expanded, as a result of focusing on profitable orders in small backlights for mobile phones, overall sales of backlights shrank. As for the lighting units, more aggressive and proactive approach to customers led to increased orders from new customers.

Turning to crystal devices, even though there was an effect of inventory adjustments for our mainstay SMD products for mobile phones, sales of tuning-fork-type crystal oscillators remained robust and maintained the last year's sales level. However, the sales of crystal blanks declined in difficult situation where customers were seeking for in-house production and necessitated to offer price reduction.

As for other devices, the sales of ferroelectric micro LCDs enjoyed strong demand through the year and marked a significant sales increase because of the market expansion of the mirrorless interchangeable lens camera. As for the switches, stable orders came mainly from relatively prosperous Korean manufacturers but were not sufficient to compensate shrinking demand in key sheet module products as a result of increased demand for smartphones. As a result, the sales for this area declined. HDD glass substrates came under strong pressure of price competition and marked a decline, with especially large decline in the second half of the year. Auto parts sales showed sign of recovery from sharp decline in the past and remained robust.

As a result of these developments, the devices and components segment reported net sales of 72.5 billion yen and operating income of 2.2 billion yen.

Electronic Products

The sales of printers rose as the growth of POS printers and label printers, our mainstay products, for Japan, US, and Europe were robust in reflection of their economic recovery. In addition, sales of large-size printers mainly for Chinese market increased, as the demand for the printers showed a sharp rise along with wider application of tax collection systems in China. In contrast to the strong growth last year, sales of photo printers slowed down because of the saturated replacement demand of old equipment, inventory adjustment of media and serious delay in introduction of new businesses.

The sales of calculators and related products rose in reflection of recovery trend in Asian market, while in Europe, a project proposal for products focusing on specific uses contributed to sales increase.

Regarding the health care equipment, slim pocket pedometers, mainly sold in the Japanese market, fell in sales because of the fiercer competition due to new entrants in the market, along with saturation of the market demand for them. As for thermometers, although there was a seasonal demand increase, the sales declined in the end due to slow turnover of inventories at distributors. The sales of electronic blood pressure monitors rose, because of introduction of slim, wrist band type devices as well as successful expansion of sales channels.

As a result of these developments, the electronic product segment reported net sales of 22.0 billion yen and operating income of 800 million yen.

Industrial Machinery

Affected by the unprecedented strong yen trend, a series of new products of more cost efficient performance and new products with a concept of innovation of processing capability were released amid the distinct global market recovery led by China and other Asian new economies. As a result, overall NC automatic lathe sales enjoyed high sales level on the whole. Domestic sales significantly increased due to favorable effect by overseas parts supply and investments in overseas plants, and firm growth in businesses for automotives, hydraulic parts for construction machinery, and machinery tools. As for Asia among overseas market, due to continuous upward trend in Chinese economy and steady order receipts for automotives and office automation equipment in ASEAN countries, the sales increased significantly. While there are regional differences, US market showed growth with demand for automotives and health

care. European market remained favorable as sales continued to recover moderately in countries such as Germany, and saw sales increase.

Miyano Machinery Inc. recorded an increase in sales in all markets including Japan, Asia and Europe where orders from car and construction industries were strong. Also in the US where there were continuous severe conditions hitherto, marked sales increase as well by improving commercial distribution.

As a result of these developments, the industrial machinery segment reported net sales of 37.7 billion yen and operating income of 2.6 billion yen.

Other Products

In the jewelry segment, while consumer sentiment still remained subdued for prolonged period, bridal jewelry sales, a segment with robust demand in the past, faced difficulty with declined number of married couples and reduction in wedding expenditure and resulted in declined sales.

As for pachinko industry, while personal consumption remained bleak and many pachinko parlors tried to improve business structure by shifting their priority to a focus on profitability, sales fell in reflection of strong sentiment of uncertainty in the future and suspended investment in peripheral equipment.

As a result of these developments, other product segment reported net sales of 15.1 billion yen and operating loss of 200 million yen.

(ii) Prospects for the Year ending March 31, 2012

Millions of yen	Year ended March 31,		Year-on-year change	%
	2011	2012		
Net sales	284,964	286,000	1,035	0.4%
Operating income	16,702	15,000	1,702	10.2%
Ordinary income	14,802	14,000	802	5.4%
Net income	5,123	7,500	2,376	46.4%

Breakdown of sales by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2011	2012		
Watches and clocks	137,396	136,000	1,396	1.0%
Devices and components	72,585	71,800	785	1.1%
Electronic products	22,032	21,100	932	4.2%
Industrial machinery	37,767	42,000	4,232	11.2%
Other products	15,182	15,100	82	0.5%
Total net sales	284,964	286,000	1,035	0.4%

Breakdown of operating income by segment

Millions of yen	Year ended March 31,		Year-on-year change	%
	2011	2012		
Watches and clocks	14,452	13,000	1,452	10.1%
Devices and components	2,244	800	1,444	64.4%
Electronic products	835	700	135	16.2%
Industrial machinery	2,680	4,000	1,319	49.2%
Other products	262	100	162	-
Eliminations or general corporate	(3,249)	(3,400)	150	-
Total operating income	16,702	15,000	1,702	10.2%

With effect of the Great East Japan Earthquake occurred on March 11, 2011, some factories of the Citizen Group were forced to shut down their operations, and production and delivery schedules experienced confusion, the economic outlook in coming years is more uncertain than ever. Forecast of the next consolidated fiscal year will be fluid and extremely uncertain due to the situation in supplies of electric power or parts, and may deviate significantly depending on circumstances in the future.

For the coming consolidated fiscal year, our performance forecasts include net sales of 286.0 billion yen (0.4% year-on-year increase), operating income of 15.0 billion yen (10.2% decrease), ordinary income of 14.0 billion yen (5.4% decrease), and net income of 7.5 billion yen (46.4% increase).

These forecasts are based on an exchange rate assumption for the year of 80 yen/US dollar and 115 yen/euro.

The exchange rate for the year ended March 2011 was 86 yen/US dollar and 114 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

As of the end of the consolidated fiscal year under review, assets declined by 22.1 billion yen year-on-year, to 330.3 billion yen. Among assets, concerning current assets, notes and accounts receivable increased by 4.1 billion yen and inventories increased by 5.1 billion yen. However, total current assets declined by 14.7 billion yen due mainly to 22.8 billion yen decrease in cash and cash equivalents. Fixed assets declined by 7.3 billion yen due mainly to the decline in property, plant and equipment by 1.7 billion yen and the decline in investment and other assets by 4.5 billion yen. Liabilities declined by 19.9 billion yen year-on-year, to 146.1 billion yen, due mainly to reduction in short-term bank loans payable. Among net assets, despite 3.6 billion yen increase in retained earnings, due to 4.5 billion yen decrease in valuation and translation adjustments, net asset decreased by 2.2 billion yen, to 184.1 billion yen.

(ii) Cash Flows

For the consolidated fiscal year under review, cash and cash equivalents (hereinafter "funds") decreased by 22.6 billion yen, to 68.2 billion yen at the end of the consolidated fiscal year under review.

Cash flows from operating activities

Funds provided by operating activities were 21.9 billion yen. Major factors to this include 10.2 billion yen of income before income taxes, 14.4 billion yen of depreciation, 5.9 billion yen of increase in receivables - trade, 7 billion yen of increase in inventories and 6.3 billion yen of increase in payables - trade.

Cash flows from investing activities

Funds used in investing activities were 14.4 billion yen and major factors to this include payments for the purchase of property, plant and equipment of 12.9 billion yen.

Cash flows for financing activities

Funds used in financing activities were 28.8 billion yen and major factors to this include reduction in short-term bank loans payable.

(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.

The Company is planning to set the year-end dividend for the fiscal year under review at 3.50 yen per share. As for the dividend forecast for the fiscal year ending March 2012 is to be confirmed.

(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

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.

Devices and components

In devices and components, results for optical, crystal, and other devices will probably remain largely dependent on developments among mobile phone manufacturers. In addition, due to factors including rapid technology innovation and intense competition, sales price decline and delay in development may affect operating results. Furthermore, in case any patent alliance is dissolved, our business may be influenced.

Electronic products

Electronic products are vulnerable to capital expenditure and personal consumption declines resulting from an economic pullback and, therefore, could experience sales declines depending on economic conditions. In addition, with intense competition, not only from domestic players, but also electronics manufacturers in China and other countries, and the rapid pace of technological innovation, results may be hurt by falling sales prices, development delays, and other factors.

Industrial machinery

Industrial machinery results are likely to remain highly dependent on a demand recovery from the global recession that began last year.

(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.

* Impact of the 2011 off the Pacific coast of Tohoku Earthquake on the Group

There was no human damage to the employees and management personnel at the domestic production sites and sales offices of the Citizen Group. Some office of Citizen Tohoku Co., Ltd. (Shinchi-machi, Soma-gun, Fukushima prefecture) and Miyano Machinery Inc. (Head office in Yabuki-machi, Nishi-Shirakawa-gun, Fukushima prefecture) received damages in their buildings but have already restored and resumed their production activities. If there is a serious issue in electric power supply, supply chains, or damage by harmful rumors in the future, the Citizen Group's performance may be affected.

(viii) Risk related to borrowings

The Citizen Group's borrowings include syndicated loan and commitment line agreements it has entered into with financial institutions. Violations of the financial covenants of these agreements could result in demands for the accelerated repayment of the related borrowings and impact the Group's financial condition.

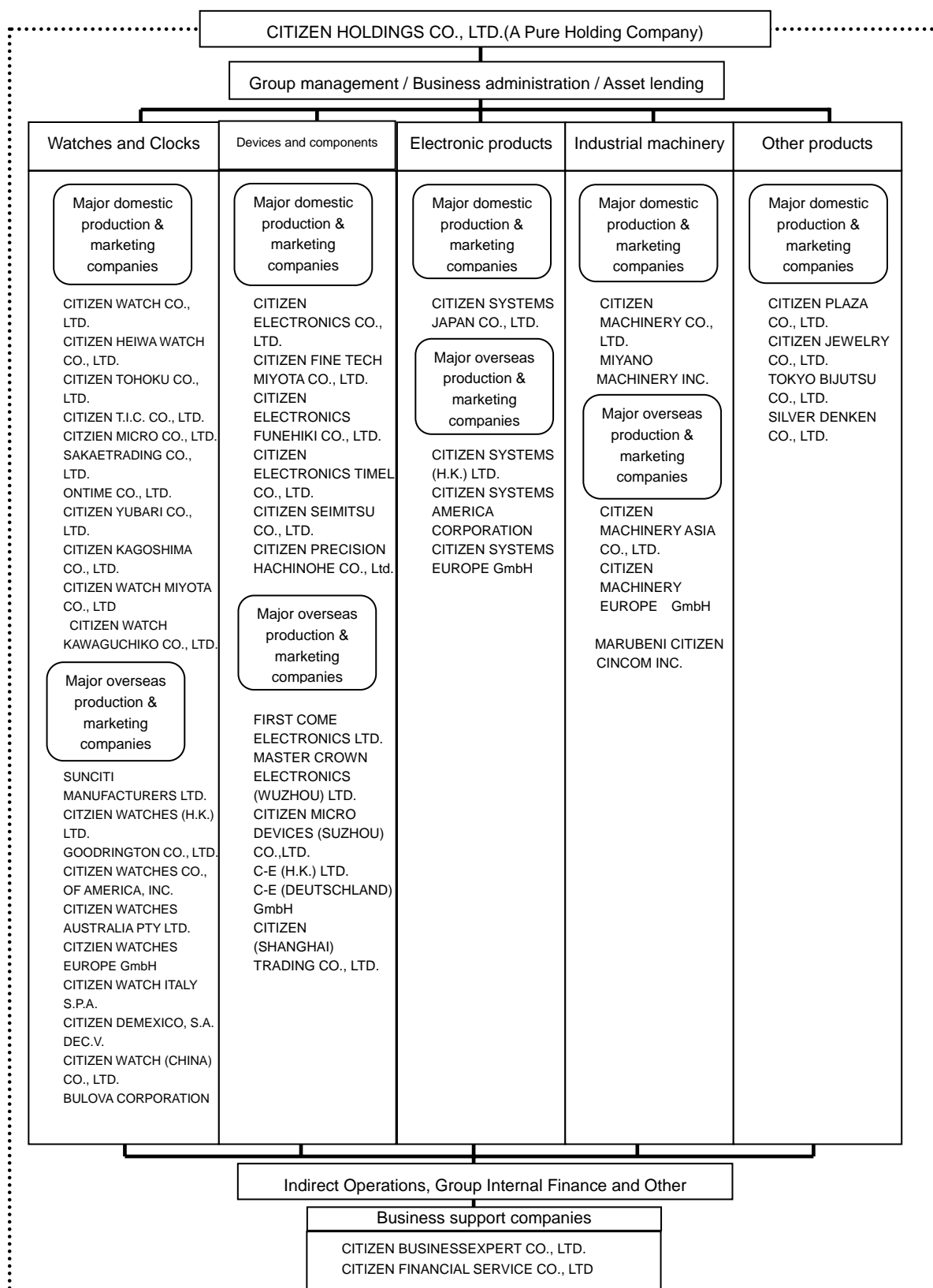
(ix) Other risks

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 127 subsidiaries and 8 affiliates. The Group companies are mainly engaged in production and sales in four business segments: watches and clocks, Devices and components, electronic products, and industrial machinery.

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



: consolidated subsidiaries

: affiliate not accounted for by the equity method

3. Management Policy

(1) Fundamental Management Policy

Starting FY2010, our group vision is "being a corporate group that goes back to its roots in micro-precision technologies and reliable quality, to create new value and achieve continuous growth." Rather than aim for rapid expansion, we will aim for steady, sustainable growth. We will create value that can meet the new needs of a new world, continuously strengthening the organization's structure while at the same time striving for future growth.

(2) Medium- to Long-Term Management Strategy and Issues Facing the Company

We recognize that our most important challenges for improving our corporate value and enhancing our mid- to long-term earning capability are to rebuild an organization capable of responding to any change in our business conditions, and to strengthen our structure.

Our business-specific strategies are as follows.

- 1) We have positioned the watches and clocks business as a high-profit core business. In this business, we will pursue a differentiation strategy that makes the most of our strength as a general watch and clock manufacturer.
- 2) In the electronic devices business, we will build a growth strategy as we continue to consolidate and focus attention on core operations. Regarding opto-devices in particular, we will shift our focus to new fields including lighting applications.
- 3) In the electronic products business, we will go forward with value-added initiatives, including solutions operations, and develop new markets for finished products.
- 4) In the industrial machinery business, we will rebuild our business organization to respond to changes to new production systems, while quickly returning to a profitable structure.

To implement the business strategies mentioned above, we will focus our attention on addressing the following five medium-term issues.

1) Implementing Medium- to Long- Term Business Strategies

In order to achieve steady growth, we will implement measures to take advantage of the strengths of each business, while overcoming their weaknesses. We will also create and prepare to implement business models for a new era, and quickly develop products, services, manufacturing capabilities, and sales systems for emerging markets, as our challenges for new growth. Our new key challenge will be to focus management on our balance sheet, reviewing our assets and shedding any that are unnecessary in order to boost our asset efficiency.

2) Enhancing Marketing Capabilities

We will pursue strategies appropriate for individual business segments. In particular, we will reorganize and restructure sales offices in China, and develop human resources, with the understanding that that market is key and requires a proactive approach.

3) Enhancing Cost Competitiveness

We will rebuild our manufacturing capabilities as we develop optimal domestic and overseas production systems, ensure the passing on of skills and enhance production technologies, and promote production innovation.

4) Enhancing Development Functions and Creating New Products

We will move forward with value-added product development by restructuring our development system.

5) Human Resource Development and Application of Skills

Here, we will create systems that facilitate human resource development, focusing in particular on promoting job rotations aimed at developing future managers, strengthening management of operating companies, and reinvigorating our operations and workforce.

6) Countermeasures for the risk arising from the 2011 off the Pacific coast of Tohoku Earthquake

The Citizen Group will take risk control measures and countermeasures including securement of minimum required electric power supply via its own power generating facilities, prehension of the supply chain networks, dispersion of risks, and optimization of production sites both in and outside of Japan.

In achieving the above, we will further strengthen our group organization and prepare ourselves to rise to new growth challenges.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen	March 31, 2010	March 31, 2011
Current assets		
Cash and cash equivalents	95,213	72,336
Notes and accounts receivable	56,487	60,622
Commodity and Finished products	26,715	26,489
Work in process	16,635	18,575
Raw materials	9,425	12,882
Accrued consumption tax	670	1,527
Deferred tax assets	9,227	9,448
Other current assets	8,288	6,160
Allowance for doubtful accounts	1,504	1,678
Total current assets	221,158	206,364
Fixed assets		
Property, plant and equipment		
Buildings and structures	32,531	31,409
Machinery, equipment and carriers	18,002	17,635
Tools, furniture and fixtures	3,656	3,772
Land	12,106	11,857
Lease	138	134
Construction in progress	1,746	1,619
Total Property, plant and equipment	68,182	66,429
Intangible fixed assets		
Goodwill	8,206	7,513
Software	1,868	1,780
Lease	73	54
Other intangible fixed assets	1,867	1,659
Total Intangible fixed assets	12,017	11,009
Investments and other assets		
Investment securities	35,936	33,643
Long-term loans	944	775
Deferred tax assets	12,040	10,389
Other intangible fixed assets	4,923	4,095
Allowance for doubtful accounts	977	940
Allowance for valuation loss on investments	1,764	1,445
Total Investments and other assets	51,103	46,519
Total fixed assets	131,303	123,957
Total assets	352,462	330,321

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Millions of yen	March 31, 2010	March 31, 2011
Current liabilities		
Notes and accounts payable	19,622	21,864
Short-term bank loans payable	31,541	6,257
Bonds to be redeemed within a year	500	500
Income taxes payable	1,060	2,197
Deferred tax liabilities	4	5
Accrued expenses	11,043	10,758
Reserve for bonuses to employees	4,417	4,974
Reserve for bonuses to directors	199	192
Reserve for product warranties	830	728
Notes payable for equipment	311	404
Reserve for business restructuring losses	3,656	3,234
Reserve for disaster losses	-	583
Other current liabilities	12,070	13,909
Total Current liabilities	85,257	65,611
Long-term liabilities		
Bonds with subscription right for new shares	1,550	1,050
Long-term loans payable	66,875	66,150
Deferred tax liabilities	761	382
Reserve for defined retirement benefits	10,202	11,734
Reserve for environmental measures	39	45
Asset retirement obligations	-	361
Consolidation adjustments	232	-
Other long-term liabilities	1,179	853
Total Long-term liabilities	80,841	80,577
Total liabilities	166,099	146,188
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in capital	38,468	37,167
Retained earnings	143,158	146,840
Treasury stock	25,498	22,318
Total shareholder's equity	188,776	194,338
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	3,773	3,087
Foreign currency translation adjustments	9,987	14,575
Total Valuation and translation adjustments	6,214	11,487
Minority interest	3,799	1,282
Total net assets	186,362	184,132
Total liabilities and net assets	352,462	330,321

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(2) Consolidated Statement of Income and Consolidated Statements of Comprehensive Income

Consolidated Statement of Income

Millions of yen	March 31, 2010	March 31, 2011
Net sales	252,502	284,964
Cost of sales	169,959	188,602
Gross profit	82,542	96,361
Selling, general and administrative expenses	75,313	79,658
Operating income	7,229	16,702
Nonoperating income		
Interest income	348	372
Dividend income	561	671
Subcontractor rental income	224	279
Amortization of consolidation adjustments	504	240
Investment gain from the application of equity method	-	36
Subsidies	610	51
Other	1,394	985
	3,644	2,637
Nonoperating expenses		
Interest charges	1,605	1,468
Loss on sales of bills	108	75
Depreciation expenses for lent properties	56	45
Investment loss from the application of equity method	10	-
Foreign currency exchange loss	290	2,427
Other	827	520
	2,898	4,537
Ordinary income	7,976	14,802
Extraordinary gains		
Gain on sales of investment securities	1,541	-
Gain on sales of fixed assets	160	171
Reversal of allowance for doubtful accounts	-	163
Reversal of reserve for investment losses	366	-
Gain on negative goodwill	-	249
Other	399	393
	2,467	978
Extraordinary losses		
Loss on sales of properties	77	36
Loss on disposal of properties	450	287
Loss on impairment	669	1,227
Reorganization costs	342	763
Valuation loss on investment securities	11	157
Retirement benefit expenses	-	360
Loss on retirement pension system change	-	666
Provision of allowance for doubtful accounts	648	14
Provision for investment losses	-	87
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	348
Loss on disaster	-	1,253
Other	396	312
	2,596	5,514
Income before income taxes	7,847	10,266
Income, residential and enterprise taxes	2,102	3,724
Corporate tax adjustment	3,505	1,246
Total Corporate tax	5,608	4,971
Income before minority interests	-	5,294
Minority interests	1,288	171

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Net income	3,527	5,123
Consolidated Statements of Comprehensive Income		
Millions of yen	March 31, 2010	March 31, 2011
Income before minority interests	-	5,294
Other comprehensive income		
Valuation difference on available-for-sale securities	-	685
Foreign currency translation adjustment	-	4,767
Share of other comprehensive income of associates accounted for using equity method	-	0
Other comprehensive income	-	5,453
Comprehensive Income	-	159
(Breakdown)		
Comprehensive income attributable to owners of the parent	-	150
Comprehensive income attributable to minority interests	-	8

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(3) Changes in Shareholder's Equity

Millions of yen	March 31, 2010	March 31, 2011
Shareholders' equity		
Paid-in capital		
Balance at beginning of year	32,648	32,648
Balance at end of year	32,648	32,648
Additional paid-in capital		
Balance at beginning of year	63,883	38,468
Changes during the year		
Cancellation of treasury stocks	0	0
Treasury stock cancellations	25,415	-
Decline due to stock swap	-	1,301
Total changes	25,415	1,301
Balance at end of year	38,468	37,167
Retained earnings		
Balance at beginning of year	141,379	143,158
Changes during the year		
Cash dividends	1,921	2,241
Net income	3,527	5,123
Changes in scope of consolidation	172	800
Total changes	1,778	3,682
Balance at end of year	143,158	146,840
Treasury stocks		
Balance at beginning of year	50,910	25,498
Changes during the year		
Repurchase of treasury stocks	3	4
Cancellation of treasury stocks	0	0
Retirement of treasury stock	25,415	-
Decline due to stock swap	-	3,184
Total changes	25,411	3,180
Balance at end of year	25,498	22,318
Total shareholders' equity		
Balance at beginning of year	187,002	188,776
Changes during the year		
Cash dividends	1,921	2,241
Net income	3,527	5,123
Repurchase of treasury stocks	3	4
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	172	800
Decline due to stock swap	-	1,883
Total changes	1,774	5,561
Balance at end of year	188,776	194,338
Accumulated other comprehensive income		
Valuation and translation adjustments		
Net unrealized gain/loss on other securities		
Balance at beginning of year	404	3,773
Changes during the year		
Changes except in shareholders' equity	3,369	685
Total changes	3,369	685
Balance at end of year	3,773	3,087

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Millions of yen	March 31, 2010	March 31, 2011
Foreign currency translation adjustments		
Balance at beginning of year	8,271	9,987
Changes during the year		
Changes except in shareholders' equity	1,716	4,588
Total changes	1,716	4,588
Balance at end of year	9,987	14,575
Total accumulated other comprehensive income		
Balance at beginning of year	7,867	6,214
Changes during the year		
Changes except in shareholders' equity	1,653	5,273
Total changes	1,653	5,273
Balance at end of year	6,214	11,487
Minority interest		
Balance at beginning of year	5,095	3,799
Changes during the year		
Changes except in shareholders' equity	1,295	2,517
Total changes	1,295	2,517
Balance at end of year	3,799	1,282
Total net assets		
Balance at beginning of year	184,229	186,362
Changes during the year		
Cash dividends	1,921	2,241
Net income	3,527	5,123
Repurchase of treasury stocks	3	4
Cancellation of treasury stocks	0	0
Changes in scope of consolidation	172	800
Decline due to stock swap	-	1,883
Changes except in shareholders' equity	357	7,791
Total changes	2,132	2,229
Balance at end of year	186,362	184,132

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(4) Consolidated Statement of Cash Flow

Millions of yen	Year ended March 31, 2010	Year ended March 31, 2011
Cash flows from operating activities		
Income before income taxes	7,847	10,266
Depreciation	14,992	14,440
Increase/decrease in reserve for business restructuring losses	3,362	421
Increase/decrease in reserve for defined retirement benefits	306	1,677
Increase/decrease in allowance for doubtful accounts	522	1,000
Amortization of goodwill	558	841
Gain on negative goodwill	-	249
Interest and dividends income	909	1,044
Interest charges	1,605	1,468
Loss on sales of investment securities	1,537	0
Loss on Valuation of investment securities	11	157
Loss on sales of fixed assets	83	135
Loss on disposal of fixed assets	450	283
Increase/decrease in receivables - trade	3,251	5,966
Increase/decrease in inventories	13,833	7,028
Increase/decrease in payables - trade	3,930	6,301
Loss on impairment	669	1,227
Other	936	2,361
Sub total	36,519	25,181
Interest and dividends received	906	1,038
Interest payments	1,576	1,484
Income taxes	2,421	2,785
Net cash provided by operating activities	33,428	21,950
Cash flows from investing activities		
Payments for the purchase of investment securities	752	741
Proceeds from the sale of investment securities	3,384	0
Payments for the purchase of property, plant and equipment	9,708	12,919
Proceeds from the sale of property, plant and equipment	1,048	756
Payments for Intangible fixed assets	535	534
Payments for loans receivable	324	851
Proceeds from the recovery of loans receivable	664	720
Payments for purchase of subsidiary shares	-	775
Payments for purchase of related-company shares	3	-
Other	210	85
Net cash used in investing activities	6,437	14,431
Cash flows from financing activities		
Net increase/decrease in borrowings	1,158	25,767
Increase/decrease in Long-term loans payable	1,900	-
Repayment of long-term loans payable	0	200
Proceeds from issuance of bonds	500	-
Redemption of bonds	22,950	500
Dividends paid	1,921	2,241
Dividends paid to the minority stockholders	8	29
Payments for purchase of treasury stock	3	4
Proceeds from sale of treasury stock	0	0
Other	47	65

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Millions of yen	Year ended March 31, 2010	Year ended March 31, 2011
Net cash used in financing activities	23,689	28,808
Effect of exchange rate changes on cash and cash equivalents	221	1,676
Net increase in cash and cash equivalents	3,080	22,966
Cash and cash equivalents at beginning of term	87,649	90,877
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	143	289
Net increase in cash and cash equivalents associated with provisional account settlement of subsidiaries	3	-
Cash and cash equivalents at end of term	90,877	68,201

- (5) Material Uncertainties Related to Events or Conditions That May Cast Doubt on the Entity's Ability to Continue as a Going Concern
 Not applicable

(6) Basis of Presenting the Consolidated Financial Statements

	Year ended March 31, 2010	Year ended March 31, 2011
1. Scope of consolidation	<p>(1) Consolidated subsidiaries (81 companies)</p> <p>Major consolidated subsidiaries Citizen Watch Co., Ltd., Citizen Machinery Co., Ltd., Citizen Systems Japan Co., Ltd., Citizen Electronics Co., Ltd., Citizen Finetech Miyota Co., Ltd., Citizen Seimitsu Co., Ltd.</p> <p>Newly added (2 companies) Beginning with the consolidated fiscal year under review, Citizen Systems (Jiangmen) Co. Ltd. and Citizen Machinery UK Ltd., in consideration of their importance, have been included in the scope of consolidation.</p> <p>Excluded (3 companies) Bulova Watch Company, Inc., in consideration of its lack of importance to the consolidated group, and Art of Time, Inc. and HARVESTINE COMPANY LIMITED, because of their dissolution, have been excluded from the scope of consolidation.</p> <p>Citizen CBM Corporation, Citizen Sayama Co. Ltd., and Citizen Saitama Co., Ltd. were all merged with Citizen Watch Co., Ltd.</p> <p>(2) Major nonconsolidated subsidiaries (46 companies) Master Crown Electronics (WUZHOU) LTD. Citizen Micro Devices (SUZHOU) CO., LTD. (Reasons for Exclusion from the Scope of Consolidation) The total assets, net sales, net income (equivalent portion for equity holdings), and retained earnings (equivalent portion for equity holdings) of each nonconsolidated subsidiary excluded from the scope of consolidation were individually immaterial in comparison to net assets, net sales, net income, and retained earnings, as reported on the consolidated financial statements, and also would not materially impact the consolidated financial statements taken together.</p>	<p>(1) Consolidated subsidiaries (84 companies)</p> <p>Major consolidated subsidiaries See left</p> <p>Newly added (7 companies) Beginning with the consolidated fiscal year under review, Master Crown Electronics (Wuzhou) Co., Ltd. and Citizen Micro Devices (Suzhou) Co., Ltd., in consideration of their importance, have been included in the scope of consolidation.</p> <p>Excluded (4 companies) Beginning with the consolidated fiscal year, C-E (Singapore) Pte. Ltd., Miyano Machinery Asia Co.,Ltd., and Miyano Machinery Thailand Co.,Ltd. having been liquidated, have been excluded from the scope of consolidation. Miyano Machinery UK Ltd., having merged with Citizen Machinery UK Ltd., have also been excluded from the scope of consolidation.</p> <p>(2) Major nonconsolidated subsidiaries (46 companies) Citizen Chiba Precision Co., Ltd., Guangzhou Most Crown Electronics Ltd. (Reasons for Exclusion from the Scope of Consolidation) See left.</p>

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	Year ended March 31, 2010	Year ended March 31, 2011
2. Application of the equity method	<p>(1) Equity method affiliate company: 1 companies. Shanghai Takisawa Miyano Machinery Co., LTD. due to the dissolution of a joint venture during the fiscal year under review, is no longer considered an equity method affiliate.</p> <p>(2) Non-consolidated subsidiaries to which the equity method is not applied Master Crown Electronics (WUZHOU) LTD. and Citizen Micro Devices (SUZHOU) CO., LTD. and a key related company (Marubeni Citizen Cincom Inc.) have been excluded from equity method application. This decision was based on the immateriality of the individual impacts of their net income, retained earnings, and other financial measures (equivalent portions for equity holdings) on the consolidated financial statements, and based on the overall lack of importance of each of these companies to the consolidated group.</p>	<p>(1) Equity method affiliate company: 1 companies. First Cainta Resources Corporation</p> <p>(2) Non-consolidated subsidiaries to which the equity method is not applied to Citizen Chiba Precision Co., Ltd., Guangzhou Most Crown Electronics Ltd. and a key related company (Marubeni Citizen Cincom Inc.) have been excluded from equity method application. This decision was based on the immateriality of the individual impacts of their net income, retained earnings, and other financial measures (equivalent portions for equity holdings) on the consolidated financial statements, and based on the overall lack of importance of each of these companies to the consolidated group</p>
3. Fiscal year-end of consolidated subsidiaries	<p>53 overseas consolidated subsidiaries have a closing date that is different from the closing date for the consolidated financial statements. These overseas consolidated subsidiaries close their books on December 31, but perform account closings as of the consolidated financial statement closing date for financial statements used in preparing the consolidated financial statements, so that the latter can be prepared.</p>	<p>54 overseas consolidated subsidiaries have a closing date that is different from the closing date for the consolidated financial statements. These overseas consolidated subsidiaries close their books on December 31, but perform account closings as of the consolidated financial statement closing date for financial statements used in preparing the consolidated financial statements, so that the latter can be prepared.</p>
4. Accounting standards (1) Valuation standards and methods for major assets	<p>The accounting standards applied by the consolidated subsidiaries are, in principle, consistent with those applied by the Company and there are no differences to note. The key accounting standards applied by the Company and its consolidated subsidiaries are described below.</p> <p>(1) Marketable and investment securities</p> <p>a). Bonds held to maturity Amortized cost method (Straight-line) Market value method based on market price as of the consolidated closing date (Unrealized gains (losses) are reported as components of net assets and the cost of products sold are calculated based on the moving average approach.)</p> <p>b). Derivatives Market value method.</p> <p>c). Inventory assets Inventories are primarily valued at cost method based on the gross average approach (with balance sheet values reflecting write downs for decreased profitability)</p>	<p>See left.</p> <p>(1) Marketable and investment securities</p> <p>a). Bonds held to maturity see left.</p> <p>b). Derivatives see left.</p> <p>c). Inventory assets see left</p>

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<p>(2) Depreciation of fixed assets</p>	<p>(i) Property, plant and equipment (excluding leased assets) Mainly calculated using a declining balance basis. Primary useful life figures are as follows. Buildings and other structures 2 to 60 yrs. Machinery and equipment 2 to 10 yrs.</p> <p>(ii) Intangible fixed asset(excluding leased assets) Calculated using a straight line basis.</p> <p>(iii) Leased assets Leased assets related to finance lease transactions that do not transfer ownership of the leased assets to the lessee are depreciated using the straight-line method with useful lives equal to lease terms and zero residual values. For finance lease transactions that do not transfer ownership of the leased assets to the lessee and began on or before march 31,2008, accounting treatment complying with the method applied for ordinary lease transactions is being continued.</p>	<p>(i) Property, plant and equipment(excluding leased assets) see left.</p> <p>(ii) Intangible fixed asset (excluding leased assets) see left.</p> <p>(iii) Leased assets see left.</p>
<p>(3) Recognition basis of provisions and reserves</p>	<p>(i) Allowance for doubtful accounts In setting aside an allowance for possible losses related to trade receivables, loans, etc. for the Company and its domestic consolidated subsidiaries, individual ordinary receivables regarded as doubtful are evaluated for collectibility and an amount equivalent to the portion judged to be uncollectible is recorded based on the lone loss ratio. For overseas consolidated subsidiaries, individual receivables are evaluated for collectibility and required loss estimates are recorded.</p> <p>(ii) 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>(iii) 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>(iv) Reserve for bonuses to directors To provide for the payment of bonuses to directors, the Company and some of its consolidated subsidiaries record an allowance based on the estimated forthcoming payments.</p> <p>(v) Reserve for product warranties At several overseas sales subsidiaries, certain rates of net sales are provided as an</p>	<p>(i) Allowance for doubtful accounts see left.</p> <p>(ii) Reserve for valuation loss on investments see left.</p> <p>(iii) Reserve for bonuses to employees see left.</p> <p>(iv) Reserve for bonuses to directors see left.</p> <p>(v) Reserve for product warranties see left.</p>

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	<p>allowance for the possible expenses required for after-sales services of products sold.</p> <p>(vi) Reserve for business restructuring losses To provide for expenses and losses related to business restructurings, an allowance is set aside in an amount equal to the estimated forthcoming payments.</p> <p>(vii) Provision for environmental measures To provide for expenses related to future environmental measures, an allowance is set aside in an amount based on a reasonable estimate.</p> <p>(viii) Reserve for 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. In some consolidated subsidiaries, retirement benefit scheme has partially been changed from qualified pension plan to defined contribution pension plan.</p>	<p>(vi) Reserve for business restructuring losses see left.</p> <p>(vii) Provision for environmental measures see left.</p> <p>(viii) Reserve for retirement benefits see left.</p> <p>(Additional information)</p> <p>(i) Part of the retirement benefit plan for two Japanese consolidated subsidiaries was transformed from a qualified retirement benefit plan to a defined contribution plan. This resulted in the recording of a loss due to change in retirement benefit plan of 666 million yen under extraordinary loss for the consolidated fiscal year under review.</p> <p>(ii) One Japanese consolidated subsidiary changed its method for calculating retirement benefit obligations from a simplified method to projected benefit obligation method in order to account for retirement benefits more properly. This resulted in the recording of a retirement benefit expenses of 360 million yen under extraordinary loss for the consolidated fiscal year under review.</p>
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	<p>(Change in accounting policy) Beginning with the consolidated fiscal year under review, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008) is being applied. The impact of this change on operating profit, ordinary profit, and net income before taxes is immaterial.</p>	-
(4) Translation of foreign currency assets or liabilities	<p style="text-align: center;">-</p> <p>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.</p>	<p>(ix) Reserve for disaster related losses To provide for outlays for the restoration of assets damaged by the Great East Japan Earthquake, an allowance is set aside for the amount based on reasonable estimation of forthcoming payments. see left.</p>
(5) Hedge accounting method	<p>(i) Hedge accounting method When the conditions are met, the special treatment is applied to interest-rate swaps.</p> <p>(ii) Hedging method and target Interest-rate swaps are used in regard to the interest rates for certain borrowings.</p> <p>(iii) Hedge policy Hedging is used to address interest-rate risk for certain borrowings.</p> <p>(iv) Method for evaluating hedge effectiveness Evaluations of effectiveness are omitted because the special treatment is applied to interest-rate swaps.</p>	<p>(i) Hedge accounting method See left.</p> <p>(ii) Hedging method and target See left.</p> <p>(iii) Hedge policy See left.</p> <p>(iv) Method for evaluating hedge effectiveness See left.</p>
(6) Amortization method and period for goodwill	-	<p>Goodwill is amortized evenly over the period that its effects are expected to be realized (up to 20 years from the time of recording). If the difference from elimination is immaterial, it is recorded as a gain or loss in the period which it arises.</p>
(7) Scope of funds covered by the consolidated statement of cash flow	-	<p>The scope of funds covered by the consolidated statement of cash flow include cash on hand, demand deposits, and short-term investments which mature within three months of acquisition as well as which are easily convertible to cash and bear very little value fluctuation risk.</p>

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<p>(8) Other important matters regarding the preparation of consolidated financial statements</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 Application of Consolidated taxation system Consolidated taxation system is applied</p>	<p>(i) Application of Consolidated taxation system See left.</p> <p>(ii) Application of Consolidated taxation system See left.</p>
<p>5. Property of consolidated subsidiary and matter concerning evaluation of debt</p>	<p>The overall mark-to-market valuation approach is used for the valuation of the assets and liabilities of consolidated subsidiaries.</p>	<p>See left.</p>
<p>6. Matter concerning redemption of shop curtain and negative shop curtain</p>	<p>Goodwill is amortized evenly over the period (up to 20 years from the time of recording) for which its effect can be anticipated.</p> <p>When the total amount of goodwill is immaterial, it is expensed in the period during which it arose.</p>	<p>See left.</p>
<p>7. Scope of funds covered by the consolidated statement of cash flow</p>	<p>The scope of funds covered by the consolidated statement of cash flow includes cash on hand, demand deposits, and short-term investments that mature within three months of acquisition and are highly liquid, easily convertible to cash, and bear very little price risk.</p>	<p>See left.</p>

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(7) Changes in Basis of Presenting the Consolidated Financial Statements

Year ended March 31, 2010	Year ended March 31, 2011
-	<p>(Application of "Accounting Standard for Asset Retirement Obligations")</p> <p>Effective from the consolidated fiscal year under review, the Company has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).</p> <p>As a result, income before income taxes decreased by 348 million yen.</p>
-	<p>(Application of "Accounting Standard for Business Combinations")</p> <p>Effective from the consolidated fiscal year under review, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).</p>

(8) Changes in Presentation Method

Year ended March 31, 2010	Year ended March 31, 2011
(Balance Sheet)	<p>(Balance Sheet)</p> <p>With the application of "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5, March 24, 2009) which is based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), the Company has used the term "Income before minority interests" in the consolidated fiscal year under review</p>
<p>(Consolidated Statement of Income)</p> <p>(1) "Reversal of reserve for investment losses" is shown as a distinct item under extraordinary gains because the amount exceeds 10% of the total amount of extraordinary gains for the consolidated fiscal year under review. In the past, reversals of reserves for investment losses were included under the category "other." In the prior consolidated fiscal year, the reversal of reserve for investment losses, which was included in "other," came to 58 million yen.</p> <p>(2) "Provision of allowance for doubtful accounts" is shown as a distinct item under extraordinary losses because the amount exceeds 10% of the total amount of extraordinary losses for the consolidated fiscal year under review. In the past, provision of allowance for doubtful accounts was included under the category "other." In the prior consolidated fiscal year, the provision of allowance for doubtful accounts, which was included in "other," came to 5 million yen.</p>	<p>(Consolidated Statement of Income)</p> <p style="text-align: center;">-</p>

(9) Additional Information

Year ended March 31, 2010	Year ended March 31, 2011
-	Effective from the consolidated fiscal year under review, the Company has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010). Please note that the amount of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" in the previous consolidated fiscal year is stated as the amount of "Valuation and translation adjustments" and "Total Valuation and translation adjustments," respectively.

(10) Notes

(Consolidated balance sheet)

Year ended March 31, 2010	Year ended March 31, 2011
*1. Accumulated depreciation on property, plant and equipment 244,556 million yen	*1. Accumulated depreciation on property, plant and equipment 229,272 million yen
*2 Guarantee obligation 232 million yen.	*2 Guarantee obligation 339 million yen.
*3. Export bill discounts 4 million yen.	*3 Export bill discounts 462 million yen.

(Consolidated statement of income)

Year ended March 31, 2010		Year ended March 31, 2011	
*1. Major items in selling, general and administrative expenses		*1. Major items in selling, general and administrative expenses	
	(Millions of yen)		(Millions of yen)
Depreciation expenses	2,983	Depreciation expenses	2,787
Allowance for doubtful accounts	41	Allowance for doubtful accounts	404
Reserve for bonuses to employees	1,900	Reserve for bonuses to employees	2,135
Reserve for bonuses to directors	204	Reserve for bonuses to directors	154
Retirement benefit expenses	1,116	Retirement benefit expenses	1,091
Personnel cost	23,115	Personnel cost	23,922
Advertisement expenses	11,901	Advertisement expenses	13,553
Reserve for product warranties	62	Reserve for product warranties	81
R&D expenditures	8,488	R&D expenditures	8,273
*2 Impairment Loss		*5 Impairment Loss	
<p>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.</p> <p>For the consolidated fiscal year under review, impairment losses were recorded for idle facilities and land for which no future uses are anticipated, and for assets used in businesses with diminished profitability. These losses, which totaled 669 million yen including 475 million yen for machinery and equipment and 133 million yen for land, were recorded under extraordinary losses.</p>		<p>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.</p> <p>For the consolidated fiscal year under review, impairment losses were recorded for idle facilities and land for which no future uses are anticipated, and for assets used in businesses with diminished profitability. These losses, which totaled 1,227 million yen including 322 million yen for buildings and structures, 470 million yen for machinery and equipment, 155 million yen for equipment and 256 million yen for land, were recorded under extraordinary losses.</p>	

(Statement of Consolidated Comprehensive Income)

The year ended March 31, 2011

*1	Comprehensive income for the previous fiscal year	
	Comprehensive income attributable to parent company shareholders	5,180 million yen
	Comprehensive income attributable to minority share holders	994
	Total	4,185
*2	Other comprehensive income for the previous fiscal year	
	Net unrealized gain/loss on other securities	3,369 million yen
	Foreign currency translation adjustments	1,427
	Share of other comprehensive income of associates accounted for using equity method	4
	Total	1,947

(Consolidated statement of retained earnings)

The year ended March 31, 2010

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	-	30,000,000	350,353,809
Total	380,353,809	-	30,000,000	350,353,809
Treasury stock				
Common stock*	60,093,553	6,442	30,000,183	30,099,812
Total	60,093,553	6,442	30,000,183	30,099,812

Notes (*)

- The decrease in issued shares resulted from the cancellation of treasury stock.
- The 6,442 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
- The 30,000,183 share decrease in treasury stock resulted from the cancellation of 30,000,000 shares and the sale of 183 shares to shareholders originally acquired as shares less than one unit.

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 25, 2009)	Common stock	800 million yen	2.50 yen	March 31, 2009	June 26, 2009
Board of Directors (Nov.10, 2009)	Common stock	1,120 million yen	3.50 yen	Sep. 30, 2009	Dec. 2, 2009

(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, 2010)	Common stock	1,120million yen	Earnings reserve	3.50 yen	March 31, 2010	June 28, 2010

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The year ended March 31, 2011

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	350,353,809	-	-	350,353,809
Total	350,353,809	-	-	350,353,809
Treasury stock				
Common stock*	30,099,812	7,666	3,759,821	26,347,657
Total	30,099,812	7,666	3,759,821	26,347,657

Notes (*)

1. The 7,666 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 3,759,821 share decrease in treasury stock resulted from the stock swap of 3,759,455 shares and the sale of 366 shares to shareholders originally acquired as shares less than one unit.

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 25, 2010)	Common stock	1,120 million yen	3.50 yen	March 31, 2010	June 28, 2010
Board of Directors (Nov.8, 2010)	Common stock	1,120 million yen	3.50 yen	Sep. 30, 2010	Dec. 2, 2010

(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 28, 2010)	Common stock	1,134 million yen	Earnings reserve	3.50 yen	March 31, 2011	June 29, 2011

(Consolidated statement of cash flow)

Year ended March 31, 2010	Year ended March 31, 2011
*1. The breakdown of Amortization of goodwill is as follows. (Millions of yen)	*1. The breakdown of Amortization of goodwill is as follows. (Millions of yen)
Amortization of goodwill 1,063	Amortization of goodwill 1,082
Amortization expense of negative goodwill 504	Amortization expense of negative goodwill 240
*2. Relationship between the ending balance of cash and cash equivalents and account items listed in the consolidated balance sheets (Millions of yen)	*2. Relationship between the ending balance of cash and cash equivalents and account items listed in the consolidated balance sheets (Millions of yen)
Cash 95,213	Cash 72,336
Time deposits with a deposit period greater than three months 4,335	Time deposits with a deposit period greater than three months 4,135
<u>Cash and cash equivalents 90,877</u>	<u>Cash and cash equivalents 68,201</u>

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

Year ended March 31, 2010

Millions of yen	Watches and clocks	Electronic devices	Electronic Products	Industrial machinery	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	123,613	62,071	20,580	21,335	24,900	252,502	-	252,502
Inter-segment	100	7	976	0	395	1,478	(1,478)	-
Total	123,714	62,078	21,556	21,335	25,296	253,981	(1,478)	252,502
Operating expenses	113,962	58,543	20,702	25,700	24,827	243,737	1,535	245,272
Operating income	9,751	3,534	854	4,364	468	10,244	(3,014)	7,229
Assets	138,342	83,621	17,503	37,215	24,066	300,748	51,713	352,462
Depreciation and amortization	7,243	4,145	455	1,262	1,180	14,287	705	14,992
Impairment loss	434	56	0	124	53	669	-	669
Capital expenditures	3,677	3,292	338	697	592	8,597	176	8,774

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, quartz oscillators, Display device, etc.
Electronic products	Various kinds of printers, electronic thermometers, calculators, etc.
Industrial machinery	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. "Eliminations or general corporate" includes 2,932 million yen in unclassifiable operating expenses consisting of expenses for the Company's head office management unit and basic research.

4. "Eliminations or general corporate" includes 117,565 million yen in entire-company assets consisting mainly of excess working capital (cash, deposits, and marketable securities) and long-term investments (investment and marketable securities) at the Company.

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Year ended March 31, 2011

Millions of yen	Watches and clocks	Electronic devices	Electronic Products	Industrial machinery	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	133,420	66,110	22,129	41,258	22,045	284,964	-	284,964
Inter-segment	87	119	588	13	395	1,204	(1,204)	-
Total	133,508	66,229	22,718	41,272	22,441	286,169	(1,204)	284,964
Operating expenses								
Operating income	119,303	64,506	21,585	38,258	22,406	266,060	2,201	268,261
Operating income	14,205	1,723	1,132	3,013	35	20,109	(3,406)	16,702
Assets								
Assets	137,171	80,755	17,637	44,639	19,051	299,254	31,066	330,321
Depreciation and amortization	6,020	4,605	440	1,221	953	13,242	1,198	14,440
Impairment loss	68	1,093	1	5	57	1,227	-	1,227
Capital expenditures	6,115	5,256	322	1,142	672	13,510	446	13,957

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, quartz oscillators, electronic viewfinders, etc.
Electronic products	Various kinds of printers, electronic thermometers, calculators, etc.
Industrial machinery	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. "Eliminations or general corporate" includes 3,356 million yen in unclassifiable operating expenses consisting of expenses for the Company's head office management unit and basic research.

4. "Eliminations or general corporate" includes 101,369 million yen in entire-company assets consisting mainly of excess working capital (cash, deposits, and marketable securities) and long-term investments (investment and marketable securities) at the Company.

C I T I Z E N H O L D I N G S

b. Geographic segment

Year ended March 31, 2010

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	170,157	22,164	40,436	18,169	1,574	252,502	-	252,502
Inter-segment	32,914	54,655	290	69	-	87,930	(87,930)	-
Total	203,071	76,820	40,727	18,239	1,574	340,433	(87,930)	252,502
Operating expenses	202,418	74,088	37,829	17,467	1,473	333,278	(88,006)	245,272
Operating income	653	2,731	2,897	771	100	7,154	75	7,229
Assets	231,587	42,145	39,862	17,128	1,160	331,883	20,578	352,462

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, Malaysia and India
 - Americas: United States, Panama, Mexico, Canada and Brazil
 - Europe: Germany, United Kingdom, Italy and Spain
 - Other: Australia
- "Eliminations or general corporate" includes 2,932 million yen in unclassifiable operating expenses consisting of expenses for the Company's head office management unit and basic research.
- "Eliminations or general corporate" includes 117,565 million yen in entire-company assets consisting mainly of excess working capital (cash, deposits, and marketable securities) and long-term investments (investment and marketable securities) at the Company.

Year ended March 31, 2011

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	185,847	28,914	46,177	22,535	1,488	284,964	-	284,964
Inter-segment	51,533	73,108	133	56	28	124,859	(124,859)	-
Total	237,380	102,022	46,310	22,592	1,516	409,823	(124,859)	284,964
Operating expenses	225,480	99,288	42,457	21,103	1,423	389,754	(121,492)	268,261
Operating income	11,900	2,733	3,853	1,488	93	20,068	(3,366)	16,702
Assets	233,183	47,306	38,242	18,368	1,257	338,357	(8,036)	330,321

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, Malaysia and India
 - Americas: United States, Panama, Mexico, Canada and Brazil
 - Europe: Germany, United Kingdom, Italy and Spain
 - Other: Australia
- "Eliminations or general corporate" includes 3,356 million yen in unclassifiable operating expenses consisting of expenses for the Company's head office management unit and basic research.
- "Eliminations or general corporate" includes 101,369 million yen in entire-company assets consisting mainly of excess working capital (cash, deposits, and marketable securities) and long-term investments (investment and marketable securities) at the Company.

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c. Overseas sales

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

Year ended March 31, 2010

(Millions of yen)	Asia	Americas	Europe	Other	Total
I. Overseas sales	74,538	44,445	27,569	4,817	151,370
II. Consolidated sales					252,502
III. As % of consolidated net sales	29.5	17.6	10.9	1.9	59.9

Year ended March 31, 2011

(Millions of yen)	Asia	Americas	Europe	Other	Total
I. Overseas sales	88,849	53,043	30,429	4,167	176,490
II. Consolidated sales					284,964
III. As % of consolidated net sales	31.2	18.6	10.7	1.5	61.9

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

d. Segment information

Year ended March 31, 2011

1. Outline of business segments

The Group's reporting segments are organizational units of the Group for which separate financial information can be obtained and are regularly used by the Board of Directors to make decisions on the allocation of business resources and to evaluate earnings.

Having introduced a pure holding company system, the Group draws up comprehensive strategies for each operating company and develops their businesses.

Therefore the Group has the following five business reporting segments centered on a particular operating company and based on various factors including similarity in the type and quality of products: watches and clocks, devices and components, electronic products, industrial machinery, and other products.

Major products by business segment are as follows:

Segment	Major products
Watches and clocks	Watches, movements
Devices and components	Chip LEDs, quartz oscillators, micro LCDs, HDD glass substrates, switches, auto parts
Electronic products	Printers, health care equipments, calculators
Industrial machinery	NC automatic lathes
Other products	Jewelry, pachinko related products

2. Method for calculating sales, income/loss, assets, liabilities, and other items for each segment

Accounting treatment for segments is generally the same as that given in the Basis of Presenting the Consolidated Financial Statements.

Segment income is calculated based on operating income.

Inter-segment earnings and transfers are based on market prices.

3. Net sales, income/loss, assets, liabilities, and other items by segment

Millions of yen	Watches and clocks	Devices and components	Electronic Products	Industrial machinery	Other products	Segment totals	adjustment	Amount recorded in consolidated
Net sales								
Customers	137,396	72,585	22,032	37,767	15,182	284,964	-	284,964
Inter-segment	3,421	6,374	835	133	893	11,659	(11,659)	-
Total	140,817	78,959	22,868	37,901	16,076	296,623	(11,659)	284,964
Operating income	14,452	2,244	835	2,680	262	19,951	(3,249)	16,702
Assets	142,275	85,593	14,674	40,913	15,157	298,614	31,706	330,321
Depreciation and amortization	6,006	5,447	402	1,184	198	13,239	1,200	14,440
Investment in equity method affiliates	-	-	-	58	-	58	-	58
Increase in property, plant and equipment and Intangible fixed assets	5,908	5,872	283	1,137	120	13,341	615	13,957
Amortization of goodwill	1,062	-	-	-	-	1,062	19	1,082

Notes:1. The 3,249 million yen for segment income (operating income) adjustment includes 94 million yen in inter-segment eliminations and 3,344 million yen in corporate expenses that cannot be allocated to a particular segment.

2. The segment income is adjusted with the operating income appearing in consolidated financial statements.

3. The 31,706 million yen for segment asset adjustment includes 103,270 million yen in corporate assets that cannot be allocated to a particular segment and -71,563 million yen in compensating eliminations for liabilities between segments.

4. The impact of depreciation and amortization adjustments are immaterial.

5. The impact of adjustments for increase in property, plant, equipment and intangible fixed assets are immaterial.

(Additional information)

Starting with the fiscal year under review (April 1, 2010 through March 31, 2011), the Company is applying the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17 issued on March 27, 2009) and Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 issued on March 21, 2008).

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(Per Share Information)

	Year ended March 31, 2010	Year ended March 31, 2011
Net asset per share	570.06yen	564.34yen
Basic net income per share	11.01yen	15.90yen
Diluted net income per share	Diluted net income per share is not reported because there are no dilutive shares.	Diluted net income per share is not reported because there are no dilutive shares.

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

	Year ended March 31, 2010	Year ended March 31, 2011
Basic net income per share		
Net income (millions of yen)	3,527	5,123
Amount not attributed to common stock (millions of yen)	-	-
Net income on common stock (millions of yen)	3,527	5,123
Average number of common stocks (thousand shares)	320,257	322,120
Summary of residual securities not included in diluted net income per share as it has no dilution effect.	1. Warrants issued by the Company (Warrants for 7,246 shares) 2. Warrants issued by the consolidated subsidiary, Miyano Machinery, Inc. (Warrants for 820 shares)	The exercise period for stock options issued at the ordinary general meeting of shareholders held on June 29, 2005, has expired on June 30, 2010.

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

	Year ended March 31, 2010	Year ended March 31, 2011
Net assets per share		
Net assets (millions of yen)	186,362	184,132
Amount deducted from total net assets (millions of yen)	3,799	1,282
(Minority interest)	(3,799)	(1,282)
Net assets on common stock (millions of yen)	182,562	182,850
Number of common stocks at end of term (thousand shares)	320,253	324,006

(Subsequent Events)

Year ended March 31, 2011

Not applicable

(Disclosure omitted)

Subsequent events concerning lease transactions, related party transactions, tax-effect accounting, marketable securities, derivative transactions, retirement pensions, stock options, business mergers, and other matters were judged to be of too little significance to disclose in this report and were omitted.

(Changes in the Board of Directors of the Company)

(1) Retiring directors (tentative)

Toshio Koga (Currently Senior Managing Director of Citizen Holdings Co., Ltd.)

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

Aoyagi Ryota

[Scheduled to be appointed to Director.]