



Consolidated Financial Statements for the Six Months Ended September 30, 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)

November 15, 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:	(0424) 68-4934
Executive position of legal representative:	Makoto Umehara
Board of Directors' Meeting on the Interim Settlement of Accounts:	November 15, 2005
U.S. Accounting Standards:	No

1. Results for the Interim Term of Fiscal 2005 (April 1, 2005 to September 30, 2005) (1) Consolidated operating results

Six months (Year) ended	Net sales		Operating income		Recurring income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2004	183,690	1.5	20,334	25.3	22,906	42.8
September 30, 2005	161,922	(11.9)	12,883	(36.6)	14,621	(36.2)
March 31, 2005	357,288		37,092		40,118	

Six months (Year) ended	Net income		Earnings per share		Fully diluted earnings per share	
	(Millions of yen)	%	(Yen)	%	(Yen)	%
September 30, 2004	11,589	38.0	38.16		34.97	
September 30, 2005	7,605	(34.4)	25.26		23.14	
March 31, 2005	20,233		65.97		60.45	

(Notes)

1. Equity in earnings of unconsolidated subsidiaries and affiliates:

September 2005 interim term: Not applicable	September 2004 interim term: Not applicable
March 2005 term: Not applicable	
2. Average number of shares out during the term (consolidated):

September 2005 interim term: 301,060,761 shares	September 2004 interim term: 303,735,310 shares
March 2005 term: 302,849,253 shares	
3. Changes in accounting methods: None
4. Percent figures for net sales, operating income, recurring income and net income for the interim term represent a comparison with the same term of the prior year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
Six months (Year) ended	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2004	401,846	235,420	58.6	775.14
September 30, 2005	400,542	252,252	63.0	837.89
March 31, 2005	390,565	240,888	61.7	799.28

(Note)

Total number of shares outstanding at the interim term closing (consolidated):

September 2005 interim term: 301,056,675 shares

September 2004 interim term: 303,714,989 shares

March 2005 term: 301,065,226 shares

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
Six months (Year) ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
September 30, 2004	17,006	(10,716)	(1,091)	118,594
September 30, 2005	11,804	(4,852)	(3,336)	127,677
March 31, 2005	40,393	(21,183)	(9,307)	122,869

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 58

Number of non-consolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for the equity method: 0

(5) Changes in the scope of consolidation and application of the equity method

Consolidation (Newly added): 3; (eliminated): 2

Equity method (Newly added): 0; (eliminated): 0

2. Projected Results for Fiscal 2005 (April 1, 2005 to March 31, 2006)

	Net sales	Operating income	Recurring income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Full term	339,000	28,500	30,500	16,000

Reference: Estimated earnings per share (full term): 45.70 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 10 for assumptions underlying the above forecasts and precautions regarding their use.

Management Policy

1. Fundamental Management Policy

The Citizen group's management policy is based on the corporate philosophy that gave us our name: 'contribute to and strive to be respected by the citizens of the world.' We aim to contribute to society through ongoing activities that are in harmony not only with the local community but also with the global environment. Our mission is to utilize the precision manufacturing and assembly technologies that we have developed from our watch-making businesses to offer products that satisfy customers and contribute to the lives of people around the world.

With all employees sharing the same goals, the Citizen group is focused on becoming a 'corporation with good quality' that is both profitable and responsive to change.

2. Fundamental Policy Regarding the Distribution of Profits

The Company has been returning profits to shareholders based on a basic policy of paying a regular and stable dividend while at the same time taking into consideration of buyback of its own shares and strengthening the corporate culture by appropriate dividend policy and internal reserves. As for the basic policy after the year ending March 31, 2006, the total amount of dividends and share buyback divided by consolidated net income will be stated as "ratio of return to shareholders" and the Company has decided to make the average ratio of the 3 to 5 year period to over 30%. Dividend will be decided taking into consideration of the balance between its performance and stability of dividend. Regarding the share buyback, the Company will aim to improve the capital efficiency as well as the return to shareholders by raising the earnings per share.

For the fiscal year ending March 31, 2006, the Company plans to raise its year-end dividends per share by 4 yen, which raises the full-year dividends per share to 15 yen. In addition, as announced on October 27, 2005, the Company plans to buyback its own shares in the amount of up to 25 million shares (or 20 billion yen) by March 31, 2006.

3. Medium-Term Management Strategy

The Company developed 2003 Medium-Term Management Plan aiming to transform the corporation into one focused on creation of high-added value. Based on the fundamental policy listed below, the Company carries forward the reform to improve profitability and to realize a management structure that is capable of responding appropriately to environmental changes.

- (1) Vertical integration focused on the overall performance of the consolidated group
- (2) Strengthening sales and product-development capabilities to ensure that the company is customer-driven
- (3) Reformulation of brand strategies to increase brand value
- (4) Implementation of policies aimed at developing human resources to reinvigorate the corporate culture

4. Issues Facing the Company

Stronger cooperation within the Group

As a new growth strategy, in order to strengthen the Group strategy functions, the Group not only established "Group Strategy Center" last October, but also made major subsidiaries wholly-owned on October 1, 2005. Based on this fundamental development, the Company will continue to aim to maximize its Group value and to reinforce corporate governance.

Maintaining Stable Earnings by Restructuring Watch Operations

- (1) In the watches and clocks segment, strengthen brands, especially the Citizen brand, to ensure that this business remains a key contributor to profits.
- (2) Fulfill its role as a world leader of finished watch manufacturer by taking multi-brand strategy.
- (3) Maintain the strength of the movement business as the foundation of the watches and clocks business and secure stable profits.
- (4) Increase the value of the Citizen brand in clocks business and strengthen operation structure through “selection and focus”.

Strengthening Business’s Ability to Grow

- (1) Throughout the non-watch divisions, the Company intends to promote stronger cooperation from making the subsidiaries wholly-owned, and intends to expand its profit by faster decision making and efficient management.
- (2) In R&D, the principle of ‘selection and focus’ will be applied to revamp short-term and medium-term priorities with a focus on businesses of a certain minimum size to ensure that R&D activities are profit driven.
- (3) Strengthen and centralize intra-group functions in order to improve management efficiency by making more effective use of the group’s financial resources and other assets.

5. Basic Concept regarding Corporate Governance and Measures Taken***Basic Concept regarding Corporate Governance***

Based on the corporate philosophy that gave us our name: ‘contribute to and strive to be respected by the citizens of the world’, the Company aims to contribute to the society and improve the corporate value through ongoing activities that are in harmony not only with the local community but also with the global environment. In order to continuously strengthen this corporate objective, the Company recognizes that maintenance of transparent management and monitoring functions are important, and thus, the Company works to strengthen its corporate governance.

Framework and Systems**1. Basic overview of the Company’s structure**

The Board of Directors consists of ten internal directors familiar with our business. The Company’s Board of Corporate Auditors consists of four members, two of whom are outside corporate auditors. In addition, the Company does not adopt outside directors from the point of view of accelerating the decision-making process and clarification of responsibility.

2. Structure

The Company holds Management Meeting, which consists of standing directors and one standing corporate auditor, at least twice a month in order to accelerate decision-making and to maintain transparency of the management. It serves as an organ for the discussion of important matters pertaining to business affairs and plans determined by the board of directors.

The board of directors make decisions and monitor the operation execution. With regard to operation execution, directors in charge of each business, or executive officers execute operations.

3. Internal Audit and Corporate Auditors

The Company has established Internal Audit Department, which examines operational processes of each department and each subsidiary and verifies their appropriateness based on annual auditing schedule.

In addition, the Company has adopted an auditor system. In accordance with the board of corporate auditors’ auditing policies and auditing schedules, each member performs audits of the directors’ performance of their duties by attending the board meetings and various business management meetings, listening to business reports from the directors and others, carefully examining documents related to important decisions, business operation and assets. Moreover, corporate auditors strive to conduct audits efficiently by maintaining close coordination with Nihombashi Corporation, which is appointed as the Company’s independent auditor, and works to strengthen the corporate governance.

4. Financial Auditing

Certified Public Accountants who conducted the financial auditing are Mr. Masahiko Kinoshita (11 years of consecutive auditing) and Mr. Noriyuki Segawa at Nihombashi Corporation. In addition, 11 CPAs and 3 assistant CPAs supported the Company's financial auditing and provided opinions on the Company's financial statements from an independent standpoint.

5. Relationship with Outside Auditors

Mr. Yasuhiro Ohkawa, an outside corporate auditor, is the President and CEO of Rhythm Watch Co., Ltd., which has a business relationship with the Company. Moreover, the Company holds 12.11% of the outstanding shares of Rhythm Watch Co., Ltd. There is no other interest between the two.

Risk Management

The Company shall not only comply with all related laws, but shall also recognize the importance of taking actions with social good sense and uphold corporate ethics and prevent corporate misconduct. The Company makes much of corporate social responsibility and based on the recognition that business operation is possible upon confidence and good faith, have approached to CSR with strong action taken by the President himself. Citizen Code of Conduct was instituted at the board of directors in October 2003 and became effective in January 2004. The operation organization appoints the President as the CSR chief control officer and is composed of 'CSR Committee' and 'CSR Promotion Committee' as standing committees. The functions of CSR Committee are planning of CSR strategies, arrangement and enrichment of the Charter, maintenance of regulations, educating and training, examination of complaints and monitoring, while that of the CSR Promotion Committee is to execute and to promote the CSR activity in each department.

In addition, the Company embraced the ten principles proposed by the United Nations in the areas of human rights, labor, the environment and anti-corruption. The UN accepted Citizen's participation in the Global Compact in April 2005.

Review of Operations and Financial Position

1. Operations

Summary of Operating Results

Millions of yen	Six months ended September 30,		Change	%
	2004	2005		
Net sales	183,690	161,922	-21,768	-11.9
Operating income	20,334	12,883	-7,450	-36.6
Recurring income	22,906	14,621	-8,284	-36.2
Net income	11,589	7,605	-3,983	-34.4

Breakdown of sales by segment

Millions of yen	Six months ended September 30,		Change	%
	2004	2005		
Watches and clocks	59,096	58,448	-647	-1.1
Electronic devices	75,206	57,444	-17,762	-23.6
Electronic products	13,441	11,508	-1,932	-14.4
Industrial machinery	17,147	17,693	545	3.2
Other products	18,799	16,828	-1,971	-10.5
	183,690	161,922	-21,768	-11.9

Breakdown of operating income by segment

Millions of yen	Six months ended September 30,		Change	%
	2004	2005		
Watches and clocks	8,715	8,903	188	2.2
Electronic devices	11,417	4,730	-6,686	-58.6
Electronic products	1,252	825	-427	-34.1
Industrial machinery	2,403	2,301	-101	-4.2
Other products	435	231	-203	-46.8
Eliminations or general corporate	(3,888)	(4,109)	-220	-
	20,334	12,883	-7,450	-36.6

During the interim fiscal period under review, although there were some concerns such as rise in oil prices, terrorists' attacks and successive hurricanes, global economy, overall, steadily recovered on the back of robust economic growth in the United States. In addition, the Japanese economy also showed signs of steady recovery with an increase in consumption and capital expenditure.

Against this background, in order to improve the corporate value and to become a high-value added corporation, the Company strove to improve the efficiency as a Group such as by integrating Electronic Products business and Liquid Crystal Devices business on April 1, 2005, respectively. However, in the mobile phone business on which the Company is heavily dependent, actual results differed greatly from the original assumption as a result of decline in prices due to intense competition.

Consequently, consolidated sales decreased to 161.9 billion yen (decrease of 11.9% from the same period of the previous fiscal year). Operating income decreased to 12.8 billion yen (decrease of 36.6%). Recurring profit decreased to 14.6 billion yen (decrease of 36.2%) and net income also declined to 7.6 billion yen (decrease of 34.4%).

Watches and Clocks

In the Japanese market, the foreign watches continued to sell well, while the Japanese brand watches struggled. Under this circumstance, the Company expanded its sales and profit year-on-year by aggressive development and introduction of new models of Eco-Drive radio-controlled watches. Ladies' radio-controlled watches were introduced in Exceed, Attesa, and XC, which contributed to sales increase. Medium-priced Forma and Cretia gradually increased their sales on the back of the introduction of various models. Among licensed brand watches, which continued to fall without any signs of recovery, Paul Smith brand, which is

popular among the young, enjoyed healthy sales. With the concept of “the fusion of technology and beauty”, the Company aims to increase its sales by maximizing the technology, enhancing the development of design, reinforcing the young casual zone and developing products for ladies.

On the other hand, overseas watch market is in a difficult environment with globalization of watch market and increase in brands. Against this background, with the high-value added products strategy, both sales and profit increased due to successful rise in unit price. By enforcing Eco-Drive watches, sales increased worldwide not only in North America and Europe, but also in China. In addition, the brand image improved by high-value added product strategy.

Q&Q brand saw an increase in number of units sold and sales as a result of introduction of new models of radio-controlled watches in Japan, and enhancement of products overseas.

Despite the sales effort of high-value added products, sales of buyers' brand watches declined owing to the weak economy condition in Europe.

Under the environment in which fierce price competition continues due to the Chinese low-end products, sales of movement declined despite the strategy to maintain the market price and to increase its sales by selling multi-hand movements.

Sales of clock declined due to the influence of weak demand in stores and decline in demand of special clocks.

Consequently, sales of watches and clocks decreased to 58.4 billion yen (decrease of 1.1%), while operating income increased to 8.9 billion yen (increase of 2.2%).

Electronic Devices

In mobile phone market on which opto-devices business is highly dependent, although number of units increased worldwide, most of them were low-end handsets for developing countries, and this strong demand resulted in decrease of number of parts used and in-house production by set manufacturer. In other words, although number of handsets produced increased, no expansion was seen in the parts market. Moreover, price declined by intensifying competition.

Amid this condition, the Citizen Group aimed to introduce high-value added products such as high-luminous LED (used for flashlight) for camera phones which have possibilities of expanding demand, thin backlight unit in replace of conventional ones. However, the flashlight did not sell as estimated and sales of chip LED for flashlight dropped significantly as a result of weak condition in Japanese market, delay in production of mid to high-end handsets in which ratio of camera equipped is high, and downward revision of mass production worldwide. Both sales and profit of backlight units decreased by the fierce price competition as the handset market put the priority in cost (price) rather than the function or quality. Overall, both sales and profit declined significantly in opto-devices business.

Liquid crystal devices, which are mainly for mobile phones, saw a huge decline in sales not only as the Chinese market has not recovered from the excess inventory, but also as number of products for Europe and America decreased. On the other hand, our unique element for DVD enjoyed healthy sales.

Sales and profit in quartz devices decreased in TCXO, low-frequency and high-frequency due to the inventory adjustment which started in the latter half of FY2004 in digital cameras, tuners, watches and mobile phones. Although the market environment began to show a gradual recovery since July, and small products contributed to profit, selling prices dropped more than estimated and affected the profit.

In other parts business, although sales of flat speaker and multi function speaker for mobile phones increased and Authentic Ltd., which was newly added to the consolidation, contributed to sales, sales did not increase due to the weak environment in Japanese market. In addition, sales of small switches increased significantly mainly due to the new products of key sheet module. Electronic viewfinders had steady sales as CRT viewfinders for business use was steady. Viewfinders with FLCD had weak sales for digital cameras, although sales for video cameras was steady. Sales of liquid crystal backlight saw sluggish growth due to the change in digital camera market environment. Although camera-equipped mobile phone market is expanding, orders of CMOS image sensors did not increase. Moreover, sales declined as this period was a transit period from OEM to brand business, and beginning of cooperation among the Citizen Group.

As a result, sales in electronic devices business, overall, decreased to 57.4 billion yen (decrease of 23.6%) and operating income decreased to 4.7 billion yen (decrease of 58.6%).

Electronic Products

Electronic products business integrated its business functions to Citizen Systems Japan Co., Ltd. for more prompt operations. Under this circumstance, sales of printers were down as POS related products and mini printers for calculators were influenced by the inventory adjustment from main customers although dot matrix printers for China and mini printers for BRICs sold well. Sales of calculators overall decreased as counterfeit flooded in Asian market although sales were steady in Russia and East Europe. Healthcare products enjoyed healthy sales in Japan due to the successful promotion of blood pressure, but sales declined overseas as a result of low-end Taiwanese products.

As a result, sales of electronic products business overall declined to 11.5 billion yen (decline of 14.4%) and operating income declined to 0.8 billion yen (decline of 34.1%).

Industrial Machinery

As for CNC automatic lathes, sales declined in the Japanese market, although the steady demand in the automobile industry covered the low demand in OA and IT related businesses, which began early 2005. In the Asean market, sales increased by introducing new products in demand in HDD related, in addition to the steady sales of automobile-related. In China, despite the concerns of revaluation of Chinese Yuan and tight monetary policy, sales increased by expansion of sales channel and increased production system in Citizen Machinery Asia Co., Ltd. In North America, sales increased on the back of strong demand principally in Medical-related, due to the strong U.S. economy and introduction of new products. Sales were flat in Europe.

Measuring instruments enjoyed healthy sales mainly for automobile and bearing, and in assembling machines sales of electronic parts assembling machines increased due to the demand in automobile industry.

As a result, sales of industrial machinery segment as a whole totaled 17.6 billion yen (an increase of 3.2%), and operating income decreased to 2.3 billion yen (a decrease of 4.2%).

Other Products

Market environment in jewelry business continued at a low level with rise in prices of gold and platinum and decline of marriage couples.

In pachinko related products, originally, the newly introduced pachinko ball dispensers were planned to cover the year-on-year decline due to previous year's strong demand but resulted in sales decline as it needed time to be recognized in the market.

As a consequence, sales and operating income in other products as a whole totaled 16.8 billion yen (a decline of 10.5%) and 0.2 billion yen (a decline of 46.8%), respectively.

2. Financial Position

Cash and cash equivalents at the end of this half-year period increased by 9.0 billion yen as compared to the same period of the previous year, to 127.6 billion yen.

Cash flows from operating activities in the half-year yielded a cash flow revenue of 11.8 billion yen. Income before adjustment for taxes in the half-year rose to 14.3 billion yen. Depreciation expense was 7.4 billion yen, inventories increased by 2.5 billion yen, notes and accounts receivable decreased by 1.8 billion yen and payment of income taxes was 5.8 billion yen.

Cash flows from investing activities ran a deficit of 4.8 billion yen. This is mainly due to the payment of 9.7 billion yen for the purchase of property, plant and equipment, 2.0 billion yen for the purchase of investment securities, and gain of 5.0 billion yen for the sale of investment marketable securities.

Cash flows from financing activities ran a deficit of 3.3 billion yen. This is mainly due to the 1.9 billion yen of dividends paid and 1.3 billion yen of decrease in borrowings.

Trends in cash flow indices for the consolidated group are as follows.

Percent	Year ended March 31,				Six months ended September 30, 2005
	2002	2003	2004	2005	
Equity ratio	56.1	55.6	57.4	61.7	63.0
Equity ratio at market value	67.8	52.3	80.1	79.3	69.5
Debt repayment period (years)	1.6	1.0	0.8	0.7	-
Interest coverage ratio	35.4	110.0	154.7	204.7	505.3

Equity ratio: Shareholders' equity/total assets

Equity ratio at market value: Market capitalization/total assets

Debt repayment period: Interest-bearing debt/operating cash flow (Not applicable for interim period.)

Interest coverage ratio: Operating cash flow/interest paid

* These ratios are all calculated from consolidated financial statements.

* Market capitalization is calculated by multiplying the closing stock price at fiscal-year end by the number of outstanding stocks (after subtracting treasury stock)

For cash flow, operating cash flow is used. Interest-bearing debt refers to all liabilities shown in the balance sheet on which interest is payable. For interest paid, interest payments shown in the consolidated statements of cash flow are used.

3. Prospects for Fiscal Year 2005

Millions of yen	Year ended	Year ending	Change	%
	March 31, 2005	March 31, 2006		
Net sales	357,288	339,000	-18,288	-5.1
Operating income	37,092	28,500	-8,592	-23.2
Recurring income	40,118	30,500	-9,618	-24.0
Net income	20,233	16,000	-4,233	-20.9

Breakdown of sales by segment

Millions of yen	Year ended	Year ending	Change	%
	March 31, 2005	March 31, 2006		
Watches and clocks	121,582	125,500	3,917	3.2
Electronic devices	133,841	113,000	-20,841	-15.6
Electronic products	26,442	27,500	1,057	4.0
Industrial machinery	35,460	37,000	1,539	4.3
Other products	39,962	36,000	-3,962	-9.9
	357,288	339,000	-18,288	-5.1

Breakdown of operating income by segment

Millions of yen	Year ended	Year ending	Change	%
	March 31, 2005	March 31, 2006		
Watches and clocks	17,791	20,500	2,708	15.2
Electronic devices	17,848	8,100	-9,748	-54.6
Electronic products	2,657	2,200	-457	-17.2
Industrial machinery	4,951	5,500	548	11.1
Other products	1,748	500	-1,248	-71.4
Eliminations or general corporate	(7,903)	(8,300)	396	-
	37,092	28,500	-8,592	-23.2

Despite the robust economic growth in the U.S. and gradual recovery in Japanese economy, prospects for the second half are unclear due to the rising oil prices, the fear of terrorism and the intensifying competition in mobile phone related products.

Against this background, the Company made 5 major subsidiaries wholly-owned on October 1, 2005. The Company will strive to improve the corporate value and to become a high-value added corporation. In addition, under the corporate policy, 'contribute to and strive to be respected by the citizens of the world,' the Company aims to contribute to society through ongoing activities that are in harmony not only with the local community but also with the global environment, and strengthen management foundation and improve earnings.

For the fiscal year ending in March 2006, due to the low sales of mobile phone in the first six months, the Group is forecasting consolidated sales of 339.0 billion yen (a 5.1% decrease from the previous year), operating income of 28.5 billion yen (a 23.2% decline), recurring income of 30.5 billion yen (a 24.0% decline), and net income of 16.0 billion yen (a 20.9% decline).

These forecasts assume currency exchange rates of 110 yen to the US dollar (109 yen for the first half) and 135 yen to the Euro (136 yen for the first half) for the second half of the fiscal year 2005.

(Note)

This report includes forward-looking statements about the Company's forecasts and prospects that are not historical facts. They reflect assumptions and beliefs adopted in light of information currently available. The Company cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Consolidated Interim Balance Sheet

Millions of yen	September 30, 2004	%	September 30, 2005	%	March 31, 2005	%
Current assets						
Cash and cash equivalents	110,280		113,822		113,577	
Notes and accounts receivable	86,428		78,711		78,229	
Marketable Securities	13,736		16,867		14,093	
Inventories	56,653		53,883		50,469	
Deferred tax assets	11,603		9,601		10,018	
Other current assets	8,401		8,242		8,547	
Allowance for doubtful accounts	(1,954)		(1,855)		(1,808)	
	<u>285,150</u>	71.0	<u>279,273</u>	69.7	<u>273,126</u>	69.9
Fixed assets						
Property, plant and equipment						
Buildings and structures	31,485		31,287		31,124	
Machinery, equipment and carriers	30,348		28,692		28,391	
Other	16,741		19,117		17,412	
	<u>78,574</u>	19.5	<u>79,097</u>	19.7	<u>76,929</u>	19.7
Intangible fixed assets	<u>1,040</u>	0.3	<u>1,019</u>	0.3	<u>1,099</u>	0.3
Investments and other assets						
Investment securities	30,923		37,716		33,770	
Deferred tax assets	3,776		680		2,817	
Other	3,613		3,935		4,091	
Allowance for doubtful accounts	(405)		(431)		(474)	
Reserve for valuation loss on investments	(827)		(749)		(795)	
	<u>37,080</u>	9.2	<u>41,152</u>	10.3	<u>39,410</u>	10.1
	<u>116,695</u>	29.0	<u>121,269</u>	30.3	<u>117,438</u>	30.1
Total assets	<u>401,846</u>	100.0	<u>400,542</u>	100.0	<u>390,565</u>	100.0

	September 30, 2004	September 30, 2005	March 31, 2005
1. Accumulated depreciation of property, plant and equipment	232,347	236,019	233,137
2. Outstanding balance of export bill of exchange	856	770	1,003
3. Endorsed trade notes receivable	-	185	162
4. Loans guaranteed	475	204	328
5. R&D expenditures	5,000	5,531	10,217
6. Capital expenditures	10,277	9,731	19,161
7. Depreciation expenses	7,883	7,441	16,820

CITIZEN WATCH

Millions of yen	September 30, 2004	%	September 30, 2005	%	March 31, 2005	%
Current liabilities						
Notes and accounts payable	42,839		37,261		36,845	
Short-term bank loans payable	10,276		5,326		6,559	
Income taxes payable	7,424		5,091		6,513	
Deferred tax liabilities	9		-		-	
Reserve for bonuses to employees	4,678		4,488		4,349	
Reserve for product warranties	917		940		889	
Other	33,151		27,003		27,663	
	99,297	24.7	80,111	20.0	82,820	21.2
Long-term liabilities						
Bonds with subscription right for new shares	23,000		23,000		23,000	
Long-term loans payable	58		2		2	
Deferred tax liabilities	194		1,788		342	
Reserve for defined retirement benefits	10,908		10,214		10,156	
Reserve for retirement bonuses to directors	819		487		883	
Consolidation adjustments	2,552		1,197		2,067	
Other	568		569		642	
	38,102	9.5	37,259	9.3	37,095	9.5
Total liabilities	137,399	34.2	117,370	29.3	119,916	30.7
Minority interests	29,026	7.2	30,919	7.7	29,760	7.6
Shareholders' equity						
Common stock	32,648	8.1	32,648	8.2	32,648	8.4
Capital reserves	39,026	9.7	39,027	9.7	39,027	10.0
Retained earnings	166,204	41.4	178,920	44.7	173,173	44.3
Net unrealized gain/loss on other marketable securities	5,822	1.5	11,601	2.9	7,357	1.9
Foreign currency translation adjustments	(2,757)	(0.7)	(1,804)	(0.5)	(3,185)	(0.8)
Treasury stock	(5,524)	(1.4)	(8,141)	(2.0)	(8,133)	(2.1)
Total shareholders' equity	235,420	58.6	252,252	63.0	240,888	61.7
Total liabilities, minority interest and shareholders' equity	401,846	100.0	400,542	100.0	390,565	100.0

Consolidated Interim Statement of Income

Millions of yen	Six months ended September 30, 2004		Six months ended September 30, 2005		Year ended March 31, 2005	
		%		%		%
Net sales	183,690	100.0	161,922	100.0	357,288	100.0
Cost of sales	127,449	69.4	112,072	69.2	247,075	69.2
Gross Profit	56,240	30.6	49,849	30.8	110,212	30.8
Selling, general and administrative expenses	35,906	19.5	36,966	22.8	73,120	20.4
Operating income	20,334	11.1	12,883	8.0	37,092	10.4
Nonoperating income						
Interest and dividend income	627		597		1,072	
Foreign exchange gain	1,430		535		622	
Amortization of consolidation adjustments	475		405		973	
Other	652		636		1,589	
	3,185	1.7	2,175	1.3	4,257	1.2
Nonoperating expenses						
Interest charges	122		30		194	
Other	491		406		1,037	
	613	0.3	436	0.3	1,231	0.4
Recurring income	22,906	12.5	14,621	9.0	40,118	11.2
Extraordinary gains						
Gain on sales of fixed assets	18		-		18	
Reversal of allowance for doubtful accounts	121		131		196	
Other	37		93		664	
	178	0.1	224	0.2	879	0.3
Extraordinary losses						
Loss on disposal and sales of properties	564		310		2,159	
Loss on impairment of fixed assets	-		94		-	
Valuation loss on investment securities	10		4		302	
Other	398		105		484	
	972	0.6	515	0.3	2,946	0.8
Income before income taxes	22,111	12.0	14,331	8.9	38,051	10.7
Income, inhabitant and enterprise taxes	7,033		4,327		11,094	3.1
Income tax adjustment	933		1,168		2,501	0.7
Minority interests	2,555	1.4	1,228	0.8	4,221	1.2
Net income	11,589	6.3	7,605	4.7	20,233	5.7

Consolidated Interim Statement of Retained Earnings

Millions of yen	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
Capital reserves			
Capital reserves, beginning of term			
Capital reserves, beginning of term	39,023	39,027	39,023
Increase in capital reserves			
Gain on disposition of treasury stock	2	0	3
Capital reserves, end of term	39,026	39,027	39,027
Retained earnings			
Retained earnings, beginning of term	156,517	173,173	156,517
Increase in retained earnings			
Net income	11,589	7,605	20,233
Increase due to change in scope of consolidation	2	-	2
Increase due to integration	-	46	-
	11,591	7,652	20,235
Decrease in retained earnings			
Cash dividends declared	1,670	1,655	3,341
Bonuses to directors	233	249	237
	1,903	1,905	3,578
Retained earnings, end of term	166,204	178,920	173,173

Consolidated Interim Statement of Cash Flow

Millions of yen	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
Cash flows from operating activities			
Income before income taxes	22,111	14,331	38,051
Depreciation	7,883	7,441	16,820
Increase/decrease in reserve for defined retirement benefits	(491)	26	(1,233)
Increase/decrease in allowance for doubtful accounts	668	(316)	292
Interest and dividends income	(627)	(597)	(1,072)
Interest charges	122	30	194
Loss on sales of marketable securities	-	2	(11)
Loss on sales of investment securities	0	(3)	0
Loss on sales of fixed assets	(53)	(30)	(128)
Loss on disposal of fixed assets	564	310	2,159
Loss on impairment	-	94	-
Payment of bonuses to directors	(266)	(289)	(270)
Increase/decrease in receivables - trade	1,992	1,816	9,645
Increase/decrease in inventories	(4,741)	(2,598)	1,093
Increase/decrease in notes and accounts payable - trade	(4,892)	(1,644)	(14,908)
Increase/decrease in accrued expenses	377	177	221
Consolidation adjustments	(475)	(405)	(973)
Increase/decrease in other current assets	1,722	282	1,462
Increase/decrease in other liabilities	(759)	(1,416)	(129)
Other	449	(160)	265
	23,584	17,048	51,480
Interest and dividends received	619	595	1,066
Interest payments	(118)	(23)	(197)
Income taxes	(7,078)	(5,815)	(11,955)
Net cash provided by operating activities	17,006	11,804	40,393
Cash flows from investing activities			
Payments for the purchase of marketable securities	(1,599)	-	(2,698)
Proceeds from the sale of marketable securities	2,000	644	4,622
Payments for the purchase of investment securities	(1,737)	(2,017)	(2,410)
Proceeds from the sale of investment securities	643	5,069	672
Payments for the purchase of property, plant and equipment	(9,560)	(9,732)	(19,221)
Proceeds from the sale of property, plant and equipment	461	319	866
Increase/decrease in loans	(257)	138	(445)
Other	(666)	725	(2,569)
Net cash used in investing activities	(10,716)	(4,852)	(21,183)

CITIZEN WATCH

Millions of yen	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
Cash flows from financing activities			
Net increase/decrease in borrowings	973	(1,305)	(2,656)
Dividends paid by parent company	(1,670)	(1,655)	(3,341)
Dividends paid to the minority stockholders	(220)	(330)	(510)
Payments for purchase of treasury stock	(67)	(8)	(2,678)
Other	(106)	(34)	(120)
Net cash used in financing activities	(1,091)	(3,336)	(9,307)
Effect of exchange rate changes on cash and cash equivalents	987	892	558
Net increase in cash and cash equivalents	6,186	4,508	10,461
Cash and cash equivalents at beginning of term	112,451	122,869	112,451
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	(43)	196	(43)
Increase in cash and cash equivalents associated with integration	-	103	-
Cash and cash equivalents at end of term	118,594	127,677	122,869

Relationship between the ending balance of cash and cash equivalents and account items listed in the consolidated balance sheets

Millions of yen	September 30, 2004	September 30, 2005	March 31, 2004
Cash	110,280	113,822	113,577
Marketable securities	13,736	16,867	14,093
Time deposits with a deposit period greater than three months	(2,768)	(2,489)	(3,631)
Shares and bonds with a redeemable period greater than three months	(2,655)	(522)	(1,169)
Cash and cash equivalents	118,594	127,677	122,869

Basis of Presenting Consolidated Interim Financial Statements

Item	Basis of Presenting the Consolidated Financial Statements
1. Scope of consolidation	<p>(1) Consolidated subsidiaries (58 companies)</p> <p>Significant consolidated subsidiaries: Japan CBM Corporation, Citizen Miyota Co., Ltd., Citizen Electronics Co., Ltd., Citizen Fine Tech Co., Ltd., Sunciti Manufacturers Ltd., Citizen Watches (H.K.) Ltd., Citizen de Mexico, S.A. de C.V., Crown Young Industries Ltd., Citizen Watch Co., of America, Inc.</p> <p>In addition, 3 companies are included in the Company's consolidated subsidiaries from the current interim period which ended on September 30, 2005; 2 newly established companies, Citizen Systems Japan Co., Ltd. and Citizen Displays Co., Ltd. and Authentic Ltd. due to its significance.</p> <p>On the other hand, Citizen L.C. Tec Co., Ltd. and Citizen America Corp. have been excluded from the Company's consolidated subsidiaries as liquidation of the 2 companies has been decided.</p> <p>The accompanying consolidated financial statements comprise the accounts of Citizen Watch Co., Ltd. (the Company) and its significant subsidiaries. The combined assets, net sales, net income and retained earnings of the remaining nonconsolidated subsidiaries are not significant in the related consolidated totals.</p> <p>(2) Nonconsolidated subsidiaries (47 companies)</p>
2. Application of the equity method	<p>The Company's nonconsolidated subsidiaries and affiliates, for which the combined totals have little effect on consolidated interim net profit or loss and retained earnings, have been excluded from application of the equity method.</p>
3. Fiscal year-end of consolidated subsidiaries	<p>The consolidated subsidiaries which have different interim term closing dates from the consolidation closing date are 34 subsidiaries, including SAKAE TRADING CO., LTD., TOKYO BIJUTSU CO., LTD., CITIZEN WATCH CO., OF AMERICA, INC. and 34 other overseas subsidiaries.</p> <p>The interim term closing date of accounts for SAKAE TRADING CO., LTD. and TOKYO BIJUTSU CO., LTD., is August 31, and that for CITIZEN WATCH CO. OF AMERICA, INC. and 31 other overseas subsidiaries is June 30. In preparing the consolidated interim financial statements, when the difference between a domestic subsidiary's interim term closing date and that of the group consolidated interim term closing date is three months or less, the interim financial statements of the subsidiary for the relevant fiscal year are used. An adjustment is made in the consolidated statements for any material discrepancies in accounting records related to transactions between consolidated subsidiaries arising from the difference between a subsidiary's interim term closing date and the group consolidated interim term closing date. Overseas subsidiaries use an accounting method appropriate to prepare the interim financial statements.</p>
4. Accounting standards	<p>(1) Valuation standards and methods for major assets</p> <p>{1} Marketable and investment securities</p> <p>i. Debentures classified as held-to-maturity are valued on an amortized cost (straight-line) basis.</p> <p>ii. Stocks of subsidiaries and affiliates are valued at cost using the moving-average method.</p> <p>iii. Other marketable securities: 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.) If the market value is not determinable, other marketable securities are valued at cost using the moving-average method.</p> <p>{2} Derivative financial instruments Derivative financial instruments are valued at market.</p> <p>{3} Inventories Inventories are primarily valued on a weight-average cost basis, which exceeds neither cost nor market.</p>

Item	Basis of Presenting the Consolidated Financial Statements
(2)	<p>Depreciation of fixed assets</p> <p>The depreciation of property, plant and equipment is computed on a declining-balance basis, whereas the amortization of intangible fixed assets is computed on a straight-line basis.</p>
(3)	<p>Recognition basis of provisions and reserves</p> <p>{1} Allowance for doubtful accounts</p> <p>In order to prepare for loss of receivables (trade) and loans, as for the Company and domestic consolidated subsidiaries and affiliates, an allowance for doubtful accounts is recorded 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. As for the overseas consolidated subsidiaries and affiliates, an allowance for doubtful accounts is estimates based on the recoverability of each amount.</p> <p>{2} Reserve for valuation loss on investments</p> <p>To provide for possible losses due to extreme devaluation in the stocks of non-consolidated 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>The reserve for bonuses to employees is stated at an amount based on the estimated forthcoming payments at consolidated companies other than overseas subsidiaries.</p> <p>{4} Reserve for product warranties</p> <p>At several overseas sales subsidiaries, certain rates of net sales are provided as an allowance for the possible expenses required for after-sales services of products sold.</p> <p>{5} Reserve for defined retirement benefits</p> <p>At the Company and its consolidated domestic subsidiaries, the reserve for defined retirement benefits is stated as the amount deemed to be correct on the 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.</p> <p>Any differences arising as a result of changes in accounting standards are, as a rule, treated as an extraordinary loss for the year in which the difference arises. However, the straight-line method is applied over a period of 5 to 10 years at certain consolidated subsidiaries. In addition, prior service liabilities and differences arising from mathematical calculations will be accounted for using a fixed number of years that is no more than the average of the employee's remaining years of service when they occur (in principle, by applying the fixed-percentage method over 5 years). Prior service liabilities will be accounted for from the year in which they occur, and differences arising from mathematical calculations will be accounted for from the year following the year in which they occur.</p> <p>{6} Reserve for retirement bonuses to directors</p> <p>The reserve for retirement bonuses to directors is provided on accrual basis for an amount deemed necessary based on the internal regulations of the Company and several domestic consolidated subsidiaries.</p>
(4)	<p>Translation of foreign currency assets or liabilities</p> <p>Foreign currency amounts are translated into Japanese yen at the rate prevailing on the interim balance sheet date for accounts receivable and accounts payable. The translation adjustments are stated as profit/loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot rate on the date of the interim balance sheet, whereas revenues and expenses are translated into Japanese yen using the weighted-average rate. The differences arising from translation are stated as foreign currency translation adjustments in the shareholders' equity section.</p>

Item	Basis of Presenting the Consolidated Financial Statements
	(5) Lease contracts 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) Consumption tax The consumption tax is excluded from the amounts of income and expenses.
5. Cash in the statements of consolidated cash flows	Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits in banks, and highly liquid, short-term investments with low risk in value fluctuations for which the maturity expires within three months.

(Additional information)

Retirement benefits for directors, which was recorded based on internal regulations, were decided to be abolished at the Company and in some subsidiaries. The equivalent amount is transferred to other current liabilities and other in long-term liabilities. Amount in other accounts payable and other are scheduled amount to be paid to directors who have been serving since the prior system had been applied.

Change in Basis of Presenting Consolidated Interim Financial Statements

(Accounting policies regarding impairment on fixed assets)

From the current interim period, accounting policies regarding impairment on fixed assets have been applied. Consequently, income before income taxes decreased by 94 million yen. In addition, accumulated impairment loss is deducted directly from each asset, respectively.

Segment information

1. Business segment

Millions of yen	Watches and clocks	Electronic devices	Electronic products	Industrial machinery	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Six months ended September 30, 2004								
Net sales and operating profit/loss								
Net sales								
Unaffiliated customers	59,096	75,206	13,441	17,147	18,799	183,690	-	183,690
Intersegment	-	1,102	-	-	-	1,102	(1,102)	-
Total	59,096	76,308	13,441	17,147	18,799	184,792	(1,102)	183,690
Operating expenses	50,381	64,891	12,188	14,744	18,364	160,570	2,786	163,356
Operating income	8,715	11,417	1,252	2,403	435	24,222	(3,888)	20,334

Six months ended September 30, 2005**Net sales and operating profit/loss**

Net sales								
Unaffiliated customers	58,448	57,444	11,508	17,693	16,828	161,922	-	161,922
Intersegment	-	1,031	-	-	-	1,031	(1,031)	-
Total	58,448	58,475	11,508	17,693	16,828	162,953	(1,031)	161,922
Operating expenses	49,545	53,744	10,682	15,391	16,596	145,960	3,077	149,038
Operating income	8,903	4,730	825	2,301	231	16,992	(4,109)	12,883

Year ended March 31, 2005**Net sales and operating profit/loss**

Net sales								
Unaffiliated customers	121,582	133,841	26,442	35,460	39,962	357,288	-	357,288
Intersegment	-	2,071	-	-	-	2,071	(2,071)	-
Total	121,582	135,913	26,442	35,460	39,962	359,360	(2,071)	357,288
Operating expenses	103,791	118,064	23,784	30,508	38,213	314,364	5,831	320,196
Operating income	17,791	17,848	2,657	4,951	1,748	44,996	(7,903)	37,092

(Notes)

1. Business segments

The following business segments are classified based on the type, nature and manufacturing methods of products and the similarity of markets.

2. Major products by business segment

Segment	Major products
Watches and clocks	Analog, digital and analog/digital combination watches, internal and facing parts and components of watches, various kinds of clocks, etc.
Electronic devices	Chip LEDs, back light units, LCDs, quartz oscillators, electronic viewfinders, etc.
Electronic products	Various kinds of printers, floppy disk drives, electronic clinical thermometers, calculators, etc.
Industrial machinery	Small CNC automatic lathes, various types of robots, general-purpose machine tools, measuring instruments, etc.
Other products	Jewelry, pachinko related products, automobile parts, jigs and tools, etc.

2. Geographic segment

Millions of yen	Japan	Asia	Americas	Europe	Other	Segment total	Eliminations or general corporate	Consolidated totals
Six months ended September 30, 2004								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	142,344	20,160	13,134	7,140	911	183,690	-	183,690
Intersegment	28,371	27,964	74	31	-	56,442	(56,442)	-
Total	170,715	48,125	13,208	7,172	911	240,133	(56,442)	183,690
Operating expenses	147,652	46,864	12,789	6,969	949	215,226	(51,869)	163,356
Operating income/loss	23,063	1,260	418	202	(37)	24,907	(4,573)	20,334
Six months ended September 30, 2005								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	125,782	13,940	13,386	7,956	856	161,922	-	161,922
Intersegment	23,700	30,304	62	60	-	54,128	(54,128)	-
Total	149,483	44,244	13,449	8,016	856	216,050	(54,128)	161,922
Operating expenses	133,956	43,269	12,828	7,771	877	198,703	(49,664)	149,038
Operating income/loss	15,526	975	621	244	(21)	17,347	(4,463)	12,883
Year ended March 31, 2005								
Net sales and operating income/loss								
Net sales								
Unaffiliated customers	275,156	36,227	28,036	16,085	1,782	357,288	-	357,288
Intersegment	51,218	53,169	247	99	-	104,735	(104,735)	-
Total	326,375	89,397	28,284	16,185	1,782	462,024	(104,735)	357,288
Operating expenses	284,905	88,253	27,043	15,476	1,855	417,534	(97,338)	320,196
Operating income	41,470	1,143	1,240	708	(73)	44,489	(7,396)	37,092

(Notes)

1. Nations or regions are classified according to geographic proximity.
2. Major nations or regions in the respective categories:
 - (1) Asia: China, Hong Kong, South Korea, Taiwan, Singapore, Thailand and Malaysia
 - (2) Americas: United States, Panama and Mexico
 - (3) Europe: Germany, United Kingdom, France, Italy and Spain
 - (4) Other: Australia

3. Overseas sales

Millions of yen	Six months ended September 30, 2004		Six months ended September 30, 2005		Year ended March 31, 2005	
	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales	Overseas sales	As % of consolidated net sales
Asia	65,985	35.9	50,429	31.1	119,259	33.4
Americas	20,010	10.9	20,737	12.8	39,592	11.1
Europe	21,713	11.8	20,839	12.9	43,307	12.1
Other	2,849	1.6	1,977	1.2	5,876	1.6
Total	110,559	60.2	93,984	58.0	208,036	58.2
Consolidated sales	183,690	100.0	161,922	100.0	357,288	100.0

(Notes)

1. Overseas sales are exports of the Company and its consolidated domestic subsidiaries, and sales (other than exports to Japan) of overseas subsidiaries.
2. Nations or regions are classified according to geographic proximity.
3. Major nations or regions in the respective categories:
 - (1) Asia: China, Hong Kong, South Korea, Singapore, etc.
 - (2) Americas: United States, Canada, Panama, Brazil, and Mexico, etc.
 - (3) Europe: Germany, United Kingdom, France, Italy and Spain, etc.
 - (4) Other: Oceania and Africa

(Marketable securities)**1. Debentures with market value classified as held-to-maturity**

Millions of yen	September 30, 2004			September 30, 2005			March 31, 2005		
	Amount on consolidated balance sheet	Market value	Valuation gain/loss	Amount on consolidated balance sheet	Market value	Valuation gain/loss	Amount on consolidated balance sheet	Market value	Valuation gain/loss
Others	1,000	1,087	87	-	-	-	1,000	1,082	82
Total	1,000	1,087	87	-	-	-	1,000	1,082	82

2. Other marketable securities with market value

Millions of yen	September 30, 2004			September 30, 2005			March 31, 2005		
	Acquisition cost	Amount on consolidated balance sheet	Difference	Acquisition cost	Amount on consolidated balance sheet	Difference	Acquisition cost	Amount on consolidated balance sheet	Difference
Stocks	8,736	18,579	9,843	8,764	28,400	19,636	8,741	21,201	12,459
Bonds									
Others	6,064	6,065	0	1,024	1,023	(0)	5,000	5,004	4
Total	14,800	24,645	9,844	9,788	29,423	19,635	13,741	26,206	12,464

3. Major classification of marketable securities with no market value and their amounts on consolidated Interim balance sheet

Millions of yen	September 30, 2004	September 30, 2005	March 31, 2005
Bonds being held to maturity			
Unlisted bonds	7,598	12,397	9,098
Other marketable securities:			
Unlisted stocks (excluding over-the-counter stocks)	1,116	1,497	1,116
Investment trust	5,082	4,446	4,924

Important matters occurring subsequent to report term

1. Share Exchange

According to the share exchange agreements entered on May 16, 2005, the Company performed share exchange transactions on October 1, 2005, and made the following companies wholly-owned subsidiaries; Citizen Electronics Co., Ltd., Miyota Co., Ltd. (present Citizen Miyota Co., Ltd.), Cimeo Precision Co., Ltd. (present Citizen Fine Tech Co., Ltd.), Sayama Precision Industries Co., Ltd., (present Sayama Precision Co., Ltd.) and Kawaguchiko Seimitsu Co., Ltd. (present Citizen Seimitsu Co., Ltd.).

Upon the share exchange, the Company allotted 88,077,759 shares of common stock and 10,000,000 shares of treasury stock.

2. Issuance of stock options

The Company resolved at the board of directors meeting held on October 15, 2005 to issue Stock Acquisition Rights for shares of common stock of the Company, pursuant to Articles 280-20 and 280-21 of the Commercial Code of Japan and to the approval of the Company's Ordinary General Meeting of Shareholders.

(1) Issue date of Stock Acquisition Rights	October 5, 2005
(2) Aggregate number of Stock Acquisition Rights	10,010
(3) Issue price of Stock Acquisition Rights	The Stock Acquisition Rights are issued without the payment to the Company of any consideration.
(4) Class and number of shares to be issued or transferred upon exercise of Stock Acquisition Rights	1,001,000 shares of common stock of the Company (The number of shares to be issued or transferred upon exercise of each Stock Acquisition Rights shall be 100 shares of common stock of the Company.)
(5) Amount to be paid upon exercise of Stock Acquisition Rights	95,000 yen (950 yen per share)
(6) Aggregate amount to be issued or transferred upon exercise of Stock Acquisition Rights	950,950,000 yen
(7) Period during which Stock Acquisition Rights may be exercised	From July 1, 2007 until June 30, 2010
(8) The amount that shall not be accounted for as stated capital in respect of shares to be issued upon exercise of Stock Acquisition Rights	475 yen per share
(9) Persons to whom Stock Acquisition Rights will be allocated	9 directors and 4 employees of the Company and 72 directors and 73 employees of its subsidiaries (total: 158)

3. Resolution regarding purchase of its shares

The Company approved at the board of directors meeting held on October 27, 2005, a resolution to purchase its own shares, pursuant to Article 210 of the Commercial Code of Japan.

(1) Rationale for purchasing its own shares

In order to increase shareholder value per share and to retain flexible capital strategy.

(2) Details of purchase

- | | |
|-------------------------|--|
| 1. Types of shares | Shares of common stock |
| 2. Number of shares | Up to 25,000,000 shares (ratio to total number of outstanding shares : 6.3%) |
| 3. Total purchase price | Up to 20,000,000,000 yen |
| 4. Period of purchase | Until March 31, 2006 |