

Outline of the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2004, and Revision of Forecast

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Citizen Watch Co., Ltd.

(URL: <http://www.citizen.co.jp>)

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Listing: Tokyo, Osaka (First sections)

Stock Code: 7762

1. Matters concerning preparation of the outline of the consolidated quarterly financial results

Change in the accounting method from the method applied for the most recent fiscal year : None

2. Outline of the financial results for the first quarter of fiscal 2003 (April 1, 2003, to June 30, 2003)

(1) Consolidated results

(Millions of yen)

	Net sales	Operating income	Ordinary income
1st quarter of FY2003	83,975	5,688	6,412
1st quarter of FY2002	-	-	-
(Reference) FY2002	333,988	19,680	21,049

(Note) Because the quarterly closing of accounts was not executed for the previous year, neither figures for the first quarter of the previous year nor percentage changes are indicated.

(2) Business segment information

(Millions of yen)

	1st quarter of FY2003		(Reference) 1st quarter of FY2002	Amount of change in net sales	Percentage change of net sales (%)
	Net sales	Operating income			
Watches	28,044	2,915	31,168	-3,124	-10.0
Information & Electronic Equipment and Parts	40,461	3,482	29,280	11,180	38.2
Industrial Machinery	5,773	486	4,770	1,003	21.0
Other Products	9,695	467	10,508	-813	-7.7
Unallocated expense	-	(1,662)	-	-	-
Total	83,975	5,688	75,728	8,246	10.9

(3) Qualitative information regarding financial results

Harsh economic conditions in Japan persisted during the first quarter of fiscal 2003 due to such factors as prolonged deflationary pressure and uncertainty regarding prospects for the global economy. Meanwhile, encouraging signs of a recovery began to appear, as some companies' earnings improved and stock prices rallied.

In these circumstances, building on progress made in the previous year, the Citizen Group continued to focus on strengthening new product development to fulfill market needs and to enhance the efficiency of business operations. As a result, net sales for the first quarter of the year ending March 31, 2004, amounted to ¥83.9 billion, a 10.9% increase compared with the reference figure for the same period of the previous year. Operating income was ¥5.6 billion and ordinary income was ¥6.4 billion. The actual exchange rates during this period were ¥119 to the U.S. dollar and ¥131 to the euro.

1) Watches

Sales of wristwatch finished products, primarily for radio-controlled watches whose line-up was enriched, were firm in the Japanese market. Overseas, the Company faced a more difficult situation. Adverse factors included lackluster economies in Europe, the impact of the appreciation of the yen on business in North America, and SARS in Asia.

As a result, sales of wristwatches and clocks amounted to ¥28.0 billion, having decreased 10.0% compared with the reference figure for the same period of the previous year, and operating income was ¥2.9 billion.

2) Information & Electronic Equipment and Parts

The opto device business achieved increased sales of LEDs for high-luminosity backlights for color LCDs, LED lamps for key lighting, and LEDs for auxiliary light sources of camera-equipped cellular phones. These higher sales were attributable to the addition of more sophisticated functions for cellular phones overseas, such as the colorization of cellular phone displays and the inclusion of cameras.

Sales of LCD devices increased greatly fueled by the colorization of displays in cellular phones overseas.

Regarding crystal devices, the TCXO, a new product, contributed to sales.

As a result, sales of information & electronic equipment and parts were ¥40.4 billion, having increased 38.2% compared with the reference figure for the same period of the previous year, and operating income was ¥3.4 billion.

3) Industrial Machinery

Sales of the mainstay CNC automated lathes in Asia suffered a temporary setback due to SARS. In the Japanese market, however, there was a broad-based resurgence in capital investment covering the automotive industry and manufacturing of electric, precision, and general machinery. There was a general upturn in business in the European and North American markets.

Sales of industrial machinery were ¥5.7 billion, an increase of 21.0% compared with the reference figure for the same period of the previous year, and operating income was ¥0.4 billion.

4) Other Products

The severe business environment persisted for devices for pachinko machines. Citizen Group's banknote conveyance systems business was adversely affected by the announcement that new banknotes would be issued in 2004. Sales of other products were ¥9.6 billion, having decreased 7.7% compared with the reference figure for the same period of the previous year, and operating income was ¥0.4 billion.

3. Revision of forecasts of financial results for the year ending March 31, 2004, and the interim period

Although there are indications that prospects are improving for some sectors of the Japanese economy, the outlook for the global economy is likely to remain unclear in view of concerns such as the possibility of global deflation or the recurrence of SARS.

In the light of these circumstances, we have revised both our consolidated and non-consolidated revenue and earnings forecasts for the year ending March 31, 2004, and the interim period, as indicated below. These revisions reflect the following considerations. The profit margin of the Company's watches business continues to improve due to the increasing proportion of high-value-added products, particularly radio-controlled watches. Regarding the information & electronic equipment and electronic devices business, opto devices are benefiting from higher than expected demand for high-luminosity LEDs for backlights for color LCDs and auxiliary light sources for camera-equipped cellular phones. In the industrial machinery and equipment business, the tempo of order taking has been faster than we anticipated, particularly in the Japanese market.

Details regarding the revisions for business segments are indicated below.

The exchange rate assumed for the second half of the year ending March 31, 2004, is ¥115 to the U.S. dollar and ¥130 to the euro.

Forecast of Results of Business Segments

(Millions of yen)

		Revised forecast of results for FY2003		Previous forecast of results for FY2003	Amount of change	Percentage change (%)
		(Interim)	Full year			
	Watches	59,400	128,000	131,000	-3,000	-2.3
	Information & Electronic Equipment and Parts	82,300	159,000	152,000	7,000	4.6
	Industrial Machinery	12,800	25,000	24,000	1,000	4.2
	Other Products	19,500	40,000	44,000	-4,000	-9.1
	Total net sales	174,000	352,000	351,000	1,000	0.3
	Watches	6,400	13,400	12,500	900	7.2
	Information & Electronic Equipment and Parts	6,200	12,600	10,000	2,600	26.0
	Industrial Machinery	1,000	2,300	2,000	300	15.0
	Other Products	600	1,200	1,900	-700	-36.8
	Unallocated expense	-3,200	-6,500	-6,400	-100	-
	Total operating income	11,000	23,000	20,000	3,000	15.0

Information on Consolidated Results

1) Forecast of consolidated results for the first six months of the fiscal year ending March 31, 2004 (April 1, 2003, to September 30, 2003)

	Net sales	Operating income	Ordinary income	Interim net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A) (Announced on May 27, 2003)	170,000	8,500	9,000	3,500
Revised forecast (B)	174,000	11,000	12,000	5,300
Amount of change (B-A)	4,000	2,500	3,000	1,800
Percentage change (%)	2.4	29.4	33.3	51.4
Result for the first six months of FY2003	154,790	8,103	8,365	2,873

2) Forecast of consolidated results for the fiscal year ending March 31, 2004 (April 1, 2003, to March 31, 2004)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A) (Announced on May 27, 2003)	351,000	20,000	21,000	8,000
Revised forecast (B)	352,000	23,000	24,500	10,000
Amount of change (B-A)	1,000	3,000	3,500	2,000
Percentage change (%)	0.3	15.0	16.7	25.0
Result for FY2003	333,988	19,680	21,049	5,818

Information on Non-consolidated Results

3) Forecast of non-consolidated results for the first six months of the fiscal year ending March 31, 2004 (April 1, 2003, to September 30, 2003)

	Net sales	Operating income	Ordinary income	Interim net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A) (Announced on May 27, 2003)	72,000	700	1,100	400
Revised forecast (B)	73,000	1,500	2,900	1,900
Amount of change (B-A)	1,000	800	1,800	1,500
Percentage change (%)	1.4	114.3	163.6	375.0
Result for the first six months of FY2003	72,912	2,158	4,794	3,149

4) Forecast of non-consolidated results for the fiscal year ending March 31, 2004 (April 1, 2003, to March 31, 2004)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A) (Announced on May 27, 2003)	147,000	2,800	4,500	1,600
Revised forecast (B)	148,000	3,700	6,100	3,200
Amount of change (B-A)	1,000	900	1,600	1,600
Percentage change (%)	0.7	32.1	35.6	100.0
Result for FY2003	148,824	4,926	9,134	3,001

* The above-mentioned forecasts were prepared based on the data available as of the date of issue of this document, and the forecast figures may differ from the actual results depending on various uncertain factors in the future.