

Last Update: May 30, 2024

Citizen Watch Co., Ltd.

Toshihiko Sato,
President and CEO

Contact: Toshiyuki Furukawa,
Managing Director, In charge of Public & Investor Relations Department

Securities Code: 7762

<https://www.citizen.co.jp/global>

The corporate governance of Citizen Watch Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company’s corporate philosophy is “Loved by citizens, working for citizens,” and it derives its name from this. The Company works to contribute to society and increase its corporate value through sustainable corporate activities, in harmony with the local community and the global environment. To continue to promote its aims, the Company believes that it is important to secure transparency in management and monitor many fields of management. Accordingly, the Company is striving to expand and improve its corporate governance.

【Reasons for Not Implementing the Principles of the Corporate Governance Code

The Company complies with all principles set forth in the Corporate Governance Code as amended in June 2021.

【Disclosure Based on the Principles of the Corporate Governance Code】 Updated

【Principle 1-4 Cross-shareholdings】

The Company will have cross-shareholdings if it judges, after comprehensive consideration, that they will contribute to maintaining and strengthening the business relations of the Citizen Group in the medium to long term as well as the smooth management of the business operations of the Company and the development of the business. The basic policy for the verification of individual cross-shareholdings is that their rationality and necessity will be examined at a meeting of the Board of Directors each year in light of relationships between business partners and the Group and the possibility of mutually enhancing the corporate value and that the scale of shareholdings will be reduced if the significance of continuing to hold the shares has diluted. With respect to the standards for the exercise of the voting rights, the Company will make a judgement on the exercise of the voting rights according to the standard of the contribution to the business of the Group in the medium to long term.

【Principle 1-7 Related Party Transactions】

The Company stipulates in the rules for the Board of Directors that transactions between the Directors and the Company and transactions involving conflicts of interest shall be subject to a resolution of the approval of the Board of Directors. In addition, the Audit & Supervisory Board Members shall monitor and verify any instances of violation, such as competing transactions or transactions involving conflicts of interest according to the standards for audit by Audit & Supervisory Board Members.

【Supplementary Principle 2-4-1 Initiatives for Diversity】

The Company aims to increase the ratio of female managers, which was at the 8% level as of the end of FY2022, to at least 20% by 2030. The Company will raise awareness to further encourage the active participation of women and build an environment including programs which help them balance work and family life.

The Company also recruits employees regardless of their nationality. At its overseas facilities, sales of which constitute around 60% of the total, the Company has been advancing business operation by locally recruiting non-Japanese employees from an early stage. Taking advantage of its networks, the Company advances management that is appropriate for the characteristics of each region. It will therefore continue to recruit employees with no regard to nationality while optimizing the distribution of roles to its domestic and overseas bases.

At present, people who joined the Company as mid-career employees constitute about 20% of its managers. They also include those who joined the Company as general managers. The Company will continue to recruit industry-ready human resources as mid-career employees, in addition to augmenting its highly specialized human resources who can contribute to the expansion of e-commerce and digital transformation, as well as globally competitive personnel, in its efforts to speed up business expansion and maintain the ratio of those who joined the Company as mid-career employees among managers.

As part of its human resource development policies for securing diversity, the Company assigns jobs and provides opportunities to its employees regardless of their gender, nationality, and whether they joined the Company as new graduates or experienced personnel. It promotes those who developed their careers as expatriates and directly experienced diversity in their late 20s, to senior general managers at head office or managers responsible for overseas facilities, with a view toward securing diversity across the organization.

The Company currently offers a range of programs, such as shorter work days, flexible working hours, teleworking and remote work with no need for in-office attendance, to facilitate the adoption of diverse workstyles. The percentage of female employees who return to work after childcare leave is 100% (excluding those who have left the company due to their spouses being transferred). In addition, the Company holds seminars to facilitate the understanding of the significance and needs of male employees engaging in childcare while simultaneously sharing the experiences of people who have taken childcare leave on its internal website. By doing so, it is actively recommending that male employees take this leave. The Company has introduced a job return system for those who leave the Company due to the relocation of spouses, childcare, or nursing care.

【Principle 2-6 Exhibition of Function as Asset Owner of Corporate Pension】

The Citizen Group has introduced a defined contribution (DC) pension plan with a highly professional trust bank as the DC administrator. The Group provides employees with regular education on investments through asset management training, information provided through the Intranet and others.

【Principle 3-1 Full Disclosure】

(1) The Company's corporate philosophy is "Loved by citizens, working for citizens," and it derives its name from this. The Company seeks to contribute broadly to the lives of people around the world through the "manufacture of products that are loved and trusted by citizens." The Group has formulated the Citizen Group's Medium-Term Management Plan 2021 with the fiscal year ending March 31, 2022 as the final year and established the Group's medium-term management vision "Innovation for the next: Sense the time and create an impression for the future" in February 2019, with which it will work to take on the challenge of creating new and unique value, not merely continuing manufacturing as in the past, and moving toward a sustainable future while being sensitive to changes over time in each of its businesses.

(2) The Company works to contribute to society and increase its corporate value through sustainable corporate activities in harmony with the local community and the global environment according to its corporate philosophy. To continue to promote its aims, the Company believes that it is important to secure transparency in management and monitor many fields of management. Accordingly, the Company is striving to expand and improve its corporate governance.

(3) The Company's policy regarding the amount of remuneration, etc. for officers is to apply criteria to ensure the recruitment of human resources who are eager to improve business performance and who have outstanding abilities, and to consider changes in the business environment, external data, the general remuneration level and the business situations in determining it. The policy for determining the amount of the bonus for officers is to consider the items of financial assessment (sales, operating income, etc.) and the items of non-financial assessment (improvement of strength and systems, preparations for the future, etc.) in addition to the application of the policy above. The performance-linked stock and share-based compensation aims to raise Directors' awareness of contributing to an improvement in the business performance and the enhancement of the corporate value of the Company over the medium to long term by clarifying the linkage between remuneration for Directors and the share value of the Company, and the Company has established a policy of determining the performance-linked stock and share-based compensation at a level that will enable this purpose to be achieved. In addition, the Remuneration Committee deliberates matters regarding the policy and criteria for remuneration, etc. for Directors and makes recommendations to the Board of Directors. The Remuneration Committee consists of three (3) or more Directors (the majority of the committee members are Outside Directors, including one (1) or more Representative Directors) appointed by resolution of the Board of Directors, and its chairman is appointed by mutual election from among the Outside Directors. The Board of Directors determines and approves the amount of remuneration for Directors based on the recommendations of the Remuneration Committee.

(4) The Company's policy for the appointment of officers is to ensure that the following requirements are met: (i) that they meet the requirements for officers stipulated in the Companies Act and other laws and regulations; (ii) that they have the character and insights required of an officer and the ability to carry out their duties; and (iii) other criteria established by resolution of the Board of Directors. Candidates for officers proposed to the General Meeting of Shareholders for the purpose of the appointment of officers are decided by resolution of the Board of Directors. With respect to the removal of officers, if an officer is recognized as deviating markedly from the appointment standards, the Nomination Committee deliberates on the removal of the officer at the request of the Board of Directors, the President and CEO or other Directors and reports it to the Board of Directors. The Nomination Committee consists of three (3) or more Directors who were appointed by resolution of the Board of Director (the majority of the committee members are Outside Directors, including one (1) or more Representative Directors), and its chairman is appointed by mutual election from among the Outside Directors. The Board of Directors deliberates on the proposals submitted by the Nomination Committees and determines whether to remove the officer.

(5) For the election and appointment of the individual top management, refer to the reference documents for shareholders meeting or the securities report.

【Supplementary Principle 3-1-3 Initiatives on Sustainability】

The Citizen Group has set sustainable management as the Group vision based on its Corporate Philosophy of "Loved by citizens, working for citizens." The Sustainability Committee, which is chaired by the Company's President and CEO, is in charge of promoting sustainable management.

The Company has also evaluated the level of impact of its business activities on social issues and identified five material issues, for which priorities were set. It also discloses a roadmap for the period through 2030 toward solution of social issues.

At the CITIZEN Group, we operate our businesses under the concept of the Sustainable Factory, under which we consider the processes for manufacturing products and providing services. Sustainable Factory are sustainable production facilities, business facilities, and business processes reflecting comprehensive consideration for matters such as compliance, human rights, labor practices, BCP, and productivity improvement, in addition to environmental considerations throughout the supply chain. We aim to realize the Sustainable Factory concept across the CITIZEN Group by 2030.

In addition, we will create Sustainable Products, which are products that reflect the consideration of key social issues, in individual business areas by 2030. In the Watches business, we have completed the development of criteria to certify products and services with environmentally and socially contributing elements linked to our material issues as Sustainable Products. In conjunction with the businesses of the Group companies such as the Machine Tools business, Devices and Components business and Electronic and Other Products business, we are in the process of formulating certification criteria in anticipation of the establishment of certification criteria for Sustainable Products in the businesses by the end of FY2023 subject to the deliberation and approval of the Sustainability Committee and the management meeting. We are moving forward with initiatives with an eye toward the disclosure of the ratio of Sustainable Products to net sales in around 2025.

See the website page below for the Company's initiatives on sustainability.

<https://www.citizen.co.jp/global/sustainability/index.html>

See the website page below for the Company's ESG policies.

<https://www.citizen.co.jp/global/sustainability/management/policy.html>

At the CITIZEN Group, we consider employees to be human capital and, as set out in the Group's human resource vision, strive to create a workplace in which each employee contributes to the realization of the long-term vision and takes pride in working with CITIZEN. With this in mind, based on management strategies, we seek to develop the human resource required for the management and transformation of the Group and each company and achieve growth from both the personal and corporate perspectives. In addition to this development at each company, we started to strengthen Group-wide collaboration in human resource development in FY2022 and launched training sessions to facilitate Group-wide transformation and acquire management basics by positioning human resources responsible for the promotion of DX and the cultivation of new business areas as "human resources dedicated to the promotion of transformation." We have also been focusing our efforts on the development of next-generation leaders who will be responsible for the Group's future while also implementing the rotation of human resources between Group companies in a boundaryless fashion. The Company's basic policy for human development is to ensure that the growth of employees contributes to corporate growth by providing them with company-based training while as a rule encouraging them to develop their own careers autonomously. Under this policy, it holds career design seminars, while also recommending autonomous career development by introducing an external career consulting service and establishing a system in which employees can undertake a second job in-house, allocating approximately 20% of their working hours to engaging in assignments from other internal departments, as well as a second job outside the company. The Company started to conduct a regular engagement-related survey in FY2022. As a result, it has decided to introduce an in-house recruitment system to facilitate the enhancement of growth opportunities, which surfaced as a priority issue, and include

listening skills in the reskilling training for managers with a view toward the improvement of relationships with superiors.

Concerning intellectual property, the Company has been focusing its efforts on activities for protecting its businesses. Moving forward, the Company will drive activities which will increase the competitiveness of its businesses and contribute to its sustainable growth. Specifically, the Company will integrate its intellectual property information with market and business information, thereby enhancing the strategic use of intellectual property information with the aim of contributing more effectively to the planning and implementation of management (business) strategies and eventually to improving its corporate value.

Further, to help solve the climate change problem, a global issue, the Company has established the CITIZEN Group Environmental Vision 2050 and CITIZEN Group Environmental Goals 2030 based on the CITIZEN Group Environmental Policy, aiming to achieve virtually zero CO₂ emissions from its factories and offices.

See the following website page for the Citizen Group's environmental vision and environmental goals.
<https://www.citizen.co.jp/global/sustainability/environment/vision.html>

As measures to mitigate climate change, which is one of the most serious global environmental risks, the CITIZEN Group as a whole is working on energy saving activities and the introduction of electricity derived from renewable energy at factories and offices to reduce its GHG emissions.

To express our commitment to mitigating climate change, in 2020, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and identified and evaluated climate change-related risks and opportunities as requested in the TCFD recommendations, using two scenarios that differ in terms of the assumed temperature rise in the future (2-degree and 4-degree scenarios).

In addition, we revised our CO₂ emissions reduction targets (Scope 1, 2 and 3) in the CITIZEN Group Environmental Goals 2030 in 2022 and received certification from the Science Based Targets (SBT) Initiative in January 2023. The revised CO₂ emissions reduction targets are as follows.

- Scope 1 and 2: 50.4% reduction (from the level in FY2018)
- Scope 3: 30% reduction (from the level in FY2018) with respect to Category 1 and Category 11.

Using the 1.5-degree scenario and the 4-degree scenario, we are also identifying climate change-related risks and opportunities and analyzing their financial impacts. The CITIZEN Group has been moving forward with initiatives to reduce GHG emissions, including energy saving and the conversion of lighting to LED in its manufacturing processes and the installation of photovoltaic facilities. We will continue to aim for the realization of a sustainable society through the active introduction of renewable energy and the reduction of GHG emissions across our entire supply chain in cooperation with customers and business partners

(Electricity at the Tokyo and Tokorozawa Works is 100% derived from renewable energy).

Adaptation measures in the event of large-scale disasters caused by climate change are defined in the Disaster BCP (Business Continuity Plan).

See the following website page for the Company's response to climate change risks and opportunities (TCFD and scenario analyses).

<https://www.citizen.co.jp/global/sustainability/environment/climate.html>

【Supplementary Principle 4-1-1 Roles and Responsibilities of the Board】

The Company stipulates in the rules for the Board of Directors that the matters regarding the General Meeting of Shareholders, Directors, etc., shares, etc., personnel affairs and organizations, the internal control system, the establishment of rules and regulations, management plans, accounting of the Company and business management of the Group, the matters stipulated in the Companies Act and other laws and regulations and any similar important matters shall be decided by resolution of the Board of Directors. Decision-making relating to business execution other than those described above is left to the Executive Directors and Operating Officers.

【Principle 4-3 Roles and Responsibilities of the Board of Directors (3)】

【Supplementary Principle 4-3-2 Appointment/Removal of the CEO】

【Supplementary Principle 4-3-3 Objective, Timely, and Transparent Procedures for Removal of CEO】

The Nomination Committee deliberates on matters regarding the appointment or removal of the Representative Director, the President and CEO, and the Chairman of the Board of Directors, and submits proposals to the Board of Directors. The Nomination Committee consists of three (3) or more Directors (the majority of the committee members are Outside Directors, including one (1) or more Representative Directors) appointed by resolution of the Board of Directors, and its chairman is appointed by mutual election from among the Outside Directors as committee members. The Board of Directors deliberates on the proposals submitted by the Nomination Committees and makes decisions on the appointment or removal of the Representative Director, the President and CEO, and the Chairman of the Board of Directors.

【Principle 4-9 Independence Standards and Qualifications for Independent Outside Director】

The Company emphasizes extensive experience in management and broad insight or high-level knowledge and insight of corporate finance and legal matters and endeavors to appoint Outside Directors or Outside Audit & Supervisory Board Members who will not cause any conflict of interest with general shareholders. The criteria and policies for independence from the Company in the appointment of Outside Directors or Outside Audit & Supervisory Board Members are as stated below.

The Company deems that an Outside Director or Outside Audit & Supervisory Board Member of the Company (“Outside Officer”) or a candidate for Outside Officer possesses independence such that the interests of the Outside Officer or candidate for Outside Officer are unlikely to have conflict with the interests of general shareholders if, after the Company investigates to practically possible and reasonable extent, one or more of the following criteria do not apply with respect to the said individual.

- (1) A party who is now or was previously an officer (excluding the Company’s Outside Director or Outside Audit & Supervisory Board Member) or an employee of the Citizen Group (the “Citizen Group” refers to the group of companies made up of the Company and its subsidiaries; hereinafter the same).
- (2) A party whose major business partner is the Company (Note 1) or an executive of such party (“executive” refers to an executive as defined in Article 2, paragraph 3, item 6 of the Enforcement Regulations of the Companies Act (Order of the Ministry of Justice No. 12 of 2006); hereinafter, the same).
- (3) A major business partner of the Company (Note 2) or an executive of such party.
- (4) A consultant, accounting professional, or legal professional who receives cash or other financial benefits of 10 million yen or higher as payment from the Citizen Group for reasons other than Director’s or Audit & Supervisory Board Member’s remuneration (if the party receiving such financial benefits is an incorporated entity, association or other organization, then a person belonging to such organization).

- (5) A party receiving donations of cash or other financial benefits of 10 million yen or higher from the Citizen Group (if the party receiving such donation is an incorporated entity, association or other organization, then a person belonging to such organization).
- (6) A party directly or indirectly holding 10% or more of the total number of voting rights held by the Company's shareholders or an executive of such party.
- (7) In the case that an officer or employee of the Citizen Group is serving as an outside officer at another company, an officer or employee of the company other than the aforementioned outside officer.
- (8) A person to whom any of the criteria (2) through (7) applied in the most recent fiscal year or the past three fiscal years of the Company.
- (9) A spouse or relative within the second degree of kinship of a person to whom any of the criteria (1) through (8) applies.

Notes:

1. "Party whose major business partner is the Company" refers to a party whose sales to the Citizen Group makes up 2% or more of the consolidated net sales of the party's group ("group" refers to the group of companies made up of the party, its parent, and its subsidiaries; hereinafter the same).
2. "Major business partner of the Company" refers to a party whose group provides the Citizen Group with sales amounting to 2% or more of the consolidated net sales of the Company.

【Supplementary Principle 4-10-1 Involvement and Advice from Independent Outside Directors Regarding Nomination, Remuneration, etc.】

Overview of the Company's Nomination Committee and Compensation Committee is as described in "Nomination Committee and Compensation Committee" in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions," "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" of this report. Both the Nomination Committee and the Compensation Committee have regulations, which stipulate that the majority of members shall be Outside Directors, and the chairman of each shall be appointed by mutual election from among Outside Directors, thus securing sufficient independence. Those regulations also clarify the authorities and roles of each committee.

【Supplementary Principle 4-11-1 View on the Appropriate Balance between Knowledge, Experience, and Skills of the Board of Directors as a Whole, and on Diversity and Appropriate Board Size】

The Company has specified the knowledge, experience, and skills needed to fulfill the roles and duties of the Board of Directors effectively for achieving business strategies and discloses the skills matrix.

The Company's policy for the appointment of officers is to ensure that the following requirements are met:

- (1) that they meet the requirements for officers stipulated in the Companies Act and other laws and regulations;
- (2) that they have the character and insights required of an officer and the ability to carry out their duties; and
- (3) other criteria established by resolution of the Board of Directors.

In addition, the Nomination Committee deliberates on matters regarding the appointment of the Representative Director, the President and CEO, and the Chairman of the Board of Directors, and submits proposals to the Board of Directors. The Nomination Committee consists of three (3) or more Directors (the majority of the committee members are Outside Directors, including one (1) or more Representative Directors) appointed by resolution of the Board of Directors, and its chairman is appointed by mutual election from among the Outside Directors as committee members. Candidates for officers proposed to the General Meeting of Shareholders for the purpose of the appointment of officers are decided by resolution of the Board of

Directors. Further, the Nomination Committee deliberates on and reports the appointment or removal of Directors and Audit & Supervisory Board Members at the request of the Board of Directors, the President and CEO, or other Directors.

【Supplementary Principle 4-11-2 Directors and Audit & Supervisory Board Members Who Concurrently Hold Any Posts at Other Companies】

The situations of any posts at other companies that are held by Directors and Audit & Supervisory Board Members are disclosed in the business reports and the reference documents for the shareholders meeting, among other materials. Three Outside Director have a post of outside officer of other listed companies. The other Directors and Audit & Supervisory Board Members do not have any post of officer of other listed companies and are dedicated to the business of the Group.

【Supplementary Principle 4-11-3 Analysis and Evaluation of Effectiveness of the Board of Directors and the Audit & Supervisory Board】

1. Method of evaluation

To analyse and evaluate the effectiveness of the Board of Directors, the Company uses an effectiveness evaluation tool provided by an outside agency to conduct a questionnaire about the Board of Directors, surveying all members of the Board of Directors and the Audit & Supervisory Board every year. We conducted a questionnaire for the current fiscal year using questions prepared by an outside agency which included questions regarding self-evaluation. After it was conducted, results of analysis and evaluation were confirmed by the Board of Directors.

- Respondents: All Directors and Audit & Supervisory Board Members (11 people)
- Period: February 27 to March 9, 2024
- Questions: 15 in total

Part 1: Questions regarding the management/administration of the Board of Directors 2 questions

Part 2: Questions regarding the agenda items at meetings of the Board of Directors 8 questions

Part 3: Questions regarding the systems that support the Board of Directors 2 questions

Part 4: Questions regarding self-evaluation 3 questions

2. Summary of the evaluation results

Based on the analysis and evaluation of the questionnaire regarding the effectiveness of the Board of Directors, the Directors and the Audit & Supervisory Board Members generally gave high grades, and it was confirmed that the Board of Directors functioned effectively. The results of the evaluation for each question are as shown below.

Part 1 Management/Administration of the Board of Directors

The amount of materials was sufficient. It was adequate for respondents to form questions and opinions, and in cases where materials were insufficient, information was provided elsewhere. Respondents answered that a certain number of days was ensured for prior confirmation and full consideration of information.

Part 2: Agenda items at meetings of the Board of Directors

Regarding important agenda, explanations were given in discussions, etc. in advance, and sufficient time was used without limitation for discussions and decision-making at meetings of the Board of Directors. In each business field, KPI including capital cost has been established, managed, evaluated and monitored in a timely and appropriate manner based on reports on the progress of plans.

Moreover, reports on sustainability are made to the relevant committee on a periodic basis. Respondents also answered that a specialized unit for digital transformation (DX) has been established, and efforts to promote business improvement and human resource cultivation are made based on a group-wide DX awareness.

Part 3: Systems that support the Board of Directors

Reports are made on the business environment on a monthly basis and on market trends and competitive information in a timely manner.

Opinions of shareholders and investors obtained in the Company's IR activities are also shared among the Directors.

Respondents answered that opportunities for training to improve knowledge and awareness are made available, such as participation in officers' seminars, online training and workshops with instructors.

3. Measures taken and future initiatives

For the current fiscal year, online training and seminars were conducted as training for members of the Board of Directors and the Audit & Supervisory Board. Regarding future initiatives, the Company will strive to increase its corporate value by improving the issues raised in this evaluation of effectiveness and by activating its deliberations to increase effectiveness.

【Supplementary Principle 4-14-2 Policy for Training Directors and Audit & Supervisory Board Members】

The Company provides training to deepen the understanding of the roles and duties of officers and the Group's business strategies and environment when an officer takes office. The Company also provides opportunities for individual officers to participate in seminars, etc. provided by third parties based on their own topics and interests and otherwise undergo training and undertake self-improvement. In addition, there are opportunities to visit factories and facilities of other companies and listen to lectures by managers of other companies.

【Principle 5-1 Policy for Constructive Dialogue with Shareholders】

The Company holds a medium-term management plan briefing, a quarterly financial result briefing and other conferences. The President and the Directors in charge of operations attend such dialogues with these shareholders. In addition, the Company regularly communicates its messages through the General Meeting of Shareholders, various briefings and other meetings, websites and other channels and media. Opinions and other comments received from the shareholders are shared among the top management and the related departments. The IR department and the related departments of the Company also liaise with each other and share the opinions of the shareholders for arguments.

【Status of dialogue with shareholders】

Based on the Policy on Constructive Dialogue with Shareholders, the Company engages in constructive dialogue with shareholders through financial results briefings and individual interviews, etc. Please find the status of dialogue results in FY2023 from the following page.

<https://www.citizen.co.jp/global/ir/dialogue.html>

【Action to Implement Management that is Conscious of Cost of Capital and Stock Price】

The Company has long been holding a series of discussions on management that appropriately control the balance sheet at its Board of Directors, being conscious of cost of capital and the stock price. See the following website page for the main

policies and current initiatives of the Company in the the Medium-Term Management Plan 2024 (FY2022 to FY2024) announced on March 30, 2022.

<https://www.citizen.co.jp/global/ir/governance.html>

2. Capital Structure

| | |
|--|------------------------|
| (1) Percentage of Foreign Shareholders | From 20% less than 30% |
|--|------------------------|

(2) Status of Major Shareholders (As of September 30, 2023)

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 45,677,654 | 18.70 |
| Custody Bank of Japan, Ltd. (trust account) | 18,642,118 | 7.63 |
| Nippon Life Insurance Company | 11,948,346 | 4.89 |
| Nichia Corporation | 10,000,000 | 4.09 |
| J.P. Morgan Bank Luxembourg S.A. 381572 | 5,835,100 | 2.39 |
| Citizen Group Employee Shareholding Association | 4,819,935 | 1.97 |
| Mitsubishi UFJ Trust and Banking Corporation | 4,568,982 | 1.87 |
| Marubeni Corporation | 4,496,000 | 1.84 |
| Mitsubishi Electric Corporation | 4,317,700 | 1.77 |
| Mizuho Bank, Ltd. | 4,309,200 | 1.76 |

| | |
|---|------|
| (3) Controlling Shareholder (except for Parent Company) | — |
| (4) Parent Company | None |

(Supplementary Explanation)

1. Of the number of shares owned above, the number of shares pertaining to trust services is as follows:

The Master Trust Bank of Japan, Ltd. 45,677 thousand of shares

Custody Bank of Japan, Ltd. 18,642 thousand of shares

2. Mitsubishi UFJ Financial Group, Inc. submitted a Change Report for its Large Shareholding Report on July 31, 2023. The Company, however, has yet to confirm the actual shareholding status of the said company as of September 30, 2023 under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

The details on the Change Report for the Large Shareholding Report concerned are given below.

Large shareholders: MUFG Bank, Ltd. and three other companies

Number of shares held: 17,804,678

Shareholding ratio: 7.24 %

3. Nippon Life Insurance Company submitted a Large Shareholding Report on August 7, 2023. The Company, however, has yet to confirm the actual shareholding status of the said company as of September 30, 2023, under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

The details on the Large Shareholding Report concerned are given below.

Large shareholders: Nippon Life Insurance Company and one other companies

Number of shares held: 12,374,846

Shareholding ratio: 5.03 %

4. Sumitomo Mitsui Trust Bank, Limited submitted a Change Report for its Large Shareholding Report on October 5, 2023. The Company, however, has yet to confirm the actual shareholding status of the said company as of September 30, 2023, under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

The details on the Change Report for the Large Shareholding Report concerned are given below.

Large shareholders: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other company

Number of shares held: 12,603,500

Shareholding ratio: 5.12 %

5. Nomura Securities Co.,Ltd. submitted a Change Report for its Large Shareholding Report on October 6, 2023. The Company, however, has yet to confirm the actual shareholding status of the said company as of September 30, 2023, under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

The details on the Change Report for the Large Shareholding Report concerned are given below.

Large shareholders: Nomura Securities Co.,Ltd. and three other companies

Number of shares held: 17,000,680

Shareholding ratio: 6.91 %

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Market and Market Section | Tokyo Stock Exchange, Prime |
| Fiscal Year-End | March |
| Type of Business | Precision Equipment |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | 1000 or more |
| Sales (consolidated) as of the End of the Previous Fiscal Year | From ¥100 billion to less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 50 less than 100 |

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which may have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

| | |
|-------------------|--|
| Organization Form | Company with the Audit & Supervisory Board |
|-------------------|--|

【Directors】

| | |
|---|-------------------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 15 |
| Term of Office Stipulated in Articles of Incorporation | 1 Year |
| Chairperson of the Board | President and CEO |
| Number of Directors | 8 |
| Appointment of External Director | Appointed |
| Number of Outside Directors | 3 |
| Number of Independent Directors | 3 |

(Outside Directors' Relationship with the Company (1))

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|-------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Toshiko Kuboki | From another company | | | | | | | | | | | |
| Yoshio Osawa | From another company | | | | | | | | | | | |
| Katsuhiko Yoshida | From another company | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or Executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an Executive thereof

e. Major client or supplier of the listed company or an Executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/kansayaku

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company Outside director/kansayaku are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

(Outside Directors' Relationship with the Company (2))

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Selection |
|-------------------|-------------------------------------|---|---|
| Toshiko Kuboki | ○ | — | <p>The Company intends to have Ms. Toshiko Kuboki assume supervisory functions in the appointment of the Company's President and CEO and processes such as the determination of officer compensation from an independent and objective position, in addition to utilizing her professional point of view as an attorney-at-law and her experience as an outside director of another company to check and supervise the Company's management. The Company therefore again appointed her as Outside Director.</p> <p>While she has not been involved in the management of a company aside from her position as an Outside Director or Outside Audit & Supervisory Board Member, the Company deems that she has thorough knowledge of corporate legal affairs as an attorney-at-law and will be able to properly perform her duties as Outside Director.</p> |
| Yoshio Osawa | ○ | — | <p>The Company intends to have Mr. Yoshio Osawa assume supervisory functions in the appointment of the Company's President and CEO and processes such as the determination of officer compensation from an independent and objective position, in addition to utilizing his considerable experience in and extensive knowledge of management to check and supervise the Company's management.</p> <p>The Company therefore again appointed him as Outside Director.</p> |
| Katsuhiko Yoshida | ○ | — | <p>In the belief that Mr. Katsuhiko Yoshida will utilize his considerable experience in and extensive knowledge of management to check and supervise the Company's management, the Company newly appointed him as Outside Director.</p> |

| | |
|--|--------------------|
| <p>Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee</p> | <p>Established</p> |
|--|--------------------|

(Committee's Name, Composition, and Attributes of Chairperson)

| | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|--|--|
| Committee's Name | Nomination Committee | Remuneration Committee |
| All Committee Members | 4 | 4 |
| Full-time Members | 0 | 0 |
| Inside Directors | 1 | 1 |
| Outside Directors | 3 | 3 |
| Outside Experts | 0 | 0 |
| Other | 0 | 0 |
| Chairperson | Outside Director | Outside Director |

(Supplementary Explanation)

The Company has established the Nominating Committee and the Compensation Committee as voluntary institutions to improve the transparency of the management of the Company.

The main duties of the Nominating Committee include discussions on matters concerning the appointment of the Representative Director, the President and CEO, and the Chairman of the Board of Directors, and proposals of such matters to the Board of Directors.

The main duties of the Compensation Committee include discussions on matters concerning the policies and standards of the compensation to be received by Directors, and the provision of advice concerning the same to the Board of Directors.

Each of the above-mentioned Committees is composed of three (3) or more Directors who are appointed by a resolution of the Board of Directors, the majority of which are Outside Directors and which shall include at least one (1) Representative Director. The Chairperson of each of the Committees shall be an Outside Director, and shall be elected by mutual election of the members of the Committees.

【Audit & Supervisory Board Member】

| | |
|--|-------------|
| Establishment of Audit & Supervisory Board | Established |
| Maximum Number of Audit & Supervisory Board Member Stipulated in Articles of Incorporation | 4 |
| Number of Audit & Supervisory Board Member | 3 |

(Cooperation among Audit & Supervisory Board, Accounting Auditors and Internal Audit Departments)

The Company receives a report on the accounting audit from the accounting auditor, Nihombashi Corporation, Certified Public Accountants and efficiently performs audit operations of the Company and its subsidiaries in cooperation with the accounting auditor to improve corporate governance.

The 138th INDEPENDENT AUDITORS (From 1 April, 2022 to 31 March, 2023)

1. Name: Nihombashi Corporation

2. Amount of Compensation

(1) Compensation for Independent Auditors for the fiscal year under review : JPY 50 Million

(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries : JPY 81 Million

Notes:

1. In the audit agreement by and between the Company and the Independent Auditors, the Company does not clearly differentiate, and it is also practically impossible to differentiate, between compensation for audits under the Companies Act and compensation for audits under the Financial Instruments and Exchange Act. Thus, the amount stated in (1) above includes compensation for audits under the both Acts.

2. The Audit & Supervisory Board consented to the amount of compensation, etc. of the Independent Auditors after determining that, among others, the content of the audit program, the execution status of accounting audits, and the basis for calculation of compensation estimates of the Independent Auditors were appropriate.

3. Citizen Watch Company of America, Inc. and Citizen Watches (H.K.) Ltd. each of which is the Company's important subsidiary, undertook an audit by KPMG LLP and PHILIP LEE & CO., CERTIFIED PUBLIC ACCOUNTANTS respectively.

3. Non-audit Services

The Company entrusts the Independent Auditors to provide advisory and guidance services concerning the preparation of Annual Reports.

4. Decision Making Policy for Dismissal or Non-reappointment of Independent Auditors

It is the policy of the Company that if the Independent Auditors fall under any of the dismissal events listed in the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall remove those Independent Auditors with the consents of all Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report on the decision of dismissal and its reasons at the first General Meeting of Shareholders convened after the dismissal.

In addition to the cases mentioned above, if the Audit & Supervisory Board determines that the incumbent Independent Auditors are inadequate as Independent Auditors in consideration of the audit quality, the effectiveness and efficiency of audit processes, the number of successive years for which they served as Independent Auditors, etc., it shall draft a proposal for dismissal or non-reappointment of Independent Auditors.

In addition, the Board of Directors shall request the Audit & Supervisory Board to discuss at a General Meeting of Shareholders the dismissal or non-reappointment of Independent Auditors if it determines it to be necessary due to, for example, difficulties in the execution of duties by the Independent Auditors. In this case, the Audit & Supervisory Board shall draft a proposal to be submitted to the General Meeting of Shareholders after determining whether the dismissal or non-reappointment is appropriate.

| | |
|--|-----------|
| Appointment of External Audit & Supervisory Board member | Appointed |
| Number of External Audit & Supervisory Board member | 2 |
| Number of Independent Audit & Supervisory Board member | 2 |

(Outside Audit & Supervisory Board members' Relationship with the Company (1))

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|------------------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | M |
| Noboru Akatsuka | From another company | | | | | | | | | | | | | |
| Yaeko Ishida (Yaeko Kitadai) | Lawyer | | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

*"●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as Audit & Supervisory Board member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board member himself/herself only)

k. Executive of a company, between which and the Company external directors/ Audit & Supervisory Board members are mutually appointed (the Audit & Supervisory Board member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)

m. Others

(Outside Audit & Supervisory Board members' Relationship with the Company (2))

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Selection |
|---------------------------------|-------------------------------------|---|--|
| Noboru Akatsuka | ○ | — | Mr. Noboru Akatsuka has been managing banks and companies for many years and has extensive knowledge and experience thereof. The Company believes he will utilize such knowledge and experience to audit the Company, and has appointed him as Outside Audit & Supervisory Board Member. |
| Yaeko Ishida (Yaeko Kitadai) | ○ | — | Ms. Yaeko Ishida has extensive experience and knowledge as an attorney-at-law, and since she will be able to utilize her professional point of view as an attorney-at-law to audit the Company, the Company believes that she is suitable for the position of Outside Audit & Supervisory Board Member. While Ms. Ishida has not been involved in the management of a company, the Company deems that she has thorough knowledge of corporate legal affairs as an attorney-at-law and will be able to properly perform her duties as an Outside Audit & Supervisory Board Member, and has newly appointed her as Outside Audit & Supervisory Board Member. |

【Independent Directors/Audit & Supervisory Board Member】

| | |
|---|---|
| Number of Independent Directors/ Audit & Supervisory Board Member | 5 |
|---|---|

【Incentives】

| | |
|----------------------------------|--|
| Incentive Policies for Directors | Performance-linked Remuneration/ Other |
|----------------------------------|--|

(Supplementary Explanation)

Please refer to “Policy on Determining Amounts of Remuneration for Officers and its Calculation Methods” disclosed in the annual securities report of the Company.

【Director Remuneration】

| | |
|--|---------------|
| Disclosure of Individual Directors' Remuneration | Not disclosed |
|--|---------------|

(Supplementary Explanation)

The 138th (From 1 April, 2022 to 31 March, 2023)

| | Number of officers | Total amount of Compensation, etc. (millions of yen) | Amount of fixed compensation out of all compensation, etc. (millions of yen) | Amount of bonus out of all compensation, etc. (millions of yen) | Amount of Performance-linked Stock compensation out of all compensation, etc. (millions of yen) |
|---|--------------------|--|--|---|---|
| Directors (Excluding Outside Directors) | 6 | 231 | 139 | 99 | 43 |
| Audit & Supervisory Board Member (Excluding Outside Audit & Supervisory Board Members) | 2 | 18 | 18 | - | - |
| Outside Officers | 6 | 55 | 55 | - | - |

(Note) The performance-linked share-based compensation of 43 million yen for Directors (excluding Outside Directors and non-residents in Japan) is the amount posted as expenses for fiscal year under review. With respect to the stock benefit obligation calculated based on the number of shares provided to six Directors (excluding Outside Directors and non-residents in Japan) as performance-linked share-based compensation for the three fiscal years corresponding to the Medium-Term Management Plan, the final fiscal year of which is the 137th term, an amount of 16 million yen, which is the difference between the said obligation and the posted expense stated in the 137th term business report, has been posted as an expense for the fiscal year under review.

| | |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

(Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods)

At a meeting of the Board of Directors held on February 25, 2021, the Board resolved to adopt the policy on determining compensation etc. for individual Directors. The resolution on this policy was made based on the recommendations of the Compensation Committee

An outline of the details of the policy on determining compensation etc. for individual Directors is as follows.

(1) Composition of compensation for Directors

Compensation for Directors of the Company is composed of fixed compensation, bonuses and performance-linked stock compensation (hereinafter "bonuses" and "performance-linked stock compensation" are referred to collectively as "performance-linked compensation").

(2) Policy for determining the amount of fixed compensation and its calculation method and policy for determining the timing and conditions of granting fixed compensation to Directors

The Company's policy for determining the amount of fixed compensation is to determine a level that will motivate Directors to fully demonstrate their qualities and abilities and to strive for sustainable growth based on the Company's corporate philosophy and that will also enable it to attract and retain talent, while considering changes in the business environment, external data, general compensation levels and the business situation in determining it. In the case of a change in positions of

Directors in June every year, the Compensation Committee, which is delegated authority by resolution of the Board of Directors, determines amounts within the limits stipulated in the Directors' Monthly Basic Compensation Standards at meetings of the Compensation Committee which to be held in a timely manner with fixed compensation paid in cash every month.

In the event of serious deterioration in business performance or misconduct within the Group (the corporate group consisting of the Company and its subsidiaries), the Company may change the amount of fixed compensation by a resolution of the Board of Directors based on a report of the Compensation Committee or recommendations of the Compensation Committee submitted following consultation by the Board of the Directors or the President.

(3) Policy on determining performance indicators and details for performance-linked compensation and amount or number of performance-linked compensation and their calculation method, and policy for determining the timing and conditions of granting performance-linked compensation to Directors

1) Bonuses

The Company's policy is to determine bonus amounts based on the financial evaluation criteria (net sales, operation profit, etc.) and the non-financial evaluation criteria (global situation, disasters, M&A, etc.) stipulated in Directors' bonus payment standards in addition to the policy stipulated in (2) and amounts are determined in June every year, in principle, by the Compensation Committee, which is delegated authority by resolution of the Board of Directors. Bonuses are paid in cash in July each year.

2) Performance-linked stock compensation

The aim of performance-linked stock compensation is to clarify the link between the compensation of Directors and the Company's stock price and to motivate Directors to contribute to improving business performance and enhancing corporate value in the medium and long term. The plan is a performance-linked stock compensation plan for Directors (excluding Outside Directors and non-residents in Japan) of the Company whereby shares of the Company are acquired through a trust funded by amounts of Directors' compensation contributed by the Company according to position, and shares of the Company or cash in the amount equivalent to the conversion value of the Company's shares are delivered or granted (hereinafter referred to as "delivered, etc.") according to the level of achievement of business targets. The amount or number of such compensation and their calculation methods are stipulated in the Share Delivery Regulations for the Officers' Compensation BIP Trust by resolution of the Board of Directors based on the recommendations of the Compensation Committee.

Performance-linked stock compensation is delivered, etc. upon the retirement of each Directors, in principle in accordance with the Share Delivery Regulations for the Officers' Compensation BIP Trust.

(4) Policy for determining percentages of compensation of individual Directors accounted for by fixed compensation and performance-linked compensation

The compensation of Directors of the Company is composed of fixed compensation and performance-linked compensation. These are set at a level that will motivate Directors to fully demonstrate their qualities and abilities and strive for sustainable growth based on the Company's corporate philosophy while also enabling the Company to attract and retain talent and at a level that takes changes in the business environment, external data, general compensation levels and the business situation into consideration and will be effective in increasing motivation to improve business performance and enhance corporate value in the medium and long term. When the maximum amount of performance-linked compensation applies, fixed compensation accounts for around 46% of the compensation of individual directors and performance-linked compensation accounts for around 54% (of which, bonuses account for around 39% and performance-linked stock compensation accounts for around 15%). Performance-linked compensation may not be paid as a result of the performance evaluation or other factors.

Bonuses are paid to Directors excluding Outside Directors, and performance-linked compensation is paid to Directors excluding Outside Directors and non-residents in Japan.

(5) Matters concerning the full or partial delegation of authority to determine the content of the compensation, etc. of each Director to the Directors or other third parties

1) The authority to determine the name(s) and position(s) within the Company of the person(s) delegated with such authority and the details of the individual compensation of the Directors in charge, is delegated to the Compensation Committee, which is composed of members elected from among Directors by resolution of the Board of Directors in accordance with the provisions of the Compensation Committee Regulations.

2) Details of authority delegated to person(s) in 1)

The authority delegated to the Compensation Committee consists of the following matters provided for in the Compensation Committee Regulations.

(1) To deliberate and determine matters related to compensation, etc. delegated by the Board of Directors

(2) To deliberate policies on compensation, etc. and matters related to standards and to make recommendations to the Board of Directors.

(3) To deliberate and report on matters related to compensation, etc. in response to consultation by the Board of Directors or the President.

(4) Other matters stipulated by resolution of the Board of Directors

3) Details of measures to ensure that the authority in 2) is exercised appropriately by the person(s) in 1)

To increase transparency in relation to the compensation, etc. of Directors, the Company has a Compensation Committee which is composed of three or more Directors elected by resolution of the Board of Directors. A majority of the members are Outside Directors and the Committee includes one or more Representative Director Resolutions by the Compensation Committee are passed by a majority of votes cast at a meeting where the majority of the members entitled to participate in the vote are present and the chair of the Compensation Committee is appointed from among the Outside Directors by mutual vote of the committee members. (5) Details of the authority delegated to the Compensation Committee in 2) and other matters related to the Compensation Committee are as stipulated in the Compensation Committee Regulations.

【Supporting System for Outside Directors and/or Audit & Supervisory Board Member】

In holding a meeting of the Board of Directors, the Company sends materials to the Outside Directors in advance and otherwise provides information as necessary.

One of the two Outside Audit & Supervisory Board Members performs the duties of the full-time Audit & Supervisory Board Members and attends the meeting of the Board of Directors, the management meeting, the meeting for each business, the meeting for important business execution, etc.

One of the two Outside Audit & Supervisory Board Members performs the duties of the part-time Audit & Supervisory Board Members. In holding a meeting of the Board of Directors, the Company sends materials to him in advance and otherwise provides information as necessary.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

- Summary of the Company's organization

The Company has a Board of Directors, which is comprised of six (6) Directors who are familiar with the Company's business lines, and three (3) Outside Directors who are independent from the Company's management. The Company also employs an Audit & Supervisory Board system and has an Audit & Supervisory Board comprised of three (3) Audit & Supervisory Board Members, two (2) of whom are Outside Audit & Supervisory Board Members.

- Details of the Company's organization and status of development of internal control system

The Company holds Management Committee meetings that are attended by the full-time Directors and full-time Audit & Supervisory Board Members to maintain prompt business judgment and management transparency. Matters to be resolved at the Board of Directors meetings and other important managerial issues are fully discussed and deliberated in advance at these meetings.

The Board of Directors makes decisions about the performance of business and supervises these performances. Management of business operations is carried out by the Representative Director, the Directors in charge of operations and the Operating Officers. The Board of Directors' meetings were held seventeen (17) times during the fiscal year under review. All Directors and Audit & Supervisory Board Members attended approximately 94% or more of the Board of Directors' meetings held during the fiscal year under review during their term of office.

- Nomination Committee and Compensation Committee

The Company has established the Nomination Committee and the Compensation Committee as voluntary institutions to improve the transparency of the management of the Company.

The main duties of the Nomination Committee include (i) deliberations on matters regarding the selection and/or dismissal of a Representative Director(s), a President and Director, and/or a Chairman and Director, as well as the offering of its proposals thereof to the Board of Directors, (ii) deliberations on the selection and/or dismissal of an Officer(s) pursuant to requests for advisory opinions from the Board of Directors, a President and Director and/or other Directors, as well as the provision of its replies thereto, and (iii) deliberations on plans for a successor(s) to a President and Director and/or a Director(s) pursuant to requests for advisory opinions from the Board of Directors, a President and Director and/or other Directors, as well as the provision of its replies thereto.

The main duties of the Compensation Committee include discussions on matters concerning the policies and standards of the compensation to be received by Directors, and the provision of advice concerning the same to the Board of Directors.

Each of the above-mentioned Committees is composed of three (3) or more Directors who are appointed by a resolution of the Board of Directors, the majority of which are Outside Directors and which shall include at least one (1) Representative Director. The Chairperson of each of the Committees shall be an Outside Director, and shall be elected by mutual election of the members of the Committees.

- Status of audits by Audit & Supervisory Board Members, audits by Independent Auditors and internal audits

Each Audit & Supervisory Board Member conducts strict audits on the Directors' performance of their duties, in accordance with the audit policy and audit program stipulated by the Audit & Supervisory Board, by attending the Board of Directors meetings, Management Committee meetings, division meetings, or other such meetings; receiving from the Directors and other officers reports on the status of the performance of their duties; reviewing important written decisions and other

documents; and investigating the business and financial status of the Company. The Company also receives a financial audit report from Nihombashi Corporation, which is an Independent Auditor. The Company conducts effective audits on itself and its subsidiaries in collaboration with the Independent Auditor, and is working on the further expansion and improvement of corporate governance. Audit & Supervisory Board meetings were held thirteen (13) times during the fiscal year under review. All Audit & Supervisory Board Members attended approximately 92% or more of the Audit & Supervisory Board meetings held during the fiscal year under review during their term of office.

With respect to the financial audits, the certified public accountants who independently audited the Company are Mr. Shigehiro Chiba, Mr. Hidekazu Takahashi and Mr. Yoichi Endo, associates of Nihombashi Corporation. In addition, seven (7) certified public accountants, eight (8) successful candidates who have passed the Certified Public Accountants Examination, etc. assisted in the audit of the Company. The Company ensures fairness and independence while it is audited by the Independent Auditors.

The reappointment of Independent Auditors is deliberated and decided by the Audit & Supervisory Board. If the Audit & Supervisory Board disapproves of the reappointment of the Independent Auditors, the proposal will be deliberated on at the Ordinary General Meeting of Shareholders pursuant to the Companies Act.

In addition, the Company has established the Internal Audit Department as an internal audit division and conducts audits in accordance with an annual audit plan to confirm that the business execution of the Company and its subsidiaries is appropriate and reasonable.

The auditing organizations, the internal audit division, and the internal control division communicate closely.

3. Reasons for Adoption of Current Corporate Governance System

The Board of Directors of the Company consists of five (5) Directors who control the Group and execute business in major operations and three (3) Outside Directors who check and monitor business management by making the most of their extensive experience and broad insights as managers from an independent position. An audit is conducted by three (3) Audit & Supervisory Board members, including two (2) Outside Audit & Supervisory Board Members, who have high-level knowledge and insight about corporate finance and legal matters.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

| | Supplementary Explanation |
|---|---|
| Early Notification of General Shareholder Meeting | Since 2006, the Company has endeavored to issue a notice at least three (3) weeks prior to the date of the General Meeting of Shareholders . Since 2016, the Company has made the notice available electronically upon passing the resolution for convening the General Meeting of Shareholders at the meeting of the Board of Directors until the issue of the convocation notice. https://www.citizen.co.jp/global/ir/general_meeting.html |
| Scheduling AGMs Avoiding the Peak Day | Since 2006, the Company has endeavored to hold the meeting at least one (1) business day before the peak day. |
| Allowing Electronic Exercise of Voting Rights | The Company has adopted the online exercise of voting rights via personal computer or mobile phone. |
| Participation in Electronic Voting Platform | Since 2007, the Company has participated in the platform for the |

| | |
|---|---|
| | electronic exercise of voting rights for institutional investors. |
| Providing Convocation Notice in English | The convocation notice is made available in English. |
| Other | The convocation notice is made available on the Company's homepage. |

2. IR Activities

| | Supplementary Explanation | Presentation by President |
|---|---|---------------------------|
| Preparation and Publication of Policies on Disclosure | The Company has established the Policies on Disclosure and posts them on the IR section of its website https://www.citizen.co.jp/global/ir/disclosure.html | |
| Regular Investor Briefings for Individual Investors | The Company strengthens IR for individual investors, such as by disclosing latest financial results presentation without delay and the Company introduction movie on IR website. | No |
| Regular Investor Briefings for Analysts and Institutional Investors | The representative provides briefings on the financial results for the second quarter and the full year. The officer in charge of IR provides briefings on the financial results for the first and third quarters. | Yes |
| Posting of IR Materials on Website | The Company makes available a summary of accounts, financial results briefing materials, questions and answers at the briefings, the securities reports, the quarterly reports, CITIZEN REPORT (Integrated Report) and other documents. | - |
| Establishment of Department and/or Manager in Charge of IR | The Company has established the office for public relations and IR and assigned three employees to it. | - |

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanation |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | The Company stipulates in the Citizen Group Code of Conduct that the positions of the stakeholders shall be respected. |
| Implementation of Environmental Activities, CSR Activities etc. | The Company prepares Sustainability & CSR Report that includes a report on environmental activities and activities that contribute to society. This report is made widely available through the Company's website and other channels. https://www.citizen.co.jp/global/sustainability/report/index.html |
| Development of Policies on Information Provision to Stakeholders | The Company intends to improve the CSR initiatives through communication with all stakeholders. The Citizen Group Code of Conduct provides that "corporate information shall be disclosed actively and fairly and managed appropriately." |
| Other | The Company aims to create an environment that is easy to work in for all the employees, regardless of their attributes. To promote the active participation of women, the Company has formed a diversity project team. The Company also gives support to all |

| | |
|--|---|
| | <p>employees so that they can show their ability to the fullest by encouraging tailored communication with them including regular meetings with employees who are raising a child or caring for a family member.</p> <p>The ratio of female managers at major Group companies is posted at the URL below (Citizen Group ESG Data).</p> <p>https://www.citizen.co.jp/global/sustainability/data/index.html</p> |
|--|---|

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company will endeavor to establish a system for compliance with laws and regulations and the Articles of Incorporation on a company-wide basis based on compliance with the Citizen Group Code of Conduct, and to establish an effective internal control system to further strengthen corporate governance by the Directors so that the entire business of the Company can be executed properly and strongly.

In addition, the Company has established the Citizen Group Code of Conduct to ensure that employees perform their duties in accordance with the laws and regulations and the Articles of Incorporation and that the Company fulfills its corporate social responsibility. It has also established the Internal Audit Department under the direct control of the President and CEO and ensures thorough awareness of the Code of Conduct and increases knowledge and awareness of compliance among all the officers and employees for the promotion thereof.

Moreover, the Company has established an internal reporting system under which internal reporters are protected and appropriate actions are taken without fail with the additional functions of early discovery and self-correction to prevent loss and minimize impacts.

2. Basic Views on Eliminating Anti-Social Forces

The Company stipulates in the guidelines of the Citizen Group Code of Conduct that it will take a resolute attitude toward antisocial forces. The Company also explicitly sets forth that it will not provide donations or financial support or purchase materials or otherwise take any actions in a way that may bring illicit gains or profits to antisocial forces, without exception, and ensures broad awareness of this.

In addition, the department in charge of general affairs takes the leadership in the management of information. Information is shared by joining the organization affiliated with the police to strengthen links and cooperation.

V Other

1. Adoption of Anti-Takeover Measures

| | |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

(Supplementary Explanation)

As its name indicates, the Citizen Group’s mission is to provide citizens around the world with better products and services, and the Group has been working to secure and enhance its corporate value and the common interests of shareholders by being appreciated by citizens and working for the lives of people worldwide through manufacturing under its corporate philosophy “Loved by citizens, working for citizens.” The Company believes that the individuals who control the decisions on its financial and business policies must be able to steadily put into practice the Group’s business strategies from a medium- to long-term perspective based on the understanding of the Group’s corporate philosophy and business characteristics, and that they must make it possible for the Company to continue to secure and enhance its corporate value and the common interests of shareholders sustainably.

The Company believes that even if a large-scale purchase act is conducted against the Company, it should ultimately be left to the shareholders to decide whether or not the Company should accept it. The Company will not unconditionally deny a large-scale purchase act if it will contribute to the corporate value and the common interests of shareholders of the Company.

However, assuming that the legal system and the financial environment as of today's date exist, a large-scale purchase act that will not contribute to the corporate value and the common interests of shareholders of the Company is also expected. A large-scale purchase act includes an act that will not sincerely aim for rational management given its purpose and method and will cause unrecoverable damage to the Company, an act that could virtually force the shareholders to sell their shares, an act that will not provide sufficient time and information for the shareholders and the board of directors of the target company to examine the conditions for the purchase or for the board of directors of the target company to present an alternative plan, and an act that will require negotiations with the purchaser for the target company to achieve more advantageous conditions than those presented by the purchaser.

The Company believes that those who conduct a large-scale purchase act such as that described above are not appropriate to control decisions on the Company's financial and business policies. Accordingly, the Company will take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations to secure its corporate value and the common interests of shareholders, including making efforts to secure time and information for the shareholders to examine the large-scale purchase act by asking the person who is attempting to conduct the large-scale purchase act to provide necessary and sufficient information to enable the shareholders to make an appropriate judgment and disclosing the opinions of the Board of Directors to that person.

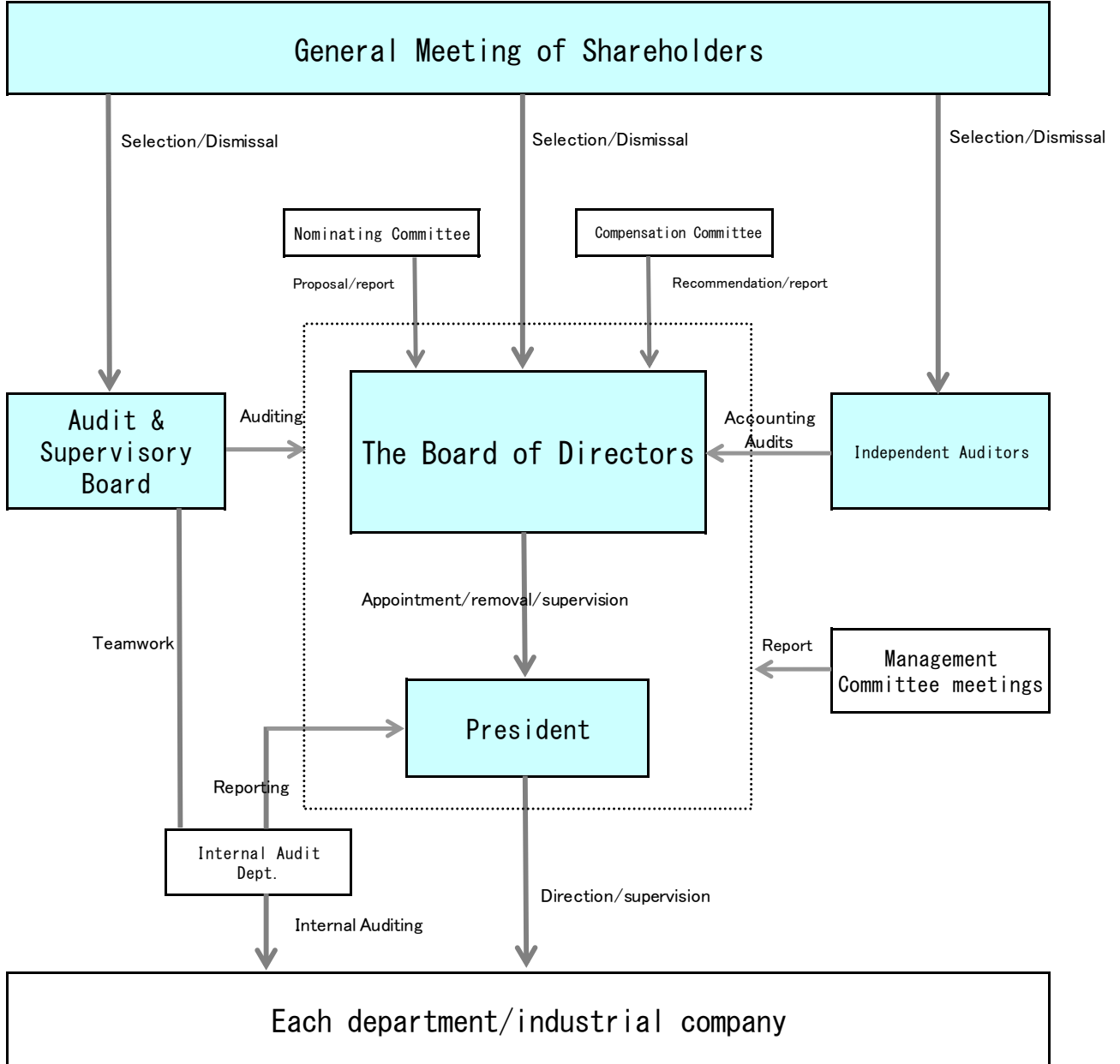
2. Other Matters Concerning to Corporate Governance System

【Skills matrix (Supplementary Principle 4-11-1 appendix)】

| | Corporate management / Management strategy | Sales/ Marketing/DX | Research and Development/ Technology | International business | Human resource development/ Diversity | Finance/ Accounting | ESG/ Sustainability |
|---|--|---------------------|--------------------------------------|------------------------|---------------------------------------|---------------------|---------------------|
| President & CEO Toshihiko Sato | ● | | ● | | | | ● |
| Managing Director Toshiyuki Furukawa | ● | ● | | | | ● | |
| Managing Director Yoshitaka Oji | ● | ● | | ● | | | |
| Director Keiichi Nakajima | ● | | ● | ● | | | |
| Director Yoshiaki Miyamoto | ● | | | | ● | | ● |
| Outside Director Toshiko Kuboki | | | | ● | ● | | ● |
| Outside Director Yoshio Osawa | ● | ● | | ● | | | |
| Outside Director Katsuhiko Yoshida | ● | ● | | | ● | | |

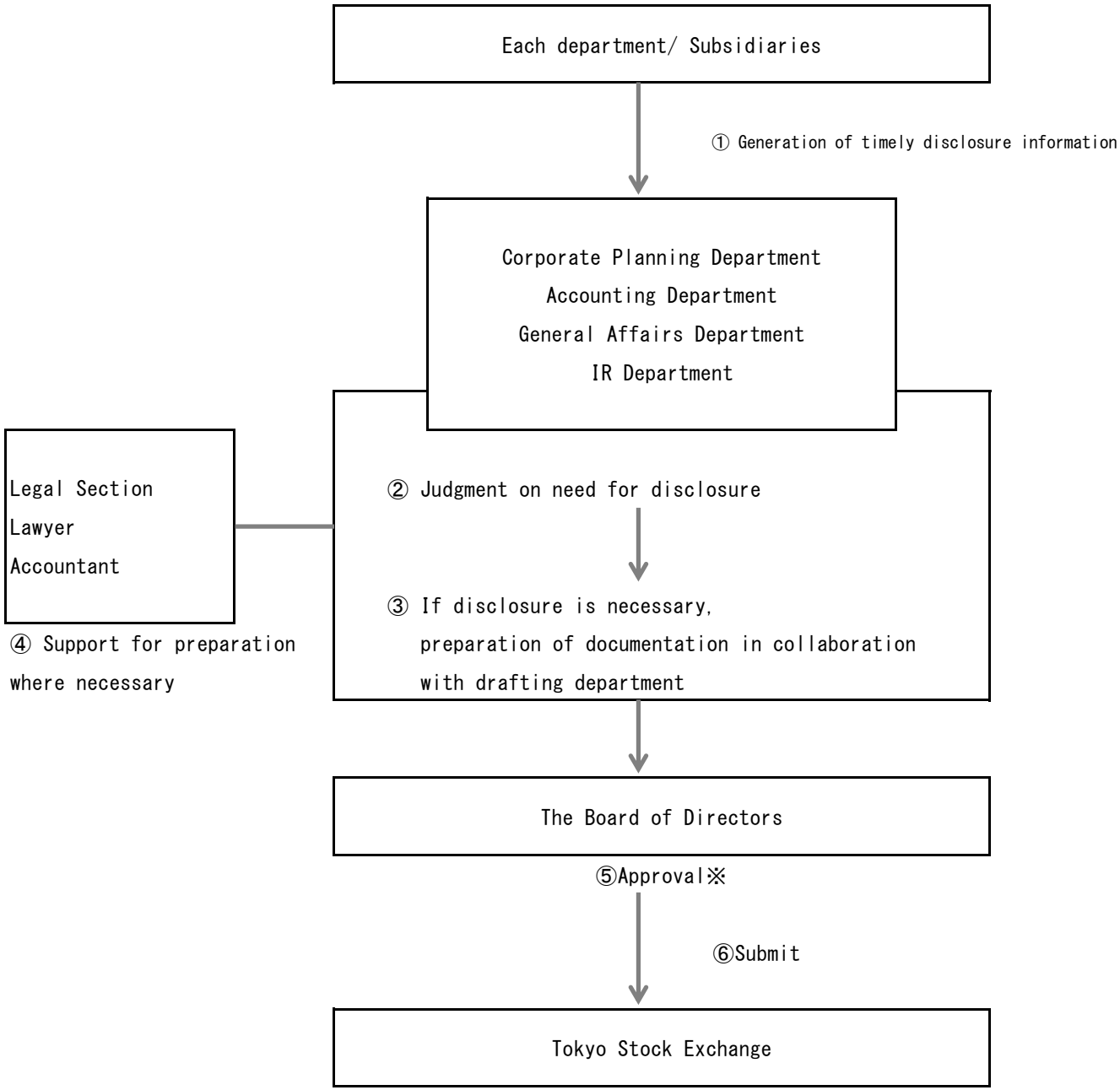
Note: Up to three items are listed as the role expectations for each Director.

Corporate Governance Framework



Organizations, etc. under the Companies Act

Timely Disclosure Framework



*In case of emergency such as the "occurrence of a disaster", the Company may make disclosure based on the approval of the Representative Director and President and the officer in charge, without obtaining the approval of the Board of Directors.