



Nonconsolidated 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:	+81-424-68-4934
Executive position of legal representative:	Makoto Umehara
Interim Dividend Disbursement (Initial payment):	December 9, 2005
Interim Dividend System:	Yes
Application of unit trading system:	Yes (100 shares per unit)

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

(1) Nonconsolidated operating results

Six months (Year) ended	Net sales		Operating income		Recurring income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2004	78,871	3.6	3,291	4.0	5,477	28.2
September 30, 2005	76,069	(3.6)	3,133	(4.8)	5,751	5.0
March 31, 2005	155,650		6,382		9,946	

Six months (Year) ended	Net income		Net income per share	
	(Millions of yen)	%	(Yen)	%
September 30, 2004	3,588	6.1	11.82	
September 30, 2005	4,100	14.3	13.62	
March 31, 2005	6,538		21.37	

(Notes)

1. Average number of shares outstanding at the interim term of the fiscal year:
 September 2005 interim term: 301,060,761 shares September 2004 interim term: 303,735,310 shares
 March 2005 term: 302,849,253 shares
2. Changes in accounting methods: Yes
3. Percent figures for net sales, operating income, recurring income and net income represent a comparison with the same period of the prior year.

(2) Dividends

	Interim dividends per share	Annual dividends per share
	(Yen)	(Yen)
September 30, 2004	5.50	-
September 30, 2005	7.50	-
March 31, 2005	-	11.00

(Note) Interim dividends for the interim term of fiscal 2005:
Commemorative dividend 0 yen, Special dividend 0 yen

(3) Nonconsolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2004	200,937	147,938	73.6	487.10
September 30, 2005	209,455	155,742	74.4	517.32
March 31, 2005	202,512	149,177	73.7	495.28

(Notes)

- Total number of shares outstanding at the interim term closing:
September 2005 interim term: 301,056,675 shares September 2004 interim term: 303,714,989 shares
March 2005 term: 301,065,226 shares
- Number of treasury stock at the interim term closing:
September 2005 interim term: 10,446,375 shares September 2004 interim term: 7,788,061 shares
March 2005 term: 10,437,824 shares

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

	Net sales	Recurring income	Net income	Annual dividends per share	
				Year-end	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)	(Yen)
Full term	171,000	11,300	7,300	7.50	15.00

Reference:

- Estimated earnings per share (full term): 20.85 yen
- Forecast operating income (full term): 8,600 million 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.

Nonconsolidated Interim Balance Sheet

Millions of yen	September 30, 2004	%	September 30, 2005	%	March 31, 2005	%
Current assets						
Cash and cash equivalents	38,994		39,712		39,179	
Notes receivable	490		1,394		1,480	
Accounts receivable	35,900		29,010		27,582	
Marketable securities	10,083		13,397		10,598	
Inventories	11,237		9,026		11,538	
Accrued consumption tax	889		714		647	
Deferred tax assets	3,361		2,288		3,165	
Deposits	4,386		3,074		6,270	
Other accounts receivable	6,340		6,742		5,752	
Other	1,820		2,316		1,780	
Allowance for doubtful accounts	(650)		(329)		(946)	
	<u>112,855</u>	56.2	<u>107,349</u>	51.3	<u>107,048</u>	52.9
Fixed assets						
Property, plant and equipment						
Buildings and structures	14,626		13,707		14,244	
Machinery and equipment	13,051		10,608		11,789	
Other	7,193		8,559		7,943	
	<u>34,871</u>	17.3	<u>32,875</u>	15.7	<u>33,977</u>	16.8
Intangible fixed assets	740	0.4	621	0.3	722	0.3
Investments and other assets						
Investment securities	25,133		29,821		27,767	
Stocks of subsidiaries and affiliates	22,828		38,780		28,911	
Deferred tax assets	4,183		101		4,088	
Other	822		1,308		1,468	
Reserve for valuation loss on investments	(474)		(1,292)		(1,344)	
Allowance for doubtful accounts	(24)		(110)		(128)	
	<u>52,469</u>	26.1	<u>68,609</u>	32.7	<u>60,763</u>	30.0
	<u>88,081</u>	43.8	<u>102,105</u>	48.7	<u>95,463</u>	47.1
Total assets	<u>200,937</u>	100.0	<u>209,455</u>	100.0	<u>202,512</u>	100.0

Reference:

Millions of yen	September 30, 2004	September 30, 2005	March 31, 2005
Capital expenditures	3,273	3,022	7,143
Depreciation	3,522	2,851	8,009
R&D expenditures	2,535	2,830	5,293

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Millions of yen	September 30, 2004	%	September 30, 2005	%	March 31, 2005	%
Current liabilities						
Notes payable	1,030		1,704		1,785	
Accounts payable	20,013		18,467		16,843	
Short-term bank loans payable	1		0		0	
Other accounts payable	3,959		4,305		4,142	
Income taxes payable	158		123		225	
Reserve for bonuses to employees	1,124		1,165		1,278	
Other	2,276		2,707		3,530	
	<u>28,563</u>	14.2	<u>28,474</u>	13.6	<u>27,807</u>	13.7
Long-term liabilities						
Bonds with subscription right for new shares	23,000		23,000		23,000	
Long-term loans payable	3		2		2	
Reserve for defined retirement benefits	875		1,834		1,896	
Reserve for retirement bonuses to directors	231		-		248	
Other	324		402		380	
	<u>24,434</u>	12.2	<u>25,238</u>	12.0	<u>25,528</u>	12.6
Total liabilities	<u>52,998</u>	26.4	<u>53,713</u>	25.6	<u>53,335</u>	26.3
Shareholders' equity						
Common stock	32,648	16.2	32,648	15.6	32,648	16.1
Capital reserves						
Capital surplus	40,053		41,166		41,166	
Other capital reserves	1,267		1,269		1,269	
	<u>41,321</u>	20.6	<u>42,435</u>	20.3	<u>42,435</u>	21.0
Retained earnings						
Legal reserve	7,789		7,789		7,789	
Voluntary reserves	46,515		46,511		46,515	
Unappropriated retained profits	19,361		23,024		20,641	
	<u>73,666</u>	36.7	<u>77,325</u>	36.9	<u>74,946</u>	37.0
Net unrealized gain/loss on other marketable securities	5,707	2.8	11,354	5.4	7,160	3.5
Treasury stock	(5,405)	(2.7)	(8,022)	(3.8)	(8,014)	(3.9)
Total shareholders' equity	<u>147,938</u>	73.6	<u>155,742</u>	74.4	<u>149,177</u>	73.7
Total liabilities and shareholders' equity	<u>200,937</u>	100.0	<u>209,455</u>	100.0	<u>202,512</u>	100.0

Nonconsolidated 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	78,871	100.0	76,069	100.0	155,650	100.0
Cost of sales	67,732		59,882		128,409	
Selling, general and administrative expenses	7,848		13,054		20,858	
Operating income	3,291	4.2	3,133	4.1	6,382	4.1
Nonoperating income						
Interest and dividend income	1,522		2,562		3,046	
Rents receivable	1,377		944		2,783	
Foreign exchange gain	415		9		80	
Other	83		58		172	
	3,397	4.3	3,574	4.7	6,082	3.9
Nonoperating expenses						
Interest charges	0		0		0	
Depreciation expenses for rent properties	1,189		795		2,363	
Other	22		160		155	
	1,211	1.5	956	1.2	2,519	1.6
Recurring income	5,477	7.0	5,751	7.6	9,946	6.4
Extraordinary gains						
Gain on sales of fixed assets	18		-		18	
Reversal of allowance for doubtful accounts	13		46		7	
Reversal of allowance for valuation loss on investments	-		47		101	
Other	-		7		31	
	31	0.0	101	0.1	157	0.1
Extraordinary losses						
Loss on disposal of properties	316		132		1,489	
Loss on impairment	-		94		-	
Provision for valuation losses on investments	73		-		-	
Other	4		0		6	
	393	0.5	226	0.3	1,496	1.0
Income before income taxes	5,115	6.5	5,626	7.4	8,607	5.5
Income, inhabitant and enterprise taxes	265		12		50	
Income taxes adjustment	1,261		1,513		2,019	
Net income	3,588	4.5	4,100	5.4	6,538	4.2
Balance brought forward	15,773		18,924		15,773	
Interim dividends paid	-		-		1,670	
Unappropriated profits	19,361		23,024		20,641	

Basis of Presenting the Nonconsolidated Interim Financial Statements

Item	Basis of Presenting the Nonconsolidated Interim 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>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>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) Property, plant and equipment: declining-balance method Years of useful life for principal assets Buildings and structures: 3 – 50 years 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>
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 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) Reserve for valuation loss on investments 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 employee bonuses 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 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 years) 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>
7. Consumption tax	Consumption tax is excluded from the amounts of income and expenses.

(Additional information)

Retirement benefits for directors, which was recorded based on internal regulations, was decided to be abolished at the directors' meeting held in June 2005. The equivalent amount is transferred to other current liabilities and other in long-term liabilities.

Change in Basis of Presenting the Nonconsolidated 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.

Notes

(Related to balance sheet)

Millions of yen	September 30, 2004	September 30, 2005	March 31, 2005
1. Accumulated depreciation of property, plant and equipment	117,768	110,208	117,724
Accumulated loss on impairment included in the above category	-	94	-
2. Amount of discounted export notes	3	5,837	3,994
3. Loan guarantees	7,818	705	3,634
4. Number of Treasury certificates	7,788,061 shares	10,446,375 shares	10,437,824 shares

Securities

Stocks of subsidiaries with determinable market value

Millions of yen	September 30, 2004	September 30, 2005	March 31, 2005
Stocks of subsidiaries			
Amounts on balance sheet	975	975	975
Market value	178,282	157,252	161,813
Difference	177,307	156,276	160,837

Citizen Electronics Co., Ltd., Citizen Miyota Co., Ltd. and Citizen Fine Tech Co., Ltd. became the Company's wholly-owned subsidiaries on October 1, 2005 by share exchange. Upon this transaction, the 3 companies became delisted as of September 27, 2005 and as of September 30, there is no market value available for trade. Market value is calculated with that of September 27, 2005.

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 as of 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. Details are in the important matters occurring subsequent to report term in consolidated financial statements.

3. Resolution regarding buyback 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. Details are in the important matters occurring subsequent to report term in consolidated financial statements.