

Ticker Code: 7762

June 3, 2010

**NOTICE OF THE 125th 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 125th 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 Thursday June 24, 2010.

[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.evot.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 Friday, June 25, 2010

*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 125th term (April 1, 2009 to March 31, 2010)

Item 2: Report of the non-consolidated financial statements for the 125th term (April 1, 2009 to March 31, 2010)

Items to be resolved:

Item 1: Appropriation of Surplus

Item 2: Election of Nine (9) Directors

Item 3: Election of One (1) Corporate Auditor

Item 4: Approval for Revision of the Policy for a Large-Scale Purchase of Citizen Shares (Anti-Takeover Measures)

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, 2009 to March 31, 2010

I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP

1. Review of Operations

During the consolidated fiscal year under review, Asian countries, led by China, began to recover from the global economic crisis. However, difficult economic conditions continued amid weak personal consumption and a strong yen.

Within that context, the Citizen Group moved forward with structural reforms aimed at enhancing our organization. These reforms focused on optimizing productivity, exiting unprofitable businesses, and significantly reducing expenses and inventories.

As for sales, Watches and Clocks reported lower sales as lackluster consumption posed a severe obstacle for sales of premium-priced products through the third quarter. Electronic Devices saw higher sales of general lighting LEDs as that market grew, but overall sales declined with orders for mainstay mobile phone LEDs hurt by market saturation and intensifying competition. For Electronic Products, sales of health care equipment increased, while sales of printers and calculators declined amid persistently strong impacts of the economic downturn. Sales of Industrial Machinery began the year in very weak condition and embarked on a recovery in the second half, but the slow pace of the market recovery and customer pressure for lower prices resulted in significantly lower sales. Lastly, for Other Products, weak personal consumption of jewelry and difficult business conditions for pachinko parlors resulted in overall lower sales, despite the eco-car tax deduction spurring higher sales of automotive parts.

As a result of the conditions summarized above, the Citizen Group's full-year consolidated results included net sales of 252.502 billion yen (down 14.9% year-on-year), operating income of 7.229 billion yen (up 416.9%), ordinary income of 7.976 billion yen (up 965.3%), and net income of 3.527 billion yen (net loss of 25.806 billion yen for the previous fiscal year).

[Watches and Clocks]

Regarding "CITIZEN" brand watches in the domestic market, radio-controlled "ATTESA Direct Flight" for men showed a strong performance, and the "xC" and other branded watches for women increased its share in the market. Among affordable-priced products, the "Wicca," "Independent," and other brands also performed well, helping to push overall domestic sales past the year-ago mark for the fourth quarter. That said, however, the slow recovery in consumption and other factors under prevailing economic conditions made for an exceedingly difficult sales environment especially for premium-priced products through the first three quarters of the year, and a sales decline for the year as a whole. Overseas, sales for Asia, and China in particular, were strong and far surpassed last year's performance. In North America, the largest market for this business, difficult conditions continued through the first half, but gave way to a faster-than-expected market recovery in the second half and sales growth for "Eco-Drive" and other high-value-added products. Signs of consumption recoveries in Central and South America have also been seen, but expectations are that a real recovery will require more time. In Europe, economic recovery speeds differed by area, but overall results approximated those of last year. As a whole,

overseas markets, though showing signs of recovery, were hurt by a strong yen, which resulted in a year-on-year sales decline.

The Q&Q brand benefited from higher domestic retail prices, supported by the popularity of radio-control and other features, and posted higher sales in that market. Overseas sales also rose from a year ago, as a recovery in demand in the affordable-price range outweighed the persistent negative effects of a strong yen.

Sales of movements benefited from rising demand for finished watches in North America and China in the second half, beating the forecast. Concentrated efforts to sell high-value-added movements paid off with higher sales of these products, as well.

Sales of BULOVA brand products, meanwhile, were held back by distribution reorganization and other negative impacts in the key North American market through the first half. Better sales results were posted in the second half year-on-year due to increased sales of mechanical watches and other differentiated products, but were not enough to prevent a sales decline for the entire year.

As a result, Watches and Clocks reported net sales of 123.613 billion yen (down 6.7% year-on-year) and operating income of 9.751 billion yen (up 7.1%).

[Electronic Devices]

In opto-devices, conditions remained difficult as market saturation and intensifying competition in the mainstay mobile phone LED market resulted in lower orders. For premium-priced Flash LEDs, flexible and rapid responses to customer demands paid off to a certain degree, but were not enough to overcome demands for lower prices, or prevent a sales decline. Production of key-lighting LEDs began to recover, but were overwhelmed by the relentless decline in prices, which resulted in lower sales. Sales of general lighting LEDs, which are seen as a promising growth market, benefited from an expanding market and customer development efforts, and grew significantly for the year. Back-light units saw steady performance for automobile-related products, but suffered a significant drop in overall sales as attention focused on profitable orders for mobile phone products. Sales of light sensors fell due to mobile phone market adjustments and a decline in phones using mainstay IrDA modules. Switches finished the year with a relatively small sales decline due to the fact that Korean manufacturers, which have fared relatively well, account for a large proportion of orders.

In the area of crystal devices, tuning-fork-type crystal oscillators continued to enjoy a stable level of orders from Korean manufacturers seeking SMD products for use in mobile phones, and demand for other crystal devices gradually began to recover in the second half. However, with the lingering effects of first-half inventory adjustments, overall crystal device sales ended the year lower.

Turning to other component products, orders for camera LCDs recovered from the effects of previous fiscal year's inventory adjustments and combined with orders for new small-size electronic paper modules to push sales above the year-ago level for these products. HDD glass substrates, meanwhile, saw a rapid recovery from the production suspension forced by inventory adjustments through the first quarter and ended the year with higher sales.

As a result, Electronic Devices reported net sales of 62.071 billion yen (down 23.6% year-on-year) and operating income of 3.534 billion yen (operating loss of 3.101 billion yen for the previous fiscal year).

[Electronic Products]

Market conditions for mainstay small-sized printers varied by area, with slight overall declines in Europe and the US, and growth in China and other parts of Asia. Increased inquiries began to show signs of an upward trend in the domestic and Eastern European markets, but the lingering impacts of the recession resulted in the cancellation or postponement of new business, and a decline in demand. On the positive side, however, large-sized dot impact printers, the main market for which is China, enjoyed a recovery in demand by Chinese government agencies. This, together with higher shipments of passbook printers introduced during the year under review, resulted in higher sales of these products. Photo printers, too, enjoyed higher sales on rising installations of both photo kiosk terminals and new products introduced in the previous fiscal year.

Calculator sales continued to decline from the previous fiscal year as the key Russian market has yet to show any sign of an economic recovery.

Meanwhile, healthcare equipment sales rose once again. Influenza concerns led to high demand and sales for electronic thermometers in both domestic and overseas markets, sales channel expansion in the domestic market in response to the growing interest in health management boosted sales of digital pocket pedometers, and the introduction of an electronic slim wrist blood pressure monitor, together with sales channel expansion, increased sales of these products both at home and abroad.

As a result, Electronic Products reported net sales of 20.580 billion yen (down 2.1% year-on-year) and operating income of 0.854 billion yen (down 15.6%).

[Industrial Machinery]

Sales of the “Cincom” series, centering on sliding-headstock-type products, began the year in very weak condition, but began to show signs of a recovery as sales in China and other parts of Asia picked up in the second half. However, sales remained weak in general for the year, coming in significantly below the previous year’s level.

In the domestic market, a mild recovery continued, but orders remained at low levels, holding sales well below the previous year’s level here, as well.

Among overseas markets, Asia showed a good performance in the automobile, medical, and OA sectors in the second half, but these were accompanied by growing downward pressure on prices, causing sales in this market to decline for the year as a whole. In the meantime, the European and US markets were characterized by strong orders in the medical sector, lackluster performance in the mainstay automotive sector, and an overall slow market recovery resulting in significantly lower sales.

The “Miyano” brand attempted to spark demand with measures including special pricing and new product introductions in the second half, but in general continued to wrestle with difficult circumstances.

As a result, Industrial Machinery reported net sales of 21.335 billion yen (down 35.8% year-on-year) and operating loss of 4.364 billion yen (operating income of 0.180 billion yen for the previous fiscal year).

[Other Products]

Jewelry sales declined due to the impact from mergers of department stores and closings of unprofitable ones on sales of premium-priced goods, and to falling retail prices and weak personal consumption.

Sales of pachinko-related products also ended the year lower as unfavorable business conditions for pachinko parlors in the second half put an end to what had been an upward trend in sales of labor-saving devices.

Sales of automotive parts, in contrast, rose in response to factors like the eco-car tax deduction and other factors that sparked consumer interest and turned the tide on the impacts of sudden and severe inventory adjustments, which continued through the first half.

As a result, Other Products reported net sales of 24.9 billion yen (down 13.7% year-on-year) and operating income of 0.468 billion yen (operating loss of 0.777 billion yen for the previous fiscal year).

[Sales by Business Segment]

Business segment	Amount (Millions of yen)	Percentage of total	Change from the previous fiscal year
Watches and Clocks	123,613	49.0%	(6.7)%
Electronic Devices	62,071	24.6%	(23.6)%
Electronic Products	20,580	8.1%	(2.1)%
Industrial Machinery	21,335	8.4%	(35.8)%
Other Products	24,900	9.9%	(13.7)%
Total	252,502	100.0%	(14.9)%

Note: The rate of the sales in the overseas to the gross sales is 59.9%.

2. Financing

Not applicable

3. Capital Expenditures

Capital expenditures during the fiscal year totaled 8.774 billion yen, the major expenditures of which are as follows:

- (1) 3.677 billion yen for production facilities in Watches and Clocks
- (2) 3.292 billion yen for production facilities in Electronic Devices
- (3) 0.338 billion yen for production facilities in Electronic Products
- (4) 0.697 billion yen for production facilities in Industrial Machinery
- (5) 0.592 billion yen for production facilities in Other Products

4. Important Restructuring Transactions

- (1) Citizen Watch Co., Ltd. and Citizen 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.
- (2) The Citizen Group is implementing the following business restructuring measures to place the Group companies involved in each of the Group's businesses under the umbrella of the Group company controlling each business. The purpose of this restructuring is to speed management decision-making in each business, strengthen governance, and prepare each business for future growth.

- (a) As of September 30, 2009, Citizen Sayama Co., Ltd. (now Citizen Micro Co., Ltd.), which was previously a directly and wholly owned subsidiary of the Company, became a wholly owned subsidiary of Citizen Watch Co., Ltd. through an exchange of shares. As of October 1, 2009 Citizen Sayama Co., Ltd. also merged with Citizen Saitama Co., Ltd. in which Citizen Sayama Co., Ltd. is the surviving company.
- (b) As of April 1, 2010, Citizen Finetech Miyota Co., Ltd. spun off its watch business into the newly established company Citizen Watch Miyota Co., Ltd. As of July 1, 2010, the latter is scheduled to become a wholly owned subsidiary of Citizen Watch Co., Ltd. through an exchange of shares.
- (c) As of April 1, 2010, Citizen Seimitsu Co., Ltd. spun off its watch business into the newly established company Citizen Watch Kawaguchiko Co., Ltd. As of July 1, 2010, the latter is scheduled to become a wholly owned subsidiary of Citizen Watch Co., Ltd. through an exchange of shares.
- (3) The Company and Miyano Machinery Inc., for the purpose of building a system that would accelerate operational decision-making and enable a more effective introduction of managerial resources by further advancing business integration, concluded a share-exchange agreement on May 18, 2010 making the Company the wholly-owning parent company and Miyano Machinery Inc. a wholly-owned subsidiary.

With October 1, 2010 set as the effective date, the Company plans to allocate 0.19 common share per common share of Miyano Machinery Inc. Regarding the common shares of the Company to be allocated to common shareholders of Miyano Machinery Inc. through this share-exchange (because common shares of the Company shall not be allocated for common shares of Miyano Machinery Inc. held by the Company or treasury stock held by Miyano Machinery Inc., a calculation based on the number of shares at March 31, 2010 results in 3,759,799 shares), treasury stock held by the Company shall be allocated and new shares shall not be issued.

Although this share-exchange shall be proposed at the General Meeting of Shareholders of Miyano Machinery Inc. to be held on June 23, 2010, the Company shall effect a simple exchange of shares which, in accordance with Article 796, Paragraph 3 of the Companies Act, does not require the approval of the General Meeting of Shareholders.

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 responded to STAR MICRONICS's offer to repurchase treasury stocks through ToSTNeT-3 on August 31, 2009, and sold 2,900,000 shares.
- (2) For the purpose of keeping its voting right percentage within a certain level and maintaining an amicable relationship with Rhythm Watch Co. Ltd., the Company responded to Rhythm Watch's offer to repurchase treasury stocks through ToSTNeT-3 on February 8, 2010, and sold 2,000,000 shares.

6. Challenges Going Forward

As our group vision for the medium-term management plan the Citizen Group implemented from the fiscal year ended March 31, 2010, we will focus on “being a corporate group that goes back to its roots in micro-precision technologies and reliable quality, to create new value and achieve continuous growth.” We will continue to strengthen the organization’s structure as we seek steady, sustainable development rather than drastic expansion while rising to future growth challenges and creating value that responds to the new needs of a new world.

Learning the lessons of the simultaneous global recession that started in fiscal 2008, the Citizen Group recognizes that reformulating our system to respond to any and all environmental changes and advancing the fortification of our corporate structure are issues of paramount importance to enhance corporate value and medium- to long-term earning power.

Our strategy by business is as follows:

- Watches and Clocks, as a high-profit core business, will promote a differentiation strategy that makes the most of our strengths as a general watch and clock manufacturer.
- Electronic Devices will continue to consolidate and focus its operations and, regarding opto-devices in particular, it will move forward with the development of a growth strategy centered on new fields such as lighting applications.
- Electronic Products will go forward with value-added initiatives, including solutions operations, and develop new markets for finished products.
- Industrial Machinery will seek to realize a rapid return to profitability while rebuilding its business system in response to new reforms in production systems.

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

1) Implementing medium- to long-term business strategies

In the interest of realizing steady growth, the Citizen Group will leverage its strengths in each business and promote measures that will serve to overcome weaknesses. In addition, to take advantage of growth opportunities, we will create and prepare to implement business models for a new era. Meanwhile, we will also develop as quickly as possible products, services, manufacturing capabilities, and sales systems for emerging markets. As a new important issue, we will review our assets and shed any that are unnecessary in hopes of boosting our asset efficiency, and engage in management that focuses on the balance sheet.

2) Enhancing marketing capabilities

We will plot strategies appropriate for individual business segments and pursue them. In particular, we will approach proactively in China markets and reorganize and restructure sales offices intensively in the key markets.

3) Enhancing cost competitiveness

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

4) Enhancing development functions and creating new products

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

5) Human resource development and application of skills

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

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

We thank our shareholders for their continuing support.

7. Assets and Profit and Loss of the Company

	122 nd (FY2006)	123 rd (FY2007)	124 th (FY2008)	125 th (FY2009)
Net sales (millions of yen)	336,188	336,685	296,857	252,502
Ordinary income (millions of yen)	25,991	24,746	748	7,976
Net income (millions of yen)	7,145	12,189	(25,806)	3,527
Net income per share (yen)	19.43	35.14	(77.32)	11.01
Total assets (millions of yen)	382,971	387,975	374,239	352,462
Net assets (millions of yen)	254,426	243,830	184,229	186,362
Net assets per share (yen)	728.49	697.81	559.34	570.06

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.

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 Electronics Co., Ltd.	1,988 million yen	100.0%	Electronic Devices, etc.
Citizen Finetech Miyota Co., Ltd.	1,753 million yen	100.0%	Electronic Devices, Watches and Clocks, etc.
Citizen Seimitsu Co., Ltd.	346 million yen	100.0%	Electronic Devices, Watches and Clocks, etc.
Citizen Systems Japan Co., Ltd.	450 million yen	100.0%	Electronic Products
Citizen Machinery Co., Ltd.	498 million yen	100.0%	Industrial Machinery
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\$1,000	*100.0%	Watches and Clocks

Note: Those with an asterisk mark indicate indirect holdings.

9. Principal Products of Business (as of March 31, 2010)

Business segment	Principal products
Watches and Clocks	Analog, digital and combination watches, movement, external components of watches, clocks, etc.
Electronic Devices	Chip LED, quartz oscillators, display devices, 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, 2010)

Citizen Holdings Co., Ltd.		Nishitokyo, Tokyo
Subsidiaries and others	Citizen Watch 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 Systems Japan Co., Ltd.	Nishitokyo, Tokyo
	Citizen Machinery Co., Ltd.	Kitasaku-gun, Nagano
	Miyano Machinery Inc.	Nishishirakawa-gun, Fukushima
	Citizen Watch Company of America Inc.	California, U.S.A.
	Bulova Corporation	New York, U.S.A.

Note: As of November 25, 2009, Miyano Machinery Inc. relocated its headquarters from Ueda, Nagano.

11. Employees (as of March 31, 2010)

Business Segment	Number of employees		Change from the previous fiscal year-end	
Watches and Clocks	8,442	[1,299]	(1,091)	[105]
Electronic Devices	4,537	[392]	439	[(191)]
Electronic Products	685	[577]	391	[553]
Industrial Machinery	1,118	[108]	(258)	[(23)]
Other Products	1,066	[285]	14	[(62)]
General Corporate	965	[153]	(41)	[(11)]
Total	16,813	[2,814]	(546)	[371]

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. Decrease for Watches and Clocks is primarily due to decreases in the number employees following a reorganization of production bases in China.
3. Increase for Electronic Devices is primarily due to increases in the number of employees at overseas subsidiaries following production expansion.
4. Increase for Electronic Products is primarily due to the inclusion in the scope of consolidation of overseas subsidiaries engaged in printer production.
5. Decrease for Industrial Machinery is primarily due to decreases in the number of employees following production cuts.

12.Principal Lenders (as of March 31, 2010)**(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.	11,249
Sumitomo Mitsui Banking Corporation	9,890
Asahi Mutual Life Insurance Co.	8,000
The Hachijuni Bank, Ltd.	6,590
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, 2010)

(1) Total number of authorized shares: 959,752,000 shares

(2) Total number of shares issued: 350,353,809 shares

Note: The year-on-year decrease in treasury stock by 30,000,000 shares resulted from the retirement of shares on November 20, 2009.

(3) Number of shareholders: 29,711

(4) Major shareholders (Top 10)

Name	Number of the Company's shares held (Thousands of shares)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (trust account)	28,494	8.90%
Japan Trustee Services Bank, Ltd. (trust account)	21,520	6.72%
Nippon Life Insurance Company	14,750	4.61%
Nichia Corporation	10,000	3.12%
Japan Trustee Services Bank, Ltd. (trust account 9)	9,069	2.83%
Tokio Marine and Nichido Fire Insurance Co., Ltd.	8,786	2.74%
Mitsubishi UFJ Trust and Banking Corporation	7,678	2.40%
Asahi Mutual Life Insurance Company	6,660	2.08%
Marubeni Corporation	6,305	1.97%
Japan Trustee Services Bank, Ltd. (trust account 4)	5,306	1.66%

Note: Shareholding ratio is calculated after deducting 30,099,812 shares of treasury stock.

2. Status of Stock Acquisition Rights (as of March 31, 2010)

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 *	1,135	113,500 shares	6

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

III. MATTERS CONCERNING DIRECTORS AND CORPORATE AUDITORS

1. Names, etc. of Directors and Corporate Auditors (as of March 31, 2010)

Title	Name	Area of responsibility and significant concurrent role held at other companies (if any)
President and CEO Senior Managing Director	Mitsuyuki Kanamori Toshio Koga	Officer in charge of Corporate Planning Division, Accounting Division, Intellectual Property Department and R&D Division, President and CEO of Citizen Financial Service Co., Ltd.
Managing Director	Osamu Yamada	Outside Director of Rhythm Watch Co., Ltd. Officer in charge of IR & Public Relations Department
Director	Takeshi Kakishima	Outside Director of STAR MICRONICS CO., LTD. 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.
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	Advisor of Asahi Kasei Corporation Outside Director of TOKYO GAS CO., LTD Independent External Director of TOTO Ltd.
Outside Director	Teruaki Aoki	Outside Director of Micron Technology, Inc.
Corporate Auditor (Full-time)	Takeshi Hayasaka	
Outside Corporate Auditor	Hisato Hiraishi	
Corporate Auditor (Full-time)	Masaomi Suizu	Attorney-at-law
Outside Corporate Auditor		

Notes:

- At the 124th Ordinary General Meeting of Shareholders held on June 25, 2009, Hisato Hiraishi was newly elected as a Corporate Auditor and assumed the position.
- Full-time Corporate Auditor Takeshi Hayasaka has been managing banks and factoring companies for many years and has extensive knowledge of finance and accounting.
- Outside Corporate Auditor Masaomi Suizu is thoroughly experienced in corporate legal affairs as an attorney-at-law and has extensive knowledge of finance and accounting.
- The Company has appointed Outside Directors, Kazumoto Yamamoto and Teruaki Aoki as Independent Officers defined by the Tokyo Stock Exchange and registered them with the Exchange as such.

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

Name	Retirement date	Reason for retirement	Title, area of responsibility, and significant concurrent role at the time of retirement
Makoto Umehara	June 25, 2009	Completion of term of office	Director Executive Advisor
Yoshiyuki Iijima	June 25, 2009	Resignation	Full-time Corporate Auditor

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	10	154	47
[Out of which, Outside Directors]	[2]	[16]	[—]
Corporate Auditor	4	39	—
[Out of which, Outside Corporate Auditors]	[2]	[23]	[—]
Total	14	193	47
[Out of which, outside officers]	[4]	[40]	[—]

Notes:

1. The above figures include one Director and one Corporate Auditor who retired upon conclusion of the 124th Ordinary General Meeting of Shareholders held on June 25, 2009.
2. The above amount of the bonuses (47 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 125th Ordinary General Meeting of Shareholders planned for June 25, 2010.
3. 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.
4. 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.
5. 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) Relationships between the Company and organizations where important concurrent positions are held

The Company has no special interest with the organizations where Outside Officers hold important concurrent positions.

(2) Major activities during the fiscal year ended March 31, 2010

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 17 (approx. 94%)	—	Comments as needed primarily from the viewpoint of a highly experienced executive
Teruaki Aoki	Outside Director	15 of 17 (approx. 88%)	—	Comments as needed primarily from the viewpoint of a highly experienced executive
Takeshi Hayasaka	Outside Corporate Auditor	17 of 17 (100%)	13 of 13 (100%)	Comments as needed primarily from the viewpoint of a highly experienced executive
Masaomi Suizu	Outside Corporate Auditor	15 of 17 (approx. 88%)	12 of 13 (approx. 92%)	Comments as needed primarily from the professional viewpoint of an attorney-at-law

(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 under review	27
(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries	66

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 not be reappointed.

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) 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 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 and shall establish the CSR Committee and Internal Audit & CSR Department, which are directly controlled by the President and CEO, and shall thoroughly 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 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 relevant 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 relevant 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) Business strategy risks inherent in significant decision-making made by the Citizen Group through resolutions of the Board of Directors or determinations by the President and CEO or Directors in Charge of Some Operation shall be appropriately managed upon careful deliberations at 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 appropriately manage operational risks inherent in processes, the activities of all employees and officers, systems, external events, etc. through risk management and other efforts based on our Risk Management Regulations.

Note: On December 24, 2009, this paragraph was revised according to the above. The provisions of this paragraph prior to the revision is provided below.

(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 respective 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 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 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, 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 thoroughly discuss matters to be resolved by the Board of Directors meetings, and other significant matters relating to the management of the Company.
 - (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 develop 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 appropriateness of the Citizen Group's 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 development 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 established 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 group strategy of 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 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, the Articles of Incorporation, the Citizen Code of Conduct, or other internal rules, or any wrongdoing, any possible occurrence of such a breach or wrongdoing in connection with the Company's business, 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 the Group companies 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 corporate philosophy is "Citizen contributes to and strives to be respected by the citizens of the world," 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 seven (7) 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 performance of business and supervises these performances. The business administration is made by the President and CEO, and each Director in charge of respective operation.

Board of Directors meetings were held seventeen (17) times during the fiscal year under review, and all Directors and all Corporate Auditors attended eighty-eight percent (88%) or more of the Board of Directors meetings held during the fiscal year under review 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 the Board of Directors meetings, the Management Committee meetings, 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 status 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 thirteen (13) times during the fiscal year under review, and all Corporate Auditors attended ninety-two percent (92%) or more of the meetings of the Board of Corporate Auditors held during the fiscal year under review 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, one (1) junior accountant, and six (6) 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 17 “IV Independent Auditors, 3. Decision Making Policy for Dismissal or Non-reappointment of Independent Auditors.”

3. CSR Efforts

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

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.

Meanwhile, the Group companies set out their own specific annual CSR targets in line with the provisions of the Citizen Group Code of Conduct, and their achievements are summarized at the fiscal year-end to highlight issues for the future. The Group has been operating this PDCA (plan, do, check, act) cycle since the fiscal year ended March 31, 2008.

The Group will make 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 over the Financial and Business Policies of the Company

(1) Basic Policy

The mission of the Citizen Group is to provide the best products and services to all citizens around the world, as its name implies. Under its corporate principle “For the citizen - contribute to the better lives of citizens and remain loved by citizens,” the Company has been making its utmost efforts to protect and enhance the corporate value and the common interest of its shareholders, by contributing to the better lives of citizens all over the world through manufacturing of products that are loved and supported by them. The Company believes that persons who control decision-making over its financial and business policies should appropriately and consistently implement the Group’s management strategies with medium- to long-term perspectives, with a good understanding of its corporate principle and unique business profiles, thereby achieving the further creation and enhancement of the corporate value and the common interest of its shareholders.

Nonetheless, the Company holds a view that if a large-scale purchase of the Company’s shares occurs, the Company will give consideration as long as such large-scale purchase is beneficial to its corporate value and the shareholders’ common interest, and a decision of acceptance or rejection of the said issue should be made ultimately by its 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 common interest of its shareholders. 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 conditions, or for the Board of Directors of the targeted company to make alternative proposals; and those that necessitate further negotiation 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 considers persons who carry out such large-scale purchases are not suitable in controlling decision-making over the financial and business policies of the Company; therefore, a certain framework is deemed necessary in order to prevent purchases that may impair the corporate value of the Company and the common interest of its shareholders.

(2) Special efforts to implement the Basic Policy

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

For example, the Company implemented the following measures based on the medium-term management plan established on March 23, 2007, which was effective until the fiscal year ended in March 2010:

- To strengthen its corporate governance, two (2) Outside Directors should be elected at each Ordinary General Meeting of Shareholders to be held after June 2007.
- Corporate realignment was implemented to put Group companies relating to each business under a Group company, which controls the concerned business, in order to make the managerial decisions as swift and smooth as possible for each business, reinforce corporate governance, and achieve the further growth of each business.
- The rules for the investment into and divestiture of the business were strictly applied and the divestiture of some unprofitable businesses was implemented.
- The Company acquired all shares of Bulova Corporation in January 2008 and shares of Miyano Machinery Inc. to be a consolidated subsidiary via a tender offer in October 2008 as part of business investments.

In March 2010, the medium-term management plan ending March 31, 2013 has been established. For details, please refer to “I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP, 6. Challenges Going Forward” of “BUSINESS REPORT” (see pages 8-9).

- (3) Details of efforts to prevent inappropriate persons from controlling the Company according to the Basic Policy

The Company has resolved the implementation of the Policy for a Large-Scale Purchase of Citizen Shares (hereinafter, the “Plan”) at the Board of Directors Meeting held on May 14, 2007, and has obtained approval from its 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 type of purchases subject to the Plan are the purchase of the Company’s stocks, etc. which will increase the voting rights ratio of a group of shareholders up to twenty percent (20%) or more

- (b) Procedures

It is prescribed that a large-scale purchaser must provide necessary and sufficient information to the Board of Directors beforehand, and that a large-scale purchase must be conducted only after the expiration of the review period during which the Board of Directors make 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 will implement the allotment of stock acquisition rights without contribution to all of the then-current shareholders of the Company based on the recommendation made by the Independent Committee. Furthermore, when the Company implements the allotment of stock acquisition rights without contribution, the Company may determine the exercise period, exercise conditions, and rights of the Company to acquire the stock acquisition rights from the holders, taking into account the effects as a countermeasure against the large-scale purchase.

(d) Requirements of implementation of countermeasures

The Company will implement the allotment of stock acquisition rights without contribution as countermeasures, in the event of the following:

- 1) Where a large-scale purchaser does not follow the prescribed procedures;
- 2) Where a large-scale purchaser intends to raise the share price of the Company and make the Company or the related parties of the Company purchase shares back from the purchaser, while having no intention of taking part in the management of the Company;
- 3) Where a large-scale purchaser intends to temporarily control the management of the Company and transfer to the large-scale purchaser or its group companies the assets and others of the Company or the Group companies;
- 4) Where 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 purchasers or its group companies;
- 5) Where the large-scale purchaser intends to temporarily control the management of the Company and sell or otherwise dispose of the assets, make a large payment of dividends using the proceeds of the disposition and/or raise the price of the Company's shares by a large payment of dividends using the proceeds of the disposition 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 the large-scale purchaser employs a strategy that may in effect force the shareholders of the Company to sell the Company's shares to the large-scale purchaser, including implementation of a TOB where the large-scale purchaser does not solicit all of the shares of the Company and 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, the Independent Committee may request submission of additional information until satisfactory information is provided. The Independent Committee may also request the Board of Directors to submit its opinion regarding the large-scale purchase, setting the deadline date for the Board's response up to sixty (60) days maximum, in principle. After the completion of the provision of information from the large-scale purchaser and the Board of Directors, the Independent Committee will assess, examine, negotiate and form opinions 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 on whether or not to implement the countermeasures, and the Board of Directors 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 remains effective until the end of the 125th Ordinary General Meeting of Shareholders to be held on June 25, 2010. The Company is placing on the agenda that the Plan be renewed.

(4) Opinion of the Board of Directors on the efforts mentioned in (2) and (3) above

(a) Special efforts to implement the Basic Policy

The purpose of the efforts mentioned in (2) above is to secure and improve the corporate value and common interest of the shareholders of the Company, which, as a result, will help the Company to implement the Basic Policy. Therefore, the Company believes that such efforts is implemented not for the sake of the Company's officers maintaining their position, but to comply with the Basic Policy and meet the shareholders' common interest.

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

The Board of Directors believes, after factoring in the following items, that the efforts to prevent inappropriate persons from controlling the Company according to the Basic Policy is implemented not for the sake of the Company's officers maintaining their position, but to comply with the Basic Policy and meet the shareholders' common interest.

1) Full satisfaction of the requirements under the guidelines for anti-takeover measures

The Plan completely satisfy the requirements of the three principles stipulated in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' common interest" 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 the Directors of the Company is limited to one (1) year, the shareholders will be able to express their intention for the Plan through the election of Directors, even during the effective period of the Plan.

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

Upon introducing the Plan, for the purposes of prevention of arbitrary judgments of 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 Plan. The 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 shares, 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 interest. The 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 implement the allotment of stock acquisition rights without contribution.

In this way, the Independent Committee will closely see to it that the Directors should not arbitrarily implement the countermeasures, 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 common interest of its shareholders.

As of March 31, 2010, 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 an anti-takeover provision similar to a "dead-hand" or "slow-hand" provision

The Plan can be abolished at any time in the judgment of the Board of Directors, of which 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 (which means that counter measures cannot be prevented by changing a majority of the Directors on the Board).

In addition, the term of office 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 (which means that prevention of counter measures takes time because the Directors cannot be replaced all at one time) either.

Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	221,158	Current liabilities	85,257
Cash and deposits	95,213	Notes and accounts payable	19,622
Notes and accounts receivable	56,487	Short-term loans payable	31,541
Merchandise and finished goods	26,715	Bonds to be redeemed within a year	500
Work in process	16,635	Income taxes payable	1,060
Raw materials	9,425	Deferred tax liabilities	4
Consumption taxes receivable	670	Accrued expenses	11,043
Deferred tax assets	9,227	Reserve for bonuses to employees	4,417
Other current assets	8,288	Reserve for bonuses to directors	199
Allowance for doubtful accounts	(1,504)	Reserve for product warranties	830
Fixed assets	131,303	Notes payable for equipment	311
Property, plant and equipment	68,182	Reserve for business restructuring losses	3,656
Buildings and structures	32,531	Other current liabilities	12,070
Machinery, equipment and carriers	18,002	Long-term liabilities	80,841
Tools, furniture and fixtures	3,656	Bonds	1,550
Land	12,106	Long-term loans payable	66,875
Lease assets	138	Deferred tax liabilities	761
Construction in progress	1,746	Reserve for defined retirement benefits	10,202
Intangible fixed assets	12,017	Provision for environmental measures	39
Goodwill	8,206	Negative goodwill	232
Software	1,868	Other long-term liabilities	1,179
Other intangible fixed assets	1,941	Total liabilities	166,099
Investments and other assets	51,103	NET ASSETS	
Investment securities	35,936	Shareholders' equity	188,776
Long-term loans receivable	944	Paid-in capital	32,648
Deferred tax assets	12,040	Additional paid-in capital	38,468
Other investments and other assets	4,923	Retained earnings	143,158
Allowance for doubtful accounts	(977)	Treasury stock	(25,498)
Allowance for investment loss	(1,764)	Valuation and translation adjustments	(6,214)
		Net unrealized gain/loss on other securities	3,773
		Foreign currency translation adjustments	(9,987)
		Minority interest	3,799
		Total net assets	186,362
Total Assets	352,462	Total Liabilities and Net Assets	352,462

Consolidated Statement of Income

(Year ended March 31, 2010)

(Millions of yen)

Account title	Amount	
Net sales		252,502
Cost of sales		169,959
Gross profit		82,542
Selling, general and administrative expenses		75,313
Operating income		7,229
Non-operating income		
Interest and dividend income	909	
Rent income	224	
Amortization of negative goodwill	504	
Subsidy income	610	
Other	1,394	3,644
Non-operating expenses		
Interest charges	1,605	
Loss on sale of notes receivable	108	
Depreciation expenses for lent properties	56	
Investment loss from the application of equity method	10	
Foreign currency exchange loss	290	
Other	827	2,898
Ordinary income		7,976
Extraordinary gains		
Gain on sales of investment securities	1,541	
Gain on sales of property, plant and equipment	160	
Reversal of allowance for investment loss	366	
Other	399	2,467
Extraordinary losses		
Loss on sales of fixed assets	77	
Loss on disposal of fixed assets	450	
Loss on impairment	669	
Business restructuring losses	342	
Loss on valuation of investment securities	11	
Provision of allowance for doubtful accounts	648	
Other	396	2,596
Income (loss) before income taxes		7,847
Income taxes—current		2,102
Income taxes—deferred		3,505
Minority interests in income		1,288
Net income (loss)		3,527

Consolidated Statement of Changes in Shareholders' Equity
(Year ended March 31, 2010)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	32,648	63,883	141,379	(50,910)	187,002
Changes during the consolidated fiscal year					
Cash dividends			(1,921)		(1,921)
Net income			3,527		3,527
Repurchase of treasury stock				(3)	(3)
Disposal of treasury stock		(0)		0	0
Retirement of treasury stock		(25,415)		25,415	–
Change of scope of consolidation			172		172
Net changes other than shareholders' equity					
Total changes during the consolidated fiscal year		(25,415)	1,778	25,411	1,774
Balance as of March 31, 2010	32,648	38,468	143,158	(25,498)	188,776

	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, 2009	404	(8,271)	(7,867)	5,095	184,229
Changes during the consolidated fiscal year					
Cash dividends					(1,921)
Net income					3,527
Repurchase of treasury stock					(3)
Disposal of treasury stock					0
Retirement of treasury stock					–
Change of scope of consolidation					172
Net changes other than shareholders' equity	3,369	(1,716)	1,653	(1,295)	357
Total changes during the consolidated fiscal year	3,369	(1,716)	1,653	(1,295)	2,132
Balance as of March 31, 2010	3,773	(9,987)	(6,214)	3,799	186,362

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 81

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. and Citizen Seimitsu Co., Ltd.

Beginning with the consolidated fiscal year under review, Citizen Systems (Jiangmen) Co. Ltd. and Citizen Machinery UK Ltd., in consideration of their importance, have been included in the scope of consolidation. While HARVESTINE COMPANY LIMITED, because of its dissolution, and Bulova Watch Company, Inc. and Art of Time, Inc., due to sales of investments, etc., have been excluded from the scope of consolidation. In addition, Citizen Watch Co., Ltd. merged with Citizen CBM Corporation, and Citizen Sayama Co., Ltd. merged with Citizen Saitama Co., Ltd.

(b) Status of non-consolidated subsidiaries

The names of main non-consolidated subsidiaries are MASTER CROWN ELECTRONICS (WUZHOU) LTD. and CITIZEN MICRO DEVICES (SUZHOU) 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 1

The names of affiliates under the equity method are First Cainta Resources Corporation.

Shanghai Takisawa Miyano Machinery Co., LTD. due to the dissolution of a joint venture during the fiscal year under review, is no longer considered an equity method affiliate.

(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 MASTER CROWN ELECTRONICS (WUZHOU) LTD. and CITIZEN MICRO DEVICES (SUZHOU) CO., LTD., and the main affiliate to which the equity method is not applied is Marubeni Citizen Cincom Inc.

The reason for non-application 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

53 overseas consolidated subsidiaries have a closing date that is different from the closing date for the consolidated financial statements.

These overseas consolidated subsidiaries close their books on December 31. 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 reported as components of net assets 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).

(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	2 to 60 years
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Machinery, equipment and carriers	2 to 10 years
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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, an amount equivalent to the portion judged to be uncollectible is recorded; ordinary receivables are based on the lone loss ratio, and receivables regarded as doubtful are based on individual evaluation for collectability.

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 consolidated 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) Provision for environmental measures

To provide for expenses related to future environmental measures, an allowance is set aside in an amount based on a reasonable estimate.

8) 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 five (5) to ten (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 five (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.

(d) Translation standards of major foreign currency assets or liabilities

Foreign currency amounts are translated into Japanese yen at the spot rate 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 and negative goodwill are amortized in equal amounts over an estimated period during which its effects are manifested (within twenty (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	244,556 million yen
(2)	Assets pledged as collateral	
	Cash and deposits	105 million yen
	Notes and accounts receivable	266 million yen
	Buildings and structures	1,606 million yen
	Land	1,970 million yen
	Total	3,947 million yen
	Secured debt	
	Accounts payable	112 million yen
	Short-term loans payable	1,580 million yen
	Bonds to be redeemed within a year	100 million yen
	Bonds	350 million yen
	Long-term loans payable	1,050 million yen
	Total	3,192 million yen
(3)	Guarantee obligation	
	Guarantees for bank loans of non-consolidated subsidiaries	232 million yen
(4)	Export bill discounts	4 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	-	30,000,000	350,353,809

Note: The decrease in the total number of issued shares resulted from the retirement of treasury stock.

(2) Cash dividends

(a) Cash dividend payment

(i) Dividends approved at the 124th Ordinary General Meeting of Shareholders held on June 25, 2009

- Total amount of dividends 800 million yen
- Dividends per share 2.50 yen
- Record date March 31, 2009
- Effective date June 26, 2009

(ii) Dividends approved at the meeting of the Board of Directors held on November 6, 2009

- Total amount of dividends 1,120 million yen
- Dividends per share 3.50 yen
- Record date September 30, 2009
- Effective date December 2, 2009

- (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 125th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 25, 2010.

- Total amount of dividends 1,120 million yen
- Dividend resource Retained earnings
- Dividends per share 3.50 yen
- Record date March 31, 2010
- Effective date June 28, 2010

- (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	724,600
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5. Notes on financial instruments

- (1) Status on financial instruments

As a Group policy, the Company and consolidated subsidiaries restrict their investments only in short term deposits or the like and obtain funds mainly by borrowing from financial institutions including banks and bond issuance.

The customer credit risk associated with notes and accounts receivable is mitigated in accordance with the internal rules on receivables management procedures of each subsidiary of the Group.

The foreign exchange fluctuation risk associated with operating receivables denominated in foreign currencies, arisen from the overseas operations, is partially hedged by employing foreign exchange futures, except for such receivables of which the amounts are below the operating payables denominated in the same foreign currencies.

Investment securities mainly consist of equity securities, and their market prices and the financial conditions of the issuers are periodically monitored.

Loans payable are made for the purpose of obtaining operating funds (mainly short-term) and funds for strategic investments (long-term). Interest rate swaps are employed to fix the interest payments of some long-term loans payables that are exposed to the fluctuation risk of interest rates.

Derivatives are utilized solely to avoid the fluctuation risks of foreign exchanges and interest rates, in accordance with the internal management rules of the Company and each subsidiary.

(2) Fair Values of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2010, as well as their differences.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Differences
(1) Cash and deposits	95,213	95,213	–
(2) Notes and accounts receivable	56,487	56,481	(5)
(3) Investment securities			
Available-for-sale securities	18,941	18,941	–
(4) Long-term loans receivable	944	942	(1)
Assets, total	171,586	171,579	(7)
(1) Notes and accounts payable	19,622	19,622	–
(2) Short-term loans payable	31,541	31,541	–
(3) Bonds (*1)	2,050	2,039	(10)
(4) Long-term loans payable	66,875	67,205	329
Liabilities, total	120,088	120,408	318
Derivatives (*2)	[70]	[70]	–

(*1) The amount includes the current portion.

(*2) Derivatives are stated in net of assets and liabilities. The figures in parentheses indicate net liabilities.

(Note 1) Method of fair value measurement of financial instruments and matters regarding securities and derivatives

Assets :

(1) Cash and deposits

The fair value of these accounts approximates their book value because these accounts are settled in a short period of time. Thus, the book value is deemed as their fair value.

(2) Notes and accounts receivable

The fair value of certain notes and accounts receivable, that take time to collect, is measured as present value obtained by discounting the amounts classified by aging at a rate reasonably calculated with corresponding terms to maturities. For other notes and accounts receivables, that are settled in a short period of time, the fair value of these accounts approximates their book value, therefore, the book value is used as their fair value.

(3) Investment securities

The fair values of equity securities are based on the prices at exchange market.

(4) Long-term loans receivable

The fair value of long-term loans receivable is measured as present value obtained by discounting the future cash flows classified by certain period at an adequate rate such as market rate with credit-spread taken into account. However, as the interest rates of long-term loans receivable with floating rate are to be revised by certain prescribed period, their fair values approximate their book value. Thus, the book value is used as the fair value.

Liabilities:

(1) Notes and accounts payable and (2) Short-term loans payable

The fair value of these accounts approximates their book value because these accounts are settled or repaid in a short period of time. Thus, the book value is used as their fair value.

(3) Bonds

Since the market price is not available, the fair value of Bonds is measured as present value obtained by discounting amounts of principles, interests and guarantee fees at a rate with term to maturity and credit risk taken into account.

(4) Long-term loans payable

The fair value of long-term loans receivable is measured as present value obtained by discounting total amount of principles and interests at an assumed rate for similar new borrowings. However, as the interest rates of long-term loans payable with floating rate are to be revised by certain prescribed period, their fair values approximate their book value. Thus, the book value is used as the fair value.

Derivatives:

(1) Derivatives to which hedge accounting is not applied

- Currency (Millions of yen)

Classification	Type, etc. of derivatives	Contract amount		Fair value (*1)	Valuation gain (loss)
			Over 1 year		
Transactions other than at the exchange	Foreign exchange forward contract	5,774	–	(70)	(70)
	Currency options (*2)	366	–	–	–

(*1) The fair value of foreign exchange forward contract is obtained from the counterparty financial institutions.

(*2) Currency options are zero-cost options, therefore, no option premium is required.

(2) Derivatives to which hedge accounting is applied

- Currency

All derivatives to which hedge accounting is applied are interest rate swaps to which exceptional treatment is applied. Since these swaps are accounted for as an integral part of long-term loans payable, which are hedged items, their fair value is included in the fair value of associated long-term loans payable.

(Note 2) Unlisted equity securities (Consolidated balance sheet amount: 8,415 million yen) are not included in “(3) Investment securities, Available-for-sale securities” since their market prices are not available and it is not possible to estimate their future cash flows, and therefore it is deemed extremely difficult to assume their fair value.

(Additional information)

Effective from the fiscal year ended March 31, 2010, the Company adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008).

6. Notes to per share information

Net assets per share	570.60 yen
Net income per share	11.10 yen

7. Significant subsequent events

At the meeting of the Board of Directors held on May 18, 2010, the Company resolved to conclude a share exchange agreement in order to make Miyano Machinery Inc. (hereinafter, “Miyano”) a wholly-owned subsidiary.

(1) Purpose of share exchange

The Company effected a tender offer for the common shares of Miyano between August 25, 2008 and October 15, 2008 resulting in the ownership of 65.8% of the voting rights of the general shareholders, etc. of Miyano (as of June 30, 2008) and making that company a consolidated subsidiary, its current status.

Since that time, Citizen Machinery Co., Ltd., a subsidiary of the Company (hereinafter "Citizen Machinery"), and Miyano, have been mutually complementing their product lineups, promoting streamlining through the joint management of production and sales bases owned globally by either company, effecting joint presentations at exhibitions such as the Japan International Machine Tool Fair, effecting more joint development and purchasing as well as other cooperative activities advanced in various fields while safeguarding the independence of each company and working to improve the business value of our industrial machinery business as well as obtaining certain results.

During the recent simultaneous global recession, the Citizen Group worked to reduce fixed costs, among others, at each company and effected structural reform from the perspective of optimal Group-wide resource allocation that included integration and abolition of production bases exceeding the scope of each company. Subsequently, we saw a steady recovery in conditions thanks to economic growth in Asian countries centered on China. Under such a drastically changing environment, the establishment of a strong business management system that would enable the early recovery of results in our industrial machinery business and rapid decision-making to respond to changes in a market which is shifting steadily towards emerging countries both in terms of production and consumption, among others, has become an urgent issue common to the Company as well as to Citizen Machinery and Miyano. To realize sustainable development in such an environment, both companies have prudently deliberated on the best selection of recourses taking into account as much as possible the effect on Miyano's minority shareholders.

Consequently, we resolved to effectuate this share exchange based on our judgment that the formulation of a system that would rapidly expedite management decision-making and effectively introduce managerial resources by making Miyano a wholly-owned subsidiary and further promoting the business integration of the Citizen Group with that company in hopes of generating expected synergetic effects and benefiting early from competitive advantages in the ever expanding emerging markets would contribute to the interests of our existing shareholders, customers and employees as well as business partners and other stakeholders.

(2) Date of share exchange (effective date)

The effective date is planned for October 1, 2010.

(3) Share exchange formula

The Company shall grant 0.19 common share per common share of Miyano.

Regarding the common shares of the Company to be granted, treasury stock held by the Company shall be allocated and new shares shall not be issued.

(4) Overview of accounting treatment

This share exchange is expected to correspond to transactions with minority shareholders among common control transactions.

8. Other notes

(1) Changes in accounting policies

Application of Partial Amendments to Accounting Standard for Retirement Benefits (Part3)

Beginning with the consolidated fiscal year under review, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19 issued on July 31, 2008) is being applied. The impact of this change on operating income, ordinary income, and income before income taxes is immaterial.

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

Non-Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	17,839	Current liabilities	2,096
Cash and deposits	15,866	Accounts payable	15
Operating accounts receivable	74	Current portion of long-term loans payable	0
Short-term loans receivable	0	Accounts payable–other	1,381
Accounts receivable–other	656	Accrued expenses	314
Deposits paid	0	Consumption taxes receivable	126
Deferred tax assets	134	Deposits received	19
Other current assets	1,108	Reserve for bonuses to employees	163
		Reserve for bonuses to directors	47
Fixed assets	144,376	Notes payable for equipment	18
Property, plant and equipment	13,953	Other current liabilities	11
Buildings and structures	10,084	Long-term liabilities	60,977
Machinery and equipment	85	Long-term loans payable	60,000
Vehicles and carriers	0	Reserve for defined retirement benefits	632
Tools, furniture and fixtures	32	Provision for environmental measures	36
Land	3,746	Other long-term liabilities	308
Construction in progress	4	Total Liabilities	63,074
Intangible fixed assets	23	NET ASSETS	
Software	15	Shareholders' Equity	95,567
Right of using patent	1	Paid-in capital	32,648
Other intangible fixed assets	6	Additional paid-in capital	40,608
Investments and other assets	130,398	Legal capital surplus	36,029
Stocks of subsidiaries and affiliates	98,437	Other capital surplus	4,578
Investment securities	26,409	Retained earnings	47,809
Long-term loans receivable	0	Other retained earnings	47,809
Long-term prepaid expenses	147	Retained earnings brought forward	47,809
Deferred tax assets	4,369	Treasury stock	(25,498)
Other investments	1,036	Valuation and translation adjustments	3,574
Allowance for doubtful accounts	(3)	Net unrealized gain/loss on other securities	3,574
		Total Net Assets	99,141
Total Assets	162,216	Total Liabilities and Net Assets	162,216

Non-Consolidated Statement of Income
(Year ended March 31, 2010)

(Millions of yen)

Account title	Amount	
Operating revenue		11,962
Operating expenses		5,913
Operating income		6,048
Non-operating revenue		
Interest income	39	
Dividend income	456	
Rent income	0	
Miscellaneous revenue	43	540
Non-operating expenses		
Interest charges	1,070	
Foreign currency exchange loss	0	
Miscellaneous expenses	102	1,173
Ordinary income		5,415
Extraordinary gains		
Gain on sales of investment securities	1,462	
Gain on extinguishment of tie-in shares	217	
Other	10	1,690
Extraordinary losses		
Loss on disposal of fixed assets	50	
Loss on valuation of stocks of subsidiaries and affiliates	262	
Other	2	314
Income before income taxes		6,790
Income taxes-current		540
Income taxes-deferred		93
Net income		6,157

Non-Consolidated Statement of Changes in Shareholders' Equity
(Year ended March 31, 2010)

(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, 2009	32,648	36,029	29,993	66,023	43,573	43,573
Changes during the fiscal year						
Cash dividends					(1,921)	(1,921)
Net income					6,157	6,157
Repurchase of treasury stock						–
Disposal of treasury stock			(0)	(0)		–
Retirement of treasury stock			(25,415)	(25,415)		–
Decrease by corporate division			(0)	(0)		–
Net changes other than shareholders' equity						–
Total changes during the fiscal year			(25,415)	(25,415)	4,235	4,235
Balance as of March 31, 2010	32,648	36,029	4,578	40,608	47,809	47,809

	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, 2009	(50,910)	91,335	317	317	91,653
Changes during the fiscal year					
Cash dividends		(1,921)		–	(1,921)
Net income		6,157		–	6,157
Repurchase of treasury stock	(3)	(3)		–	(3)
Disposal of treasury stock	0	0		–	0
Retirement of treasury stock	25,415	–		–	–
Decrease by corporate division		(0)		–	(0)
Net changes other than shareholders' equity		–	3,256	3,256	3,256
Total changes during the fiscal year	25,411	4,232	3,256	3,256	7,488
Balance as of March 31, 2010	(25,498)	95,567	3,574	3,574	99,141

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 reported as components of net assets 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
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. an amount equivalent to the portion judged to be uncollectible is recorded; ordinary receivables are based on the lone loss ratio, and receivables regarded as doubtful are based on individual evaluation for collectability.
 - (b) Reserve for bonuses to employees

The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments.
 - (c) Reserve for bonuses to directors

The reserve for bonuses to directors is stated at an amount based on the estimated forthcoming payments.
 - (d) Reserve for defined retirement benefits

The reserve for defined retirement benefits is stated at 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 (five (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.

- (e) Provision for environmental measures
Provision for environmental measures is provided to cover the future payments for environmental measures based upon the reasonable estimates.
- (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) Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
- (6) Consolidated taxation system is applied.

3. Notes to Non-Consolidated Balance Sheet

(1) Short-term monetary claims from subsidiaries and affiliates	139 million yen
Short-term monetary liabilities to subsidiaries and affiliates	231 million yen
Long-term monetary liabilities to subsidiaries and affiliates	7 million yen
(2) Accumulated depreciation of property, plant and equipment	29,510 million yen
(3) Guarantee obligation	
Guarantees for loans of subsidiaries and affiliates from financial institutions	30,778 million yen
Guarantees for loans of subsidiaries and affiliates from in-group financial subsidiaries, etc.	25,694 million yen

4. Notes to Non-Consolidated Statement of Income

(1) Operating revenue concerning subsidiaries and affiliates	11,605 million yen
(2) Operating expenses concerning subsidiaries and affiliates	602 million yen
(3) Non-operating transaction with subsidiaries and affiliates	4 million yen

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

Type and total number of treasury stock at the fiscal year-end

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	60,093,553	6,442	30,000,183	30,099,812

Notes:

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

6. Tax effect accounting

Breakdown of deferred tax assets and deferred tax liabilities by the cause of its occurrence

Deferred tax assets

Depreciable assets	1,240 million yen
Reserve for defined retirement benefits	471 million yen
Stocks of subsidiaries and affiliates and investment securities	17,686 million yen
Other	486 million yen
Subtotal	19,883 million yen
Valuation reserve	(13,999) million yen
Total	5,884 million yen

Deferred tax liabilities

Net unrealized gain/loss on other securities	1,377 million yen
Other	3 million yen
Total	1,380 million yen
Net deferred tax assets	4,504 million yen

7. Fixed assets under lease contracts

In addition to the fixed assets on the balance sheet, some vehicles and carriers 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 the year-end
			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	2,126	-	-
					Debt guarantee (Note) 2	9,021	-	-
Subsidiary	Citizen Machinery Co., Ltd.	Ownership (direct) 100%	2	Acceptance of entrustment of management, leasing of real-estate, etc.	Debt guarantee (Note) 2	7,110	-	-
Subsidiary	Citizen Seimitsu Co., Ltd.	Ownership (direct) 100%	-	Acceptance of entrustment of management, leasing of real-estate, etc.	Debt guarantee (Note) 2	4,216	-	-
Subsidiary	Citizen Jewelry Co., Ltd.	Ownership (direct) 100%	2	Leasing of real-estate, etc.	Debt guarantee (Note) 2	2,588	-	-
Subsidiary	Citizen Financial Service Co., Ltd.	Ownership (direct) 100%	2	In-group financial subsidiary, leasing of real-estate, etc.	Debt guarantee (Note) 2	30,000	-	-
Subsidiary	Citizen Precision Hachinohe Co., Ltd.	Ownership (direct) 100%	1	Leasing of real-estate, etc.	Subscription of stocks issued	5,100	-	-

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 Business Controlling Companies.
2. Debt guarantees shall be provided for loans of each subsidiary.

9. Per share information

Net assets per share 309.57 yen

Net income per share 19.23 yen

10. Notes on important subsequent events

At the meeting of the Board of Directors held on May 18, 2010, the Company resolved to conclude a share exchange agreement in order to make Miyano Machinery Inc. a wholly-owned subsidiary.

Details are provided in Notes to Consolidated Financial Statements.

11. Other notes

(1) Changes in accounting policies

Beginning with the consolidated fiscal year under review, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19 issued on July 31, 2008) is being applied. The impact of this change on operating income, ordinary income, and income before income taxes is immaterial.

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

Financial Audit Report on Consolidated Financial Statements

Independent Auditors' Report on Consolidated Financial Statements

May 21, 2010

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 125th fiscal year from April 1, 2009 to March 31, 2010. 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.

Additional Information

As mentioned in "Notes on important subsequent events," at the meeting of the Board of Directors held on May 18, 2010, the Company resolved to conclude a share exchange agreement in order to make Miyano Machinery Inc. a wholly-owned subsidiary.

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 21, 2010

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 125th fiscal year from April 1, 2009 to March 31, 2010. 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.

Additional Information

As mentioned in "Notes on important subsequent events," at the meeting of the Board of Directors held on May 18, 2010, the Company resolved to conclude a share exchange agreement in order to make Miyano Machinery Inc. a wholly-owned subsidiary.

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 125th business term from April 1, 2009 to March 31, 2010, 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 the Board of Directors meetings 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. 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 also considered the contents in light of the circumstances, etc. of deliberations by the Board of Directors and other bodies.

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 and with the internal control over financial reporting.
- (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 appropriate.

(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 appropriate.

May 28, 2010

Board of Corporate Auditors
Citizen Holdings Co., Ltd.

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

Hisato Hiraishi [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 “shareholder return ratio” (which is the percentage of total amount of dividends and treasury stock purchased to consolidated net income for the fiscal year under review) 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 3.50 yen per share as shown below. This payment, combined with the interim dividend of 3.50 yen per share, will bring the total annual cash dividend for this fiscal year to 7.00 yen per share.

1. Type of dividend

Cash

2. Allotment and total amount of dividend

3.50 yen per common share of the Company

Total amount of dividends: 1,120,888,990 yen

3. Effective date of dividends from surplus

June 28, 2010

Item 2: Election of Nine (9) Directors

The terms of office of all of the present nine (9) 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:

(Those with an asterisk mark indicate new candidates)

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at 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>	30,176
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</p> <p>June 2009 Outside Director of Rhythm Watch Co., Ltd. (present)</p> <p>August 2009 In charge of R&D Division of the Company (present)</p>	23,576
3	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>	5,400

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
4	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>	16,800
5	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 Kasei Corporation</p> <p>June 2003 Full-time Advisor of Asahi Kasei Corporation</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> <p>June 2009 Advisor of Asahi Kasei Corporation (present)</p>	10,000
6	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>July 2005 President of Sony University of Sony Corporation (present)</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>	10,000

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
7	* Toshio Tokura (December 6, 1949)	<p>April 1973 Joined Citizen Trading Co., Ltd.</p> <p>June 2002 Director of Citizen Trading Co., Ltd.</p> <p>October 2004 Operating Officer of the Company</p> <p>April 2007 Managing Director of Citizen Watch Co., Ltd.</p> <p>April 2007 General Manager of Watch Business Control Center, Planning Department of Citizen Watch Co., Ltd.</p> <p>April 2007 In charge of Q&Q Division, Multi-Bland Division, NW Business Department, and Design Center of Citizen Watch Co., Ltd.</p> <p>October 2007 In charge of Design Lab. of Citizen Watch Co., Ltd.</p> <p>April 2009 Senior Managing Director of Citizen Watch Co., Ltd. (present)</p> <p>April 2009 In charge of overseas marketing of Citizen Watch Co., Ltd. (present)</p>	5,000
8	* Mikio Unno (February 2, 1947)	<p>April 1969 Joined the Company</p> <p>November 1997 General Manager of Production Engineering Department of the Company</p> <p>October 1998 General Manager of Technical Production Department of the Company</p> <p>June 2000 General Manager of Watch Production Department of the Company</p> <p>July 2002 Deputy General Manager of Watch Production Center and General Manager of Watch Technology Department of the Company</p> <p>June 2003 President and CEO of Heiwa Tokei Manufacturing Co., Ltd. (Currently Citizen Heiwa Watch Co., Ltd.) (present)</p> <p>April 2009 Managing Director of Citizen Watch Co., Ltd. (present)</p> <p>April 2009 General Manager of Technical Development Division of Citizen Watch Co., Ltd. (present)</p> <p>June 2010 President and CEO of Citizen Watch Co., Ltd. (scheduled)</p>	4,700
9	* Katsushige Osano (May 1, 1947)	<p>April 1970 Joined Kawaguchiko Seimitsu Co., Ltd. (Currently Citizen Seimitsu Co., Ltd.)</p> <p>April 2004 President of WALOP LIMITED</p> <p>June 2004 Director of Kawaguchiko Seimitsu Co., Ltd. (Currently Citizen Seimitsu Co., Ltd.)</p> <p>June 2004 General Manager of Appearance Division of Kawaguchiko Seimitsu Co., Ltd.</p> <p>April 2006 General Manager of GS Division of Citizen Seimitsu Co., Ltd.</p> <p>June 2008 Managing Director of Citizen Seimitsu Co., Ltd.</p> <p>June 2008 General Manager of General Center and GS Division of Citizen Seimitsu Co., Ltd.</p> <p>June 2009 In charge of Corporate Planning Division and GS Division of Citizen Seimitsu Co., Ltd.</p> <p>October 2009 President and CEO of Citizen Seimitsu Co., Ltd. (present)</p>	16,500

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 has appointed them as Independent Officers defined by the Tokyo Stock Exchange and registered them with the Exchange as such. 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 terms of office as Outside Directors from their initial appointment will be three (3) years at 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 relevant laws and regulations.
3. Among the candidates listed above, those who are presently in the positions of Directors attended at least 88% of the Board of Directors meetings held during the fiscal year.

Item 3: Election of One (1) Corporate Auditor

The terms of office of Corporate Auditor Takeshi Hayasaka will expire 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:

Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
Takeshi Hayasaka (January 12, 1947)	April 1969	Joined The Dai-Ichi Bank, Ltd.
	March 1994	General Manager of Shinjuku-Nishiguchi Branch of The Dai-Ichi Kangyo Bank, Limited
	April 1996	General Manager of Corporate Banking Division V of The Dai-Ichi Kangyo Bank, Limited
	May 1998	General Manager of Marunouchi Branch of The Dai-Ichi Kangyo Bank, Limited
	June 1998	Director and General Manager of Marunouchi Branch of The Dai-Ichi Kangyo Bank, Limited
	June 1999	President of Dai-Ichi Kangin Factoring Co., Ltd.
	October 2001	President of Mizuho Factors, Limited
	June 2006	Corporate Auditor (Full-time) (Outside Corporate Auditor) of the Company (present)
		5,500

Notes:

- No conflict of interest exists between the Company and the above candidate.
- Takeshi Hayasaka is a candidate for Outside Corporate Auditors of the Company.
The Company would like to elect him as an Outside Corporate Auditor of the Company to utilize his extensive knowledge he has acquired through many years of experience in managing banks and factoring companies to audit the Company's financial performance. He has once served as a Director at The Dai-Ichi Kangyo Bank, Limited, and some of its operations have been succeeded by Mizuho Corporate Bank, Ltd., which is one of the Company's principal lenders. Provided, however, he does not have as much influence on the Company's management decision-making as in the relationship between a parent company and its subsidiary or an affiliated company. In addition, Mr. Hayasaka resigned as a Director of The Dai-Ichi Kangyo Bank, Limited prior to assuming the position of the Outside Corporate Auditor of the Company. Therefore, the Company is convinced that he will be able to perform the audit from an independent position, without causing any conflicts of interest with general shareholders.
His terms of office as an Outside Corporate Auditor, which will expire at the conclusion of this General Meeting of Shareholders, will be four (4) years. The Company, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, has an agreement with the Outside Corporate Auditor to limit his liability for damages under Article 423, Paragraph 1 of the Companies Act, in order to enable him to perform his duties as an Outside Corporate Auditor as expected, and if the reelection of this Outside Corporate Auditor is approved at the meeting, the Company intends to continue the agreement. The amount of his 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 relevant laws and regulations.
- Mr. Hayasaka is presently in the position of Corporate Auditor and attended all of the Board of Directors meetings and Corporate Auditors meetings held during the fiscal year.

Item 4: Approval for Revision of the Policy for a Large-Scale Purchase of Citizen Shares (Anti-Takeover Measures)

The Company has resolved the implementation of the Policy for a Large-Scale Purchase of Citizen Shares (hereinafter, the “Old Policy”) at the Board of Directors Meeting held on May 14, 2007 in order to protect and enhance its corporate value and the common interest of its shareholders, and has obtained approval from its shareholders at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007. The Old Policy took effect on May 14, 2007.

Since the Old Policy will expire at this Ordinary General Meeting of Shareholders, the Old Policy was carefully examined, specifically for pros and cons of its revisions in view of matters such as legal changes after its implementation, changes of financial environment, judicial ruling and argument situation on anti-takeover measures. As a result, the Board of Directors Meeting held on May 11, 2010 re-adopted resolutions for a basic policy relating to persons who hold control over the financial and business policies of the Company, which is prescribed in Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act (hereinafter, the “Basic Policy”) as more fully described in “1. Outline of the Basic Policy” of this Item, and revision of the Old Policy (hereinafter, the revised version shall be referred to as the “Policy”) as efforts to prevent inappropriate persons from controlling decision-making over the Company’s financial and business policies in the light of the Basic Policy, subject to approval¹ of this Ordinary General Meeting of Shareholders.

The Policy is a countermeasure against any purchases of the Company’s share certificates, etc.² which will either intentionally or as a consequence increase the voting ratio³ of a group of shareholders⁴ up to 20% or more (regardless of whether by a market transaction,

¹ The term “approval” means to obtain approval from a majority of shareholders who attend the meeting by person or by proxy and are entitled to exercise their voting rights thereat.

² The term “Company’s share certificates, etc.” means “Share Certificates, etc.” as prescribed in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act (the “Act”). The same interpretation shall apply to the term “share certificates, etc.” hereinafter.

³ The term “voting ratio” means: (i) with respect to a group of shareholders which falls under the criteria of Note 4 (i) below, the holding ratio of share certificates, etc. (meaning “Holding Ratio of Share Certificates, etc.” as prescribed in Article 27-23, Paragraph 4 of the Act, which includes, for the purpose of this definition, the number of share certificates, etc. held by the joint holder of such group of shareholders as prescribed in the same Paragraph) of such group of shareholders; and (ii) with respect to a group of shareholders which falls under the criteria of Note 4 (ii) below, the total of the holding ratio of share certificates, etc. (meaning “Share Certificates, etc. Ownership Ratio” as prescribed in Article 27-2, Paragraph 8 of the Act) of the relevant Large-Scale Purchaser and of the specially related parties (as defined in Note 4 below). For the purpose of calculating each such ratio, the total number of voting rights (meaning the “number of the voting rights” as prescribed in Article 27-2, Paragraph 8 of the Act) and the total number of shares outstanding (meaning the “total number of shares outstanding” as prescribed in Article 27-23, Paragraph 4 of the Act) contained in the Company’s latest annual securities report (*yuuka shouken houkousho*), quarterly securities report (*shinshiki houkokusho*) or the treasury stock purchase report (*jiko kabuken kaisuke jyokyo houkokusho*) may be referred to.

⁴ The term “a group of shareholders” means: (i) the holder (meaning a “Holder” as prescribed in Article 27-23, Paragraph 1 of the Act, including those deemed to be a Holder in accordance with Article 27-23, Paragraph 3 of the Act; the same interpretation shall apply to the term “Holder” hereinafter) of the Company’s share certificates, etc. (meaning “Share Certificates, etc.” as prescribed in Article 27-23, Paragraph 1 of the Act) and his/her joint holder (meaning a “Joint Holder” as prescribed in Article 27-23, Paragraph 5 of the Act, including those deemed to be a Joint Holder in accordance with Article 27-23, Paragraph 6 of the Act; the same interpretation shall apply to the term “Joint Holder” hereinafter); or (ii) a person who conducts purchase (meaning “Purchase, etc.” as prescribed in Article 27-2, Paragraph 1 of the Act, including

a tender offer, or other methods, but except those to which the Board of Directors has consented in advance: hereinafter, these purchases or similar acts shall be referred to as “Large-Scale Purchase(s)” and purchaser(s) that conduct or contemplate a Large-Scale Purchase shall be referred to as “Large-Scale Purchaser(s)”, and the details are as described in “3. Efforts to prevent inappropriate persons from controlling decision-making over the financial and business policies of the Company in light of the Basic Policy (the Policy)” of this Item.

The key revision proposed to be made to the Old Policy is as follows; however, substantially there is no measure change from the Old Policy.

(1) Set a 30 day limit for extending the Independent Committee Assessment Period (as defined in “3. Efforts to prevent inappropriate persons from controlling decision-making over the financial and business policies of the Company in light of the Basic Policy (the Policy)” of this Item; and

(2) Clearly state in the Policy that the independent committee may recommend to the Company to obtain resolution of the General Meeting of Shareholders where the independent committee deems it appropriate.

We would like to obtain approval of our shareholders as to such revision made to the Old Policy.

1. Outline of the Basic Policy

The mission of the Citizen Group is to provide the best products and services to all citizens around the world, as its name implies. Under its corporate principle “For the citizen - contribute to the better lives of citizens and remain loved by citizens,” the Company has been making its utmost efforts to protect and enhance the corporate value and the common interest of shareholders, by contributing to the better lives of citizens all over the world through manufacturing of products that are loved and supported by them. The Company believes that persons who control decision-making over its financial and business policies should appropriately and consistently implement the Group’s management strategies with medium-and long-term perspectives, with a good understanding of its corporate principle and unique business profiles, thereby achieving the further creation and enhancement of the corporate value and the common interest of shareholders.

In the meantime, the Company holds a view that if a Large-Scale Purchase of the Company’s shares is offered, the Company will give consideration as long as such Large-Scale Purchase is beneficial to its corporate value and the shareholders’ common interest, and a decision of acceptance or rejection of such issue should be made ultimately by its shareholders.

However, in light of the current legal framework and financial environment, 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 common interest of its shareholders. Examples of such a Large-Scale Purchase would include those that, judging from the objectives and the manner in which it is conducted, is not the one which sincerely seeks streamlining of the

those conducted in a financial instruments market of an exchange) of share certificates, etc. (meaning “Share Certificates, etc.” as prescribed in Article 27-2, Paragraph 1 of the Act) of the Company, and such person’s specially related parties (meaning “Persons in Special Relationship” as prescribed in Article 27-2, Paragraph 7 of the Act).

Company's operation, but rather, which could cause irreparable harm to the Company; those that could virtually 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 conditions or for the board of directors of the targeted company to make alternative proposals; and those that require the targeted company to further negotiate with the Large-Scale Purchaser to obtain more favorable conditions than those offered by the Large-Scale Purchaser.

The Company considers that persons who carry out these Large-Scale Purchases should be given exceptional treatment, as they are not suitable in controlling decision-making over the financial and business policies of the Company; in order to do so, introduction of a certain framework which prevents any purchase detrimental to the corporate value of the Company or the common interest of its shareholders is imperative.

2. Special efforts to implement the Basic Policy

The Company has implemented various efforts to encourage more people to understand its corporate value and hold its shares in the long run.

For example, the Company implemented the following measures based on the medium-term management policy established on March 23, 2007, which is effective until the fiscal year ending in March, 2010:

- To strengthen its corporate governance, two Outside Directors should be elected at each Ordinary General Meeting of Shareholders to be held in and after June, 2007.
- A corporate realignment was implemented throughout the Group, pulling different companies operating in the same business segment together under the same umbrella; this will make the managerial decisions ever swifter and smoother for each business, reinforce corporate governance, and achieve further growth of each segment.
- The business investment and divestiture rules were strictly applied, and the divestiture of some unprofitable businesses was implemented.
- As part of business investments, the Company acquired all shares of Bulova Corporation in January, 2008, and shares of Miyano Machinery Inc. via a tender offer in October, 2008, to have them become its consolidated subsidiaries.

Further, in March 2010, the Company established its medium-term management plan ending March 31, 2013. The details are as described in "I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP, 6. Challenges Going Forward" of "BUSINESS REPORT" (see pages 8-9).

3. Efforts to prevent inappropriate persons from controlling decision-making over the financial and business policies of the Company in light of the Basic Policy (the Policy)

(1) Large-Scale Purchase Rules

The Board of Directors believes that any purchase of the Company's share certificates, etc. which will either intentionally or as a consequence increase the voting ratio of a group of shareholders up to 20% or more (regardless of whether by a market transaction, a tender offer, or other methods, but except those to which the Board of Directors has consented in advance: hereinafter, these purchases or similar acts shall be referred to as "Large-Scale Purchase(s)" and purchaser(s) that conduct or contemplate a Large-Scale Purchase shall be referred to as "Large-Scale Purchaser(s)"), should be subject to the rules prescribed below (hereinafter, the "Large-Scale Purchase Rules") in order to secure the corporate value of the Company and the common interest of its shareholders. The Large-Scale Purchase Rules stipulate that: a) a Large-Scale Purchaser must provide necessary and sufficient information to the Board of Directors before he/she gives effect to the Large-Scale Purchase, and b) the Large-Scale Purchase may be commenced only after the expiration of the review period during which the Board of Directors makes necessary assessments. The Board of Directors has established an independent committee to properly apply the Large-Scale Purchase Rules and avoid any arbitrary judgments by the Board of Directors. The independent committee consists of three or more members, elected from the outside Directors of the Company and outside experts, all of whom are independent from executive management of the Company. The independent committee will make recommendations on matters prescribed in the Large-Scale Purchase Rules and other matters referred to the committee by the Board of Directors. The Board of Directors respects such recommendations to the fullest extent in making resolutions as an organization established pursuant to the Companies Act. In addition to provision of recommendations, the independent committee is also empowered to engage in the acts prescribed in the Large-Scale Purchase Rules and other acts designated by the Board of Directors. The independent committee may seek advice from outside experts including legal counsels and financial advisers at the expense of the Company. Other matters relating to the independent committee will be prescribed in the independent committee rules (see Exhibit 1 for details). Kazumoto Yamamoto, Teruaki Aoki, and Shigekazu Torikai, the initial members of the independent committee, will continue to be members after the revision of the Policy (see Exhibit 2 for the names and brief histories of each member).

Among other things, the Large-Scale Purchase Rules provide that the Large-Scale Purchaser shall be required to firstly submit to the Board of Directors a document in Japanese containing sufficient information for the shareholders to make judgments and the Board of Directors to render opinion (hereinafter, "Large-Scale Purchase Information"). The items to be contained therein in general are as follows:

- (a) Details (including names, capital structures, businesses, and financial data) of the Large-Scale Purchaser and the members of its group (including joint holders, specially related parties, and in the case of funds, its partners and other members);
- (b) Objectives, methods, and details of the contemplated Large-Scale Purchase (including the price and type of consideration proposed to be paid for the contemplated purchase, purchase period, structures of related transactions, legality of the purchase method, and viability of the contemplated purchase);
- (c) Basis upon which the consideration proposed to be paid for the contemplated purchase is calculated (including, to a reasonable extent, facts and assumptions, calculation method, numerical data used in the calculation and the details of expected synergic effects produced by a series of transactions related to the contemplated purchase and the details of the economic benefits of the synergic effects to be distributed to

minority shareholders);

(d) The sources of the funding of the contemplated purchase (including names of the fund providers (including the substantial providers), financing method, and the details of related transactions);

(e) Management policy, business plans, capital policy and dividend policy of the Group after the contemplated purchase;

(f) Policy for treatment of employees, business partners, customers and other stakeholders of the Company after the contemplated purchase; and

(g) Specific measures to be taken to avoid a conflict of interest with other shareholders of the Company.

The Large-Scale Purchase Information required for individual Large-Scale Purchases may vary depending on the details of the Large-Scale Purchase. Any purchaser intending to conduct a Large-Scale Purchase is required to submit to the Board of Directors a confirmation letter executed in Japanese in the form designated by the Company, which will contain, including without limitation, the purchaser's covenant to comply with the Large-Scale Purchase Rules. This confirmation letter shall clearly show the name, address, the law of establishment, and contact address in Japan of the Large-Scale Purchaser and a summary of the Large-Scale Purchase proposed. Upon receipt, the Board of Directors will immediately forward the confirmation letter to the independent committee, and the independent committee, within 10 business days after receiving the same, will deliver to the Large-Scale Purchaser either directly or through the Board of Directors, a list of the Large-Scale Purchase Information which must be submitted by the Large-Scale Purchaser at the beginning of the process. If the independent committee concludes that the information submitted by the Large-Scale Purchaser is insufficient as the requested Large-Scale Purchase Information, the independent committee may request, either directly or through the Board of Directors, the Large-Scale Purchaser to provide additional information until the independent committee concludes that it has been provided with sufficient Large-Scale Purchase Information.

The independent committee may also request the Board of Directors to submit its opinion regarding the proposed Large-Scale Purchase and supporting documents of such opinion, an alternative proposal (if any), and other information and materials deemed necessary by the independent committee. The reservation of the Board's opinion is one possible response to such request of the independent committee. The independent committee will set the deadline date for the Board's response as it deems appropriate (up to 60 days maximum in principle).

When the independent committee determines it necessary to do to enable the shareholders to make judgment, the independent committee, either directly or through the Board of Directors, will disclose to the shareholders all or part of the fact that a Large-Scale Purchase has been proposed, and the Large-Scale Purchase Information provided to the Board of Directors or to the independent committee, as well as the information and materials submitted by the Board of Directors to the independent committee, at such time as is deemed appropriate.

Then, after the receipt of Large-Scale Purchase Information, and receipt of information and materials provided by the Board of Directors, the independent committee will have 60 days in principle as a period to assess, examine, negotiate and form opinions (this period shall be referred to as the "Independent Committee Assessment Period"). The independent committee may extend the Independent Committee Assessment Period for up to 30 days and, if extended, the Company will promptly disclose a summary of the resolution of the independent committee, the reasons for the extension, and the new Independent Committee

Assessment Period. Accordingly, a Large-Scale Purchase may only be conducted after the Independent Committee Assessment Period has expired. During the Independent Committee Assessment Period, the independent committee will fully assess and analyze the provided Large-Scale Purchase Information, and carefully study the results thereof before it forms and announces its opinion. In addition, the independent committee may, either directly or through the Board of Directors, negotiate and exchange views with the Large-Scale Purchaser to seek better conditions in respect of the Large-Scale Purchase as necessary. The independent committee may also recommend that the Board of Directors submit an alternative proposal to the shareholders. The Large-Scale Purchaser must immediately respond to any request of the independent committee for information, negotiation or exchange of views.

(2) Policy for responding to a Large-Scale Purchase

(a) In case a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules

If a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, and the independent committee determines that the allotment of stock acquisition rights without contribution is appropriate, the independent committee will recommend the Board of Directors to implement such allotment as a countermeasure against the Large-Scale Purchase in order to protect the corporate value of the Company and the common interest of its shareholders. In this case, the Board of Directors will respect such recommendation to the fullest extent, and make resolutions required as an organization under the Companies Act as to allotment of stock acquisition rights without contribution. The terms of the allotment of stock acquisition rights without contribution are summarized in Exhibit 3. Further, when implementing the allotment, the Company may designate the exercise period, exercise conditions, and rights of the Company to acquire the stock acquisition rights from the holders, with the view to obtaining the effects of the allotment which the Company seeks as a countermeasure against the Large-Scale Purchase.

(b) In case the Large-Scale Purchaser observes the Large-Scale Purchase Rules

So long as a Large-Scale Purchaser observes the Large-Scale Purchase Rules, the independent committee will in principle recommend that the Board of Directors should not trigger countermeasures against the Large-Scale Purchase. In this case, even if the Board of Directors is against such Large-Scale Purchase, it will limit itself to express its dissent to the proposed purchase, submit an alternative proposal, and/or persuade the shareholders, and will not take a countermeasure against the Large-Scale Purchase.

In such case, the shareholders will determine whether or not the Company should agree to the proposed purchase by the Large-Scale Purchaser, considering the proposals of the Large-Scale Purchaser and the opinions and alternative plans concerning the proposals provided by the Company.

However, even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules, if the independent committee concludes that the contemplated Large-Scale Purchase may significantly damage the corporate value of the Company or the common interest of its shareholders, the independent committee will recommend that the Board of Directors implement the allotment of stock acquisition rights without contribution to protect the corporate value of the Company and the common interest of its shareholders as a countermeasure against the Large-Scale Purchase. In this case, the Board of Directors will respect such recommendation to the fullest extent and make resolutions required as an organization under the Companies Act as to allotment of stock acquisition rights without contribution.

The independent committee will draw such a conclusion if the Large-Scale Purchase in question falls under any of the following criteria, and the independent committee

determines that the allotment of stock acquisition rights without contribution is appropriate:

- 1) Where the Large-Scale Purchaser is judged to intend only to raise the share price of the Company to make the Company or its related parties purchase those shares back from the Large-Scale Purchaser at a higher price, while having no true intention of taking part in the management of the Company through its holding of shares of the Company.
- 2) Where the Large-Scale Purchaser is judged to intend to temporarily hold control over the management of the Company, to have it transfer to the Large-Scale Purchaser or its group companies the intellectual property rights, know-how, business secrets, or major business partners or customers required for the operation of businesses of the Company or its Group companies.
- 3) Where the Large-Scale Purchaser is judged to intend to hold control over the management of the Company, to utilize assets of the Company or the Group companies as collateral or source of payment of debts owed by the Large-Scale Purchaser or its group companies.
- 4) Where the Large-Scale Purchaser is judged to intend to temporarily hold control over the management of the Company, to have it sell or otherwise dispose of valuable assets of the Company or any of the Group companies, including real estate properties and securities which are not necessary for its day to day business for the time being, and have it pay a large amount of dividend to its shareholders including the Large-Scale Purchaser with the proceeds of the disposition, or to seek soaring of its share price caused by such a temporary high dividend with the view to selling its shares of the Company at a higher price.
- 5) Where the Large-Scale Purchaser employs a strategy that may in effect force the shareholders of the Company to sell the Company's shares to the Large-Scale Purchaser, including implementation of a TOB where the Large-Scale Purchaser does not solicit all of the shares of the Company at the first TOB and make the terms of the second TOB less favorable to the remaining shareholders, or does not make the terms of the second TOB clear at the time of the first TOB.

In addition, when the independent committee judges it appropriate to seek resolution of the General Meeting of Shareholders on the allotment of stock acquisition rights without contribution, the independent committee will recommend so. In this case, the Company's Directors shall, respecting the recommendations of the independent committee to the fullest extent, call a General Meeting of Shareholders (hereinafter "General Meeting of Shareholders for Confirmation") as early as practically possible and submit an agenda on the allotment of stock acquisition rights without contribution. If the General Meeting of Shareholders for Confirmation resolves to approve the proposed allotment of stock acquisition rights without contribution, the Board of Directors shall perform necessary procedures for the allotment pursuant to the resolution. In this case, the Large-Scale Purchase shall not commence until the General Meeting of Shareholders for Confirmation adopts a resolution on whether the said allotment be performed.

(c) Suspension of countermeasures

If the relevant circumstance changes or the Large-Scale Purchaser clearly changes its Large-Scale Purchase plan after the independent committee has recommended the allotment of stock acquisition rights without contribution as a countermeasure against the Large-Scale Purchase, the independent committee may recommend suspension of the allotment if it is before its effective date or, if it is after the effective date but before the commencement of the exercise period of the stock acquisition rights, recommend the acquisition by the Company of the stock acquisition rights from the holders without consideration.

Conversely, if, after the independent committee has decided not to recommend the implementation of the allotment of stock acquisition rights without contribution as a countermeasure against a Large-Scale Purchaser, there is any change in the relevant circumstances causing the independent committee to come to conclude that the Large-Scale Purchase significantly damages the corporate value of the Company or the common interest of its shareholders, the independent committee may, in order to protect the corporate value of the Company and the common interest of its shareholders, recommend the allotment of stock acquisition rights without contribution as a countermeasure against the Large-Scale Purchase.

In these cases, the Board of Directors will respect to the fullest extent the recommendation of the independent committee and make resolutions required as an organization under the Companies Act in relation to the suspension of the allotment of stock acquisition rights without contribution, the Company's acquisition of the stock acquisition rights from the holders without consideration, or the implementation of the allotment of stock acquisition rights without contribution, as the case may be.

(3) Effective date and term of the Policy

The Policy will become effective as of the date of this Ordinary General Meeting of Shareholders subject to an approval of shareholders at the meeting, and remain effective until the end of an Ordinary General Meeting of Shareholders to be held for the final fiscal year of the Company which ends within the three year period thereafter.

However, in the event that the Board of Directors determines to abolish the Policy even during its effective term, the Policy will be abolished with immediate effect. Furthermore, the Board of Directors may amend the Policy even during its effective term upon approval of the independent committee, under the condition that such amendment would not impair the purpose and contents of the Policy which are to be approved by this Ordinary General Meeting of Shareholders. Circumstances giving rise to the amendment may include those where a modification is necessary and proper to conform to the revisions of applicable laws and regulations or rules of the financial instruments exchanges; where a correction of wording is necessary and proper due to typographical errors or inadvertent omissions; or where it is confirmed that the amendment would not be detrimental to our shareholders.

If abolishment or amendment of the Policy is enforced, the Company will promptly make an announcement of the effect thereof to its shareholders.

(4) Possible effects on shareholders and investors of the Company

(a) Possible effects of the Large-Scale Purchase Rules on the shareholders and investors

The purpose of the Large-Scale Purchase Rules is to ensure provision to the shareholders with information necessary for them to decide whether or not they should agree to a

Large-Scale Purchase as well as the opinion of the Board of Directors in charge of the management of the Company, and to guarantee an opportunity for the shareholders to receive an alternative proposal from the Company where necessary. Thus, the Large-Scale Purchase Rules enable the shareholders to make an appropriate decision with sufficient information as to whether or not they should agree to a Large-Scale Purchase.

Therefore, the Company believes that the introduction of the Large-Scale Purchase Rules is a prerequisite for the shareholders of the Company and its investors to make an appropriate investment decision and should serve for their benefit.

When a Large-Scale Purchase is proposed, the Company would like to draw the attention of its shareholders and investors to the actions of the Large-Scale Purchaser and the Company's responses thereto; as mentioned in (2) above, the policy which the Company adopts to the Large-Scale Purchase will depend on whether or not the Large-Scale Purchaser observes the Large-Scale Purchase Rules.

(b) Possible effects on the shareholders and investors when the countermeasures are triggered

If the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, or even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules, when the independent committee determines that the Large-Scale Purchase significantly damages the corporate value of the Company or the common interest of its shareholders, the independent committee will recommend to the Board of Directors the allotment of stock acquisition rights without contribution to protect the corporate value of the Company and the common interest of its shareholders. The Board of Directors will then respect such recommendation to the fullest extent, and may make resolutions required as an organization under the Companies Act as to allotment of stock acquisition rights without contribution. In case that the allotment of stock acquisition rights without contribution is indeed implemented, the Company does not anticipate that the allotment will cause any particular damage to the legal rights or economic interests of the Company's shareholders (excluding a shareholder belonging to the group of shareholders which includes the Large-Scale Purchaser, or having any other relationship with the Large-Scale Purchaser). When the Board of Directors, respecting the recommendation of the independent committee to the fullest extent, decides to give effect to an allotment of stock acquisition rights without contribution as a countermeasure as an organization established under the Companies Act, the Company will make timely and appropriate disclosure in compliance with applicable laws and regulations and rules of the financial instruments exchanges.

When the Company implements allotment of stock acquisition rights without contribution as a countermeasure, the shareholders of the Company will need to be listed on the final list of shareholders of the Company as of the allotment date in order to receive the allotment of stock acquisition rights. This allotment date will be determined and officially announced by the Board of Directors after the determination. In addition, for receipt of shares upon exercise of stock acquisition rights, the holders of such rights must complete payment of a certain amount of money within a predetermined period. When the Board of Directors determines that the Company purchases the stock acquisition rights from the holders, the Company may issue new shares to the shareholders in consideration of its acquisition of such rights from them, in lieu of paying the amount equal to the exercise price of such right. As to the details of these procedures, the Company will notify the shareholders in accordance with applicable laws and regulations and rules of the financial instruments exchanges, when the Company actually allots the stock acquisition rights without contribution.

If the Company suspends allotment of the stock acquisition rights without contribution after the shareholders entitled to receive the same are determined, or the Company acquires without consideration any stock acquisition rights from the holders who have been allotted such rights without contribution, the value of the Company's stock per share will not be diluted; accordingly, investors who have traded shares of the Company assuming that the value of the Company's shares will be diluted may suffer damages corresponding to the change in the share price.

(5) Determination of the Board of Directors on the Policy and reasons therefor

The Board of Directors believes that the Policy is consistent with the Basic Policy and meets the common interest of its shareholders, and should not and will not be implemented for the sake of the Company's officers maintaining their position, as it reflects and embodies all of the following elements:

(a) Full satisfaction of the requirements under the guidelines for anti-takeover measures

The Policy fully satisfies the requirements of the three principles stipulated in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' common interest" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(b) Respect of shareholders' intentions (resolutions of general meeting of shareholders and adoption of a Sunset Provision)

As described in (3) above, the Policy will come into effect subject to approval of shareholders of the Company to be adopted at this Ordinary General Meeting of Shareholders. In addition, since the Policy includes a sunset provision which remains in force for around 3 years, and the term of office of the Directors of the Company is limited to one year, the shareholders will be able to additionally express their intention for the Policy through the election of directors, even during the effective period of the Policy.

(c) Respect of judgment of independent outside personnel and disclosure of information

Even after revising the Policy, for the purposes of prevention of arbitrary judgments of the Directors, the Company will maintain the independent committee as an organization to make decisions in an objective manner on behalf of the shareholders as to the substantive issues of the Policy including decisions to implement or abolish the Policy.

The Board of Directors will appoint the members of the independent committee from among (i) the outside Directors of the Company and/or (ii) outside experts, all of whom are independent from the Company's executive management.

When a Large-Scale Purchase is actually proposed for the Company's shares, the independent committee, as mentioned in (2) above, will make recommendations to the Board of Directors pursuant to the independent committee rules as to, among other things, whether or not the Large-Scale Purchase damages the Company's corporate value or the shareholders' common interest. The Board of Directors, respecting such recommendations to the fullest extent, will make resolutions required as an organization under the Companies Act to decide whether or not to implement the allotment of stock acquisition rights without contribution.

The independent committee will closely see to it that the Directors should not arbitrarily implement the countermeasures, 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 Policy is applied in a transparent manner and serve for the benefit of the corporate value of the Company and the common interest of its

shareholders.

(d) Reasonable and objective conditions precedent for the countermeasure

As discussed in (2) above, the Company has set in the Policy reasonable 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.

(e) Third party expert opinion available to the independent committee

When a Large-Scale Purchaser is contemplated, the independent committee is entitled to obtain advice from independent third parties (including financial advisers, certified public accountants, legal counsels, consultants, and other experts) at the expense of the Company. Thus, the fairness and objectivity of the independent committee's judgment will be further secured.

(f) The Policy do not have an anti-takeover provision similar to a "dead-hand" or "slow-hand" provision

The Policy can be abolished at any time in the judgment of the Board of Directors, of which members are elected at the General Meeting of Shareholders of the Company. Therefore, it is possible for any prospective large-scale purchaser to appoint its nominees as Directors and have them abolish the Policy by way of Board resolutions.

Therefore, the Policy is not a dead-hand anti-takeover measure (which means that triggering of countermeasures cannot be prevented even by changing a majority of the Directors on the Board). In addition, the term of office of the Company's Directors is one year, and the Company has not adopted a system to appoint Directors at different times. Therefore, the Policy is not a slow-hand anti-takeover measure (which means that prevention of countermeasures takes time because the Directors cannot be replaced all at one time), either.

Summary of Independent Committee Rules

1. The independent committee shall be established by resolution of the Board of Directors.
2. The independent committee shall consist of three or more members, appointed by the Board of Directors from (i) the Company's outside Directors or (ii) outside experts, both of whom are independent from the executive management of the Company. The outside experts shall be persons with traceable accomplishments as business managers, persons having extensive experience in investment banking business, legal counsels, certified public accountants, researchers whose primary area of research is Companies Act or other relevant law, or professionals similar thereto, and they shall sign an agreement with the Company in the form designated by the Board of Directors, which shall include their due care as prudent manager (*zenryo naru kanrisha no chui*).
3. The term of the independent committee members shall expire at the end of the Ordinary General Meeting of Shareholders held for the final fiscal year ending within three years after their election, unless otherwise determined by the resolution of the Board of Directors. In addition, when independent committee members who are outside Directors are no longer Directors (excluding those who are re-elected), their term as independent committee members shall expire at the same time.
4. The independent committee shall make decisions on the items specified below and, based upon the decisions, shall give recommendations with reasons to the Board of Directors. The Board of Directors, respecting the recommendations of the independent committee to the fullest extent, shall make resolutions as an organization under the Companies Act to determine whether or not to implement allotment of stock acquisition rights without contribution. (If, however, a General Meeting of Shareholders for Confirmation resolves otherwise upon the matter set forth in (b) below, such resolution shall be respected.) Each independent committee member and each Director of the Company shall make these decisions by taking into account solely whether or not their decisions benefit the corporate value of the Company and the common interest of its shareholders, and they shall not make decisions for their own personal interest or personal interest of the management of the Company.
 - (a) To determine whether or not an offer constitutes a Large-Scale Purchase to which the Policy applies
 - (b) To implement or not to implement the allotment of stock acquisition rights without contribution (including the bringing of these matters before a General Meeting of Shareholders for Confirmation.)
 - (c) To suspend the allotment of stock acquisition rights without contribution
 - (d) To acquire the stock acquisition rights from shareholders without consideration
 - (e) To abolish or change the Policy
 - (f) Matters that the Board of Directors is responsible for determining and with respect to which the Board of Directors has requested the view of the independent committee
5. In addition to the items specified in 4. above, the independent committee may conduct the following activities:
 - (a) To designate the information to be provided to the independent committee by the Large-Scale Purchaser and the Board of Directors, and the deadline date for the Board of Directors to reply to the request for such information;

- (b) To closely review and examine the details of the Large-Scale Purchase contemplated by the Large-Scale Purchaser;
 - (c) To negotiate and exchange views with the Large-Scale Purchaser regarding the Large-Scale Purchase;
 - (d) To request the submission of alternative plan by the Board of Directors and examine such alternative plan;
 - (e) To extend the Independent Committee Assessment Period; (The extension period, however, shall not exceed 30 days.)
 - (f) To conduct other activities that the independent committee is authorized to engage in under the Policy; and
 - (g) To conduct other activities that the independent committee is authorized to engage in by resolution of the Board of Directors separately from the Policy.
6. Within 10 business days after receiving a confirmation letter from the Large-Scale Purchaser, the independent committee shall, either directly or through the Board of Directors, deliver to the Large-Scale Purchaser a list of Large-Scale Purchase Information that must be submitted by the Large-Scale Purchaser at the beginning of the process. If the independent committee concludes that the information submitted by the Large-Scale Purchaser is insufficient as the requested Large-Scale Purchase Information, the independent committee shall require, either directly or through the Board of Directors, the Large-Scale Purchaser to provide additional information until the independent committee concludes that it has received sufficient Large-Scale Purchase Information. The independent committee may also request the Board of Directors to submit its opinion regarding the proposed Large-Scale Purchase and supporting documents of such opinion, an alternative plan (if any), and other information and materials deemed necessary by the independent committee. The reservation of the Board's opinion is one possible response to such request of the independent committee. The independent committee shall set the deadline date for the Board's response as it deems appropriate (up to 60 days maximum in principle).
7. The independent committee may directly or indirectly negotiate or exchange views with the Large-Scale Purchaser if necessary in order to seek better conditions in respect of the contemplated Large-Scale Purchase to benefit the corporate value of the Company and the common interest of its shareholders.
8. For collection of necessary information, the independent committee is entitled to request the Directors, Corporate Auditors, or employees of the Company and other parties who are deemed necessary by the independent committee to report to the independent committee and explain matters designated by the independent committee.
9. The independent committee may obtain the advice of independent third parties (including financial advisers, certified public accountants, legal counsels, consultants, and other professionals) at the expense of the Company.
10. The independent committee members may convene their meetings upon the occurrence of a Large-Scale Purchase or at any other time.
11. The resolution of the independent committee shall in principle be made with the majority of the members present who constitute two-thirds of the independent committee members. However, in case there is a compelling reason, the resolution may be made with a majority of the members present who constitute a majority of the independent committee members.

Names and Resumes of the Independent Committee Members

Kazumoto Yamamoto	
Date of birth:	July 22, 1933
June 1983	Director of Asahi Chemical Industry Co., Ltd. (Currently Asahi Kasei Corporation)
June 1987	Managing Director of Asahi Chemical Industry Co., Ltd.
June 1990	Senior Managing Director of Asahi Chemical Industry Co., Ltd.
June 1995	Executive Vice-president of Asahi Chemical Industry Co., Ltd.
June 1997	President of Asahi Chemical Industry Co., Ltd.
April 2003	Vice Chairman of the Board of Asahi Kasei Corporation
June 2003	Full-time Advisor of Asahi Kasei Corporation
June 2005	Outside Director of Tokyo Gas Co., Ltd. (present)
June 2006	Outside Director of Toto Kiki Co., Ltd. (Currently TOTO LTD.) (present)
June 2007	Outside Director of the Company (present)
June 2009	Advisor of Asahi Kasei Corporation (present)

* Mr. Kazumoto Yamamoto is an Outside Director set forth in Article 2, Item 15 of the Companies Act. The Company has appointed Mr. Yamamoto an Independent Officer defined by the Tokyo Stock Exchange and registered him with the Exchange as such. There are no specific conflicts of interest between Mr. Yamamoto and the Company.

Teruaki Aoki

Date of birth:	October 18, 1941
June 1989	Director of Sony Corporation
June 1996	Managing Director of Sony Corporation
April 1998	President & COO of Sony Electronics Inc. (US corporation)
May 2000	Senior Executive Vice President of Sony Corporation
June 2003	Chief Operating Officer of Sony Corporation
April 2005	President of Sony University of Sony Corporation (present)
February 2006	Outside Director of Micron Technology, Inc. (US corporation) (present)
April 2006	Executive Alumnus of Sony Corporation (present)
June 2007	Outside Director of the Company (present)

* Mr. Teruaki Aoki is an Outside Director set forth in Article 2, Item 15 of the Companies Act. The Company has appointed Mr. Aoki an Independent Officer defined by the Tokyo Stock Exchange and registered him with the Exchange as such. There are no specific conflicts of interest between Mr. Aoki and the Company.

Shigekazu Torikai

Date of birth:	March 12, 1947
October 1975	Joined the tax and accounting office
October 1986	Passed bar exam
April 1990	Registered with the Daini Tokyo Bar Association as practicing attorney
April 1994	Representing partner of Torikai Law Office (present)

* There are no specific conflicts of interest between Mr. Shigekazu Torikai and the Company.

Summary of allotment of stock acquisition rights without contribution

1. Decisions on the matters related to allotment of stock acquisition rights without contribution

- (1) The terms and number of the stock acquisition rights to be allotted

The terms of the stock acquisition rights shall be as specified in 2. below, and the number of stock acquisition rights to be allotted shall be determined by the Board of Directors, but shall not exceed twice the latest aggregate number of the outstanding shares of the Company (excluding the treasury stock owned by the Company) as of the date determined by the Board of Directors for the allotment of the stock acquisition rights (the "Allotment Date").

- (2) Eligible shareholders to whom the allotment shall be made

The Board of Directors shall determine the allotment ratio of stock acquisition rights, for up to two stock acquisition rights per share held by the shareholder and effect the allotment of the stock acquisition rights to the shareholders recorded in the final list of shareholders on the Allotment Date.

- (3) Effective date of the allotment of the stock acquisition rights

The date separately determined by the Board of Directors.

2. Terms of the stock acquisition rights

- (1) Type and number of shares to be issued upon exercise of stock acquisition rights

The type of shares to be issued upon exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (hereinafter, "Number of Shares to be Issued") shall be one share per one stock acquisition right. The Company shall make necessary adjustments in the event of a stock split or consolidation of shares.

- (2) Amount of consideration to be paid upon exercise of stock acquisition rights

The amount of consideration to be paid upon exercise of stock acquisition rights shall be one yen or more per share of the Company being issued, as shall be determined by the Board of Directors.

- (3) Exercise period of the stock acquisition rights

The exercise period of the stock acquisition rights shall commence on the date when the allotment of the stock acquisition rights becomes effective or on another date determined by the Board of Directors and shall last for the period as determined by the Board of Directors. However, if the stock acquisition rights are acquired by the Company from the holders, the exercise period shall end on the one business day prior to the date on which the stock acquisition rights are to be acquired by the Company.

- (4) Conditions for the exercise of the stock acquisition rights

Exercise of the stock acquisition rights may be subject to conditions including the restriction that a party belonging to a group of shareholders which includes the

Large-Scale Purchaser is not able to exercise the stock acquisition rights⁵. The Board of Directors shall determine the details of such conditions.

(5) Restrictions on transfer of the stock acquisition rights

Obtaining stock acquisition rights by transfer shall require the approval of the Board of Directors.

(6) Acquisition of the stock acquisition rights by the Company

The Company may determine, as a condition for any person to acquire stock acquisition rights, that the Company may acquire such stock acquisition rights from such person, if he/she does not belong to a group of shareholders which includes the Large-Scale Purchaser, and may deliver to such person the Number of Shares to be issued per each stock acquisition right acquired by the Company.

The Board of Directors shall determine the details of such condition.

(7) Others

The Board of Directors shall determine any other matters as necessary.

⁵ However, even if such restriction applies, if a person belonging to a group of shareholders which includes a Large-Scale Purchaser or similar person shall have made a covenant to the Company as required by the Board of Directors, and shall have sold not less than the required number of the Company's shares in a financial instruments market of an exchange via a securities firm approved by the Company, the Board of Directors may approve the exercise of stock acquisition rights by such person to the extent that the total number of shares delivered to such person upon the exercise does not exceed the number of shares sold by such person. In such case, the Board of Directors shall determine the requirements, procedures and other details.