

July 17, 2007
Citizen Holdings Co., Ltd.
Citizen Electronics Co., Ltd.

Settlement of Patent Litigation with OSRAM

Citizen Electronics Co., Ltd. with headquarters in Fujiyoshida-city, Yamanashi, Japan and President, Takashi Masuzawa ("CITIZEN ELECTRONICS"), a totally-held subsidiary of Citizen Holdings Co., Ltd. with headquarters in Nishi-Tokyo city, Tokyo, Japan and President Makoto Umehara, reached a settlement with Osram GmbH Munich, Germany and its subsidiary OSRAM Opto Semiconductors GmbH Regensburg, Germany (collectively "OSRAM") over patent lawsuit and litigation cases that have been running since 2005, and concluded a settlement agreement on July 13, 2007.

CITIZEN ELECTRONICS developed and started mass-production of surface-mount LED lamps in 1985, ahead of other competitors in the world. Since then, CITIZEN ELECTRONICS has increased sales by producing the LED products meeting needs of customers, and established a strong position in the highly competitive electronics parts industry. Especially for the mobile-phone market, our products such as lighting devices and display devices that have grown fast since around 1995 have been essential for our company. Also, CITIZEN ELECTRONICS started mass production of white LED products in 2001 and the business of white LED has grown to be a pillar of our company.

However, in 2005, CITIZEN ELECTRONICS was involved in a lawsuit in Germany filed by OSRAM alleging infringement of patents, regarding CITIZEN ELECTRONICS white LED products. In the following year, OSRAM filed a litigation against CITIZEN ELECTRONICS in the United States. At the same time, CITIZEN ELECTRONICS filed counterclaims, contesting the validity of OSRAM's patents or clarifying conflicts of views. Gradually, the lawsuit and litigation cases have been expanded.

In the middle of the situation, LED products have been continuing in high demand, and expected to be used for the markets of general lighting and automobiles, and also are expected to be used in backlight units for medium and large-screen LCD displays. CITIZEN ELECTRONICS has recognized the importance of timing for accelerating the speed of developing further LED products toward the growing markets, and also recognizes an earlier resolution of the lawsuit and litigation cases as a priority issue for us. Finally, we decided that establishing a cooperative relationship with OSRAM that has patents and technologies related to white LED and packaging would be more productive and effective measures, that are expected to facilitate further growth of our company.

In conclusion, we reached the settlement with OSRAM. While exploring further possibilities of more concrete relationship with OSRAM for the future, we also intend to fulfill our social responsibility to expand the LED market by providing new LED products with discouragements of free competitive relationship cleared. Furthermore, there is not any particular change in the consolidated forecast of Citizen Holdings Co.,Ltd.

About CITIZEN ELECTRONICS

CITIZEN ELECTRONICS was established in 1970 for the purpose of producing electronic wristwatches with a turning fork system, and since then, has advanced into the market of electronic parts, developing surface-mount LED products, application products such as backlight units using LED, various types of light sensors, compact switches and small acoustic devices. The company has production sites in Yamanashi and Fukushima (Japan), Jiangmen, Suzhou, Nanjing (China), and sales offices in Germany, the United States, Singapore, Hong Kong, and Beijing. For further information, please visit our website; <http://www.c-e.co.jp/>

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