

Ticker Code: 7762

June 6, 2011

**NOTICE OF THE 126th 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,

We would like to express our heartfelt sympathies to everyone who has suffered hardship from the Great East Japan Earthquake.

You are cordially invited to attend the 126th 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 Monday June 27, 2011.

[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 Tuesday, June 28, 2011

*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, South Tower 5F “Eminence Hall”

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

* Please note that the meeting venue is the same hotel as last year, but the floor and the room are different from last year.

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 126th term (April 1, 2010 to March 31, 2011)

Item 2: Report of the non-consolidated financial statements for the 126th term (April 1, 2010 to March 31, 2011)

Items to be resolved:

Item 1: Appropriation of Surplus

Item 2: Election of Nine (9) Directors

- 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, 2010 to March 31, 2011

I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP

1. Review of Operations

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

Under these circumstances, the Citizen Group, aiming to be a company group that makes solid development, has strived to further strengthen its business structure as well as continuously pursued a new growth strategy.

Watches and clocks business reported increase in sales due to the strong sales of movement, mainly high-value added products, in addition to the fact that our high-value added products strategy such as Eco-Drive was successfully accepted and achieved steady sales in the global economic recovery trend. Among device and component business, LED for lighting, which is positioned as a field with strong growth potential, saw its market expansion and significant sales growth. However, mobile phone LEDs or glass substrates (HDD glass substrates) were under strong downward pressure on its price led by such factors as appreciation of yen and intense market competition, and experienced difficult business condition. As a result, total sales of the segment declined. In the electronic product business, due to POS printers and label printers, our mainstay products, showing steady sales in advanced countries, the sales increased. The sales of the industrial machinery business significantly increased, showing strong sales amid the sharp recovery of demand. In Other product business, the domestic consumption was still stagnant over a prolonged period and the sales declined.

As a result, the Citizen Group's consolidated results included net sales of 284.964 billion yen (up 12.9% year-on-year), operating income of 16.702 billion yen (up 131.0% year-on-year) ordinary income of 14.802 billion yen (up 85.6% year-on-year) and net income of 5.123 billion yen (up 45.2% year-on-year).

[Watches and Clocks]

"CITIZEN" brand watches and clocks in the domestic market experienced a tentative sales decline because fewer Chinese tourists who have strong purchasing interest visited Japan since last autumn. However, with the continuous domestic brand improving, the sales rose mainly by the women's watch brand xC. In overseas markets, business conditions were on the recovery track and the Company has been continuously implementing sales promotion mainly by featuring Eco-Drive. Despite the appreciation of the yen, the sales in North America rose due to the strong sales for Christmas and the following period. In Europe, the sales was still on the recovery trend due to our products introduced during this fiscal year in Germany and Italy; however, the sales from this market decreased in the end because of the significant effect of strong yen. In Asia, continued active sales promotions in the growing Chinese market achieved a significant increase in sales. Also overall sales in other Asian countries rose in reflection of the region's strong economic recovery.

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

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

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

As a result, the watches and clocks segment reported net sales of 137.396 billion yen and operating income of 14.452 billion yen.

[Devices and Components]

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

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

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

As a result, the devices and components segment reported net sales of 72.585 billion yen and operating income of 2.244 billion yen.

[Electronic Products]

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

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

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

As a result, the electronic product segment reported net sales of 22.032 billion yen and operating income of 0.835 billion yen.

[Industrial Machinery]

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

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

As a result, the industrial machinery segment reported net sales of 37.767 billion yen and operating income of 2.680 billion yen.

[Other Products]

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

As for pachinko industry, sales fell in reflection of strong sentiment of uncertainty in the future and suspended investment in peripheral equipment.

As a result, other product segment reported net sales of 15.182 billion yen and operating loss of 0.262 billion yen.

(Great East Japan Earthquake Impacts and Recovery Efforts)

Following the Great East Japan Earthquake, the Citizen Group established the "Group Earthquake Response Headquarters," led by the Company's President and CEO, to determine whether and to what extent our various works had been damaged and to check on the safety of employees.

(1) Impacts on and recovery status of Citizen Group's Works (As of May 20, 2011)

(a) CITIZEN TOHOKU CO., LTD.

As for the Soma Works (Shinchi, Soma-gun, Fukushima Prefecture), business operation's buildings did not suffer tsunami damage, but with problems like infrastructure damage and conditions making it difficult for employees to come to work, recovery has required substantial time. However, production has been gradually restarted beginning in April and returned to just about normal operations in May. Other than the Soma Works, Citizen Tohoku's Works suffered little damage. These locations temporarily suspended operations to inspect and repair equipment in each process, gradually began to restart their operations from the middle of March, and have returned to essentially normal operation in April.

(b) CITIZEN MACHINERY MIYANO CO., LTD.

At the Fukushima Works (Yabuki, Nishishirakawa-gun, Fukushima Prefecture), part of its buildings and other facilities suffered from damages. A full recovery of those buildings and facilities will require a substantial amount of time, but production facilities have been inspected and repaired and production returned to normal on April 20. The Kitakami Works (Kitakami, Iwate Prefecture) did not suffer from major damages on its buildings, and some production operations were restarted in the latter part of March, and then, with the completion of production facility inspections and repairs, normal operations have been restored from April 20.

(c) CITIZEN ELECTRONICS FUNEHIKI JAPAN CO., LTD. (Tamura, Fukushima Prefecture)

After the earthquake, operations were temporarily suspended. However, no major damage was suffered to buildings or facilities and normal operations resumed on March 22.

(2) Recording extraordinary losses arising from disaster

As a result of restoration costs for disaster-damaged assets, fixed costs for periods of idled operations, and other outlays, 1.253 billion yen in losses arising from disaster were recorded as extraordinary losses.

(3) Recovery efforts

To aid earthquake victims and help affected areas recover, the Citizen Group contributed 100 million yen to the Japanese Red Cross Society. We also donated 3,000 electronic thermometers – Citizen Group products – to hospitals in the afflicted areas.

[Sales by Business Segment]

Business segment	Amount (Millions of yen)	Percentage of total	Change from the previous fiscal year
Watches and Clocks	137,396	48.2%	-
Devices and Components	72,585	25.5%	-
Electronic Products	22,032	7.7%	-
Industrial Machinery	37,767	13.3%	-
Other Products	15,182	5.3%	-
Total	284,964	100.0%	12.9%

Notes:

1. The rate of the sales in the overseas to the gross sales is 61.9%.
2. Effective from the fiscal year ended March 31, 2011, the Company adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008). Consequently, five business segments – Watches and Clocks, Devices and Components, Electronic Products, Industrial Machinery, and Other Products - have been designated with reference to similarity of product types and qualities, and based fundamentally on business controlling companies.

Spin-offs, mergers, and company reorganization measures aimed at building management systems within business controlling companies were undertaken intermittently up until the previous fiscal year. Information showing segment-level percentage changes relative to the previous fiscal years, therefore, have not been presented.

2. Financing

Not applicable

3. Capital Expenditures

Capital expenditures during the fiscal year totaled 13.957 billion yen, the major expenditures of which are as follows:

- (1) 5.928 billion yen for production facilities in Watches and Clocks
- (2) 5.872 billion yen for production facilities in Devices and Components
- (3) 0.283 billion yen for production facilities in Electronic Products
- (4) 1.137 billion yen for production facilities in Industrial Machinery
- (5) 0.120 billion yen for production facilities in Other Products

4. Important Restructuring Transactions

- (1) The Citizen Group has been 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 accelerate management decision-making in each business, strengthen governance, and prepare each business for future growth.
 - (a) 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 became a wholly owned subsidiary of Citizen Watch Co., Ltd. through an exchange of shares.

- (b) 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 became a wholly owned subsidiary of Citizen Watch Co., Ltd. through an exchange of shares.
- (2) The Company and Miyano Machinery Inc., for the purpose of building a system that would accelerate management decision-making and enable a more effective introduction of managerial resources by further advancing business integration, conducted a share-exchange with October 1, 2010 set as the effective date, making the Company the wholly-owning parent company and Miyano Machinery Inc. a wholly-owned subsidiary.

Miyano Machinery Inc. and Citizen Machinery Co., Ltd. merged as of April 1, 2011 with Miyano Machinery Inc. as the surviving company, changing its trade name to Citizen Machinery Miyano Co., Ltd.

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

Not applicable

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, 2011, 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.

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.
- Devices and components, regarding opto-devices in particular, will move forward centering on new fields in which the markets are expected to grow 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 strive to further strengthen competitiveness through the full-fledged entry into Chinese market as well as the maximum exertion of synergetic effect of the “Cincom” series and the “Miyano” brand products.

To implement the business strategies mentioned above, we will focus our attention on addressing the following six 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 Chinese market 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.

6) Response to natural disaster risk

To respond to natural disaster risk which came into focus more clearly through the Great East Japan Earthquake, we will control and respond to risks through securement of minimum required electric power supply via our own power generating facilities, prehension of the supply chain networks, dispersion of risks, and optimization of production sites both in and outside of Japan.

In achieving the above, we will further strengthen our group organization and prepare ourselves to rise to new growth challenges. We thank our shareholders for their continuing support.

7. Assets and Profit and Loss of the Company

	123 rd (FY2007)	124 th (FY2008)	125 th (FY2009)	126 th (FY2010)
Net sales (millions of yen)	336,685	296,857	252,502	284,964
Ordinary income (millions of yen)	24,746	748	7,976	14,802
Net income (millions of yen)	12,189	(25,806)	3,527	5,123
Net income per share (yen)	35.14	(77.32)	11.01	15.90
Total assets (millions of yen)	387,975	374,239	352,462	330,321
Net assets (millions of yen)	243,830	184,229	186,362	184,132
Net assets per share (yen)	697.81	559.34	570.06	564.34

Notes:

1. Parentheses of net income and net income per share represent losses.

2. Net income per share is calculated based on the number of shares deducting the average total number of treasury stock during the term from the average total number of shares outstanding during the term. Net assets per share is calculated based on the number of shares deducting the total number of treasury stock at the fiscal year-end from the total number of shares outstanding at the fiscal year-end.

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%	Devices and Components
Citizen Finetech Miyota Co., Ltd.	1,753 million yen	100.0%	Devices and Components
Citizen Seimitsu Co., Ltd.	346 million yen	100.0%	Devices and Components
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	100.0%	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

Notes:

- Those with an asterisk mark indicate indirect holdings.
- As of April 1, 2011, Miyano Machinery Inc. and Citizen Machinery Co., Ltd. merged, with Miyano Machinery Inc. as the surviving company, which changed its trade name to Citizen Machinery Miyano Co., Ltd. on the same date.

9. Principal Products of Business (as of March 31, 2011)

Business segment	Principal products
Watches and Clocks	Watches, movement
Devices and Components	LED, quartz oscillators, micro display devices, glass substrates, switches, automotive parts
Electronic Products	Printers, healthcare equipments, calculators
Industrial Machinery	NC automatic lathes
Other Products	Jewelry, pachinko-related products

Note: Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008). Consequently, five business segments – Watches and Clocks, Devices and Components, Electronic Products, Industrial Machinery, and Other Products - have been designated with reference to similarity of product types and qualities, and based fundamentally on business controlling companies.

10. Principal Places of Business (as of March 31, 2011)

	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 April 1, 2011, Miyano Machinery Inc. and Citizen Machinery Co., Ltd. merged, with Miyano Machinery Inc. as the surviving company, which changed its trade name to Citizen Machinery Miyano Co., Ltd. and changed the address of the head office to Miyota-machi, Kitasaku-gun, Nagano on the same date.

11. Employees (as of March 31, 2011)

Business Segment	Number of employees		Change from the previous fiscal year-end	
Watches and Clocks	8,590	[1,566]	551	[162]
Devices and Components	8,458	[1,213]	2,118	[725]
Electronic Products	698	[232]	45	[(336)]
Industrial Machinery	1,089	[237]	18	[130]
Other Products	426	[175]	(16)	[(20)]
General Corporate	223	[74]	(45)	[22]
Total	19,484	[3,497]	2,671	[683]

Notes:

- 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.
- Increase for Devices and Components is primarily due to addition of overseas subsidiaries which produces quartz oscillators into the scope of consolidation.
- Effective from the fiscal year ended March 31, 2011, the Company adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008). Consequently, five business segments – Watches and Clocks, Devices and Components, Electronic Products, Industrial Machinery, and Other Products - have been designated with reference to similarity of product types and qualities, and based fundamentally on business controlling companies. Numbers shown in Change from the previous fiscal year-end are calculated with the number of employees in each business segment at the end of the previous fiscal year allocated to the business segments shown above in this fiscal year.

12. Principal Lenders (as of March 31, 2011)

(Millions of yen)

Name	Borrowed Amount
Mizuho Corporate Bank, Ltd.	22,300
Mitsubishi UFJ Trust and Banking Corporation	11,300
Asahi Mutual Life Insurance Co.	8,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,542
Sumitomo Mitsui Banking Corporation	6,050
The Hachijuni Bank, Ltd.	5,030
Nippon Life Insurance Company	5,000
The Yamanashi Chuo Bank, Ltd.	2,000

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

1. Condition of Stocks (as of March 31, 2011)

- (1) Total number of authorized shares: 959,752,000 shares
- (2) Total number of shares issued: 350,353,809 shares
- (3) Number of shareholders: 34,657
- (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)	25,617	7.91%
Japan Trustee Services Bank, Ltd. (trust account)	17,679	5.46%
Nippon Life Insurance Company	14,750	4.55%
Japan Trustee Services Bank, Ltd. (trust account 9)	11,080	3.42%
Nichia Corporation	10,000	3.09%
Mitsubishi UFJ Trust and Banking Corporation	7,678	2.37%
Tokio Marine and Nichido Fire Insurance Co., Ltd.	6,620	2.04%
Marubeni Corporation	5,325	1.64%
State Street Bank and Trust Company	5,084	1.57%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	4,364	1.35%

Note: Shareholding ratio is calculated after deducting 26,347,657 shares of treasury stock.

2. Status of Stock Acquisition Rights (as of March 31, 2011)

Not applicable

III. MATTERS CONCERNING DIRECTORS AND CORPORATE AUDITORS

1. Names, etc. of Directors and Corporate Auditors (as of March 31, 2011)

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 Accounting Division, Intellectual Property Department and R&D Division, President and CEO of Citizen Financial Service Co., Ltd. Outside Director of Rhythm Watch Co., Ltd.
Managing Director Director	Toshio Tokura Takeshi Kakishima	General Manager of Corporate Planning Division Officer in charge of General Affairs Division President and CEO of Citizen Business Expert Co., Ltd.
Director	Kenji Sugimoto	President and CEO of Citizen Machinery Co., Ltd.
Director	Mikio Unno	President and CEO of Citizen Watch Co., Ltd.
Director	Katsushige Osano	President and CEO of Citizen Seimitsu Co., Ltd.
Outside Director	Kazumoto Yamamoto	Advisor of Asahi Kasei Corporation 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 125th Ordinary General Meeting of Shareholders held on June 25, 2010, Toshio Tokura, Mikio Unno and Katsushige Osano were newly elected as Directors and assumed the positions.
- 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
Osamu Yamada	June 25, 2010	Completion of term of office	Managing Director
Tsuneo Nagai	June 25, 2010	Completion of term of office	Director Director, Executive Advisor of Citizen Watch Co., Ltd.
Katsuhiko Noguchi	June 25, 2010	Completion of term of office	Director Director, Executive Advisor of Citizen Electronics Co., Ltd.

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

	Number of officers to receive compensation	Amount of compensation, etc. (millions of yen)	Amount of bonus out of all compensation, etc. (millions of yen)
Director	10	175	36
[Out of which, Outside Directors]	[2]	[16]	[—]
Corporate Auditor	3	41	—
[Out of which, Outside Corporate Auditors]	[2]	[25]	[—]
Total	13	216	36
[Out of which, outside officers]	[4]	[41]	[—]

Notes:

1. The above figures include Directors who retired upon conclusion of the 125th Ordinary General Meeting of Shareholders held on June 25, 2010.
2. The above amount of the bonuses (36 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 126th Ordinary General Meeting of Shareholders planned for June 28, 2011.
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, 2011

Name	Title	Attendance at Board of Directors meetings (attendance rate)	Attendance at Corporate Auditors meetings (attendance rate)	Principal comments
Kazumoto Yamamoto	Outside Director	17 of 19 (approx. 89%)	—	Comments as needed primarily from the viewpoint of a highly experienced executive
Teruaki Aoki	Outside Director	18 of 19 (approx. 95%)	—	Comments as needed primarily from the viewpoint of a highly experienced executive
Takeshi Hayasaka	Outside Corporate Auditor	19 of 19 (100%)	13 of 13 (100%)	Comments as needed primarily from the viewpoint of a highly experienced executive
Masaomi Suizu	Outside Corporate Auditor	15 of 19 (approx. 79%)	11 of 13 (approx. 85%)	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	29
(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries	69

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 both Act.
2. Miyano Machinery Inc. (currently Citizen Machinery Miyano Co., Ltd.), Citizen Watch Company of America, Inc., and Bulova Corporation, each of which is the Company's important subsidiary, undertook an audit by KPMG AZSA LLC, 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 Group 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 Group 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 Group 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 Group 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.
- (4) System to ensure the efficient performance of Directors' duties
 - (a) The Company shall establish the Group 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, Group 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) Details of the Company's organization and status of development of internal control system

At least once a month, the Company holds Group 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 nineteen (19) times during the fiscal year under review, and all Directors and all Corporate Auditors attended approximately seventy-nine percent (79%) or more of the Board of Directors meetings held during the fiscal year under review during the term of their office.

(c) 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.

(d) Status of internal audits, audits by Corporate Auditors and Audits by Accounting Auditors

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 Group 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 the Independent Auditor, 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 approximately eighty-five percent (85%) or more of the meetings of the Board of Corporate Auditors held during the fiscal year under review.

With respect to the accounting audits, the Certified Accountants who independently audited the Company are Shigehiro Chiba and Akira Ogura, associates of Nihombashi Corporation. In addition, ten (10) certified accountants, four (4) successful candidates who have passed the Certified Public Accountants Examination 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 reappointment of the Independent Auditors, and the Board of Directors deliberates on and resolves this matter. If the Board of Directors does not approve the reappointment of the Independent Auditors, such proposal will be deliberated on at the Ordinary General Meeting of Shareholders pursuant to the Companies Act.

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

Further, the Company has established the Internal Audit & CSR Department as an internal audit division and conducts audits in accordance with an annual audit program to confirm that the business execution of subsidiaries is appropriate and reasonable.

The auditors who conduct the audits and the internal control division closely communicate with each other.

(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.

3. CSR Efforts

In conjunction with the Citizen Group’s April 2007 adoption of a pure holding company structure, we created the "Citizen Group Code of Conduct." The purpose of this code of conduct is to help ensure that all group company officers and employees act based on a common awareness of stakeholders and to facilitate our fulfilling of even higher social responsibilities.

We became a signatory to the UN Global Compact in April 2005 and are working to uphold, respect, and implement its 10 principles.

The Citizen Group devotes significant amounts of effort to compliance and corporate governance; designing, implementing, and evaluating internal control systems; advancing risk management; and actively addressing environmental issues. We also enthusiastically pursue "Citizen of the Year" and other social contribution activities that recognize ordinary citizens who have inspired others, and helped to develop communities, making them more positive and attractive places to live.

To aid victims of the recent earthquake and help affected areas recover, the Citizen Group contributed 100 million yen to the Japanese Red Cross Society. We also donated 3,000 electronic thermometers – Citizen Group products – to hospitals in the afflicted areas. Moving forward, we will continue working to increase our corporate value by responding to the desires and expectations of our stakeholders and the local community.

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 may in effect 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, in March 2010, the medium-term management plan ending March 31, 2013 has been established. Aiming the Citizen Groups' vision to "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 at the Citizen Group will continue to strengthen the organization's structure as we will aim for steady, sustainable growth rather than aim for rapid expansion, while striving for future growth and creating value that can meet the new needs of a new world.

Toward that end, we are pursuing initiatives to address the following five key issues.

- (a) Implementing Medium- to Long- Term Business Strategies
- (b) Enhancing Marketing Capabilities
- (c) Enhancing Cost Competitiveness
- (d) Enhancing Development Functions and Creating New Products
- (e) Human Resource Development and Application of Skills

By pursuing these initiatives, we will further strengthen our organization and rise to new challenges for achieving growth.

- (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 "Old 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.

Given the impending expiration of the Old Plan at the end of the 125th Ordinary General Meeting of Shareholders held on June 25, 2010, the Board of Directors, in a meeting held on May 11, 2010, adopted new resolutions on the Basic Policy stipulated in (1) above. In addition, shareholders voted to approve renewal of the Old Policy, with some revisions, at the 125th Ordinary General Meeting of Shareholders held on June 25, 2010 (hereinafter, the revised version shall be referred to as the "Plan").

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 may 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. Additionally, the Independent Committee may make a recommendation to assure the Board of Directors that the proposal of the implementation of the countermeasures to the Ordinary General Meeting of Shareholders is appropriate, and in that case, the Board of Directors proposes to convocate an Ordinary General Meeting of Shareholders to implement the countermeasures.

(f) Effective term of the Plan

The Plan remains effective until the end of the Ordinary General Meeting of Shareholders to be held in the last fiscal year ending within three (3) years from the 125th Ordinary General Meeting of Shareholders held on June 25, 2010.

(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 125th Ordinary General Meeting of Shareholders held on June 25, 2010. In addition, since the Plan is attached with the Sunset Provision which makes its effective term about three (3) years as well as 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

For the purposes of prevention of arbitrary judgments of the Directors, the Company has 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 Independent Committee 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, 2011, 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, 2011)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	206,364	Current liabilities	65,611
Cash and deposits	72,336	Notes and accounts payable	21,864
Notes and accounts receivable	60,622	Short-term loans payable	6,257
Merchandise and finished goods	26,489	Bonds to be redeemed within a year	500
Work in process	18,575	Income taxes payable	2,197
Raw materials	12,882	Deferred tax liabilities	5
Consumption taxes receivable	1,527	Accrued expenses	10,758
Deferred tax assets	9,448	Reserve for bonuses to employees	4,974
Other current assets	6,160	Reserve for bonuses to directors	192
Allowance for doubtful accounts	(1,678)	Reserve for product warranties	728
		Notes payable for equipment	404
Fixed assets	123,957	Reserve for business restructuring losses	3,234
Property, plant and equipment	66,429	Reserve for disaster losses	583
Buildings and structures	31,409	Other current liabilities	13,909
Machinery, equipment and carriers	17,635		
Tools, furniture and fixtures	3,772	Long-term liabilities	80,577
Land	11,857	Bonds	1,050
Lease assets	134	Long-term loans payable	66,150
Construction in progress	1,619	Deferred tax liabilities	382
		Reserve for defined retirement benefits	11,734
		Provision for environmental measures	45
		Asset retirement obligations	361
		Other long-term liabilities	853
		Total liabilities	146,188
		NET ASSETS	
		Shareholders' equity	194,338
		Paid-in capital	32,648
		Additional paid-in capital	37,167
		Retained earnings	146,840
		Treasury stock	(22,318)
		Accumulated other comprehensive income	(11,487)
		Net unrealized gain/loss on other securities	3,087
		Foreign currency translation adjustments	(14,575)
		Minority interest	1,282
		Total net assets	184,132
Total Assets	330,321	Total Liabilities and Net Assets	330,321

Consolidated Statement of Income

(Year ended March 31, 2011)

(Millions of yen)

Account title	Amount	
Net sales		284,964
Cost of sales		188,602
Gross profit		96,361
Selling, general and administrative expenses		79,658
Operating income		16,702
Non-operating income		
Interest and dividend income	1,044	
Rent income	279	
Amortization of negative goodwill	240	
Investment gain from the application of the equity method	36	
Subsidy income	51	
Other	985	2,637
Non-operating expenses		
Interest charges	1,468	
Loss on sale of notes receivable	75	
Depreciation expenses for lent properties	45	
Foreign currency exchange loss	2,427	
Other	520	4,537
Ordinary income		14,802
Extraordinary gains		
Gain on sales of property, plant and equipment	171	
Reversal of allowance for doubtful accounts	163	
Gain on negative goodwill	249	
Other	393	978
Extraordinary losses		
Loss on sales of fixed assets	36	
Loss on disposal of fixed assets	287	
Loss on impairment	1,227	
Business restructuring losses	763	
Loss on valuation of investment securities	157	
Retirement benefit expenses	360	
Loss on retirement pension system change	666	
Provision of allowance for investment loss	87	
Loss on adjustment for changes of accounting standard for asset retirement obligations	348	
Loss on disaster	1,253	
Other	326	5,514
Income (loss) before income taxes		10,266
Income taxes—current		3,724
Income taxes—deferred		1,246
Income before minority interests		5,294
Minority interests in income		171
Net income (loss)		5,123

Consolidated Statement of Changes in Shareholders' Equity
(Year ended March 31, 2011)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	32,648	38,468	143,158	(25,498)	188,776
Changes during the consolidated fiscal year					
Cash dividends			(2,241)		(2,241)
Net income			5,123		5,123
Repurchase of treasury stock				(4)	(4)
Disposal of treasury stock		(0)		0	0
Decline due to stock swap		(1,301)		3,184	1,883
Change of scope of consolidation			800		800
Net changes other than shareholders' equity					
Total changes during the consolidated fiscal year		(1,301)	3,682	3,180	5,561
Balance as of March 31, 2011	32,648	37,167	146,840	(22,318)	194,338

	Accumulated other comprehensive income			Minority interest	Total net assets
	Net unrealized gain/loss on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance as of March 31, 2010	3,773	(9,987)	(6,214)	3,799	186,362
Changes during the consolidated fiscal year					
Cash dividends					(2,241)
Net income					5,123
Repurchase of treasury stock					(4)
Disposal of treasury stock					0
Decline due to stock swap					1,883
Change of scope of consolidation					800
Net changes other than shareholders' equity	(685)	(4,588)	(5,273)	(2,517)	(7,791)
Total changes during the consolidated fiscal year	(685)	(4,588)	(5,273)	(2,517)	(2,229)
Balance as of March 31, 2011	3,087	(14,575)	(11,487)	1,282	184,132

Notes to Consolidated Financial Statements

1. Premise of going concern

Not applicable

2. Basis of presenting the consolidated financial statements

(1) Scope of consolidation

(a) Number of consolidated subsidiaries 84

The names of main consolidated subsidiaries are Citizen Watch Co., Ltd., Citizen Electronics Co., Ltd., Citizen Finetech Miyota Co., Ltd., Citizen Seimitsu Co., Ltd., Citizen Systems Japan Co., Ltd., and Citizen Machinery Co., Ltd.

Beginning with the consolidated fiscal year under review, Master Crown Electronics (Wuzhou) Co., Ltd. and Citizen Micro Devices (Suzhou) Co., Ltd., in consideration of their importance, have been included in the scope of consolidation. Newly established Citizen Watch Miyota Co., Ltd. and Citizen Watch Kawaguchiko Co., Ltd. through spinning off from Citizen Finetech Miyota Co., Ltd. and Citizen Seimitsu Co., Ltd., respectively, and newly incorporated Citizen Precision Guangzhou Ltd., Bulova U.K. Limited and Bulova Japan Limited, have been included in the scope of consolidation.

Meanwhile, C-E (Singapore) Pte. Ltd., Miyano Machinery Asia Co.,Ltd., Miyano Machinery Thailand Co.,Ltd. and Miyano Machinery UK Ltd., having been liquidated, have been excluded from the scope of consolidation.

(b) Status of non-consolidated subsidiaries

The names of main non-consolidated subsidiaries are Citizen Chiba Precision Co., Ltd. and Guangzhou Most Crown Electronics 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.

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

The non-consolidated subsidiaries to which the equity method is not applied are Citizen Chiba Precision Co., Ltd. and Guangzhou Most Crown Electronics 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

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

These 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.

(Additional information)

- (i) Part of the retirement benefit plan for two Japanese consolidated subsidiaries was transformed from a qualified pension plan to a defined contribution plan.

This resulted in the recording of a loss due to change in retirement benefit plan of 666 million yen under extraordinary loss for the consolidated fiscal year under review.

- (ii) One Japanese consolidated subsidiary changed its method for calculating retirement benefit obligations from a simplified method to projected benefit obligation method in order to account for retirement benefits more properly from the consolidated fiscal year under review.

This resulted in the recording of a retirement benefit expenses of 360 million yen under extraordinary loss for the consolidated fiscal year under review.

9) Reserve for disaster losses

Reserve for disaster losses is provided to cover the payments for the restoration of assets damaged by the Great East Japan Earthquake, with the amount based on estimation of forthcoming payments at the end of the consolidated fiscal year under review.

(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) Method of hedge accounting

1) Method of hedge accounting

Exceptional treatment is applied for interest rate swaps.

2) Hedging instruments and hedged items

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

3) Hedging policy

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

4) Method of assessing hedge effectiveness, etc.

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

(f) Method and period of amortization of goodwill

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.

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

1) Accounting method for consumption tax

Consumption tax is calculated using a tax exclusion method.

2) Consolidated taxation system is applied.

(5) Changes in basis of presenting the consolidated financial statements

(a) Changes in accounting policies

1) Application of accounting standard regarding asset retirement obligations

Beginning with the consolidated fiscal year under review, the “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18 issued on March 31, 2008) and the “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008) are being applied.

Due to these changes, income (loss) before income taxes decreased by 348 million yen.

2) Application of accounting standard regarding business combinations

Beginning with the consolidated fiscal year under review, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on December 26, 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23 issued on December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 revised on December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 revised on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 revised on December 26, 2008) are being applied.

(b) Changes in presentation method

1) Consolidated Balance Sheet and Consolidated Statement of Changes in Shareholders' Equity

Beginning with the consolidated fiscal year under review, “the Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25, issued on June 30, 2010) is being applied. As a result,

items presented as “Valuation and translation adjustments” and “Total valuation and translation adjustments” through the previous fiscal year are now being presented as “Accumulated other comprehensive income and “Total accumulated other comprehensive income.”

2) Consolidated Statement of Income

Beginning with the consolidated fiscal year under review, based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued on December 26, 2008), the “Ministerial Ordinance for the Partial Revision of the Ordinance for Enforcement of the Companies Act and Business Accounting Rules” (Ordinance of the Ministry of Justice No. 7, issued on March 27, 2009 is being applied, and the account title of “Income before minority interests” is presented.

3. Notes to Consolidated Balance Sheet

(1)	Accumulated depreciation of property, plant and equipment yen	229,272	million
(2)	Assets pledged as collateral		
	Deposits		105 million yen
	Total		105 million yen
	Secured debt		
	Accounts payable		59 million yen
	Total		59 million yen
(3)	Guarantee obligation		
	Guarantees for bank loans of non-consolidated subsidiaries	339	million yen
(4)	Export bill discounts	462	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	350,353,809	-	-	350,353,809

(2) Cash dividends

(a) Cash dividend payment

(i) Dividends approved at the 125th Ordinary General Meeting of Shareholders held on June 25, 2010

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

(ii) Dividends approved at the meeting of the Board of Directors held on November 8, 2010

- Total amount of dividends 1,120 million yen
- Dividends per share 3.50 yen
- Record date September 30, 2010
- Effective date December 2, 2010

(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 126th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 28, 2011.

- Total amount of dividends 1,134 million yen
- Dividend resource Retained earnings

- Dividends per share 3.50 yen
- Record date March 31, 2011
- Effective date June 29, 2011

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, 2011, as well as their differences.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Differences
(1) Cash and deposits	72,336	72,336	–
(2) Notes and accounts receivable	60,622	60,606	(16)
(3) Investment securities			
Available-for-sale securities	18,315	18,315	–
(4) Long-term loans receivable (*1)	782	782	(0)
Assets, total	152,057	152,040	(16)
(1) Notes and accounts payable	21,864	21,864	–
(2) Short-term loans payable	5,757	5,757	–
(3) Bonds (*1)	1,550	1,544	(5)
(4) Long-term loans payable(*1)	66,650	67,048	397
Liabilities, total	95,822	96,214	392
Derivatives (*2)	[145]	[145]	–

(*1) The amount includes the current portion of long-term loans receivable, bonds and long-term loans payable.

(*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 payable 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 (*)	Valuation gain (loss)
			Over 1 year		
Transactions other than at the exchange	Foreign exchange forward contract	10,837	-	(145)	(145)

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

(2) Derivatives to which hedge accounting is applied

- Interest rate

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: 8,492 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.

6. Notes to per share information

Net assets per share	564.34 yen
Net income per share	15.90 yen

7. Other notes

Figures are rounded down to one million yen.

Non-Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	20,621	Current liabilities	3,354
Cash and deposits	13,941	Accounts payable	11
Operating accounts receivable	62	Current portion of long-term loans payable	0
Short-term loans receivable	0	Accounts payable—other	2,643
Accounts receivable—other	2,050	Accrued expenses	303
Deposits paid	3,800	Consumption taxes receivable	61
Deferred tax assets	136	Deposits received	20
Other current assets	629	Reserve for bonuses to employees	173
		Reserve for bonuses to directors	36
Fixed assets	145,461	Notes payable for equipment	10
Property, plant and equipment	13,306	Reserve for disaster losses	58
Buildings and structures	9,414	Other current liabilities	35
Machinery and equipment	64	Long-term liabilities	61,413
Vehicles and carriers	0	Long-term loans payable	60,000
Tools, furniture and fixtures	72	Reserve for defined retirement benefits	595
Land	3,746	Provision for loss on guarantees	50
Construction in progress	8	Provision for environmental measures	37
		Asset retirement obligations	313
		Other long-term liabilities	416
Intangible fixed assets	14	Total Liabilities	64,768
Software	8	NET ASSETS	
Right of using patent	0	Shareholders' Equity	98,433
Other intangible fixed assets	5	Paid-in capital	32,648
		Additional paid-in capital	39,306
Investments and other assets	132,140	Legal capital surplus	36,029
Stocks of subsidiaries and affiliates	100,372	Other capital surplus	3,276
Investment securities	25,771	Retained earnings	48,795
Long-term loans receivable	0	Other retained earnings	48,795
Long-term prepaid expenses	121	Retained earnings brought forward	48,795
Deferred tax assets	4,842	Treasury stock	(22,318)
Other investments	1,031	Valuation and translation adjustments	2,880
		Net unrealized gain/loss on other securities	2,880
		Total Net Assets	101,314
Total Assets	166,082	Total Liabilities and Net Assets	166,082

Non-Consolidated Statement of Income
(Year ended March 31, 2011)

(Millions of yen)

Account title	Amount	
Operating revenue		10,394
Operating expenses		5,913
Operating income		4,480
Non-operating revenue		
Interest income	31	
Dividend income	541	
Rent income	0	
Miscellaneous revenue	76	649
Non-operating expenses		
Interest charges	1,073	
Foreign currency exchange loss	0	
Miscellaneous expenses	91	1,165
Ordinary income		3,964
Extraordinary gains		
Gain on sales of property, plant and equipment	72	72
Extraordinary losses		
Provision for loss on guarantees	50	
Loss on adjustment for changes of accounting standard for asset retirement obligations	300	
Loss on disaster	62	
Other	2	415
Income before income taxes		3,621
Income taxes-current		400
Income taxes-deferred		(6)
Net income		3,228

Non-Consolidated Statement of Changes in Shareholders' Equity
(Year ended March 31, 2011)

(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, 2010	32,648	36,029	4,578	40,608	47,809	47,809
Changes during the fiscal year						
Cash dividends					(2,241)	(2,241)
Net income					3,228	3,228
Repurchase of treasury stock						–
Disposal of treasury stock			(0)	(0)		–
Decline due to stock swap			(1,301)	(1,301)		–
Net changes other than shareholders' equity						–
Total changes during the fiscal year			(1,301)	(1,301)	986	986
Balance as of March 31, 2011	32,648	36,029	3,276	39,306	48,795	48,795

	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, 2010	(25,498)	95,567	3,574	3,574	99,141
Changes during the fiscal year					
Cash dividends		(2,241)		–	(2,241)
Net income		3,228		–	3,228
Repurchase of treasury stock	(4)	(4)		–	(4)
Disposal of treasury stock	0	0		–	0
Decline due to stock swap	3,184	1,883		–	1,883
Net changes other than shareholders' equity		–	(693)	(693)	(693)
Total changes during the fiscal year	3,180	2,865	(693)	(693)	2,172
Balance as of March 31, 2011	(22,318)	98,433	2,880	2,880	101,314

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.
- (f) Provision for loss on guarantees
Provision for loss on guarantees is provided to cover the estimated amount of payments for such loss in consideration of the financial position and other factors of guarantees.
- (g) Reserve for disaster losses
Reserve for disaster losses is provided to cover the payments for the restoration of assets damaged by the Great East Japan Earthquake, with the amount based on estimation of forthcoming payments at the end of the fiscal year under review.
- (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.
- (7) Material changes in accounting policies
 - (a) Application of accounting standard regarding asset retirement obligations
Beginning with the fiscal year under review, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008) are being applied.
Due to these changes, income before income taxes decreased by 300 million yen.
 - (b) Application of accounting standard regarding business combinations
Beginning with the fiscal year under review, the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development

Costs” (ASBJ Statement No. 23 issued on December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 revised on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 revised on December 26, 2008) are being applied.

3. Notes to Non-Consolidated Balance Sheet

(1)	Short-term monetary claims from subsidiaries and affiliates	5,987 million yen
	Short-term monetary liabilities to subsidiaries and affiliates	2,643 million yen
	Long-term monetary liabilities to subsidiaries and affiliates	7 million yen
(2)	Accumulated depreciation of property, plant and equipment	30,016 million yen
(3)	Guarantee obligation	
	Guarantees for loans of subsidiaries and affiliates from financial institutions	5,062 million yen
	Guarantees for loans of subsidiaries and affiliates from in-group financial subsidiaries, etc.	24,143 million yen

4. Notes to Non-Consolidated Statement of Income

(1)	Operating revenue concerning subsidiaries and affiliates	10,081 million yen
(2)	Operating expenses concerning subsidiaries and affiliates	705 million yen
(3)	Non-operating transaction with subsidiaries and affiliates	101 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	30,099,812	7,666	3,759,821	26,347,657

Notes:

1. The 7,666 share increase in treasury stock resulted from the purchase of shares less than one unit from shareholders.
2. The 3,759,821 share decrease in treasury stock resulted from the stock swap between the Company and Miyano Machinery Inc., of 3,759,455 shares and the sale of 366 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	1,120 million yen
Reserve for defined retirement benefits	411 million yen
Stocks of subsidiaries and affiliates and investment securities	18,204 million yen
Other	650 million yen
<hr/>	
Subtotal	20,387 million yen
Valuation reserve	(14,373) million yen
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Total	6,014 million yen

Deferred tax liabilities

Net unrealized gain/loss on other securities	908 million yen
Other	126 million yen
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Total	1,035 million yen
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Net deferred tax assets	4,979 million yen

7. Fixed assets under lease contracts

In addition to the fixed assets on the balance sheet, some office equipments are 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	3,559	-	-
					Debt guarantee (Note) 2	4,724	-	-
Subsidiary	Citizen Machinery Co., Ltd.	Ownership (direct) 100%	2	Acceptance of entrustment of management, leasing of real-estate, etc.	Debt guarantee (Note) 2	8,576	-	-
Subsidiary	Citizen Seimitsu Co., Ltd.	Ownership (direct) 100%	1	Acceptance of entrustment of management, leasing of real-estate, etc.	Debt guarantee (Note) 2	3,712	-	-
Subsidiary	Citizen Jewelry Co., Ltd.	Ownership (direct) 100%	2	Acceptance of entrustment of management, Leasing of real-estate, etc.	Debt guarantee (Note) 2	2,849	-	-
Subsidiary	Citizen Financial Service Co., Ltd.	Ownership (direct) 100%	2	Acceptance of entrustment of management, In-group financial subsidiary, leasing of real-estate, etc.	Debt guarantee (Note) 2	5,000	-	-
Subsidiary	SILVER DENKEN CO., LTD.	Ownership (direct) 100%	1	Acceptance of entrustment of management, Leasing of real-estate, etc.	Debt guarantee (Note) 2	2,015	-	-

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 312.69 yen

Net income per share 10.02 yen

10. Other notes

Figures are rounded down to one million yen.

Financial Audit Report on Consolidated Financial Statements

Independent Auditors' Report on Consolidated Financial Statements

May 19, 2011

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 126th fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit.

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

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

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

Financial Audit Report on Non-consolidated Financial Statements

Independent Auditors' Report

May 19, 2011

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 126th fiscal year from April 1, 2010 to March 31, 2011. The above financial statements and the supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements and the supplementary schedules based on our audit.

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

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

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

Audit Report of the Board of Corporate Auditors

Audit Report

With regard to the performance of the Directors' duties for the 126th business term from April 1, 2010 to March 31, 2011, 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: according to the audit standards, 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 have periodically received reports from Directors and employees, among others, required explanation when necessary, and made opinions with regard to the status of operations and the Company's system established 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 details described in the Business Report and 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 26, 2011

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: 1,134,021,532 yen

3. Effective date of dividends from surplus

June 29, 2011

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>	34,576
2	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.</p> <p>April 2009 In charge of overseas marketing of Citizen Watch Co., Ltd.</p> <p>June 2010 Managing Director of the Company (present)</p> <p>June 2010 General Manager of Corporate Planning Division of the Company (present)</p>	5,600
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.</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> <p>June 2011 President and CEO of Citizen Systems Japan Co., Ltd. (scheduled)</p>	6,300

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.</p> <p>April 2011 President and CEO of Citizen Machinery Miyano Co., Ltd. (present)</p>	19,000
5	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.)</p> <p>April 2009 Managing Director of Citizen Watch Co., Ltd.</p> <p>April 2009 General Manager of Technical Development Division of Citizen Watch Co., Ltd.</p> <p>June 2010 President and CEO of Citizen Watch Co., Ltd. (present)</p> <p>June 2010 Director of the Company (present)</p>	5,300
6	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> <p>June 2010 Director of the Company (present)</p>	18,600

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	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 and Representative Director of Asahi Chemical Industry Co., Ltd.</p> <p>June 1997 President and Representative Director 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 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
8	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>April 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
9	* Ryota Aoyagi (October 18, 1950)	<p>April 1974 Joined the Company</p> <p>October 2001 General Manager of Administration Department, Overseas Trade Division of Citizen Trading Co., Ltd.</p> <p>October 2004 General Manager of Business Administration Department Marketing Division, Watch Business Center of the Company</p> <p>July 2006 Deputy Senior General Manager of Watch Business Center of the Company</p> <p>April 2007 Director of Citizen Watch Co., Ltd. (present)</p> <p>April 2007 Senior General Manager of Administration Division of Citizen Watch Co., Ltd. (present)</p> <p>April 2007 Deputy Senior General Manager of Watch Business Control Center of Citizen Watch Co., Ltd.</p> <p>February 2009 Principal of Watch School, Personnel Department, Administration Division of Citizen Watch Co., Ltd. (present)</p> <p>June 2011 President and CEO of Citizen Financial Service Co., Ltd. (present)</p> <p>June 2011 President and CEO of Citizen Business Expert Co., Ltd. (present)</p>	1,822

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 four (4) 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 approximately 89% or more of the Board of Directors meetings held during the fiscal year.