

February 26, 2004

## Consolidated Financial Statements for the Nine Months Ended December 31, 2003

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan (English translation).

All figures in these statements which are less than 1 million yen have been rounded down.

### CITIZEN WATCH CO., LTD.

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

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### 1. Matters concerning preparation for consolidated financial results for the nine months ended December 31, 2003

- (1) Change in the accounting policies from the method applied for the most recent fiscal year:  
Yes, simplified procedures are used for standard for stating income taxes and recognition of provisions and reserves.
- (2) Scope of consolidation and application of the equity method  
Number of consolidated subsidiaries: 57  
Number of non-consolidated subsidiaries accounted for by the equity method: 0  
Number of affiliates accounted for the equity method: 0
- (3) Change in scope of consolidation and application of the equity method:  
(compared to the end of March, 2003)  
Consolidation (Newly added): 1; (Eliminated): 7  
Equity method (Newly added): 0; (Eliminated): 0
- (4) Because the disclosure of quarterly results is being conducted from the period under review, neither figures for the same period of the previous year nor percentage changes are indicated.

### 2. Results for the nine months ended December 31, 2003 (April 1, 2003 to December 31, 2003)

#### (1) Consolidated operating results

	Net sales	Operating income	Ordinary income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Nine months ended December 31, 2003	285,727	29,748	29,619
Nine months ended December 31, 2002	-	-	-
Year ended March 31, 2003	333,988	19,680	21,049

	Net income	Earnings per share	Fully diluted earnings per share
	(Millions of yen)	(Yen)	(Yen)
Nine months ended December 31, 2003	15,284	50.31	46.12
Nine months ended December 31, 2002	-	-	-
Year ended March 31, 2003	5,818	18.38	17.68

CITIZEN WATCH

Millions of yen	Nine months ended December 31, 2003		(Reference) Nine months ended December 31, 2002	Change in net sales	
	Net sales	Operating income		Amount	%
Wristwatches and clocks	97,805	16,390	102,468	(4,663)	(4.6)
Information and electronic equipment	138,312	15,141	100,505	37,806	37.6
Industrial machinery	19,880	2,107	16,188	3,692	22.8
Other products	29,727	1,306	33,224	(3,496)	(10.5)
Eliminations or general corporate	-	(5,197)	-	-	-
<b>Consolidated totals</b>	<b>285,727</b>	<b>29,748</b>	<b>252,387</b>	<b>33,339</b>	<b>13.2</b>

Consolidated net sales for the third quarter (nine months) amounted to 285.7 billion yen (an increase of 13.2% from the same period of last year) and consolidated operating income were 29.7 billion yen.

In the wristwatches and clocks segment, Citizen brand wristwatches, which is the core product, saw sales decline in overseas markets due to the weak economy and the yen's appreciation. On the other hand, the Japanese market enjoyed strong growth due to the popular radio-controlled wristwatches. As for wristwatch movements, both volume and unit price remained strong.

In the information and electronic equipment segment, sales in opto-devices and liquid crystal devices rose sharply due to the continued transition to cellular phones with color screens in overseas markets and the demand for cellular phones with cameras.

In the industrial machinery segment, despite destabilizing factors in Asia, particularly the yen's appreciation and SARS, both sales and profit in the segment overall were about the level the Company had planned due to the economic recovery in Europe and the United States.

## (2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Nine months ended December 31, 2003	393,942	218,590	55.5	719.55
Nine months ended December 31, 2002	-	-	-	-
Year ended March 31, 2003	367,386	204,433	55.7	674.57

Total assets as of December 31 increased by 26.5 billion yen from March 31, 2003 to 393.9 billion yen. Receivables (trade) and payables (trade) increased due to the increase in sales of wristwatches during the Christmas season and the sales in opto-devices. As for the shareholders' equity, retained earnings increased due to recognition of net income.

### 3. Consolidated Projected Results for Fiscal 2003 (April 1, 2003 to March 31, 2004)

Considering the results for the nine months ended December 31, 2003, the economic climate for the fourth quarter, adjustment after Christmas season, and the exchange rate movement, the consolidated projected results for the fiscal year ending March 31, 2004 are revised as below from the previous announcement.

The exchange rate for the fourth quarter is assumed as 1US\$ = ¥108 and 1EURO = ¥132. (Foreign exchange rate for the nine months was 1US\$ = ¥116 and 1EURO = ¥132.)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Full term	367,000	32,000	32,000	16,500	54.02

#### Breakdown of Sales by Business Segment

Millions of yen	Current projection	Previous projection (November 20, 2003)	Change Amount	%
Wristwatches and clocks	126,400	124,300	2,100	1.7
Information and electronic equipment	174,200	172,000	2,200	1.3
Industrial machinery	27,400	27,700	(300)	(1.1)
Other products	39,000	39,000	0	0.0
Consolidated totals	367,000	363,000	4,000	1.1

#### Breakdown of Operating Income by Business Segment

Millions of yen	Current projection	Previous projection (November 20, 2003)	Change Amount	%
Wristwatches and clocks	18,400	17,500	900	5.2
Information and electronic equipment	16,500	15,500	1,000	6.5
Industrial machinery	2,900	3,000	(100)	(3.3)
Other products	1,400	1,000	400	40.0
Eliminations or general corporate	(7,200)	(7,000)	(200)	-
Consolidated totals	32,000	30,000	2,000	6.7

#### (Reference) Nonconsolidated Projected Results for Fiscal 2003 (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)
Full term	152,000	5,000	7,300	5,000

There are no changes in the nonconsolidated projected results, which was announced on November 20, 2003.

*The above forecasts are based on the information available and using assumptions made regarding the variable effects of future business results as of the date of the announcement of these financial results. Actual results could differ significantly depending on a variety of factors hereafter.*

## Consolidated Balance Sheet

Millions of yen	December 31, 2003	%	March 31, 2003	%	Amount of change
<b>Current assets</b>					
Cash and cash equivalents	92,146		89,564		2,582
Notes and accounts receivable	102,383		83,622		18,761
Marketable Securities	14,643		10,954		3,689
Inventories	53,984		52,612		1,372
Other current assets	18,204		15,999		2,204
	<u>281,363</u>	71.4	<u>252,753</u>	68.8	28,609
<b>Fixed assets</b>					
<b>Property, plant and equipment</b>	77,170	19.6	78,873	21.5	(1,703)
<b>Intangible fixed assets</b>	1,263	0.3	1,199	0.3	64
<b>Investments and other assets</b>	34,144	8.7	34,560	9.4	(415)
	<u>112,578</u>	28.6	<u>114,633</u>	31.2	(2,054)
<b>Total assets</b>	<u>393,942</u>	100.0	<u>367,386</u>	100.0	26,555
<b>Current liabilities</b>					
Notes and accounts payable	53,361		44,765		8,595
Short-term bank loans payable	11,238		13,186		(1,947)
Other	43,041		37,039		6,001
	<u>107,640</u>	27.3	<u>94,991</u>	25.9	12,648
<b>Long-term liabilities</b>					
Bonds with subscription right for new shares	23,000		23,000		-
Long-term loans payable	112		326		(214)
Reserve for defined retirement benefits	14,000		14,132		(132)
Other	4,709		4,315		394
	<u>41,821</u>	10.6	<u>41,774</u>	11.3	46
<b>Total liabilities</b>	<u>149,462</u>	37.9	<u>136,766</u>	37.2	12,695
<b>Minority interests</b>	25,889	6.6	26,186	7.1	(296)
<b>Shareholders' equity</b>					
Common stock	32,648	8.3	32,648	8.9	-
Capital reserves	39,024	9.9	39,023	10.6	0
Retained earnings	152,327	38.6	140,007	38.1	12,320
Net unrealized gain/loss on other marketable securities	3,758	1.0	152	0.1	3,605
Foreign currency translation adjustments	(3,725)	(0.9)	(1,293)	(0.3)	(2,431)
Treasury stock	(5,443)	(1.4)	(6,104)	(1.7)	661
Total shareholders' equity	<u>218,590</u>	55.5	<u>204,433</u>	55.7	14,156
<b>Total liabilities, minority interest and shareholders' equity</b>	<u>393,942</u>	100.0	<u>367,386</u>	100.0	26,555

## Consolidated Statement of Income

Millions of yen	Nine months ended December 31, 2003		Year ended March 31, 2003	
		%		%
<b>Net sales</b>	285,727	100.0	333,988	100.0
<b>Cost of sales</b>	202,868	71.0	242,226	72.5
Gross profit	82,858	29.0	91,762	27.5
<b>Selling, general and administrative expenses</b>	53,109	18.6	72,081	21.6
Operating income	29,748	10.4	19,680	5.9
<b>Nonoperating income</b>				
Interest and dividend income	464		1,049	
Other	2,062		2,770	
	2,526	0.9	3,819	1.1
<b>Nonoperating expenses</b>				
Interest charges	216		336	
Foreign exchange loss	1,967		1,005	
Other	471		1,108	
	2,655	0.9	2,450	0.7
Ordinary income	29,619	10.4	21,049	6.3
<b>Extraordinary gains</b>	953	0.3	3,076	0.9
<b>Extraordinary losses</b>	1,292	0.5	10,485	3.1
Income before income taxes	29,280	10.2	13,641	4.1
Income taxes	11,091	3.9	5,712	1.7
Minority interests	2,904	1.0	2,110	0.6
<b>Net income</b>	15,284	5.3	5,818	1.8