

Ticker Code: 7762

June 3, 2009

**NOTICE OF THE 124th ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

[Disclaimer: Please note that the following purports to be a translation from the original Japanese version prepared for the convenience of our shareholders with voting rights outside Japan for reference. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

Dear shareholders,

You are cordially invited to attend the 124th Ordinary General Meeting of Shareholders of Citizen Holdings Co., Ltd. (the “Company”), which will be held as described below.

If you cannot attend on that day, you can exercise your voting right in either of the following ways. Please review “Reference Materials for the General Meeting of Shareholders” below and exercise your voting right by no later than 5:45 p.m. on Wednesday June 24, 2009.

[Exercise of voting right by mail]

Indicate your approval or disapproval on the enclosed Voting Right Exercise Form and send it to us to arrive by the above deadline.

[Exercise of voting right via the Internet]

Please carefully access the website (<http://www.evotep.jp/>) designated by the Company, follow the directions on the screen, and indicate your approval or disapproval by the above deadline.

Note: Shareholders outside Japan shall not use these voting procedures.

Very truly yours,

Mitsuyuki Kanamori
President and CEO
Citizen Holdings Co., Ltd.
6-1-12 Tanashi-cho,
Nishitokyo, Tokyo

1. Time and Date: 10:00 a.m. on Thursday June 25, 2009

*Please come early to the venue as the reception area will be congested as it becomes close to the commencement of the meeting. The reception is scheduled to open at 9:00 a.m.

2. Place: Keio Plaza Hotel Tokyo, Main Building 4F “Hana”

2-2-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo

3. Agenda:

Items to be reported:

Item 1: Business Report, consolidated financial statements, and audit report to the consolidated financial statements by the Independent Auditors and Board of Corporate Auditors for the 124th term (April 1, 2008 to March 31, 2009)

Item 2: Report of the non-consolidated financial statements for the 124th term (April 1, 2008 to March 31, 2009)

Items to be resolved:

Item 1: Appropriation of Surplus

Item 2: Partial Amendments to the Articles of Incorporation

Item 3: Election of Nine (9) Directors

Item 4: Election of One (1) Corporate Auditor

Notes: 1) If you attend in person, please submit the enclosed Voting Right Exercise Form to the reception desk.

2) In case of any revision to the Reference Materials for the General Meeting of Shareholders, the Business Report, or non-consolidated financial statements and consolidated financial statements, we will post the revision on our website. (<http://www.citizen.co.jp/>)

BUSINESS REPORT

From April 1, 2008 to March 31, 2009

I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP

1. Review of Operations

In the first half of the consolidated fiscal year under review, recessionary conditions in the US engendered a global economic deceleration that, with the trigger of a financial crisis in the second half, developed into a sudden, sweeping global recession. The Japanese economy, as well, experienced rapid declines in orders across the board, especially in the manufacturing sector, and fell into a serious recession which exceeded all expectations.

Within the context, the Citizen Group further accelerated existing initiatives aimed at improving its earnings base and reinforcing its management base. Nevertheless, lower consumption led to the trend of decreases in inventories of the logistics stage spreading globally, resulting in extremely difficult business conditions even for key mid-priced products in watches and clocks, and sales fell. Electronic devices also were impacted by sudden and drastic inventory adjustments in the market for mobile phones, the mainstay product, and suffered a major sales decline. Electronic products were hit hard by the downturn in personal consumption and an increase in companies reluctant to invest, and saw sales declines mainly among printers and electronic calculators. Meanwhile, industrial machinery watched weakness at the beginning of the fiscal year developing into a sudden drop-off in orders across all markets in the second half, and significantly lower sales for the year. In other products, Pachinko-related products posted higher sales on the popularity of new offerings, but significant declines in automobile parts resulted in lower overall sales.

As a result, unfortunately, the Citizen Group reported lower sales and income for the consolidated fiscal year under review. Results included net sales of 296.857 billion yen (down 11.8% year-on-year), operating income of 1.398 billion yen (down 94.2%), ordinary income of 0.748 billion yen (down 97.0%). It also reported net loss of 25.806 billion yen as a result of posting loss on impairment of 14.183 billion yen and business restructuring losses of 9.448 billion yen, etc. as extraordinary losses in order to respond to current difficult business conditions and to increase profitability.

[Watches and Clocks]

Regarding “Citizen” Brand, in the domestic market, declining consumer sentiment engendered by the current downturn in economic conditions gave rise to an extremely difficult business climate that began in the end of the first half and extended through the end of the fiscal year. Lower purchasing associated with inventory adjustments in the logistics stage resulted in extremely difficult conditions for radio-controlled watches and other mid-priced products, and sales declined. By brand, results were mixed, with the “Exceed” and other premium-priced lines struggling, the “XC” brand for women performed well in its category and the “Independent,” “Reguno,” and other affordable priced brands greatly exceeded previous year results. In overseas markets, first-half sales performance was generally positive in Asia and Europe. In the second half, higher average local-currency prices for mainstay “Eco-Drive” radio-controlled watches and other high-value-added products in the North American market – the largest market for watches and clocks – had a positive effect on sales. That favorable development, however, was

quickly overwhelmed as in Japan by a falloff in consumption brought on by the dramatic economic decline and the added impact of steep yen appreciation, which combined to pull sales down for the year.

As for Q&Q brands, relatively strong performance in the domestic market was overshadowed by weakness in the overseas market for economically priced products, resulting in lower sales for the year.

Sales of movements itself declined on lower purchases by customers' intent on cutting inventories and on the higher yen, which had a major impact.

Also, as a result of adding Bulova Corporation from the current fiscal year, watches and clocks reported lower sales and income, with net sales of 132.514 billion yen (down 5.3% year-on-year) and operating income of 9.106 billion yen (down 57.2%).

[Electronic Devices]

In opt-devices, sales of mainstay mobile phone LEDs fell drastically as market stagnation gave way to intense cost competition, and customers slashed orders in the second half to effect rapid and large-scale inventory adjustments. Sales of light sensors experienced a similar decline by slashed orders due to a downturn in the mobile phone market and significantly lower number of the mobile phone products using the core IrDA module. Small-size backlights benefited from an ongoing sales strategy emphasizing profitability, posting another improvement in that area, even with lower sales. General lighting LEDs, a growth segment, saw sales stagnate as recessionary conditions took hold in earnest in the second half, driving customers to drastically cut orders and erased any benefits from a series of new product introductions for sales increase.

Among crystal devices, tuning-fork-type crystal oscillators performed well on relatively stable Korean orders for SMD products for mobile phones. Other products, however, failed to achieve volume improvements and suffered sales declines as a result of customers adjusting inventories to cope with the downturn in the watch and clock market. In the area of crystal piece, stagnating sales of main products for mobile phones caused major sales declines beginning in summer 2008.

In other component products, liquid crystal optical element sales fell due to the impact of inventory adjustments in final product markets, and the strong order volume for HDD glass substrates in the first half quickly withered in the face of extremely large second-half inventory adjustments, resulting in a sales decrease.

As a result, electronic devices reported lower sales and income, net sales declined to 81.260 billion yen (down 18.1% year-on-year) and operating loss fell to 3.101 billion yen.

[Electronic Products]

Printers also suffered sales declines. Sales of mainstay small-size printers fell due to customer's withholding purchases on demand weakened by the global recession and as a result of sudden yen appreciation, while sales of large-size dot impact printers for the Chinese market declined with lower demand from government and other public offices. Orders for photo printers rose in the second half as new product promotions launched the year before took effect, but were not enough to make up for the first-half weakness, so sales of these products declined, as well. Calculator sales fell as financial instability weighed heavily on the key Russian market.

Health care equipment sales rose on strong performances by pocket pedometers sold through volume retailers in the domestic market. Outside Japan as well, its sales increased

since blood pressure monitors used as giveaways by major mobile phone companies in China made up for lower European sales resulting from the rapid economic downturn and euro depreciation.

As a result, electronic product reported lower sales and income, net sales declined to 21.016 billion yen (down 22.5% year-on-year) and operating income fell to 1.012 billion yen (down 62.4%).

[Industrial Machinery]

Sales of NC lathes were weak throughout the first half and ended the year significantly lower in every market due to a dramatic worsening of market conditions beginning in October. In the domestic market, a strong push was made to stimulate investment desire with new product announcements at the Japan International Machine Tool Fair, but, with the key automobile, as well as the electronics and precision machine, markets suffering deep downturns, a significant sales drop was unavoidable.

Overseas, in Asia, inquiries from companies in the Chinese automobile and telecommunications sectors increased as a result of economic stimulus measures led by the government in the second half, but were not enough to make up for weakness in the ASEAN, South Korean, and Taiwanese markets, and sales fell. In the US, ongoing favorable sales performance in medical equipment was overshadowed in particular by automobile industry's downward spiral, which resulted in a sales decline. Sales also declined significantly in Europe as the financial crisis reverberated throughout that area of the world.

As a result of adding Miyano Machinery Inc. from the second half of the fiscal year, industrial machinery reported lower sales and income, net sales declined to 33.227 billion yen (down 16.2% year-on-year) and operating income fell to 0.180 billion yen (down 95.9%).

[Other Products]

The drastic cooling in personal consumption, particularly of high-end items, began to affect normally solid wedding ring sales in the middle of the second half, leaving all jewelry sales down for the year.

In the pachinko-related products, the trend toward oligopolistic conditions among the manufacturers that are the Company's customers continued amid a difficult market environment characterized by falling numbers of parlors and customers. However, major customers adopted the new line of products the Company has been promoting to reduce parlor labor costs, pushing sales of pachinko products up for the year.

A major sales decline, however, was recorded for automobile parts, which were hit by auto makers' more-rapid-than-expected production adjustments in the second half and by yen appreciation.

As a result, other products reported lower sales and income, net sales declined to 28.838 billion yen (down 6.1% year-on-year) and operating loss fell to 0.777 billion yen.

[Sales by Business Segment]

Business segment	Amount (Millions of yen)	Percentage of total	Change from the previous fiscal year
Watches and Clocks	132,514	44.6%	(5.3)%
Electronic Devices	81,260	27.4%	(18.1)%
Electronic Products	21,016	7.1%	(22.5)%
Industrial Machinery	33,227	11.2%	(16.2)%
Other Products	28,838	9.7%	(6.1)%
Total	296,857	100.0%	(11.8)%

Note: The rate of the sales in the overseas to the gross sales is 59.2%.

2. Financing

During this fiscal year, the Company raised 60.0 billion yen by long-term loan for funding requirement of the Citizen Group.

3. Capital Expenditures

Capital expenditures during the fiscal year totaled 19.527 billion yen, the major expenditures of which are as follows:

- (1) 7.990 billion yen for production facilities in Watches and Clocks
- (2) 5.497 billion yen for production facilities in Electronic Devices
- (3) 0.385 billion yen for production facilities in Electronic Products
- (4) 3.228 billion yen for production facilities in Industrial Machinery
- (5) 1.834 billion yen for production facilities in Other Products

4. Important Restructuring Transactions

- (1) The Company and Citizen Technology Center Co., Ltd. merged as of July 1, 2008 with the Company as the surviving company, in order to seek development strategies linked with the group strategies under closely integrated management, and to promote market demand-oriented development operations.
- (2) Citizen Miyota Co., Ltd. (currently Citizen Finetech Miyota Co., Ltd.) and Citizen Fine Tech Co., Ltd. merged as of July 1, 2008 with Citizen Miyota Co., Ltd. as the surviving company, as part of restructuring of the electronic device business.
- (3) Citizen Watch Co., Ltd. and Japan CBM Corporation merged as of April 1, 2009 with Citizen Watch Co., Ltd. as the surviving company, to achieve improved management speed and further customer satisfaction through establishment of integrated manufacturing and sales operation system for the Q&Q brand watch.

5. Acquisition or Disposition of Stocks, Other Equity Interests, or Stock Acquisition Rights of Other Companies

- (1) For the purpose of reviewing capital efficiency and building new relationship with STAR MICRONICS CO., LTD., the Company submitted shares for repurchase by STAR MICRONICS through ToSTNeT-3 on August 29, 2008, and sold 3,700,000 shares of its common share.
- (2) For the purpose of further enhancing capital ties with Miyano Machinery Inc. and realizing synergy effects to improve corporate value of both companies, the

Company executed a tender offer for the period between August 25, 2008 and October 15, 2008, and acquired 20,283,000 shares of their common shares (approximately 34.7% of their total shares outstanding).

- (3) For the purpose of the reinforcement of the business partnership regarding LED products between Citizen Electronics Co., Ltd. and Nichia Corporation, the Company accepted allocation of Nichia's newly issued shares, with payment date set at December 19, 2008, and acquired 30,000 of their common shares (approximately 1.4% of their total shares outstanding).

6. Challenges Going Forward

The Citizen Group seeks to base itself upon the “Manufacturing originating in Japan through highly precise, advanced technologies that are developed from DNA nurtured through the manufacturing of watches,” and, with the ultra-minute technology, ultra-precise technology, and low power consumption technology as our core competencies, aiming to become a highly profitable corporate Group with an optimal business portfolio with well-balanced stable income and growth businesses. For the medium-term, the Group is promoting the following three important initiatives:

- 1) Revision of the business portfolio strategy
 - Focus on high-profit, competitively advantaged businesses as investment priorities
 - Thorough selection and concentration in electronic devices
- 2) Strengthening of governance
 - Strengthening of corporate governance
 - Strict implementation of new-business-entry and business withdrawal rules
 - Clarification of business responsibilities and strengthening of monitoring
- 3) Rebuilding of the financial strategy
 - Improvement of capital efficiency

That said, however, amid a once-in-a-century recession that began with last year's financial crisis, the Citizen Group must first concentrate on ensuring its operations are robust and capable of generating a certain level of earnings even under unfavorable business conditions. In addition to the above medium-term initiatives, the following matters are being addressed with the highest priority.

- 1) Rebuilding of production systems, with attention focused on: 1) Creating efficient production systems that can flexibly adjust to business conditions and 2) Cutting fixed costs.
- 2) Readjustment of segment-level management systems to clarify management responsibilities and authority.
- 3) Revision of R&D systems to integrate R&D with business operations.
- 4) Strengthening of head office functions to enhance management strategy functions and speed decision making.
- 5) Implementation of people-oriented management by assembling a human resources system that emphasizes fairness and transparency.
- 6) Optimization of Group finances to efficiently utilize Group assets.

Moving forward, the current difficult economic circumstances are expected to continue over the long term. As such, the Citizen Group will work to strengthen its already robust business base and realize continuous improvements in its corporate value by moving ahead with the steps outlined above.

We thank our shareholders for their continuing support.

7. Assets and Profit and Loss of the Company

	121 st (FY2005)	122 nd (FY2006)	123 rd (FY2007)	124 th (FY2008)
Net sales (millions of yen)	335,940	336,188	336,685	296,857
Ordinary income (millions of yen)	34,634	25,991	24,746	748
Net income (millions of yen)	18,594	7,145	12,189	*(25,806)
Net income per share (yen)	53.23	19.43	35.14	*(77.32)
Total assets (millions of yen)	402,497	382,971	387,975	374,239
Net assets (millions of yen)	276,411	254,426	243,830	184,229
Net assets per share (yen)	728.43	728.49	697.81	559.34

Notes:

1. Parentheses of net income and net income per share represent losses.
2. Net income per share is calculated based on the number of shares deducting the average total number of treasury stock during the term from the average total number of shares outstanding during the term. Net assets per share is calculated based on the number of shares deducting the total number of treasury stock at the fiscal year-end from the total number of shares outstanding at the fiscal year-end.
3. Starting with the fiscal year ended March 31, 2007, the Company has applied the Accounting Standards for Presentation of Net Assets on the Balance Sheet (ASBJ (Accounting Standards Board of Japan) Standard No. 5, December 9, 2005) and the Application Guide for the Accounting Standards for Presentation of Net Assets on the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005).

8. Details of Important Subsidiaries

Name	Capital	Shares held by the Company	Major Business
Citizen Watch Co., Ltd.	5,000 million yen	100.0%	Watches and Clocks
Citizen Machinery Co., Ltd.	498 million yen	100.0%	Industrial Machinery
Citizen Systems Japan Co., Ltd.	450 million yen	100.0%	Electronic Products
Citizen Electronics Co., Ltd.	1,988 million yen	100.0%	Electronic Devices, etc.
Citizen Finetech Miyota Co., Ltd.	1,753 million yen	100.0%	Watches and Clocks, Electronic Devices, etc.
Citizen Seimitsu Co., Ltd.	346 million yen	100.0%	Watches and Clocks, Electronic Devices, etc.
Citizen Sayama Co., Ltd.	198 million yen	100.0%	Watches and Clocks, Other Products, etc.
Miyano Machinery Inc.	2,651 million yen	64.6%	Industrial Machinery
Citizen Financial Service Co., Ltd.	50 million yen	100.0%	Financial Services in the group
Citizen Watch Company of America Inc.	US\$32.5 million	*100.0%	Watches and Clocks
Bulova Corporation	US\$0.001 million	*100.0%	Watches and Clocks

Notes:

1. Those with an asterisk mark indicate indirect holdings.
2. On April 1, 2008, Citizen Electronics Co., Ltd. and Citizen Displays Co., Ltd. performed an absorption-type company split whereby Citizen Electronics Co., Ltd. succeeded to the business of the Engineering Division and the Sales Division of Tokyo business operation of Citizen Displays Co., Ltd.
3. Effective from April 1, 2008, Sayama Precision Co., Ltd. changed its trade name to Citizen Sayama Co., Ltd.
4. As of July 1, 2008, Citizen Miyota Co., Ltd. and Citizen Fine Tech Co., Ltd. merged, with Citizen Miyota as the surviving company, which changed its trade name to Citizen Finetech Miyota Co., Ltd. on the same date.
5. The Company acquired 20,283,000 shares in Miyano Machinery Inc. in a tender offer for the period between August 25, 2008

and October 15, 2008, which brought the total number of shares it owns in Miyano Machinery to 37,783,000 shares, or approximately 64.6% of their total shares outstanding. Subsequently, Miyano Machinery became the Company's subsidiary on October 22, 2008, the initial settlement date for the tender offer.

9. Principal Products of Business (as of March 31, 2009)

Business segment	Principal products
Watches and Clocks	Analog, digital and combination watches, movement, external components of watches, clocks, etc.
Electronic Devices	Chip LED, backlight units, quartz oscillators, etc.
Electronic Products	Various kinds of printers, healthcare equipments, calculators, etc.
Industrial Machinery	NC lathes, measuring instruments, motors, etc.
Other Products	Jewelry, pachinko-related products, automotive parts, jigs and tools, etc.

10. Principal Places of Business (as of March 31, 2009)

	Citizen Holdings Co., Ltd.	Nishitokyo, Tokyo
Subsidiaries and others	Citizen Watch Co., Ltd.	Nishitokyo, Tokyo
	Citizen Machinery Co., Ltd.	Kitasaku-gun, Nagano
	Citizen Systems Japan Co., Ltd.	Nishitokyo, Tokyo
	Citizen Electronics Co., Ltd.	Fujiyoshida, Yamanashi
	Citizen Finetech Miyota Co., Ltd.	Kitasaku-gun, Nagano
	Citizen Seimitsu Co., Ltd.	Minamitsuru-gun, Yamanashi
	Citizen Sayama Co., Ltd.	Sayama, Saitama
	Miyano Machinery Inc.	Ueda, Nagano
	Citizen Watch Company of America Inc.	California, U.S.A.
	Bulova Corporation	New York, U.S.A.

11. Employees (as of March 31, 2009)

Business Segment	Number of employees		Change from the previous fiscal year-end	
Watches and Clocks	9,533	[1,194]	(1,539)	[167]
Electronic Devices	4,098	[583]	(2,573)	[109]
Electronic Products	294	[24]	(1,049)	[1]
Industrial Machinery	1,376	[131]	657	[29]
Other Products	1,052	[347]	(146)	[(67)]
General Corporate	1,006	[164]	(118)	[30]
Total	17,359	[2,443]	(4,768)	[269]

Notes:

1. The number of employees covers all those engaged in operations and figures in brackets represent average annual temporary workers in addition to the number of employees.
2. Decreases for Watches and Clocks and Electronic Devices are primarily due to decreases in the numbers of employees at overseas manufacturing subsidiaries following production cuts.
3. Decrease for Electronic Products is primarily due to transferring overseas printer production to a non-consolidated subsidiary.
4. Increase for Industrial Machinery is primarily due to making Miyano Machinery Inc. and others consolidated subsidiaries.

12. Principal Lenders (as of March 31, 2009)**(Millions of yen)**

Name	Borrowed Amount
Mizuho Corporate Bank, Ltd.	32,300
Mitsubishi UFJ Trust and Banking Corporation	17,300
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,500
Sumitomo Mitsui Banking Corporation	9,180
Asahi Mutual Life Insurance Co.	8,000
The Hachijuni Bank, Ltd.	5,975
Nippon Life Insurance Company	5,000
The Yamanashi Chuo Bank, Ltd.	3,000

II. MATTERS CONCERNING COMPANY STOCK AND STOCK ACQUISITION RIGHTS, ETC.

1. Condition of Stocks (as of March 31, 2009)

- (1) Total number of authorized shares: 959,752,000 shares
- (2) Total number of shares issued: 380,353,809 shares
- (3) Number of shareholders: 31,090
- (4) Major shareholders (Top 10)

Name	Number of the Company's shares held (Thousands of shares)	Voting rights ratio
Japan Trustee Services Bank, Ltd. (trust account)	22,020	6.88%
Japan Trustee Services Bank, Ltd. (trust account 4G)	20,564	6.42%
The Master Trust Bank of Japan, Ltd. (trust account)	20,172	6.30%
Nippon Life Insurance Company	14,750	4.61%
Nichia Corporation	10,000	3.12%
Marubeni Corporation	9,042	2.82%
Tokio Marine and Nichido Fire Insurance Co., Ltd.	8,786	2.74%
Mizuho Corporate Bank, Ltd.	8,724	2.72%
Bank of New York GCM Client Account JPRD ISG FE-AC	8,547	2.67%
Mitsubishi UFJ Trust and Banking Corporation	7,678	2.40%

Note: The voting rights ratio is calculated after deducting 60,093,553 shares of treasury stock.

2. Status of Stock Acquisition Rights (as of March 31, 2009)

- (1) Details of the Stock Acquisition Rights held by the Directors of the Company are as follows:

Stock Acquisition Rights issued pursuant to the resolution of the 120th Ordinary General Meeting of Shareholders held on June 29, 2005

- Number of Stock Acquisition Rights issued 7,246
- Type and number of shares to be issued or transferred upon exercise of Stock Acquisition Rights 724,600 shares of common shares
(The number of shares to be issued or transferred upon exercise of one Stock Acquisition Right is 100)
- Issue price of Stock Acquisition Rights No consideration shall be paid at the time of issuance of the Stock Acquisition Rights.
- Exercise price of Stock Acquisition Rights 950 yen per share
- Exercise period of Stock Acquisition Rights From July 1, 2007 to June 30, 2010
- Status of holdings by the Directors of the Company

	Number of Stock Acquisition Rights	Number of shares to be issued or transferred upon exercise of Stock Acquisition Rights	Number of holders
Directors of the Company *	1,335	133,500 shares	7

* The Outside Directors of the Company have no Stock Acquisition Rights.

- (2) Other Stock Acquisition Rights

Stock Acquisition Rights issued pursuant to the resolution of the Board of Directors meeting held on September 17, 2002

- Number of Stock Acquisition Rights issued 4,500
- Type and number of shares to be issued or transferred upon exercise of Stock Acquisition Rights 26,978,417 shares of common shares
- Issue price of Stock Acquisition Rights No consideration shall be paid at the time of issuance of the Stock Acquisition Rights.
- Exercise price of Stock Acquisition Rights 834 yen per share
- Exercise period of Stock Acquisition Rights From October 21, 2002 to September 23, 2009

III. MATTERS CONCERNING DIRECTORS AND CORPORATE AUDITORS

1. Names, etc. of Directors and Corporate Auditors (as of March 31, 2009)

Title	Name	Area of Responsibility and Engagement in the Management of Other Companies (if any)
President and CEO Senior Managing Director	Mitsuyuki Kanamori Toshio Koga	General Manager of R&D Division, Officer in charge of Corporate Planning Division, Accounting Division and Intellectual Property Department President and CEO of Citizen Financial Service Co., Ltd.
Managing Director	Osamu Yamada	Officer in charge of Public Relations Department and SR & IR Department, President of Aquablue Insurance Co., Inc.
Director and Executive Advisor Director	Makoto Umehara Takeshi Kakishima	General Manager of Personnel Division, Officer in charge of General Affairs Division President and CEO of Citizen Business Expert Co., Ltd.
Director	Tsuneo Nagai	President and CEO of Citizen Watch Co., Ltd., Chairman of Japan Clock & Watch Association
Director	Kenji Sugimoto	President and CEO of Citizen Machinery Co., Ltd.
Director	Katsuhiko Noguchi	President and CEO of Citizen Electronics Co., Ltd.
Outside Director	Kazumoto Yamamoto	Full-Time Advisor of Asahi Kasei Corporation
Outside Director	Teruaki Aoki	Vice Chairman of the Board of Sony Foundation for Education
Corporate Auditor (Full-time)	Takeshi Hayasaka	
Outside Corporate Auditor	Yoshiyuki Iijima	
Corporate Auditor (Full-time)	Masaomi Suizu	Attorney-at-law
Outside Corporate Auditor		

Notes:

- At the 123rd Ordinary General Meeting of Shareholders held on June 25, 2008, Mr. Takeshi Kakishima was newly elected as a Director and assumed the position.
- At the 123rd Ordinary General Meeting of Shareholders held on June 25, 2008, Mr. Masaomi Suizu was newly elected as an Outside Corporate Auditor and assumed the position.
- Full-time Corporate Auditor Takeshi Hayasaka has been running banks and factoring companies for many years and has extensive knowledge about finance and accounting.
- Outside Corporate Auditor Masaomi Suizu is thoroughly experienced in corporate legal affairs as an attorney-at-law and has extensive knowledge about finance and accounting.
- In addition to the above, the details of the Company's Directors and Corporate Auditors acting concurrently in different professional roles are as shown below:

Name	Company, corporate entity, or other organization served in concurrently	Details of concurrent roles
Makoto Umehara	Rhythm Watch Co., Ltd.	Outside Director
Osamu Yamada	Star Micronics Co., Ltd.	Outside Corporate Auditor
Kazumoto Yamamoto	Tokyo Gas Co., Ltd. TOTO Ltd.	Outside Director Outside Director
Teruaki Aoki	Micron Technology, Inc.	Outside Director

- The responsibilities of Mr. Osamu Yamada, Managing Director, and Mr. Takeshi Kakishima, Director, changed due to reorganization that took effect on April 1, 2009, as follows:

Name	On and after April 1, 2009	On and before March 31, 2009
Osamu Yamada	Officer in charge of IR & Public Relations Department	Officer in charge of Public Relations Department and SR & IR Department
Takeshi Kakishima	Officer in charge of General Affairs Division	General Manager of Personnel Division, Officer in charge of General Affairs Division

2. Directors and Corporate Auditors Who Retired during This Fiscal Year

Name	Retirement date	Reason for retirement	Title, area of responsibility, and engagement in the management of other companies (if any) at the time of retirement
Takashi Masuzawa	June 25, 2008	Completion of term of office	Director Executive Advisor of Citizen Electronics Co., Ltd.
Yasuhiro Yamazaki	June 25, 2008	Completion of term of office	Full-time Corporate Auditor
Yasuhiro Okawa	June 25, 2008	Resignation	Outside Corporate Auditor President of Rhythm Watch Co., Ltd.

3. Total Amount of Directors' and Corporate Auditors' Compensation

	Number of officers to receive compensation	Amount of compensation, etc. (millions of yen)	Amount of bonus out of all compensation, etc. (millions of yen)
Director	11	162	30
[Out of which, Outside Directors]	[2]	[16]	[—]
Corporate Auditor	5	44	—
[Out of which, Outside Corporate Auditors]	[3]	[23]	[—]
Total	16	207	30
[Out of which, outside officers]	[5]	[39]	[—]

Notes:

- The above figures include one Director and two Corporate Auditors (including one Outside Corporate Auditor) who retired upon conclusion of the 123rd Ordinary General Meeting of Shareholders held on June 25, 2008.
- The above amount of the bonuses (30 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 124th Ordinary General Meeting of Shareholders planned for June 25, 2009.
- The maximum allowance for the total amount of compensation, etc. for Directors (excluding Outside Directors) was set at 270 million yen per year (inclusive of bonuses, etc.) at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. Prior to the resolution, employee salaries (including bonuses) for employees who also serve as Directors used to be paid in addition to the compensation, etc. for Directors. However, after the resolution, compensation for the performance of the duties of Directors is consolidated into the above compensation, etc. for Directors, and will be paid within the above maximum allowance.
- The maximum allowance for the total amount of compensation, etc. for Outside Directors was set at 30 million yen per year at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. No bonuses will be paid to Outside Directors.
- The maximum allowance for the total amount of compensation, etc. for Corporate Auditors was set at 80 million yen per year at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. No bonuses will be paid to Corporate Auditors.

4. Matters Relating to Outside Officers

(1) Concurrent positions of outside officers held at other companies

Name	Position at the Company	Company at which positions are concurrently held by our outside officers	Details of concurrent position
Kazumoto Yamamoto	Outside Director	Tokyo Gas Co., Ltd. TOTO Ltd.	Outside Director Outside Director
Teruaki Aoki	Outside Director	Micron Technology, Inc.	Outside Director

(2) Major activities during the fiscal year ended March 31, 2009

Name	Title	Attendance at Board of Directors meetings (attendance rate)	Attendance at Corporate Auditors meetings (attendance rate)	Principal comments
Kazumoto Yamamoto	Outside Director	16 of 19 (approx. 84%)	—	Comments as needed primarily from the viewpoint of a highly experienced executive
Teruaki Aoki	Outside Director	17 of 19 (approx. 89%)	—	Comments as needed primarily from the viewpoint of a highly experienced executive
Takeshi Hayasaka	Outside Corporate Auditor	19 of 19 (100%)	14 of 14 (100%)	Comments as needed primarily from the viewpoint of a highly experienced executive
Masaomi Suizu	Outside Corporate Auditor	15 of 15 (100%)	10 of 10 (100%)	Comments as needed primarily from the professional viewpoint of an attorney-at-law

Note: Because Outside Corporate Auditor Masaomi Suizu was newly elected at the 123rd Ordinary General Meeting of Shareholders held on June 25, 2008, the numbers of Board of Directors meetings and Corporate Auditors meetings held are different from other outside officers.

(3) Overview of the terms of liability limitation agreements

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with each outside officer that limit the maximum liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages based on such agreements shall be the higher of 10 million yen or the lowest total maximum liability amount stipulated by laws and regulations.

IV. INDEPENDENT AUDITORS

1. **Name:** Nihombashi Corporation

2. **Amount of Compensation**

	Millions of yen
(1) Compensation for Independent Auditors for the fiscal year ended March 31, 2009	26
(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries	73

Notes:

1. In the audit agreement by and between the Company and the Independent Auditors, the Company does not clearly differentiate, and it is also practically impossible to differentiate, between compensation for audits under the Companies Act and compensation for audits under the Financial Instruments and Exchange Act. Thus, the amount stated in 1) above includes compensation for audits under the Financial Instruments and Exchange Act.
2. Miyano Machinery Inc., Citizen Watch Company of America Inc., and Bulova Corporation, each of which is the Company's important subsidiary, undertook an audit by KPMG AZSA & Co., KPMG LLP, and Grant Thornton LLP respectively.

3. **Decision Making Policy for Dismissal or Non-reappointment of Independent Auditors**

It is the policy of the Company that if the Independent Auditors fall under any of the Items of Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors may remove those Independent Auditors with the consents of all Corporate Auditors.

In addition, it is also the policy of the Company that if it is difficult for the Independent Auditors to perform their duties properly, the Directors shall, with the consent of the Board of Corporate Auditors or at the request of the Board of Corporate Auditors, propose at the next General Meeting of Shareholders that the Independent Auditors should be dismissed.

V. SYSTEM AND POLICIES OF THE COMPANY

1. System to Ensure that the Directors Perform their Duties in Conformance with Relevant Laws and Regulations and the Articles of Incorporation, and Other Systems to Ensure the Appropriateness of the Company's Business

The following is a summary of the decisions on the system to ensure that the Directors perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation, and on other systems to ensure the appropriateness of the Company's business:

- (1) System to ensure that the Directors and employees perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation
 - (a) Pursuant to the provisions set forth in laws and regulations, the Articles of Incorporation, and the Rules on Board of Directors, the Company shall hold, in principle, a regular meeting of the Board of Directors at least once a month, and shall make decisions on significant matters concerning the performance of duties and other matters to be submitted for discussion. In addition, the Company shall supervise the Directors' performance of their duties.
 - (b) In order to ensure that the Directors and employees (hereinafter "All Directors and Employees") perform their duties in conformance with relevant laws and regulations, the Articles of Incorporation, and other internal rules, and to ensure that the Company commits to corporate social responsibility, the Company shall stipulate the Citizen Group Code of Conduct (hereinafter the "Citizen Code of Conduct") as a code of conduct which is applicable in common to all of the companies constituting the Citizen Group (meaning a corporate group consisting of the Company and the subsidiaries of the Company; hereinafter the same), and shall establish the CSR Committee and Internal Audit & CSR Department, which are directly controlled by the President and CEO, and shall inform All Directors and Employees of the Citizen Code of Conduct in order to enhance their knowledge and awareness of compliance and foster their adherence to the Citizen Code of Conduct.
 - (c) The Company shall also create an internal reporting system, and thereby aim to prevent, find at an early stage, and correct voluntarily, any violation of laws and regulations or misconduct caused by fraudulent acts.
 - (d) The Internal Audit & CSR Department shall audit, in accordance with the audit program, as to whether the business of the Citizen Group is performed in conformance with relevant laws and regulations and internal rules.
 - (e) It shall be clearly stated in the Citizen Code of Conduct that the Company will decisively reject demands for illegal payoffs from anti-social forces that threaten social order and sound business activities. The Company shall also develop and enhance its system to cooperate with the police and other related external organizations and block any link with anti-social forces.
- (2) System for storage and management of information relating to Directors' performance of their duties, etc.
 - (a) The Company shall properly keep and manage the Minutes of General Meeting of Shareholders, Minutes of Board of Directors Meetings, Minutes of Management Committee Meetings, Written Requests for Managerial Decisions, and other information relating to the performance of the duties of Directors in accordance with the provisions of laws and regulations, the Articles of Incorporation, the Rules on Board of Directors, the Rules on Management Committee, the Rules on

Request for Decisions, and other internal rules.

- (b) The Company shall develop and maintain the system to ensure that the Company is able to disclose information regarding the Directors' performance of their duties in a timely and appropriate manner pursuant to laws and regulations, the Articles of Incorporation, the Rules on Information Control and Prevention of Insider Trading by the Citizen Group, and other internal rules, when such disclosure of information is requested by Directors, Corporate Auditors, shareholders, creditors, and other interested parties, by setting up a position of the General Manager of Information Control and an Information Control Section.
- (3) Regulations and other systems relating to management of risks of loss
- (a) Matters to be resolved by the Board of Directors and matters to be determined by the President and CEO or the Directors in Charge of Some Operation concerning the risks inherent in significant decision-making, performance of business, or other similar conduct in the course of performing the business by the Citizen Group, shall be discussed in the Management Committee meetings or the Business Control and Management Committee meetings to be held by the subsidiaries controlling each business of the Citizen Group (hereinafter the "Business Controlling Companies") pursuant to the Rules on Management Committee, Affiliates Management Rules, Citizen Code of Conduct, the management policies and management plan, and the like.
 - (b) In addition to (a) above, the Company shall monitor or otherwise manage the risks which are cross-sectional to the Corporate Group, such as environment management, management of security export and import control, promotion of fair subcontract transactions, and information security, by establishing various kinds of committees which are cross-sectional in the Corporate Group.
- (4) System to ensure the efficient performance of Directors' duties
- (a) The Company shall establish the Management Committee, and shall discuss matters to be resolved by the Board of Directors meetings, and other significant matters relating to the management of the Company, by having thorough and intensive discussions.
 - (b) Prior to the decision-making by the Board of Directors, sufficient and appropriate information shall be provided to each of the Directors.
 - (c) The Company shall improve the system in which the duties to be performed by, and the authorities and responsibilities of, each Director are specified by internal rules, resolutions of the Board of Directors, or by other similar decisions, and to ensure that all Directors smoothly and effectively perform their duties.
- (5) System to ensure the Citizen Group's appropriate performance of business
- (a) The Company shall conclude the Business Management Agreement or other similar agreements with the Business Controlling Companies, and shall manage or instruct the Business Controlling Companies concerning the improvement of the management and internal control system pursuant to the Affiliates Management Rules or other similar rules.
 - (b) Regarding individual business activities of the Citizen Group, the Company shall familiarize the Business Controlling Companies with the management policies and the management plan stipulated by the Company, and shall clearly define the authorities and responsibilities of the Business Controlling Companies. Each of the Business Controlling Companies shall independently carry out their management of business in consideration of the features of the industry in which each Business

Controlling Company engages.

- (c) The Company shall regularly hold meetings of the Group Management Strategy Committee, which consists of major companies of the Citizen Group, to share information and enhance the partnerships concerning the personnel affairs, financial affairs, research and development, intellectual properties, brands, and other similar matters.
 - (d) The Company shall request that the Business Controlling Companies regularly report to the Company regarding whether the business of the Business Controlling Company is properly performed, in the meetings of the Business Control and Management Committee or at other similar opportunities, and in addition, shall monitor the same by an audit implemented by the Internal Audit & CSR Department, etc.
- (6) Matters relating to employees who assist the Corporate Auditors in their duties
- (a) At the request of the Corporate Auditors for arranging staff who assist the Corporate Auditors in their duties, the Company shall arrange auditing personnel with sufficient ability to assist the Corporate Auditors in their duties.
 - (b) If the Company arranges for auditing personnel for a request mentioned in (a) above, the relevant auditing personnel shall exclusively engage in the assistance with the duties of the Corporate Auditors under the direction of the Corporate Auditors in order to ensure the independence of such auditing personnel, and the appointment, dismissal or other personnel changes and personnel evaluations shall be subject to the prior consent of the Board of Corporate Auditors.
- (7) System relating to report to the Corporate Auditors
- (a) Directors shall report any decisions that could seriously affect the business or the organization, and the results of internal audits of the Citizen Group, to the Board of Corporate Auditors without delay.
 - (b) The Directors shall immediately report to the Board of Corporate Auditors if they become aware of any material breach of relevant laws and regulations or the Articles of Incorporation, the Citizen Code of Conduct, or other internal rules in connection with the Company's business, any wrongdoing, any possible occurrence of such a breach or wrongdoing, or any other fact which could cause material damage to the Company.
 - (c) In addition to (a) and (b) above, All Directors and Employees shall timely and appropriately make a business report at the request of the Corporate Auditors.
- (8) Other systems to ensure the effectiveness of audits by the Corporate Auditors
- (a) The Company shall have the Corporate Auditors attend the Board of Directors meetings, Management Committee meetings, and other important meetings.
 - (b) In addition to (a) above, the Company shall maintain communication between the Corporate Auditors and All Directors and Employees of companies which belong to the Citizen Group by holding talks between Representative Director and CEO and the Corporate Auditors on a regular basis, while keeping the fair attitude and independent position of the Corporate Auditors, or by other means, and shall assist the Corporate Auditors in collecting information necessary for the Corporate Auditors to perform their duties and in improving the audit environment.

2. Corporate Governance

(1) Our corporate governance vision

The Company's fundamental concept is "For the citizens - contribute to the better lives of citizens and remain loved by citizens," and it derives its name from this. The Company is contributing to society and increasing its corporate value through sustainable corporate activities, in harmony with the local community and the global environment. To continue to promote its aims, the Company believes that it is important to secure transparency in management and monitor the many fields of management. Accordingly, the Company is striving to expand and improve its corporate governance.

(2) The Company's organization

(a) Summary of the Company's organization

The Company has a Board of Directors, which is comprised of eight (8) Directors who are familiar with the Company's business lines, and two (2) Outside Directors who are independent from the Company's management. The Company also employs a Board of Corporate Auditors system and has the Board of Corporate Auditors comprised of three (3) Corporate Auditors, two (2) of whom are Outside Corporate Auditors.

(b) Status of decision-making procedures of performance of business

At least once a month, the Company holds Management Committee meetings that are attended by the full-time Directors and other members, to maintain prompt business judgment and management transparency. Matters to be resolved at the Board of Directors meetings and other important managerial issues are fully discussed and deliberated in advance at these meetings.

The Board of Directors makes decisions about the business affairs and supervises these affairs. The business administration is made by the President and CEO, and each Director in charge of some operation.

Board of Directors meetings were held nineteen (19) times during the fiscal year ended March 31, 2009, and all Directors and all Corporate Auditors attended eighty-four percent (84%) or more of the meetings of the Board of Directors held during the fiscal year ended March 31, 2009 during the term of their office.

(c) Audits

Each Corporate Auditor conducts strict audits on the Directors' performance of their duties, in accordance with the audit policy and audit program stipulated by the Board of Corporate Auditors, by attending a meeting of the Board of Directors, the Management Committee, division meetings, or other such meetings; receiving from the Directors and other officers reports on the status of the performance of their duties; reviewing important written decisions and other documents; and investigating the business and financial affairs of the Company. The Company also receives an audit report from Nihombashi Corporation, which is an Independent Auditor. The Company conducts effective audits on itself and its subsidiaries in collaboration with these Independent Auditors, and is working on the further expansion and improvement of corporate governance.

Board of Corporate Auditors meetings were held fourteen (14) times during the fiscal year ended March 31, 2009, and all Corporate Auditors attended one hundred percent (100%) of the meetings of the Board of Corporate Auditors held during the fiscal year ended March 31, 2009 during the term of their office.

Further, the Company has established the Internal Audit & CSR Department as an internal audit division.

(d) Nominating Committee and Compensation Committee

The Company has established the Nominating Committee and the Compensation Committee as voluntary institutions for the improvement of the transparency of the management of the Company.

The main duties of the Nominating Committee include the discussions on the matters concerning the appointment of the Representative Director, the President and CEO, and the Chairman of the Board of Directors, and proposals of such matters to the Board of Directors.

The main duties of the Compensation Committee include the discussions on the matters concerning the policies and standards of the compensation to be received by Directors, and the provision of advice concerning the same to the Board of Directors.

Each of the above-mentioned Committees is composed of three (3) or more Directors who are appointed by a resolution of the Board of Directors, the majority of which are Outside Directors and which shall include at least one (1) Representative Director.

The Chairperson of each of the Committees shall be an Outside Director, and shall be elected by mutual election of the members of the Committees.

(e) Relationship with outside officers

The Company has no special interest with an Outside Director, Kazumoto Yamamoto, another Outside Director, Teruaki Aoki, an Outside Corporate Auditor, Takeshi Hayasaka, and another Outside Corporate Auditor, Masaomi Suizu.

(f) Independent Audits

The Certified Accountants who independently audited the Company are Shigehiro Chiba and Akira Ogura, associates of Nihombashi Corporation. In addition, twelve (12) certified accountants, two (2) junior accountants, and four (4) others assisted in the audit of the Company. The Company assures fairness and independence while it is audited by the Independent Auditors.

The Company annually asks the Board of Directors for its opinion on the replacement of the Independent Auditors, and the Board of Directors deliberates on and resolves this matter. If the Board of Directors does not approve the reappointment of the Independent Auditors, such proposal will be deliberated on at the Ordinary General Meeting of Shareholders pursuant to the Companies Act.

For details of the decision-making policy for the dismissal or non-reappointment of the Independent Auditors, see page 16 “IV Independent Auditors, 3. Decision Making Policy for Dismissal or Non-reappointment of Independent Auditors.”

3. CSR Efforts

Following a move to a pure holding company system in April 2007, the Group has established the Citizen Group Code of Conduct so that the officers and employees of all group companies will act in a unified manner with respect to their stakeholders and better fulfill their responsibilities to society.

Each group company engages in CSR activities based on the Group's corporate philosophy of "contribute to the better lives of citizens and remain loved by citizens" under their own responsibilities, while giving due consideration to the characteristics of their own businesses and local communities, as well as their corporate history and culture.

Since its endorsement of the UN Global Compact in April 2005, the Group as a whole has supported and honored the Global Compact's ten principles and striven to put them into practice. As specific guidelines, we developed "Citizen Group Code of Conduct Guidelines for Implementation" based on the spirit of the UN Global Compact. The Guidelines stipulates such items as respect for basic human rights, ban on child labor and forced labor, response to environmental issues, and ban on inappropriate gift-giving and entertainment to foreign public officials.

The Group will work efforts to continue to fulfill its responsibility to provide good explanations to shareholders, and will actively address things such as: compliance; corporate governance; development, operation, and assessment of an internal control system; risk management; and environmental issues. In addition, the Citizen Group is making various social contributions including "Citizen of the Year," an award given to as-yet-unknown persons who made an impression on citizens and contributed to the development, happiness and beautification of communities. The Citizen Group seeks to improve its corporate value, aiming to become a highly valuable company, i.e. "a company which capitalizes the people."

4. Basic Policy Relating to Persons who Control Decision-making Policies of the Company's Financial and Business Affairs

(1) Basic Policy

The mission of the Citizen Group has been to provide the best products and services to "CITIZENS" all over the world, as its name suggests. To implement its corporate philosophy, "For the citizen --- contribute to the better lives of citizens and remain loved by citizens," the Group has adopted a corporate policy to contribute to the better lives of citizens all over the world through "the manufacturing of products that are loved and supported by citizens." By implementing the above-mentioned contribution, the Group has made efforts to secure and improve the corporate value and common interests of shareholders. The Company believes that the persons who have control over the decision-making of policies of the Company's financial and business affairs must be the ones who are capable of certainly putting the Group's management strategy into execution from a mid- to long-term standpoint, upon understanding the above-mentioned corporate philosophy and characteristic features of the business of the Company, and who enable the Company to continue to secure and improve the corporate value and common interests of shareholders of the Company in a sustainable way.

The Company holds the view that, if and when a large-scale purchase of the Company's shares is to occur, a decision to accept or not to accept the large-scale purchase should be made ultimately by the shareholders. The Company will not negate a large-scale purchase *per se*, as it may be beneficial to the corporate value

of the Company and the common interests of the shareholders.

In light of the current legal framework and financial environment, however, it is difficult to deny the possibility of a large-scale purchase that would not be beneficial to the corporate value of the Company or the shareholders' common interests. Examples of such a large-scale purchase would include: those that, judging from the objectives and the manner in which large-scale purchases are conducted, do not seek rationalization of the management in good faith and could cause irreparable damage to the Company; those that could economically force the shareholders to sell their shares of the Company; those that do not provide sufficient time and information for the shareholders and the Board of Directors of the targeted company to examine the purchase, or for the Board of Directors of the targeted company to make alternative proposals; and those that necessitate further negotiations between the targeted company and the large-scale purchaser for the chance of a better bargain than that which has been offered by the purchaser.

The Company believes that persons who conduct an above-mentioned large-scale purchase are exceptionally considered to be unqualified as persons having control over the decision-making policies of the Company's financial and business affairs, and that it is essential to introduce a framework to prevent such a purchase that is detrimental to the corporate value of the Company and the shareholders' common interests.

(2) Special efforts to help achieve the Basic Policy

The Company has implemented various measures for the purpose of having many shareholders hold shares of the Company in the long run upon understanding the corporate value of the Company.

Preceding the shift to a pure holding company system, the Company established new medium-term management policies in March 2007, which runs up until the fiscal year of 2009, ending in March 2010. It is the Company's management policy to reestablish a highly profitable corporate structure to constantly achieve a 10% or higher operating profit ratio, focusing on attaining an optimum business portfolio that maintains a good balance between the stable and profitable businesses and the high growth businesses of watches and clocks, industrial machinery, and electronic products. Through the utilization of the element technologies and manufacturing technologies which constitute the Company's core competencies, including "super-small size technology," "ultra-precise technology" and "low power consumption technology," the Company best uses the strength of each Group company, while implementing group strategies designed to optimize the Group's interests and allocation of management resources. In order to strengthen its corporate governance to that end, the Company invited two (2) additional Outside Directors to the Board to ensure transparency, and the Company is working on a further restructuring of its businesses by strictly enforcing policies concerning the investment into and the divestiture of its businesses, and by selection and concentration. In addition, in order to actively invest more in businesses, the Company is aiming to maintain its payout ratio at 30% or higher in order to return profits to shareholders by establishing a strategic investment line of ¥50 billion and promoting the establishment of financial strategies fit for a pure holding company, targeting the optimization of its capital structure.

Main measures which were implemented based on the mid-term management policy are as follows:

- Policy that two (2) Outside Directors shall be appointed at each Ordinary General Meeting of Shareholders held in and after June 2007;
 - The Nominating Committee and the Compensation Committee, the majority of the members of which are Outside Directors, and which are chaired by an Outside Director, were established in July 2007;
 - The divestiture of the businesses was implemented, including CMOS camera modules, main display devices for mobile phones, FDD, acoustic devices and TCXO businesses;
 - The Company acquired shares of Bulova Corporation in January 2008;
 - The business merger between Citizen Electronics Co., Ltd. and Citizen Displays Co., Ltd. was implemented in April 2008;
 - Citizen Miyota Co., Ltd. and Citizen Fine Tech Co., Ltd. merged in July 2008;
 - The Company acquired outstanding shares of Miyano Machinery Inc. in a tender offer in October 2008 and made it its consolidated subsidiary, and
 - Citizen Watch Co., Ltd. and Japan CBM Corporation merged in April 2009.
- (3) Details of efforts to prevent unqualified persons from controlling the Company according to the Basic Policy

The Company resolved the handling policies for large-scale purchases (hereinafter the “Plan”) at the Board of Directors meeting held on May 14, 2007, and introduced the Plan on the same date. Furthermore, the Plan was approved by shareholders at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007.

The following are the details of the Plan:

- (a) Type of purchases subject to the Plan
- The types of purchases subject to the Plan are the purchases of the Company’s stock certificates, etc. resulting in the voting rights ratio of a group of shareholders being 20% or more.
- (b) Procedures
- It is prescribed that a large-scale purchaser must provide necessary and sufficient information to the Board of Directors of the Company beforehand, and that a large-scale purchase must be conducted only after the expiration of the review period during which the Company’s Board of Directors makes necessary assessments.
- (c) Summary of countermeasures
- When a large-scale purchaser does not observe the prescribed procedures, or in other similar cases, the Board of Directors of the Company will issue to all of the then-current shareholders of the Company the Stock Acquisition Rights without payment of consideration based on the recommendation made by the Independent Committee. Furthermore, when the Company issues the Stock Acquisition Rights without payment of consideration, the Company may determine the exercise period, exercise conditions, and call clause, taking into account the effects as a countermeasure against the large-scale purchase.
- (d) Requirements of implementation of countermeasures
- The Company will issue Stock Acquisition Rights without payment of consideration as countermeasures, in the event of the following:

- 1) Where a large-scale purchaser does not follow the prescribed procedures;
- 2) Where it is determined that a large-scale purchaser intends to raise the stock price of the Company and make the Company or the related parties of the Company purchase shares back from the purchaser, while actually having no intention of taking part in the management of the Company;
- 3) Where it is determined that a large-scale purchaser intends to temporarily control the management of the Company and transfer the assets or other similar properties of the Company or the Group companies to the large-scale purchaser or its group companies;
- 4) Where it is determined that a large-scale purchaser intends to control the management of the Company and appropriate those assets of the Company or the Group companies by posting those assets as collateral of debts or tendering those assets for the payment of debts owed by the large-scale purchaser or its group companies;
- 5) Where it is determined that a large-scale purchaser intends to temporarily control the management of the Company and make a large payment of dividends by way of the sale of assets or by other means, or raise the price of the Company's stock by a large payment of dividends, with a view to selling its shares of the Company at a price raised as a result of the payment of the large dividends; or
- 6) Where a large-scale purchaser employs a strategy that may, in effect, economically force the shareholders of the Company to sell the Company's shares to the large-scale purchaser, including implementation of a TOB whereby the large-scale purchaser does not solicit all of the shares of the Company, and whereby the terms of the second TOB after the completion of the first TOB will be made less favorable to the remaining shareholders, or the terms of the second TOB are not clearly disclosed at the time of the first TOB.

(e) Process prior to the implementation of countermeasures

If a large-scale purchaser submits a confirmation letter of its intention concerning a large-scale purchase, the Independent Committee will deliver to the large-scale purchaser, within ten (10) business days, a list of information which is required to be provided by the large-scale purchaser at the first stage. If the Independent Committee determines that the information provided at the first stage is insufficient, submission of additional information may be requested until satisfactory information is provided. In addition, the Independent Committee may request that the Board of Directors of the Company give an opinion about a large-scale purchase, upon setting a term of answer to the request of a maximum of sixty (60) days, in principle. After the completion of the provision of information from the large-scale purchaser and the provision of information from the Board of Directors of the Company, the Independent Committee will assess, review, negotiate, and form an opinion concerning the large-scale purchase within sixty (60) days, in principle.

Based on the above-mentioned information provided, the Independent Committee will make recommendations to the Board of Directors of the Company on whether or not to implement the countermeasures, and the Board of Directors of the Company will make a resolution on such matter, as an organization under the Companies Act, based on the recommendations made by the Independent Committee.

(f) Effective term of the Plan

The Plan became effective at the closing of the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007, and will remain effective until the end of the Ordinary General Meeting of Shareholders in relation to the final fiscal year that ends within three (3) years from the adoption on June 26, 2007.

(4) Judgment of Board of Directors and its reasons with regard to efforts mentioned in (2) and (3) above

(a) Special Efforts to Help Achieve the Goals of the Basic Policy

The purpose of the efforts mentioned in (2) above is to secure and improve the corporate value and common interests of the shareholders of the Company, which, as a result, will help the Company to achieve the goals of the Basic Policy. Therefore, the Company believes that, in line with the Basic Policy, such efforts are in the common interests of the Company's shareholders and do not aim to protect the officers' positions in the Company.

(b) Efforts to prevent unqualified persons from controlling the Company according to the Basic Policy

By taking into account the terms and conditions described below and reflecting them in the Company's efforts, the Company believes that efforts to prevent an unqualified person from controlling the Company according to the Basic Policy are in the common interests of the Company's shareholders in line with the Basic Policy, and do not aim to protect the officers' positions in the Company.

1) Full satisfaction of the requirements under the government guidelines for takeover defense measures

The Plan completely satisfies the requirements of the three (3) principles stipulated in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

2) Respect of shareholders' intentions

The Company obtained the approval of shareholders concerning the Plan at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. In addition, since the term of office of Directors of the Company is one (1) year, the shareholders will be able to express their intentions as to the Plan through the exercise of their voting rights regarding the election of the Directors, even during the effective term of the Plan.

3) Respect of judgment of independent outside personnel and disclosure of information

Upon introducing the Plan, for the purposes of the prevention of arbitrary judgments from the Directors, the Company has established the Independent Committee as an organization to make decisions in an objective manner as to the substantive issues of the Plan, including decisions to implement or not to implement the countermeasures under the Plan. The Company's Board of Directors will appoint the members of this Independent Committee from among the Outside Directors of the Company and/or outside professionals, all of whom are independent from the Company's management responsibility for the business of the

Company.

When a large-scale purchase is actually proposed for the Company's stock, the Independent Committee will make recommendations to the Board of Directors pursuant to its operation rules based upon its judgments as to, among other things, whether or not the large-scale purchase damages the Company's corporate value or the shareholders' common interests. The Company's Board of Directors, respecting such recommendations to the fullest extent, will make resolutions as an organization under the Companies Act on whether or not to issue Stock Acquisition Rights without payment of consideration.

In this way, the Independent Committee will closely see to it that the Directors should not arbitrarily implement the counter measures, and the gist of the judgment of the Independent Committee will be disclosed to the shareholders. Thus the Company believes that the Company has established a structure to ensure that the Plan is applied in a transparent manner and serves for the benefit of the corporate value of the Company and the shareholders' common interests.

As of March 31, 2009, the members of the Independent Committee are: Kazumoto Yamamoto and Teruaki Aoki, who are Outside Directors of the Company, and Shigekazu Torikai, an attorney-at-law.

4) Rational and objective conditions prerequisite for the countermeasures

As discussed in (3) (d) above, the Company has set in the Plan rational and objective conditions which need to be satisfied before the countermeasures can be implemented. This will prevent the Board of Directors from making arbitrary decisions to implement the countermeasures.

5) Third-party professional opinion available to the Independent Committee

When a large-scale purchaser or other similar person comes about, the Independent Committee is entitled to obtain advice from independent third parties (including financial advisers, certified public accountants, legal counsel, consultants, and other professionals) at the expense of the Company. Thus, the fairness and objectivity of the Independent Committee's judgment will be further secured.

6) The Plan does not have a takeover defense measure similar to a "dead-hand" or "slow-hand" provision

The Plan can be abolished at any time by the Board of Directors, of which the members are selected at the General Meeting of Shareholders of the Company. It is entirely possible for a large-scale purchaser to appoint its nominees as Directors and have them abolish the Plan by way of Board resolutions. Therefore, the Plan is not a dead-hand anti-takeover measure (meaning an anti-takeover measure for which countermeasures cannot be prevented by changing the majority of the Directors on the Board).

In addition, the tenure of the Company's Directors is one (1) year, and the Company has not adopted a system to appoint Directors at different times. Therefore, the Plan is not a slow-hand anti-takeover measure (meaning an anti-takeover measure the prevention of which takes time because the Directors cannot be replaced all at one time) either.

Consolidated Balance Sheet

(As of March 31, 2009)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	232,372	Current liabilities	85,342
Cash and deposits	91,194	Notes and accounts payable	17,012
Notes and accounts receivable	53,497	Short-term loans payable	7,052
Finished goods	39,520	Bonds to be redeemed within a year	400
Raw materials	8,448	Bonds with subscription warrant to be redeemed within a year	22,500
Work in process	18,740	Income taxes payable	1,333
Deferred tax assets	11,498	Deferred tax liabilities	0
Accrued consumption tax	2,599	Accrued expenses	12,193
Other current assets	8,424	Reserve for bonuses to employees	4,284
Allowance for doubtful accounts	(1,551)	Reserve for bonuses to directors	158
Fixed assets	141,866	Reserve for product warranties	905
Property, plant and equipment	76,256	Notes payable for equipment	747
Buildings and structures	32,772	Reserve for business restructuring losses	7,018
Machinery, equipment and carriers	21,852	Other current liabilities	11,737
Tools, furniture and fixtures	4,753	Long-term liabilities	104,667
Land	12,267	Bonds	1,600
Lease assets	105	Long-term loans payable	90,800
Construction in progress	4,503	Deferred tax liabilities	331
Intangible fixed assets	13,534	Reserve for defined retirement benefits	9,975
Goodwill	9,270	Negative goodwill	711
Software	1,930	Other long-term liabilities	1,247
Lease assets	74	Total liabilities	190,009
Other intangible fixed assets	2,259	NET ASSETS	
Investments and other assets	52,075	Shareholders' equity	187,002
Investment securities	33,202	Paid-in capital	32,648
Long-term loans receivable	1,149	Additional paid-in capital	63,883
Deferred tax assets	14,247	Retained earnings	141,379
Other investments and other assets	5,798	Treasury stock	(50,910)
Allowance for doubtful accounts	(192)	Valuation and translation adjustments	(7,867)
Allowance for investment loss	(2,130)	Net unrealized gain/loss on other securities	404
		Foreign currency translation adjustments	(8,271)
		Minority interest	5,095
		Total net assets	184,229
Total Assets	374,239	Total Liabilities and Net Assets	374,239

Consolidated Statement of Income

(Year ended March 31, 2009)

(Millions of yen)

Account title	Amount	
Net sales		296,857
Cost of sales		205,005
Gross profit		91,852
Selling, general and administrative expenses		90,453
Operating income		1,398
Non-operating income		
Interest and dividend income	2,197	
Rent income	250	
Amortization of negative goodwill	540	
Other	2,271	5,259
Non-operating expenses		
Interest charges	597	
Loss on sale of notes receivable	289	
Depreciation expenses for lent properties	108	
Investment loss from the application of equity method	278	
Foreign currency exchange loss	3,014	
Other	1,621	5,909
Ordinary income		748
Extraordinary gains		
Gain on sales of fixed assets	7	
Gain on sales of investment securities	3,140	
Reversal of allowance for doubtful accounts	144	
Other	715	4,009
Extraordinary losses		
Loss on sales of fixed assets	2	
Loss on disposal of fixed assets	855	
Loss on impairment	14,183	
Loss on disposal of inventories	592	
Business restructuring losses	9,448	
Loss on valuation of investment securities	3,384	
Loss on retirement pension system change	405	
Provision of allowance for investment loss	705	
Amortization of goodwill	5,511	
Other	735	35,825
Income (loss) before income taxes		(31,067)
Income taxes—current		3,720
Income taxes—deferred		(8,686)
Minority interest		(294)
Net income (loss)		(25,806)

Consolidated Statement of Changes in Shareholders' Equity

(Year ended March 31, 2009)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008	32,648	63,885	174,397	(30,893)	240,038
Changes during the consolidated fiscal year					
Cash dividends			(7,721)		(7,721)
Net income (loss)			(25,806)		(25,806)
Repurchase of treasury stock				(20,022)	(20,022)
Cancellation of treasury stock		(1)		5	3
Changes in scope of consolidation			353		353
Decrease due to changes in interest			(0)		(0)
Increase in retained earnings due to provisional settlement of account of affiliates under the equity method			157		157
Net changes except in shareholders' equity					
Total changes during the consolidated fiscal year		(1)	(33,017)	(20,017)	(53,036)
Balance as of March 31, 2009	32,648	63,883	141,379	(50,910)	187,002

	Valuation and translation adjustments			Minority interest	Total net assets
	Net unrealized gain/loss on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2008	6,436	(4,331)	2,104	1,687	243,830
Changes during the consolidated fiscal year					
Cash dividends					(7,721)
Net income (loss)					(25,806)
Repurchase of treasury stock					(20,022)
Cancellation of treasury stock					3
Changes in scope of consolidation					353
Decrease due to changes in interest					(0)
Increase in retained earnings due to provisional settlement of account of affiliates under the equity method					157
Net changes except in shareholders' equity	(6,032)	(3,940)	(9,972)	3,407	(6,565)
Total changes during the consolidated fiscal year	(6,032)	(3,940)	(9,972)	3,407	(59,601)
Balance as of March 31, 2009	404	(8,271)	(7,867)	5,095	184,229

Notes to Consolidated Financial Statements

1. Premise of going concern

Not applicable

2. Basis of presenting the consolidated financial statements

(1) Scope of consolidation

(a) Number of consolidated subsidiaries 84

The names of main consolidated subsidiaries are 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. and Citizen Sayama Co., Ltd.

From the consolidated fiscal year under review, Citizen Watch Company of Canada Ltd., Citizen Watch Do Brazil S.A. and Citizen Watches (India) Pvt. Ltd., have been included in the scope of consolidation in consideration of their importance, and 10 other companies including Miyano Machinery Inc., have been included in the scope of consolidation being made into a consolidated subsidiary.

On the other hand, Citizen Precision of Korea Co., Ltd., have been excluded from the scope of consolidation due to sale of all of its shares, and Premier Precision Ltd., have been excluded from the scope of consolidation due to its dissolution.

Citizen Holdings Co., Ltd. and Citizen Technology Center Co., Ltd. have merged, as have Citizen Miyota Co., Ltd. and Citizen Fine Tech Co., Ltd.

(b) Status of non-consolidated subsidiaries

The names of main non-consolidated subsidiaries are Citizen Machinery UK Ltd. and Citizen Systems (Jiangmen) Co., Ltd.

The reason for exclusion is because the total assets, net sales, net income (equivalent portion for equity holdings), and retained earnings (equivalent portion for equity holdings) of each non-consolidated 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.

(2) Application of the equity method

(a) Number of non-consolidated subsidiaries under the equity method 0

(b) Number of affiliates under the equity method 2

The names of affiliates under the equity method are First Cainta Resources Corporation and Shanghai Takisawa Miyano Machinery Ltd.

Miyano Machinery Inc. has been made into a consolidated subsidiary and is no longer considered an affiliate under the equity method. Two other companies have been newly added as affiliates under the equity method.

(c) Status of non-consolidated subsidiaries and affiliates to which the equity method is not applied

The non-consolidated subsidiaries to which the equity method is not applied are Citizen Machinery UK Ltd. and Citizen Systems (Jiangmen) Co., Ltd., and the main affiliate to which the equity method is not applied is Marubeni Citizen

Cincom Inc.

The reason for exclusion is based on the immateriality of the individual impacts of their net income (equivalent portions for equity holdings), retained earnings (equivalent portions for equity holdings), and other financial measures on the consolidated financial statements, and based on the overall lack of importance of each of these companies to the consolidated group.

(3) Fiscal year of consolidated subsidiaries

Miyano Machinery Inc. and its 9 consolidated subsidiaries as well as 46 overseas subsidiaries have a closing date that is different from the consolidated closing date for the consolidated financial statements.

The closing date of Miyano Machinery Inc. and its 9 consolidated subsidiaries as well as 46 overseas subsidiaries is December 31. When preparing consolidated financial statements, the necessary calculations are made to prepare the balance sheet and statement of income which form the basis for the consolidated financial statements prepared on the consolidated closing date.

(4) Accounting standards

(a) Valuation standards and method for major assets

1) Marketable securities

• Other marketable securities

Those with determinable market values are stated at market value method based on market price as of the consolidated closing date (valuation differences are disposed using the direct net asset adjustment method and the cost of securities sold is primarily calculated based on the moving average method).

Those without determinable market values are stated at cost based on the moving average method.

2) Derivatives

Derivatives are stated at market value method.

3) Inventories

Inventories are primarily stated at cost on the gross average method (with balance sheet values reflecting write downs for decreased profitability).

(Change in accounting policy)

In the past, inventories held for sale in the ordinary course of business were valued primarily at lower of cost or market using the gross average method. However, in accordance with the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006), which took effect beginning with the consolidated fiscal year under review, these inventories are being valued primarily at cost on the gross average method (with balance sheet values reflecting write downs for decreased profitability).

The income impact of this change is immaterial.

(b) Depreciation methods used for important depreciable assets

1) Depreciation of property, plant and equipment (excluding lease assets) is primarily calculated using the declining balance method.

Primary useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and carriers	2 to 10 years

(Additional information)

From the consolidated fiscal year under review, the useful lives of machinery and equipment at some domestic subsidiaries have been revised in connection with revision of the Corporate Tax Act of 2008. The income impact of this change is immaterial.

- 2) Amortization of intangible fixed assets (excluding lease assets) is calculated using the straight-line method.
- 3) Lease 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 commenced before March 31, 2008, accounting treatment complying with the method applied for ordinary lease transactions is being continued.

(c) Basis of accounting for major reserves

1) 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 collectability 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 collectability and required loss estimates are recorded.

2) Allowance for investment loss

To provide for possible losses due to extreme devaluation in shares of non-consolidated subsidiaries (excluding shares subject to impairment accounting), an allowance for investment loss is provided for an amount considering the actual share prices as of the end of the consolidated fiscal year.

3) Reserve for bonuses to employees

The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments, excluding overseas consolidated subsidiaries.

4) Reserve for bonuses to directors

In the Company and some consolidated subsidiaries, the reserve for bonuses to directors is stated at an amount based on the estimated forthcoming payments.

5) Reserve for product warranties

At some overseas consolidated sales subsidiaries, certain rates of net sales are provided as an allowance for the possible expenses required for after-sales service of products.

6) Reserve for business restructuring losses

An estimated amount is recorded in preparation for expenses or losses associated with business restructuring.

7) Reserve for defined retirement benefits

The reserve for defined retirement benefits is stated as the amount deemed to be correct as of the end of the consolidated fiscal year under review. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets as of the end of the consolidated fiscal year under review.

Any difference arising as a result of changes in accounting standards are, in principle, treated as extraordinary losses for the year in which the difference arises. However, the straight-line method is applied over a period of 5 to 10 years at some consolidated subsidiaries.

Prior service liabilities and differences arising from mathematical calculations will primarily 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.

(Additional information)

The Citizen Group provides a tax-qualified pension plan and a termination allowance plan as our defined benefit plan. However, some of the consolidated subsidiaries have changed a part of their retirement benefit system from a tax-qualified pension plan to a defined contribution plan. Upon transition, "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1) has been applied.

As a result of this transition, we have posted 405 million yen as extraordinary losses.

(d) Translation of major foreign currency assets or liabilities

Foreign currency amounts are translated into Japanese yen at the rate prevailing on the consolidated closing date for accounts receivables and accounts payable. The translation adjustments are stated as profit/loss.

In addition, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot rate on the consolidated closing date, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate. The translation adjustments are included in foreign currency translation adjustments and minority interest in net assets section.

(e) Other important matters for presenting the consolidated financial statements

1) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued at fair value as of the respective date of acquisition.

2) Amortization of goodwill and negative goodwill

Goodwill is amortized in equal amounts over an estimated period during which its effects are manifested (within 20 years after recording).

However, when the difference to be deleted is negligible, it is accounted for profit/loss for the consolidated fiscal year in which it occurred.

3) Method of hedge accounting

- Method of hedge accounting

Exceptional treatment is applied for interest rate swaps.

- Hedging instruments and hedged items

Interest rate swaps are used with respect to the interest on some loans.

- Hedging policy

Hedging is effected with respect to interest rate risk for some loans.

- Method of assessing hedge effectiveness, etc.

The assessment of hedge effectiveness is omitted because exceptional treatment is applied for interest rate swaps.

4) Accounting method for consumption tax

Consumption tax is calculated using a tax exclusion method.

5) Consolidated taxation system is applied.

3. Notes to Consolidated Balance Sheet

(1)	Accumulated depreciation of property, plant and equipment	249,366 million yen
(2)	Assets pledged as collateral	
	Deposit	70 million yen
	Secured debt	
	Accounts payable (balance at the end of the consolidated fiscal year under review)	124 million yen
(3)	Guarantee obligation	
	Guarantees for bank loans of non-consolidated subsidiaries	507 million yen

4. Notes to Consolidated Statement of Changes in Shareholders' Equity

(1) Total number of issued shares

Type of shares	No. of shares at the end of previous fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at the end of current fiscal year
Common stock	380,353,809	-	-	380,353,809

(2) Cash dividends

(a) Cash dividend payment

(i) Dividends approved at the 123rd Ordinary General Meeting of Shareholders held on June 25, 2008

- Total amount of dividends 5,205 million yen
- Dividends per share 15 yen
- Record date March 31, 2008

- Effective date June 26, 2008
- (ii) Dividends approved at the meeting of the Board of Directors held on November 10, 2008
- Total amount of dividends 2,516 million yen
 - Dividends per share 7.50 yen
 - Record date September 30, 2008
 - Effective date December 4, 2008
- (b) Of the cash dividends with record date during this consolidated fiscal year, those with effective date in the next consolidated fiscal year
- The following matters will be placed on the agenda at the 124th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 25, 2009.
- Total amount of dividends 800 million yen
 - Dividend resource Retained earnings
 - Dividends per share 2.50 yen
 - Record date March 31, 2009
 - Effective date June 26, 2009
- (3) Type and number of shares subject to stock acquisition rights at the end of the consolidated fiscal year under review (except those that have not yet become due)
- Common stock 27,703,017

5. Notes to per share information

Net assets per share	559.34 yen
Net income per share	77.32 yen

6. Other notes

(1) Changes in accounting policies

(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18, May 17, 2006) was applied, and necessary revisions were made to consolidated earnings.

The income impact of this change is immaterial.

(Application of accounting standards for lease transactions)

The accounting method of finance lease transactions that do not transfer ownership of the leased assets to the lessee have traditionally been complied with that of lease transactions, but beginning with the consolidated fiscal year under review, Accounting Standards for Lease Transactions (ASBJ Statement No. 13 released by Business Accounting Council on June 17, 1993, and revised March 30, 2007) and Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 released by JICPA Accounting System Standards Committee January 18, 1994, and revised March 30, 2007) were applied, and are now complied with ordinary

purchase transactions.

For finance lease transactions that do not transfer ownership of the leased assets to the lessee and began prior to the fiscal year in which this policy was adopted, accounting treatment complying with the method applied for ordinary lease transactions is being continued.

The income impact of this change is immaterial.

- (2) Figures are rounded down to one million yen.

Non-Consolidated Balance Sheet

(As of March 31, 2009)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	40,573	Current liabilities	26,229
Cash and deposits	36,939	Accounts payable	12
Operating accounts receivable	106	Current portion of long-term loans payable	0
Short-term loans	0	Bonds with subscription warrant to be redeemed within a year	22,500
Accounts receivable—other	1,271	Accounts payable—other	2,931
Deposits paid	48	Accrued expenses	507
Accrued consumption tax	128	Deposits received	19
Deferred tax assets	185	Reserve for bonuses to employees	186
Other current assets	1,894	Reserve for bonuses to directors	30
Fixed assets	142,918	Notes payable for equipment	35
Property, plant and equipment	14,987	Other current liabilities	5
Buildings and structures	11,024	Long-term liabilities	65,610
Machinery and equipment	110	Long-term loans payable	60,000
Vehicles and carriers	0	Reserve for defined retirement benefits	633
Tools, furniture and fixtures	74	Provision for loss on guarantees	4,632
Land	3,746	Other long-term liabilities	344
Construction in progress	31	Total Liabilities	91,839
Intangible fixed assets	41	NET ASSETS	
Software	31	Shareholders' Equity	91,335
Right of using patent	1	Paid-in capital	32,648
Other intangible fixed assets	8	Additional paid-in capital	66,023
Investments and other assets	127,890	Legal capital surplus	36,029
Stocks of subsidiaries and affiliates	98,014	Other capital surplus	29,993
Investment securities	22,882	Retained earnings	43,573
Long-term loans receivable	0	Other retained earnings	43,573
Long-term prepaid expenses	145	Retained earnings brought forward	43,573
Deferred tax assets	5,778	Treasury stock	(50,910)
Other investments	1,069	Valuation and translation adjustments	317
		Net unrealized gain/loss on other securities	317
		Total Net Assets	91,653
Total Assets	183,492	Total Liabilities and Net Assets	183,492

Non-Consolidated Statement of Income
(Year ended March 31, 2009)

(Millions of yen)

Account title	Amount	
Operating revenue		13,001
Operating expenses		8,359
Operating income		4,642
Non-operating revenue		
Interest income	19	
Dividend income	939	
Rent income	1	
Miscellaneous revenue	106	1,068
Non-operating expenses		
Interest charges	148	
Foreign currency exchange loss	0	
Miscellaneous expenses	201	350
Ordinary income		5,360
Extraordinary gains		
Gain on sales of investment securities	3,139	
Other	280	3,420
Extraordinary losses		
Loss on disposal of fixed assets	45	
Loss on impairment	993	
Loss on valuation of stocks of subsidiaries and affiliates	11,942	
Loss on valuation of investment securities	2,987	
Other	39	16,009
Income (loss) before income taxes		(7,228)
Income taxes-current		1,203
Income taxes-deferred		892
Net income (loss)		(9,324)

Non-Consolidated Statement of Changes in Shareholders' Equity
(Year ended March 31, 2009)

(Millions of yen)

	Shareholders' equity					
	Paid-in capital	Additional paid-in capital			Retained earnings	
		Legal capital surplus	Other capital surplus	Total additional paid-in capital	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance as of March 31, 2008	32,648	36,029	29,994	66,024	60,619	60,619
Changes during the fiscal year						
Cash dividends					(7,721)	(7,721)
Net income (loss)					(9,324)	(9,324)
Repurchase of treasury stock						-
Cancellation of treasury stock			(1)	(1)		-
Net changes except in shareholders' equity						-
Total changes during the fiscal year			(1)	(1)	(17,045)	(17,045)
Balance as of March 31, 2009	32,648	36,029	29,993	66,023	43,573	43,573

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gain/loss on other securities	Total valuation and translation adjustments	
Balance as of March 31, 2008	(30,893)	128,399	6,198	6,198	134,598
Changes during the fiscal year					
Cash dividends		(7,721)		-	(7,721)
Net income (loss)		(9,324)		-	(9,324)
Repurchase of treasury stock	(20,022)	(20,022)		-	(20,022)
Cancellation of treasury stock	5	3		-	3
Net changes except in shareholders' equity		-	(5,880)	(5,880)	(5,880)
Total changes during the fiscal year	(20,017)	(37,064)	(5,880)	(5,880)	(42,945)
Balance as of March 31, 2009	(50,910)	91,335	317	317	91,653

Notes to Non-Consolidated Financial Statements

1. Premise of going concern

Not applicable

2. Major accounting policies

(1) Valuation standards and method for marketable securities

(a) Stocks of subsidiaries and affiliates are stated at cost based on the moving average method.

(b) Other marketable securities

Those with determinable market values are stated at market value method based on market price as of the closing date (valuation differences are disposed using the direct net asset adjustment method and the cost of securities sold is calculated based on the moving average method).

Those without determinable market values are stated at cost based on the moving average method.

(2) Depreciation methods used for fixed assets

(a) Depreciation of property, plant and equipment

Calculated using the declining balance method.

Primary useful lives are as follows:

Buildings and structures	3 to 50 years
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Machinery and equipment	7 to 10 years
-------------------------	---------------

(b) Amortization of intangible fixed assets

Calculated using the straight-line method.

(3) Basis of accounting for reserves

(a) Allowance for doubtful accounts

In setting aside an allowance for possible losses related to trade receivables, loans, etc., individual ordinary receivables regarded as doubtful are evaluated for collectability and an amount equivalent to the portion judged to be uncollectible is recorded based on the lone loss ratio.

There is no outstanding balance as of the end of the fiscal year under review.

(b) Allowance for investment loss

To provide for possible losses due to extreme devaluation in stocks of subsidiaries and affiliates, etc., (excluding shares subject to impairment accounting), an allowance for investment loss is provided for an amount considering the actual share prices as of the end of the fiscal year.

There is no outstanding balance as of the end of the fiscal year under review.

(c) Reserve for bonuses to employees

The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments.

- (d) Reserve for bonuses to directors
The reserve for bonuses to directors is stated at an amount based on the estimated forthcoming payments.
- (e) Reserve for defined retirement benefits
The reserve for defined retirement benefits is stated as the amount deemed to be correct as of the end of the fiscal year under review. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets as of the end of the fiscal year under review.
Prior service liabilities and differences arising from mathematical calculations will be accounted for using a declining balance method that is no more than the average of the employee's remaining years of service when they occur (5 years). However, 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.
- (f) Provision for loss on guarantees
To provide for loss relating to guarantees, an estimated amount of loss is recorded considering the financial position, etc. of guaranteed parties.
- (4) Method of hedge accounting
 - (a) Method of hedge accounting
Exceptional treatment is applied for interest rate swaps.
 - (b) Hedging instruments and hedged items
Interest rate swaps are used with respect to the interest on some loans.
 - (c) Hedging policy
Hedging is effected with respect to interest rate risk for some loans.
 - (d) Method of assessing hedge effectiveness, etc.
The assessment of hedge effectiveness is omitted because exceptional treatment is applied for interest rate swaps.
- (5) Beginning with the fiscal year under review, Accounting Standards for Lease Transactions (ASBJ Statement No. 13 released by Business Accounting Council on June 17, 1993, and revised March 30, 2007) and Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 released by JICPA Accounting System Standards Committee January 18, 1994, and revised March 30, 2007) were applied for finance lease transactions that do not transfer ownership of the leased assets to the lessee.

For finance lease transactions that do not transfer ownership of the leased assets to the lessee and began prior to the fiscal year in which this policy was adopted, accounting treatment complying with the method applied for ordinary lease transactions is being continued.

The income impact of this change is immaterial.
- (6) Consumption tax is calculated using a tax exclusion method.
- (7) Consolidated taxation system is applied.

3. Notes to Non-Consolidated Balance Sheet

(1) Short-term monetary claims from subsidiaries and affiliates	1,361 million yen
Short-term monetary liabilities to subsidiaries and affiliates	2,522 million yen
Long-term monetary liabilities to subsidiaries and affiliates	7 million yen
(2) Accumulated depreciation of property, plant and equipment	29,179 million yen
(3) Guarantee obligation	
Guarantees for loans of subsidiaries and affiliates from financial institutions	30,086 million yen
Guarantees for loans of subsidiaries and affiliates from in-group financial subsidiaries, etc.	44,906 million yen
(of which, the amount of 30,000 million yen is a guarantee for loans to subsidiaries and affiliates based on the above loans from financial institutions)	

4. Notes to Non-Consolidated Statement of Income

(1) Operating revenue concerning subsidiaries and affiliates	12,618 million yen
(2) Operating expenses concerning subsidiaries and affiliates	877 million yen
(3) Non-operating transaction with subsidiaries and affiliates	173 million yen

5. Notes to Non-Consolidated Statement of Changes in Shareholders' Equity

Type of shares	No. of shares at the end of previous fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at the end of current fiscal year
Common stock	33,348,673	26,750,553	5,673	60,093,553

Notes:

1. The increase in treasury stock (26,750,553 shares) is due to the purchase of issued shares on the open market (26,720,300 shares) and the purchase of shares less than one unit (30,253 shares).
2. The decrease in treasury stock (5,673 shares) is due to the request for sale of shares less than one unit.

6. Tax effect accounting

Breakdown of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Depreciable assets	983 million yen
Reserve for defined retirement benefits	494 million yen
Stocks of subsidiaries and affiliates and investment securities	18,539 million yen
Provision for loss on guarantees	1,884 million yen
Other	976 million yen
<hr/>	
Subtotal	22,878 million yen
Valuation reserve	(16,775) million yen
<hr/>	
Total	6,102 million yen

Deferred tax liabilities	
Net unrealized gain/loss on other securities	(11) million yen
Other	(127) million yen
Total	(139) million yen
Net deferred tax assets	5,963 million yen

7. Fixed assets under lease contracts

In addition to the fixed assets on the balance sheet, some office equipment is under finance lease contracts that do not transfer ownership of the leased assets to the lessee.

8. Transactions with related parties

Attribute	Name	Voting Rights or Ownership	Relationship		Transactions	Transaction amount (Millions of yen)	Item	Balance at end of year
			No. of Interlocking directors	Business relations				
Subsidiary	Citizen Watch Co., Ltd.	Ownership (direct) 100%	2	Acceptance of entrustment of management, leasing of real-estate, etc.	Receipt of management fee (Note) 1 Debt guarantee (Note) 2	2,928 26,300	- -	- -
Subsidiary	Citizen Machinery Co., Ltd.	Ownership (direct) 100%	2	Acceptance of entrustment of management	Debt guarantee (Note) 2	7,150	-	-
Subsidiary	Citizen Electronics Hachinohe Co., Ltd.	Ownership (direct) 100%	1	leasing of real-estate, etc.	Debt guarantee (Note) 2	5,716	-	-
Subsidiary	Citizen Seimitsu Co., Ltd.	Ownership (direct) 100%	1	Acceptance of entrustment of management, leasing of real-estate, etc.	Debt guarantee (Note) 2	5,788	-	-
Subsidiary	Citizen Jewelry Co., Ltd.	Ownership (direct) 100%	2	-	Debt guarantee (Note) 2	2,684	-	-
Subsidiary	Citizen Financial Service Co., Ltd.	Ownership (direct) 100%	2	In-group financial subsidiary	Debt guarantee (Note) 2	30,000	-	-

The above transaction amount does not include consumption tax.

(Notes) Business terms and decision-making policy of business terms, etc.

1. The amount of the management fee shall be reasonably agreed upon with each subsidiary.
2. Debt guarantees shall be provided for loans of each subsidiary.

9. Per share information

Net assets per share	286.18 yen
Net income per share	27.94 yen

10. Other notes

Figures are rounded down to one million yen.

Financial Audit Report on Consolidated Financial Statements

Independent Auditors' Report on Consolidated Financial Statements

May 22, 2009

To the Board of Directors of Citizen Holdings Co., Ltd.

Nihombashi Corporation
Shigehiro Chiba [seal]
Designated Partner and Engagement
Partner, C.P.A.
Akira Ogura [seal]
Designated Partner and Engagement
Partner, C.P.A.

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Citizen Holdings Co., Ltd. These statements consisted of the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, and notes to consolidated financial statements for the 124th fiscal year from April 1, 2008 to March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards, procedures, and practices generally accepted and applied in Japan. These standards, procedures, and practices require that we obtain reasonable assurances about whether the consolidated financial statements are free of material misstatements. Our audit includes examining the overall presentation of the consolidated financial statements based on audit tests, including the evaluation of the accounting principles applied by the management and the manner of the application thereof, and the estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.

We certify that the above-mentioned consolidated financial statements properly present, in all material respects, the assets and the profits and losses of the Corporate Group comprised of Citizen Holdings Co., Ltd. and its consolidated subsidiaries for the period covered thereby, in accordance with accounting standards generally accepted and applied in Japan.

We have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

Financial Audit Report on Non-consolidated Financial Statements

Independent Auditors' Report

May 22, 2009

To the Board of Directors of Citizen Holdings Co., Ltd.

Nihombashi Corporation
Shigehiro Chiba [seal]
Designated Partner and Engagement
Partner, C.P.A.
Akira Ogura [seal]
Designated Partner and Engagement
Partner, C.P.A.

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Citizen Holdings Co., Ltd. These statements consisted of the balance sheet, statement of income, statement of changes in shareholders' equity, notes to non-consolidated financial statements, and supplementary schedules for the 124th fiscal year from April 1, 2008 to March 31, 2009. The above financial statements and the supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements and the supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards, procedures, and practices generally accepted and applied in Japan. These standards, procedures, and practices require that we obtain reasonable assurances about whether the financial statements and the supplementary schedules are free of material misstatements. Our audit includes examining the overall presentation of the financial statements and the supplementary schedules based on audit tests, including the evaluation of the accounting principles applied by the management and the manner of the application thereof, and the estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.

We certify that the above-mentioned financial statements and the supplementary schedules properly present, in all material respects, the assets and the profits and losses of Citizen Holdings Co., Ltd. for the period covered thereby, in accordance with accounting standards generally accepted and applied in Japan.

We have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

Audit Report of the Board of Corporate Auditors

Audit Report

With regard to the performance of the Directors' duties for the 124th business term from April 1, 2008 to March 31, 2009, we have prepared this Audit Report, after examining the audit reports prepared by each Corporate Auditor, and hereby report as follows:

1. **Auditing Methods of the Corporate Auditors and Board of Corporate Auditors, and Details of Such Audits**

We established the audit policy, allocation of duties, and other relevant matters, and we received reports from each Corporate Auditor regarding the status of their audits and the results thereof. We also received reports from the Directors and others, and the Independent Auditors regarding the performance of their duties, and asked them to provide explanations when needed.

Each Corporate Auditor: conformed to the audit policy and allocation of duties and other relevant matters prescribed by the Board of Corporate Auditors; maintained communications with the Directors, the Internal Audit Office, employees, and others; made efforts to establish an environment for collecting information and auditing; attended meetings of the Board of Directors and other important meetings; received reports from the Directors, employees and others on the performance of their duties; asked the Directors, employees and others to provide explanations when needed; reviewed important written decisions and other items; and studied the business and financial conditions of the Company. In addition, we monitored and examined the Company's system to ensure that the Directors perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation; the details of the resolution of the Board of Directors regarding the development of the system stipulated in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act, which is necessary to ensure the appropriateness of the Company's operations; and the system developed under such resolution (the "internal control system").

With respect to internal control for financial reporting, we received reports from Directors and Nihombashi Corporation regarding the evaluation and status of audit of the internal control, and asked them to provide explanations when needed.

And with respect to subsidiaries, we maintained communications and exchanged information with Directors, Corporate Auditors, and others of subsidiaries, and received business reports from subsidiaries when needed. Based on the above methods, we reviewed the business reports and supplementary schedules for this business term.

Further, we monitored and examined whether the Independent Auditors performed proper audits while retaining their independence, and received reports from the Independent Auditors on the performance of the Independent Auditors' duties and asked the Independent Auditors to provide explanations when needed. In addition, we were notified by the Independent Auditors that the "system to ensure proper performance of its duties" (the matters set forth in each item of Article 131 of the Company Accounting Regulations) has been developed in accordance with the "Quality Control Standards for Audits" issued by the Business Accounting Council on October 28, 2005, and other relevant standards, and we asked the Independent Auditors to provide explanations when needed. Based on the above methods, we reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity, and notes to non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in shareholders' equity, and notes to consolidated financial statements) for this business term.

2. Audit Results

(1) Audit Results of Business Report and Other Documents

- (a) We are of the opinion that the Business Report and the supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Articles of Incorporation.
- (b) We have found no significant evidence of wrongful acts or violations of relevant laws and regulations or the Articles of Incorporation with regard to the Directors' performance of their duties.
- (c) We are of the opinion that the resolutions of the Board of Directors regarding the internal control system are proper and correct. Furthermore, we have found no matters which we need to point out regarding the Directors' performance of their duties in connection with the relevant internal control system.
- (d) We have found no matters which we need to point out regarding the Basic Policy relating to Persons who Control Decision-making Policies of the Company's Financial and Business Affairs mentioned in the Business Report.

We are of the opinion that the Company's efforts based on such Basic Policy do not impair the common interests of the Company's shareholders, and do not aim to protect the officers' positions in the Company.

(2) Audit Results of Non-Consolidated Financial Statements and supplementary schedules

We are of the opinion that the methods and results of the audit made by the Independent Auditors, Nihombashi Corporation, are proper and correct.

(3) Audit Results of Consolidated Financial Statements

We are of the opinion that the methods and results of the audit made by the Independent Auditors, Nihombashi Corporation, are proper and correct.

May 29, 2009

Board of Corporate Auditors
Citizen Holdings Co., Ltd.

Takeshi Hayasaka [seal]
Full-time Corporate Auditor
(Outside Corporate Auditor)

Yoshiyuki Iijima [seal]
Full-time Corporate Auditor

Masaomi Suizu [seal]
Corporate Auditor
(Outside Corporate Auditor)

Reference Materials for the General Meeting of Shareholders

Item 1: Appropriation of Surplus

The Company considers the distribution of profits to shareholders to be an extremely important management issue of the Company. The Company has made it a fundamental policy to keep the average of the “payout ratio” (which is the percentage of earnings paid to shareholders in dividends) at 30% or more for the last three- to five-year period.

As for the year-end dividend for the current fiscal year, thoroughly considering the above fundamental policy, performance for this fiscal year and future business development, the Company proposes paying 2.50 yen per share as shown below. This payment, combined with the interim dividend of 7.50 yen per share, will bring the total annual cash dividend for this fiscal year to 10.00 yen per share.

1. Type of dividend

Cash

2. Allotment and total amount of dividend

2.50 yen per common share of the Company

Total amount of dividends: 800,650,640 yen

3. Effective date of dividends from surplus

June 26, 2009

Item 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

With the enforcement of the “Act for Partial Revision of the Act on Transfer of Bonds, etc. for Streamlining Settlement Concerning Stock Trading, etc.” (Act No. 88 of 2004; hereinafter referred to as the “Act for Streamlining Settlement of Stocks, etc.”) on January 5, 2009, the book-entry transfer system of stocks became applied to all the stocks of listed companies (i.e., implementation of the stock certificate dematerialization), formal amendments will be made to the provisions in the current Articles of Incorporation, such as deletion of provisions regarding share certificates, beneficial shareholders and register of beneficial shareholders, which have become unnecessary from the standpoint of Articles of Incorporation, renumbering and rephrasing of Articles.

Furthermore, since the register of lost share certificates shall be prepared and kept until the day in one year after the day following the date of the enforcement date of the Act for Streamlining Settlement of Stocks, etc., a Supplementary Provisions regarding the necessary provisions will be established.

2. Contents of amendments

The proposed amendments are as follows:

(Amendments are indicated below with underlines.)

Current Articles	Proposed Amendments
<p><u>Article 7 (Issuance of Share Certificates)</u> <u>The Company shall issue share certificates for its shares.</u></p>	<p>(Deleted)</p>
<p>Article <u>8</u> (Omitted)</p>	<p>Article <u>7</u> (The same as present)</p>
<p>Article <u>9</u> (Number of Shares Constituting One Unit of Shares, and Non-Issuance of Share Certificates constituting Less Than One Unit)</p> <p>1. The number of shares constituting one unit of shares of the Company shall be one hundred (100).</p> <p>2. <u>Notwithstanding the provisions of Article 7, the Company shall not issue any certificate for shares less than one unit, unless otherwise provided for in the Share Handling Rules.</u></p>	<p>Article <u>8</u> (Number of Shares Constituting One Unit of Shares)</p> <p>The number of shares constituting one unit of shares of the Company shall be one hundred (100).</p> <p style="text-align: center;">(Deleted)</p>
<p>Article <u>10</u> (Purchase of Shares Less Than One Unit)</p> <p>A shareholder <u>(including a beneficial shareholder; the same applies hereinafter)</u> may, in accordance with the provisions of the Share Handling Rules, request the Company to sell to the shareholder such amount of shares which will, when added together with the shares less than one unit, constitute one unit of shares.</p>	<p>Article <u>9</u> (Purchase of Shares Less Than One Unit)</p> <p>A shareholder may, in accordance with the provisions of the Share Handling Rules, request the Company to sell to the shareholder such amount of shares which will, when added together with the shares less than one unit, constitute one unit of shares.</p>

Current Articles	Proposed Amendments
<p>Article <u>11</u> (Agent to Manage Shareholders Registry)</p> <p>1. The Company shall have an agent to manage shareholders registry.</p> <p>2. The agent to manage shareholders registry and the location of its handling office shall be determined by resolution of the Board of Directors, and be publicly notified.</p> <p>3. The preparation and keeping of the Company's shareholders registry <u>(including the register of beneficial shareholders; the same shall apply hereinafter)</u>, list of stock acquisition rights <u>and register of lost share certificates</u>, and other administrative work related to shareholders registry, list of stock acquisition rights <u>and register of lost share certificates</u> shall be entrusted to the agent to manage shareholders registry and shall not be handled by the Company itself.</p>	<p>Article <u>10</u> (Agent to Manage Shareholders Registry)</p> <p>1. The Company shall have an agent to manage shareholders registry.</p> <p>2. The agent to manage shareholders registry and the location of its handling office shall be determined by resolution of the Board of Directors, and be publicly notified.</p> <p>3. The preparation and keeping of the Company's shareholders registry <u>and</u> list of stock acquisition rights, and other administrative work related to shareholders registry <u>and</u> list of stock acquisition rights shall be entrusted to the agent to manage shareholders registry and shall not be handled by the Company itself.</p>
<p>Article <u>12</u> to Article <u>40</u> (Omitted)</p>	<p>Article <u>11</u> to Article <u>39</u> (The same as present)</p>
<p>(Newly established)</p>	<p><u>Supplementary Provisions</u> <u>Article 1 The preparation and keeping of the Company's register of lost share certificates, and other administrative work related to register of lost share certificates shall be entrusted to the agent to manage shareholders registry and shall not be handled by the Company itself.</u></p>
<p>(Newly established)</p>	<p><u>Article 2 These Supplementary Provisions shall be effective until January 5, 2010, and shall be deleted in entirety after such date.</u></p>

Item 3: Election of Nine (9) Directors

The terms of office of all of the present ten (10) Directors will expire at the conclusion of this General Meeting of Shareholders. The Company proposes to elect nine (9) Directors.

The candidates for the positions of Director are as follows:

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations	Number of the Company's shares held
1	Mitsuyuki Kanamori (August 6, 1943)	<p>April 1966 Joined the Company</p> <p>June 1998 Director of the Company</p> <p>June 2002 Managing Director of the Company</p> <p>June 2002 General Manager of Corporate Planning Division of the Company</p> <p>June 2004 Senior Managing Director of the Company</p> <p>April 2007 In charge of Corporate Planning Division of the Company</p> <p>April 2008 President and CEO of the Company (present)</p>	22,176
2	Toshio Koga (August 4, 1944)	<p>April 1967 Joined the Company</p> <p>June 2000 Director of Citizen Trading Co., Ltd.</p> <p>June 2002 President and CEO of Citizen Trading Co., Ltd.</p> <p>May 2004 President and CEO of Citizen Financial Service Co., Ltd. (present)</p> <p>June 2004 Managing Director of the Company</p> <p>June 2004 General Manager of Accounting Division of the Company</p> <p>April 2007 In charge of Accounting Division of the Company (present)</p> <p>April 2008 Senior Managing Director of the Company (present)</p> <p>April 2008 In charge of Corporate Planning Division of the Company (present)</p> <p>June 2008 In charge of Intellectual Property Department of the Company (present)</p> <p>March 2009 General Manager of R&D Division of the Company (present)</p>	23,576
3	Osamu Yamada (March 12, 1946)	<p>April 1969 Joined the Company</p> <p>June 2001 Director of the Company</p> <p>June 2002 General Manager of General Affairs Division of the Company</p> <p>May 2003 Outside Corporate Auditor of Star Micronics Co., Ltd. (present)</p> <p>December 2003 President of Aquablue Insurance Co., Inc. (present)</p> <p>June 2004 Managing Director of the Company (present)</p> <p>June 2004 General Manager of Administration Center, General Manager of Tokyo Works, in charge of Investor Relations Department of the Company</p> <p>April 2007 In charge of SR & IR Department of the Company</p> <p>June 2008 In charge of Public Relations Department of the Company</p> <p>April 2009 In charge of IR & Public Relations Department of the Company (present)</p>	143,700

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations	Number of the Company's shares held
4	Takeshi Kakishima (August 4, 1947)	<p>April 1970 Joined the Company</p> <p>May 1998 Manager of Planning Division Related Business Office of the Company</p> <p>March 2003 President of Sunciti Manufacturers Ltd.</p> <p>June 2007 Managing Director of Citizen Fine Tech Co., Ltd.</p> <p>June 2008 President and CEO of Citizen Business Expert Co., Ltd. (present)</p> <p>June 2008 Director of the Company (present)</p> <p>June 2008 In charge of General Affairs Division of the Company (present)</p> <p>July 2008 General Manager of Personnel Division of the Company</p>	5,000
5	Tsuneo Nagai (March 7, 1944)	<p>April 1966 Joined the Company</p> <p>June 1996 Director of the Company</p> <p>June 2002 Managing Director of the Company</p> <p>June 2002 Senior General Manager of Watch Business Center of the Company</p> <p>June 2004 Senior Managing Director of the Company</p> <p>April 2007 Director of the Company (present)</p> <p>April 2007 President and CEO of Citizen Watch Co., Ltd. (present)</p> <p>July 2007 Chairman of Japan Clock & Watch Association (present)</p>	42,600
6	Kenji Sugimoto (January 3, 1948)	<p>April 1970 Joined the Company</p> <p>June 2001 Director of the Company</p> <p>April 2004 In charge of Information & Communication Products Division of the Company</p> <p>October 2004 In charge of Precision Machinery Division of the Company</p> <p>June 2005 Managing Director of the Company</p> <p>June 2008 Director of the Company (present)</p> <p>June 2008 President and CEO of Citizen Machinery Co., Ltd. (present)</p>	12,300
7	Katsuhiko Noguchi (August 6, 1944)	<p>April 1983 Joined Citizen Electronics Co., Ltd. (currently CITIZEN ELECTRONICS CO., LTD.)</p> <p>June 1997 Director of Citizen Electronics Co., Ltd.</p> <p>June 2001 Managing Director of Citizen Electronics Co., Ltd.</p> <p>June 2005 Senior Managing Director of Citizen Electronics Co., Ltd.</p> <p>June 2006 Executive Officer of the Company</p> <p>April 2007 Director of CITIZEN ELECTRONICS CO., LTD.</p> <p>June 2007 Director of the Company (present)</p> <p>June 2008 President and CEO of CITIZEN ELECTRONICS CO., LTD. (present)</p>	198,111

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations	Number of the Company's shares held
8	Kazumoto Yamamoto (July 22, 1933)	<p>June 1983 Director of Asahi Chemical Industry Co., Ltd. (Currently Asahi Kasei Corporation)</p> <p>June 1987 Managing Director of Asahi Chemical Industry Co., Ltd.</p> <p>June 1990 Senior Managing Director of Asahi Chemical Industry Co., Ltd.</p> <p>June 1995 Executive Vice-president of Asahi Chemical Industry Co., Ltd.</p> <p>June 1997 President of Asahi Chemical Industry Co., Ltd.</p> <p>April 2003 Vice Chairman of Asahi Chemical Industry Co., Ltd.</p> <p>June 2003 Full-time Advisor of Asahi Chemical Industry Co., Ltd. (present)</p> <p>June 2005 Outside Director of Tokyo Gas Co., Ltd. (present)</p> <p>June 2006 Outside Director of Toto Kiki Co., Ltd. (Currently TOTO LTD.) (present)</p> <p>June 2007 Outside Director of the Company (present)</p>	10,000
9	Teruaki Aoki (October 18, 1941)	<p>June 1989 Director of Sony Corporation</p> <p>June 1996 Managing Director of Sony Corporation</p> <p>April 1998 President & COO of Sony Electronics Inc. (US corporation)</p> <p>May 2000 Senior Executive Vice President of Sony Corporation</p> <p>June 2003 Chief Operating Officer of Sony Corporation</p> <p>February 2006 Outside Director of Micron Technology, Inc. (US corporation) (present)</p> <p>April 2006 Executive Alumnus of Sony Corporation (present)</p> <p>June 2007 Outside Director of the Company (present)</p> <p>May 2008 Vice Chairman of the Board of Sony Foundation for Education</p> <p>July 2008 President of Sony University of Sony Corporation (present)</p>	10,000

Notes:

1. No conflict of interest exists between the Company and any of the above candidates.
2. Kazumoto Yamamoto and Teruaki Aoki are candidates for Outside Directors of the Company. The Company would like to elect them as Outside Directors to utilize their considerable experience in and extensive knowledge of management to check and supervise the Company's management. Their tenures of office as Outside Directors will be two (2) years from the conclusion of this General Meeting of Shareholders. The Company, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, has an agreement with the Outside Directors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, in order to enable them to perform their duties as Outside Directors as expected, and if the reelection of these Outside Directors is approved at the meeting, the Company intends to continue the agreement. The amount of their total maximum liability for damages under such an agreement is the higher of 10,000,000 yen or the minimum liability amount provided for under the Companies Act.
3. All of the candidates for the positions of Outside Directors are presently in the positions of Directors and attended at least 84% of the Board of Directors meetings held during the fiscal year since they assumed their roles as Directors.

Item 4: Election of One (1) Corporate Auditor

The Corporate Auditor Yoshiyuki Iijima will resign at the conclusion of this General Meeting of Shareholders. The Company accordingly proposes to elect one (1) Corporate Auditor.

The candidate for the position of Corporate Auditor is as follows, and as to this item on agenda, the assent of the Board of Corporate Auditors has been obtained:

(Those with an asterisk mark indicate new candidates)

Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations	Number of the Company's shares held
* Hisato Hiraishi (September 7, 1950)	April 1979 Joined the Company	23,208
	June 2000 Senior General Manager of Technical Laboratory of the Company	
	February 2003 Senior General Manager of MHT R&D Division of the Company	
	June 2003 Director of Citizen Electronics Co., Ltd. (currently CITIZEN ELECTRONICS CO., LTD.)	
	June 2003 Director of the Company	
	June 2004 Senior General Manager of Electronic Device Center of the Company	
	April 2007 Managing Director of CITIZEN ELECTRONICS CO., LTD. (present)	
	May 2008 President and CEO of CITIZEN ELECTRONICS FUNEHKI JAPAN CO., LTD.	

Note: No conflict of interest exists between the Company and the above candidate.