



## Consolidated Financial Statements for the Three Months Ended June 30, 2012

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. All figures in these statements which are less than 1 million yen have been rounded down. (English translation)

August 10, 2012

### CITIZEN HOLDINGS CO., LTD.

Code No.: 7762

Representative: Toshio Tokura, President and CEO

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Scheduled release of fiscal 2012 Quarterly Business Report: August 13, 2012

Scheduled start of dividend payment: -

Listings: First section of Tokyo Stock Exchange

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### 1. Results for the three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)

(1) Consolidated operating results (Percentages represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Three months ended June 30, 2012	65,298	2.6	3,281	30.3	2,679	9.9	2,009	△15.7
Three months ended June 30, 2011	63,651	△2.0	2,518	△15.6	2,439	13.9	2,383	113.2

Note: Comprehensive Income: As of June 30, 2012: △¥2,910 million(-%) As of June 30, 2011: ¥118million(-%)

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
Three months ended June 30, 2012	6.20	-
Three months ended June 30, 2011	7.36	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Three months ended June 30, 2012	336,080	186,641	54.6	565.99
March 31, 2012	338,025	188,853	55.5	578.69

Reference: Shareholders' Equity: As of June 30, 2012: ¥183,382 million As of March 31, 2012: ¥187,499 million

### 2. Dividends

(Record date)	Dividends per share				
	First quarter (Yen)	Second quarter (Yen)	Third quarter (Yen)	Year-end (Yen)	Full year (Yen)
March 31, 2012	-	4.00	-	4.00	8.00
March 31, 2013	-	-	-	-	-
March 31, 2013 (Estimate)	-	5.00	-	5.00	10.00

Note: Revision of dividend forecast for quarter in review: None

### 3. Projected Consolidated Results for the year ending March 31, 2013

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Interim term	141,500	4.2	9,000	19.1	8,000	30.8	5,000	12.9	15.43
Full term	295,000	5.4	20,500	24.0	20,000	19.6	12,000	55.9	37.04

Note: Revision of consolidated forecasts for quarter in review: Yes

C I T I Z E N   H O L D I N G S

**4. Others**

- (1) Changes in significant subsidiaries during this period (changes in specified subsidiaries that lead to a change in the scope of consolidation): None
- (2) Adoption of simplified accounting methods and special accounting methods: None
- (3) Changes of accounting policies applied, procedures and disclosures for presenting quarterly consolidated financial statements
  - (i) Changes associated with revised accounting standards: Yes
  - (ii) Changes other than those in (i)above : None
  - (iii) Changes in accounting estimate: Yes
  - (iv) Restatements: None

Note: For details, please refer to Attached Documents “2. Other Information (3) Changes in accounting policies, changes in accounting estimates, and restatements” on page 6.

(4) Number of shares issued and outstanding (common stock)

(shares)	June 2012	March 2012
Number of shares issued and outstanding at the end of term (including treasury stock)	350,353,809	350,353,809
Number of treasury stock at the end of term	26,350,757	26,350,406
Average number of common stocks	324,003,242	324,006,000

*\* Information regarding the implementation of quarterly review procedures*

*These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law, have not been completed.*

*\* Explanation about the proper use of financial forecasts and other important notes*

*Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors. Please refer to the attached “Qualitative data on the consolidated earnings forecasts” on page 6 for assumptions underlying the above forecasts and precautions regarding their use.*

(Attached Documents)

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## 1. Qualitative Information Regarding These Quarterly Results

### (1) Qualitative data on the consolidated financial results

#### Summary of Operating Results

During the three months ended June 30, 2012, concerns about a global economic slowdown were spread under the lingering debt crisis in Europe, uncertain outlook for the U.S. economy, and the greater anxiety for the future economic prospects in China after a period of growth. On the other hand, the Japanese economy was at a mild recovery path with increasing capital investments backed by, among others, reconstruction demand after the Great East Japan Earthquake.

Under these circumstances, the Citizen Group reported in its consolidated financial results for the first quarter under review higher sales and profit, with net sales of 65.2 billion yen (up 2.6% year on year) and operating income of 3.2 billion yen (up 30.3% year on year).

#### Watches and clocks

In the domestic market, despite some outlook uncertainty, CITIZEN brand watches and clocks achieved significant revenue growth reflecting higher demand compared to that of last year, showing brisk sales of high-end products at department stores and demand recovery from foreign tourists. Among the products, the mainstay men's watch brand ATTESA showed a remarkable sales growth as we stepped up promotion activities and campaigns after BASELWORLD held in March.

In overseas market, revenues slightly declined as the anxiety over the yen appreciation and the debt crisis in Europe grew further. In North America, revenues slightly rose as sales remained strong even though the market situation warranted no optimism. In Europe, solid sales in the U.K. were more than offset by the growing impact of weak personal spending seen mainly in Italy and other southern European countries, resulting in a steep revenue decline. Meanwhile, we have been promoting aggressive advertising campaigns in the Asian markets. Especially in China, where exports are slowing due to the European debt crisis and sluggish domestic demands, we continued our efforts to expand sales channels through advertising campaigns, sponsored events, and the use of dedicated stores. Nevertheless, the overall revenues in the region ended up in a slight decline due to the stagnation in some regions.

For the BULOVA brand, models with a continuously sweeping second hand accurate to +/- a few seconds per year continued to sell well in the main U.S. market, but overall revenues slightly fell partly due to inventory adjustments made by customers such as major department stores suffering from business downturns.

The Q&Q brand posted higher revenues in Japan with increasing sales to major customers, in the overseas markets with solid sales in Asia and the Middle and Near East, and in North and Latin America with growing sales.

Sales of movements increased for high-value-added products like those with multi-hand movements and mechanical features on the back of growing demand for watches and clocks mainly in emerging countries. However, demand growth of low-end products slowed down affected by the European market situation and China's economic downturn, resulting in an overall revenue decline.

As a result of these developments, the watches and clocks segment reported net sales of 31.2 billion yen (up 2.9% year on year) and operating income of 2.0 billion yen (up 6.4% year on year).

#### Machine tools

Underpinned mainly by demand related to automobile and IT parts manufacturing, domestic sales were solid. In Asia, sales were strong in ASEAN countries with reconstruction demand in the aftermath of the floods in Thailand and new orders for large automobile-related projects. On the other hand, customers in China were less willing to make capital expenditures as they were affected by the lingering European economic crisis and the stronger yen, despite strong sales in communications and healthcare-related sectors. The U.S. market, albeit with some regional gaps for market conditions, was led by automobile and healthcare-related sectors to show brisk sales. In Europe, where the market slowdown accelerated, sales steadily increased with orders from active sectors such as those related to automobiles and precision devices.

Against this background, the Cincom brand posted higher revenues supported by solid demand from automobile and healthcare-related sectors.

As for the Miyano brand, revenues declined as demand related to motorcycles and construction machinery failed to live up to expectations and remained sluggish in Japan and Asian countries, offsetting some positive factors such as sales expansion due to changes of distribution channels in Europe and sellout of high-precision processing product inventory.

As a result of these developments, the industrial machinery segment posted net sales of 9.5 billion yen (up 1.6% year on year) and operating income of 1.0 billion yen (up 15.0% year on year).

#### Devices and components

Among opto-devices, we strived to enhance the lineup and developed new products for LED lighting products alongside the market expansion. Consequently, sales for the product were strong in Japan, Europe, and the U.S. thanks mainly to brisk sales of new models released last year. Sales of mobile phone LEDs fell due to the demand decline for mobile phones along with the popularization of smartphones and impact from the slackness in business of major customers. Sales of backlight units also decreased as sales of those used for car navigation systems were affected by customers' inventory adjustments made at the beginning of the period.

Among crystals devices, sales of tuning-fork-type crystal oscillators resulted in a revenue decline due to major customers' production adjustments and demand for lower prices. Demand for quartz crystal blanks mainly for smaller models is on the path to recovery, but revenues fell again due to customers' demand for lower prices.

Negative impact has been eradicated for sales of ferroelectric micro LCDs incurred by the Great East Japan Earthquake and the floods in Thailand, which caused a significant order loss last year, and revenues for the products increased along with the hot growing markets of compact high-zoom cameras and mirrorless digital interchangeable lens cameras.

Revenues of switches declined as sales of key sheet module products used in mobile phones stalled, more than offsetting higher sales of side switches used in smartphones.

Sales of automobile components in the Japanese market were strong as they rebounded from last year when deep production cuts were necessitated after the Great East Japan Earthquake, and they also benefited from the positive effect of the eco-car tax break program. Revenues in the overseas markets increased as share expansion and other efforts helped overcome the downturn in the automobile sales volume.

As a result of these developments, the devices and components segment recorded net sales of 15.3 billion yen (down 1.3% year on year) and operating income of 600 million yen (up 11.2% year on year).

### **Electronic products**

For printers, customers' weaker desire for capital expenditures pushed down sales of POS printers and label printers below the year-earlier level in Japan and Europe, but some projects started in the Americas, resulting in higher revenues. Revenues decreased for large-size printers which mainly target the Chinese market, as the introduction of tax collection systems in China slowed down. Revenues for photo printers increased thanks to the higher replacement demand and media sales. For calculators, revenues increased with solid sales in Europe centering on Russia and Eastern European countries that offset a slight year-on-year decline in Asia and the Americas.

Healthcare equipment revenues grew in Japan helped by expanded sales channels and new products. Overseas, lower revenues in the Americas were more than offset by growth in other regions including China and Europe, resulting in higher overall revenues.

As a result of these developments, the electronic products segment reported net sales of 4.8 billion yen (down 13.2% year on year) and 0.0 billion yen operating income (down 79.9% year on year).

### **Other products**

For jewelries, revenue slightly rose as high-end products helped push up their sales at various events, offsetting the gradual decline in bridal jewelry sales.

In pachinko-related products, the market of pachinko machines remained in a severe condition with no signs of upturn, but the overall revenue for the products increased, underpinned by recovering sales of pachisuro slot machines, for which major customers' replacement demand and sales of medal dispensers were solid.

As a result of these developments, the other product segment reported net sales of 4.3 billion yen (up 56.0% year on year) and an operating income of 300 million yen (compared to a 300 million yen loss for last year).

## **(2) Qualitative data on the consolidated financial position**

### **Assets**

As of the end of the first quarter under review, current assets decreased by 4.8 billion yen from the end of the previous fiscal year to 214.5 billion yen. This is mainly due to a 3.4 billion yen decrease in cash and deposits and a 6.2 billion yen decrease in notes and accounts receivable despite a 4.3 billion yen increase in inventories. Fixed assets increased by 2.9 billion yen from the end of the previous fiscal year to 121.5 billion yen. This is mainly due to a 3.8 billion yen increase in goodwill and a 1.3 billion yen decrease in investment securities.

As a result, total assets decreased by 1.9 billion yen from the end of the previous fiscal year to 336.0 billion yen.

### **Liabilities**

As of the end of the first quarter under review, current liabilities decreased by 0.0 billion yen from the end of the previous fiscal year to 84.3 billion yen. This is mainly due to a 2.6 billion yen increase in reserve for bonuses to employees and a 600 million yen decrease in short-term bank loans payable. Long-term liabilities increased by 200 million yen to 65.1 billion yen. This is mainly due to a 400 million yen increase in reserve for defined retirement benefits and a 200 million yen decrease in bonds.

As a result, total liabilities increased by 200 million yen from the end of the previous fiscal year to 149.4 billion yen.

### **Net assets**

As of the end of the first quarter under review, net assets decreased by 2.2 billion yen from the end of the previous fiscal year to 186.6 billion yen. This is mainly due to a 3.7 billion yen decrease in foreign currency translation adjustments despite a 600 million yen increase in retained earnings.

As a result, equity ratio stood at 54.6% (55.5% at the end of the previous fiscal year).

**(3) Qualitative data on the consolidated earnings forecasts**

Consolidated earnings forecasts have been revised as indicated below following the inclusion of Prothor Holding S.A. into the scope of consolidation of the Company's watches and clocks segment during the first quarter under review.

Interim term (April 1, 2012 to September 30, 2012)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(yen)
Previous forecast (A)	140,000	9,000	8,000	5,000	15.43
Revised forecast (B)	141,500	9,000	8,000	5,000	15.43
Changes (B—A)	1,500	-	-	-	-
Changes (%)	1.1	-	-	-	-
Reference: September 30, 2011	135,759	7,559	6,114	4,428	13.67

Full term (April 1, 2012 to March 31, 2013)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(yen)
Previous forecast (A)	292,000	20,500	20,000	12,000	37.04
Revised forecast (B)	295,000	20,500	20,000	12,000	37.04
Changes (B—A)	3,000	-	-	-	-
Changes (%)	1.0	-	-	-	-
Reference: March 31, 2012	279,786	16,528	16,727	7,698	23.76

**2. Other Information****(1) Important changes of subsidiaries during the term**

Not applicable

**(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements**

Not applicable

**(3) Changes in accounting policies, changes in accounting estimates, and restatements**

Changes in accounting policies

(Changes in depreciation method)

Pursuant to an amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries changed the depreciation method starting from the first quarter under review based on the stipulations in the amended Act for property, plant and equipment acquired on and after April 1, 2012.

Impacts on earnings results caused by this change are immaterial.

**3. Consolidated Financial Statements****(1) Consolidated Balance Sheet**

(Unit: Millions of yen)

	As of March 31, 2012	As of June 30, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	73,026	69,620
Notes and accounts receivable	61,490	55,233
Merchandise and Finished goods	34,016	36,448
Work in process	20,707	21,578
Raw materials and supplies	13,452	14,473
Consumption tax receivable	1,639	716
Deferred tax assets	10,057	10,945
Other	6,250	6,749
Allowance for doubtful accounts	△1,203	△1,186
<b>Total Current assets</b>	<b>219,438</b>	<b>214,578</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	31,227	31,173
Machinery, equipment and carriers, net	19,220	19,626
Tools, furniture and fixtures, net	3,861	3,772
Land	12,403	12,344
Leased assets	413	499
Construction in progress	2,457	2,310
<b>Total Property, plant and equipment</b>	<b>69,582</b>	<b>69,726</b>
Intangible fixed assets		
Goodwill	6,412	10,253
Software	2,368	2,593
Leased assets	41	35
Other	1,611	1,530
<b>Total Intangible fixed assets</b>	<b>10,433</b>	<b>14,413</b>
Investments and other assets		
Investment securities	30,046	28,647
Long-term loans receivable	707	857
Deferred tax assets	5,176	5,280
Other	3,420	3,347
Allowance for doubtful accounts	△282	△311
Allowance for investment loss	△499	△460
<b>Total Investments and other assets</b>	<b>38,570</b>	<b>37,361</b>
<b>Total Fixed assets</b>	<b>118,587</b>	<b>121,501</b>
<b>Total assets</b>	<b>338,025</b>	<b>336,080</b>

## CITIZEN HOLDINGS

(Unit: Millions of yen)

	As of March 31, 2012	As of June 30, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	19,135	19,276
Short-term bank loans payable	21,522	20,920
Bonds to be redeemed within a year	500	500
Accrued income taxes	1,987	1,890
Deferred tax liabilities	5	6
Accrued expenses	11,901	11,947
Reserve for bonuses to employees	5,027	7,719
Reserve for bonuses to directors	137	-
Reserve for product warranties	723	751
Notes payable-facilities	465	780
Reserve for business restructuring losses	1,909	1,827
Asset retirement obligations	62	63
Reserve for disaster losses	70	70
Other	20,899	18,570
<b>Total Current liabilities</b>	<b>84,349</b>	<b>84,322</b>
Long-term liabilities		
Bonds	550	350
Long-term loans payable	50,650	50,500
Deferred tax liabilities	490	699
Reserve for defined retirement benefits	11,976	12,381
Reserve for environmental measures	50	50
Asset retirement obligations	271	271
Other	833	862
<b>Total Long-term liabilities</b>	<b>64,822</b>	<b>65,115</b>
<b>Total liabilities</b>	<b>149,171</b>	<b>149,438</b>
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in capital	37,167	37,167
Retained earnings	152,562	153,242
Treasury stock	△22,319	△22,319
<b>Total Shareholders' equity</b>	<b>200,059</b>	<b>200,739</b>
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	3,142	2,142
Deferred gains or losses on hedges	51	-
Foreign currency translation adjustments	△15,755	△19,499
<b>Total Valuation and translation adjustments</b>	<b>△12,560</b>	<b>△17,356</b>
Minority interest	1,354	3,259
<b>Total net assets</b>	<b>188,853</b>	<b>186,641</b>
<b>Total liabilities and net assets</b>	<b>338,025</b>	<b>336,080</b>



## CITIZEN HOLDINGS

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

(Unit: Millions of yen)

	Three months ended June 30, 2011 (April 1,2011 to June 30, 2011)	Three months ended June 30, 2012 (April 1,2012 to June 30, 2012)
<b>Net sales</b>	63,651	65,298
<b>Cost of sales</b>	41,296	41,892
<b>Gross profit</b>	22,355	23,406
<b>Selling, general and administrative expenses</b>	19,837	20,125
Operating income/Loss	2,518	3,281
<b>Nonoperating income</b>		
Interest Income	88	99
dividend income	263	313
Investment gain from the application of equity method	10	54
Other	311	254
Total Nonoperating income	673	722
<b>Nonoperating expenses</b>		
Interest changes	295	318
Foreign exchange losses	318	845
Other	138	160
	752	1,324
Ordinary income/Loss	2,439	2,679
<b>Extraordinary gains</b>		
Gain on sales of fixed assets	10	62
Gain on liquidation of subsidiaries	54	-
Other	9	30
Total Extraordinary gains	74	93
<b>Extraordinary losses</b>		
Loss on disposal of properties	8	43
Valuation loss on investment securities	4	21
Loss on sales of inventory assets	1	0
Loss on disaster	82	-
Loss on liquidation of subsidiaries	40	-
Other	9	29
Total Extraordinary losses	146	95
Income/Loss before income taxes	2,367	2,677
Income, inhabitants and enterprise taxes	11	718
Income before minority interests	2,355	1,959
Minority interests	△27	△49
<b>Net income/Loss</b>	2,383	2,009

## CITIZEN HOLDINGS

## Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Three months ended June 30, 2011 (April 1,2011 to June 30, 2011)	Three months ended June 30, 2012 (April 1,2012 to June 30, 2012)
Income before minority interests	2,355	1,959
Other comprehensive income		
Valuation difference on available-for-sale securities	△479	△1,000
Deferred gains or losses on hedges	-	△51
Foreign currency translation adjustment	△1,697	△3,803
Share of other comprehensive income of associates accounted for using equity method	△59	△14
Other comprehensive income	△2,237	△4,870
Comprehensive Income	118	△2,910
(Breakdown)		
Comprehensive income attributable to owners of the parent	13	△2,786
Comprehensive income attributable to minority interests	105	△124

(3) Notes regarding premise of going concern  
Not applicable

(4) Notes on significant changes in shareholders' equity accounts  
Not applicable

(5) Segment information

(i) Three months ended June 30, 2011 (April 1, 2011 to June 30, 2011)

Net sales and profit or loss by reporting segment

(Millions of yen)	Watches and clocks	Machine tools	Devices and components	Electronic products	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
(i) Customers	30,345	9,384	15,534	5,624	2,762	63,651	-	63,651
(ii) Inter-segment	946	50	1,231	183	218	2,629	△2,629	-
Total	31,292	9,434	16,765	5,807	2,980	66,280	△2,629	63,651
Operating income / loss (△)	1,910	883	543	226	△335	3,228	△709	2,518

(Notes) 1. Adjustments to segment loss (operating loss) of 709 million yen include intersegment transactions of 30 million yen to be eliminated as well as corporate expenses of 739 million yen not allocated to each reporting segment.  
2. Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.

(ii) Three months ended June 30, 2012 (April 1, 2012 to June 30, 2012)

Net sales and profit or loss by reporting segment

(Millions of yen)	Watches and clocks	Machine tools	Devices and components	Electronic products	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
(iii) Customers	31,232	9,539	15,338	4,880	4,308	65,298	-	65,298
(iv) Inter-segment	735	186	1,411	228	253	2,815	△2,815	-
Total	31,967	9,726	16,749	5,108	4,561	68,113	△2,815	65,298
Operating income / loss (△)	2,032	1,015	604	45	337	4,035	△754	3,281

(Notes) 1. Adjustments to segment loss (operating loss) of 754 million yen include intersegment transactions of 13 million yen to be eliminated as well as corporate expenses of 741 million yen not allocated to each reporting segment.  
2. Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.

Information Concerning Loss on Impairment of Fixed Assets or Goodwill by Reporting Segment  
(Significant changes in goodwill amount)

The Company in its watches and clocks segment acquired shares in Prothor Holding S.A. to make it a subsidiary. With this acquisition, goodwill increased by 4,590 million yen in the three months ended June 30, 2012. This amount was tentatively calculated based on reasonable information available to the Company as of the end of the first quarter under review, as the allocation of the acquisition cost has yet to be completed.

(6) Subsequent events  
Not applicable