

Nonconsolidated Financial Statements for the Year Ended March 31, 2005

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)

May 16, 2005

CITIZEN WATCH CO., LTD.

Code No.:	7762 (URL http://www.citizen.co.jp)
Stock exchange listings:	Tokyo
Location of Head Office	Tokyo, Japan
Tel:	+81 - 424 - 68 -4934
Executive position of legal representative:	Makoto Umehara
Board of Directors Meeting on the Settlement of Accounts:	May 16, 2005
Date of ordinary general meeting of shareholders:	June 29, 2005
Interim Dividend System:	Yes
Application of unit trading system:	Yes (100 shares per unit)

1. Results for the Year ended March 31, 2005

(1) Nonconsolidated operating results

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2005	155,650	1.4	6,382	13.2	9,946	36.6
March 31, 2004	153,433	3.1	5,640	14.5	7,279	(20.3)

	Net income		Earnings per share	Fully diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
March 31, 2005	6,538	19.5	21.37	19.59	4.4	5.0	6.4
March 31, 2004	5,473	82.3	17.83	16.35	3.9	3.7	4.7

(Notes)

1. Average number of outstanding shares during term:
 - March 2005 term: 302,849,253 shares
 - March 2004 term: 303,801,328 shares
2. Changes in accounting methods: None
3. The percentages shown next to net sales, operating income, ordinary income and net income represent year-on-year changes.

(2) Dividends

	Dividends per share			Total dividends paid (annual)	Pay-out ratio	Dividends to shareholders equity
	(Yen)	Interim (Yen)	Year-end (Yen)			
March 31, 2005	11.00	5.50	5.50	(Millions of yen) 3,326	% 51.5	% 2.2
March 31, 2004	10.00	4.50	5.50	3,037	56.1	2.1

(3) Nonconsolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2005	202,512	149,177	73.7	495.28
March 31, 2004	199,065	146,610	73.6	482.46

(Notes)

- Total number of shares outstanding at the end of the fiscal term:
March 2005 term: 301,065,226 shares March 2004 term: 303,768,304 shares
- Total number of treasury stock at the end of the fiscal term:
March 2005 term: 10,437,824 shares March 2004 term: 7,734,746 shares

2. Projected Results for the Year ending March 31, 2006

	Net sales	Operating income	Ordinary income	Net income	Dividends per share		
					Interim	Year-end	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)	(Yen)	(Yen)
Interim term	83,000	3,400	4,800	3,300	7.50	-	-
Full term	171,000	8,600	11,300	7,300	-	7.50	15.00

Reference: Estimated earnings per share (full term): 20.85 yen

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. Please refer to page 16 and 17 for assumptions underlying the above forecasts and precautions regarding their use.

Nonconsolidated Balance Sheet

Millions of yen	March 31, 2004	%	March 31, 2005	%	Year-on-year change
Current assets					
Cash and cash equivalents	31,547		39,179		7,631
Notes receivable	1,023		1,480		456
Accounts receivable	33,226		27,582		(5,644)
Marketable securities	13,508		10,598		(2,909)
Finished goods	3,311		4,908		1,597
Materials	610		504		(105)
Goods in process	7,925		6,125		(1,800)
Accrued consumption tax	980		647		(332)
Short-term loans	1		20		18
Other accounts receivable	6,119		5,752		(366)
Deposits	5,097		6,270		1,172
Deferred tax assets	3,060		3,165		105
Other current assets	1,892		1,759		(132)
Allowance for doubtful accounts	(663)		(946)		(283)
	107,643	54.1	107,048	52.9	(594)
Fixed assets					
Property, plant and equipment					
Buildings and structures	14,937		14,244		(693)
Machinery and equipment	13,538		11,789		(1,748)
Vehicles and carriers	6		5		(1)
Tools, furniture and fixtures	3,162		3,058		(104)
Land	3,705		3,733		27
Construction in progress	359		1,146		787
	35,709	17.9	33,977	16.8	(1,731)
Intangible fixed assets					
Software	686		554		(132)
Other intangible fixed assets	126		168		42
	812	0.4	722	0.3	(90)
Investments and other assets					
Investment in subsidiaries and affiliates	22,758		28,828		6,069
Investment securities	26,272		27,851		1,579
Long-term loans	4		383		378
Long-term prepaid expenses	109		156		46
Deferred tax assets	5,421		4,088		(1,333)
Other	757		928		171
Allowance for valuation loss on investments	(401)		(1,344)		(943)
Allowance for doubtful accounts	(23)		(128)		(105)
	54,899	27.6	60,763	30.0	5,863
	91,422	45.9	95,463	47.1	4,041
Total assets	199,065	100.0	202,512	100.0	3,447

Reference

Millions of yen	March 31, 2004	March 31, 2005	Year-on-year change
Capital expenditures	5,612	7,143	1,530
Depreciation expenses	7,938	8,009	70
R&D expenditures	5,133	5,293	159

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Millions of yen	March 31, 2004	%	March 31, 2005	%	Year-on-year change
Current liabilities					
Notes payable	1,232		1,785		553
Accounts payable	20,496		16,843		(3,652)
Short-term bank loans payable	1		0		(0)
Other accounts payable	2,930		4,142		1,212
Income taxes payable	8		225		217
Accrued expenses	1,466		2,419		952
Reserve for bonuses to employees	1,115		1,278		163
Notes payable for equipment	311		633		321
Other current liabilities	402		477		75
	<u>27,964</u>	14.1	<u>27,807</u>	13.7	<u>(156)</u>
Long-term liabilities					
Convertible bonds	23,000		23,000		-
Long-term loans payable	3		2		(0)
Reserve for defined retirement benefits	974		1,896		921
Reserve for retirement bonuses to directors	238		248		10
Long-term unearned income	79		72		(6)
Other long-term liabilities	194		308		113
	<u>24,490</u>	12.3	<u>25,528</u>	12.6	<u>1,038</u>
Total liabilities	<u>52,454</u>	26.4	<u>53,335</u>	26.3	<u>881</u>
Shareholders' equity					
Common stock	32,648	16.4	32,648	16.1	-
Additional paid-in capital					
Capital surplus	40,053		41,166		1,113
Gain on sales of treasury stock	1,265		1,269		3
	<u>41,318</u>	20.7	<u>42,435</u>	21.0	<u>1,116</u>
Retained earnings					
Legal reserve	7,789		7,789		-
Special reserves	46,500		46,500		-
Special amortization reserve	19		15		(4)
Unappropriated retained profits	17,495		20,641		3,145
Net unrealized gain/loss on other marketable securities	6,180	3.1	7,160	3.5	979
	<u>71,804</u>	36.1	<u>74,946</u>	37.0	<u>3,141</u>
Treasury stock	(5,342)	(2.7)	(8,014)	(3.9)	(2,671)
Total shareholders' equity	<u>146,610</u>	73.6	<u>149,177</u>	73.7	<u>2,566</u>
Total liabilities and shareholders' equity	<u>199,065</u>	100.0	<u>202,512</u>	100.0	<u>3,447</u>

Nonconsolidated Statement of Income

Millions of yen	Year ended March 31, 2004		Year ended March 31, 2005		Year-on-year change	
		%		%		%
Net sales	153,433	100.0	155,650	100.0	2,217	1.4
Cost of sales	132,348		128,409		(3,938)	
Selling, general and administrative expenses	15,444		20,858		5,413	
Operating income	5,640	3.7	6,382	4.1	742	13.2
Nonoperating income						
Interest and dividend income	2,162		3,046		884	
Rents receivable	2,949		2,783		(166)	
Foreign currency exchange gain	-		80		80	
Other	164		172		7	
	5,276	3.4	6,082	3.9	805	15.3
Nonoperating expenses						
Interest charges	0		0		(0)	
Depreciation expenses for lent properties	2,326		2,363		37	
Foreign currency exchange loss	1,203		-		(1,203)	
Other	107		155		47	
	3,637	2.4	2,519	1.6	(1,117)	(30.7)
Ordinary income	7,279	4.7	9,946	6.4	2,666	36.6
Extraordinary gains						
Gain on sales of fixed assets	200		18		(181)	
Reversal of allowance for valuation loss on investments	766		101		(665)	
Reversal of allowance for doubtful accounts	72		7		(65)	
Gain on sales of investment securities	229		-		(229)	
Other	6		31		24	
	1,274	0.9	157	0.1	(1,116)	(87.6)
Extraordinary losses						
Loss on disposal of properties	629		1,489		860	
Special severance indemnities	114		-		(114)	
Provision for valuation loss on investments	22		-		(22)	
Valuation loss on investment securities	5		-		(5)	
Other	3		6		2	
	774	0.5	1,496	1.0	721	93.3
Income before income taxes	7,779	5.1	8,607	5.5	828	10.6
Income taxes						
Current	45		50		5	
Deferred	2,261		2,019		(241)	
Net income	5,473	3.6	6,538	4.2	1,064	19.5
Balance brought forward	13,389		15,773		2,383	
Interim dividends paid	1,367		1,670		303	
Unappropriated profits	17,495		20,641		3,145	

Proposed Appropriation of Retained Earnings

Millions of yen	Year ended March 31,		Year-on-year change
	2004	2005	
Unappropriated retained earnings	17,495	20,641	3,145
Transfer from reserve for special depreciation	4	3	(0)
	17,500	20,645	3,145
Dividends paid	1,670	1,655	(14)
	(¥5.50 per share)	(¥5.50 per share)	
Bonuses to directors	56	65	9
	1,726	1,720	(5)
Unappropriated retained earnings carried forward to the next year	15,773	18,924	3,151

Basis of Presenting the Nonconsolidated Financial Statements

Item	Basis of Presenting the Nonconsolidated Financial Statements
1. Basis and method of valuation of marketable securities	<p>(1) Debentures classified as held-to-maturity are valued on an amortized cost (straight-line) basis.</p> <p>(2) Stocks of subsidiaries and affiliates are valued at cost using the moving-average method.</p> <p>(3) Other marketable securities</p> <p style="padding-left: 20px;">i. If the market value is determinable, other marketable securities are valued at market based on their market value on the date of the interim balance sheet. (Net unrealized gain/loss on other marketable securities is recognized directly in the shareholders' equity section. Selling cost is computed by the moving-average method.)</p> <p style="padding-left: 20px;">ii. If the market value is not determinable, other marketable securities are valued at cost using the moving-average method.</p>
2. Basis and method of valuation of inventories	Inventories are primarily valued on a weighted average cost basis, which does not exceed cost nor market.
3. Derivative instruments	Derivative instruments are valued at market.
4. Depreciation methods for fixed assets	<p>(1) Tangible fixed assets: declining-balance method</p> <p style="padding-left: 20px;">Years of useful life for principal assets</p> <p style="padding-left: 20px;">Buildings and structures: 3 - 50 years</p> <p style="padding-left: 20px;">Machinery and equipment: 5 - 10 years</p> <p>(2) Intangible fixed assets: straight-line method</p> <p>(3) Long-term prepaid expenses: straight-line method</p> <p style="padding-left: 20px;">However, for liquid crystal devices and other mechanical devices operations, a shorter estimate of useful life has been used taking into account the economic life of the items. For software, an intangible asset, the estimated useful life is based on the potential utilization period. Some leased assets are subject to accelerated depreciation.</p>
5. Accounting for lease transactions	Finance lease transactions, other than those that deem to transfer ownership of the leased assets to the lessee, are accounted for as operating lease transactions.
6. Basis of accounting for reserves	<p>(1) Allowance for doubtful accounts</p> <p style="padding-left: 20px;">An allowance for doubtful accounts is based on the recoverability of each amount, using (1) the write-off ratio for ordinary accounts receivable and (2) the specific amount for certain accounts receivable, such as highly doubtful accounts.</p> <p>(2) Allowance for valuation loss on investments</p> <p style="padding-left: 20px;">To provide for possible losses due to extreme devaluation in the stocks of nonconsolidated subsidiaries (excluding stocks subject to impairment accounting), an allowance for valuation loss on investments is provided for an amount considering the actual stock prices on the balance sheet date.</p> <p>(3) Reserve for bonuses to employees</p> <p style="padding-left: 20px;">The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments.</p> <p>(4) Reserve for defined retirement benefits</p> <p style="padding-left: 20px;">To provide for future payments of defined retirement benefits to employees, the reserve for defined retirement benefits is stated at an amount deemed to be correct on the date of the year-end balance sheet. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets on the date of the year-end balance sheet. Obligations for prior service and actuarial differences are written off as an expense using the fixed percentage method over a fixed number of years (5) that does not exceed the average remaining years of service of employees in which they occur. Prior service obligations are written off as expenses from the year in which they occur, and actuarial differences are written off as expenses from the fiscal year following the term in which they occur.</p> <p>(5) Reserve for retirement bonuses to directors</p> <p style="padding-left: 20px;">The reserve for retirement bonuses to directors is provided for an amount deemed necessary based on the internal regulations of the Company.</p>

Item	Basis of Presenting the Nonconsolidated Financial Statements
7. Consumption tax	Consumption tax is excluded from the amounts of income and expenses.

Notes

(Related to balance sheet)

Millions of yen	March 31, 2004	March 31, 2005
1. Accumulated depreciation of property, plant and equipment	120,891	117,724
2. Amount of discounted export notes	0	3,994
3. Loan guarantees	4,576	3,634
4. Number of Treasury certificates	7,734,746 shares	10,437,824 shares

(Securities)

Stocks of subsidiaries and affiliates with determinable market value

Millions of yen	March 31, 2004	March 31, 2005
Stocks of subsidiaries		
Amounts on balance sheet	975	975
Market value	195,187	161,813
Difference	194,211	160,837

(Deferred taxes)

Millions of yen	March 31, 2004	March 31, 2005
1. Major components of deferred tax assets and liabilities		
(Deferred tax assets)		
Depreciation in excess of the depreciation limit	2,044	2,114
Decline in valuation of inventory	1,106	1,300
Amount in excess of deductible allowance for doubtful accounts	261	182
Amount in excess of deductible reserves for bonus payments	453	520
Accrued severance indemnities reserve cost excess of the inclusion limit	2,340	2,821
Valuation loss on investment securities	5,615	4,707
Disallowance of investment valuation reserve	163	546
Deduction for foreign tax carried forward	340	526
Loss carried forward	1,392	2,384
Other	1,520	1,696
	15,238	16,800
Valuation allowance	(2,505)	(4,625)
Total deferred tax assets	12,733	12,175
(Deferred tax liabilities)		
Revaluation gain/loss on other marketable securities	(4,240)	(4,912)
Special depreciation reserve	(10)	(8)
Total deferred tax liabilities	(4,251)	(4,920)
Net deferred tax balance	8,481	7,254
2. Major differences between the statutory effective tax rate and the actual effective tax rate after tax effect accounting		
Statutory effective tax rate	42.1%	40.7%
(Adjustments)		
Expenses not deducted for tax purposes	0.6%	0.5%
Dividend and income exclusion	(5.1)%	(9.7)%
Effect of deduction for net loss carried forward in this term	(19.9)%	-
Increase/decrease in valuation allowance	10.1%	(8.7)%
Effect of changes in tax rate related to introduction of pro forma standard tax on businesses	0.2%	-
Other	1.8%	1.2
Income tax rate after deferred tax accounting	29.7%	24.0

(Subsequent Events)

1. The Company has decided and signed at the board of directors held on May 16, 2005, an agreement for share exchange whereby the five subsidiaries, which are Citizen Electronics Co., Ltd., Miyota Co., Ltd., Cimeo Precision Co., Ltd., Sayama Precision Co., Ltd., and Kawaguchiko Seimitsu Co., Ltd., will become wholly-owned subsidiaries of Citizen Watch. Details are listed under subsequent events of consolidated financial statements.
2. Based on the joint separation plan that was written with Japan CBM Corporation and Citizen L.C. Tec Co., Ltd., which are both wholly-owned subsidiaries of the Company, respectively on January 27, 2005, the Company established Citizen Systems Japan Co., Ltd. and Citizen Displays Co., Ltd. on April 1, 2005.

Assets and liabilities that will be transferred from the Company is as follows:

Citizen Systems Japan Co., Ltd.

Total Assets	5,274 million yen
Total Liabilities	214 million yen

Citizen Displays Co., Ltd.

Total Assets	3,281 million yen
Total Liabilities	121 million yen

(Changes in the Board of Directors)

(Already announced on April 27, 2005)

(1) Retiring directors (tentative)

Scheduled to retire at the Ordinary General Meeting of Shareholders scheduled on June 29, 2005

Hiroshi Haruta	(Currently Director Executive Advisor) [Scheduled to be appointed to Executive Advisor]
Akihiko Suzuki	(Currently Director) [Scheduled to be appointed to President and CEO of Japan CBM Corporation]
Masaru Yoshida	(Currently President and CEO of Sayama Precision Co., Ltd.)

(2) Retiring corporate auditor

Scheduled to retire at the Ordinary General Meeting of Shareholders scheduled on June 29, 2005

Manabu Ohtsu	(Currently part-time corporate auditor) [Scheduled to be appointed to Chairman of Rhythm Watch Co., Ltd.]
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(3) Candidate for appointment to Board of Directors

Scheduled to be appointed at the Ordinary General Meeting of Shareholders scheduled on June 29, 2005

Part-time corporate auditor	Yasuhiro Ohkawa (Currently President of Rhythm Precision(H.K.) Ltd.) [Scheduled to be appointed to President of Rhythm Watch Co., Ltd.]
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(4) Candidate for Corporate Auditor

Scheduled to be appointed at the Ordinary General Meeting of Shareholders scheduled on June 29, 2005

Sub-Corporate Auditor	Yoshiyuki Iijima (Currently advisor of Citizen Watch Co., Ltd.)
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(5) Changes in position

Managing Director	Mikiroh Ueda (Currently Director of Citizen Watch Co., Ltd. Senior General Manager of Watch Marketing Division)
Managing Director	Kenji Sugimoto (Currently Director of Citizen Watch Co., Ltd. In charge of Information & Communication Products Division, Precision Machinery Division and Intellectual Property Department)