

Ticker Code: 7762

June 3, 2024

Start date of measures for electronic provision: May 31, 2024

## NOTICE OF THE 139th ORDINARY GENERAL MEETING OF SHAREHOLDERS

[Disclaimer: Please note that the following purports to be a translation from the original Japanese version prepared for the convenience of our shareholders with voting rights outside Japan for reference. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

Dear shareholders,

We hereby notify you that the 139th Ordinary General Meeting of Shareholders of Citizen Watch Co., Ltd. (the “Company”) will be held as described below.

When convening this general meeting of shareholders, the Company takes measures for providing information in electronic format, and posts items for which the measures for providing information in electronic format will be taken on the Company’s website and the TSE website.

The Company’s website:

[https://www.citizen.co.jp/ir/general\\_meeting.html](https://www.citizen.co.jp/ir/general_meeting.html) (in Japanese)

TSE website:

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

- \* Enter “Citizen Watch” in “Issue name (company name)” or “7762” in “Code,” and click “Search,” and then click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”

Other than attending the meeting in person, you can exercise your voting right in either of the following ways. Please review “Reference Materials for the General Meeting of Shareholders” and exercise your voting right by no later than 5:30 p.m. on Monday June 24, 2024.

[Exercise of voting right via the Internet]

Please access the website (<https://evote.tr.mufg.jp/>) designated by the Company, follow the directions on the screen, and indicate your approval or disapproval by the above deadline.

[Exercise of voting right in writing (by mail)]

Indicate your approval or disapproval on the enclosed Voting Right Exercise Form and send it to us to arrive by the above deadline.

Toshihiko Sato  
President and CEO  
Citizen Watch Co., Ltd.  
6-1-12 Tanashi-cho,  
Nishitokyo, Tokyo

**1. Time and Date: Tuesday, June 25, 2024 at 10:00 a.m.**

\*The reception is scheduled to open at 9:00 a.m.

**2. Location Grand Prince Hotel Takanawa B1, Prince Room**

3-13-1 Takanawa, Minato-ku, Tokyo

\* The venue of the meeting has been changed from last year's venue in order to accommodate a larger attendance of shareholders.

**3. Agenda:**

**Items to be reported:**

1. Business Report, Consolidated Financial Statements, and Audit Report on the Consolidated Financial Statements by the Independent Auditors and Audit & Supervisory Board for the 139th term (April 1, 2023 to March 31, 2024)
2. Report on the Non-consolidated Financial Statements for the 139th term (April 1, 2023 to March 31, 2024)

**Items to be resolved:**

<Company Proposals> (Item 1 and Item 2)

**Item 1:** Appropriation of Surplus

**Item 2:** Election of Eight (8) Directors

<Shareholder Proposals> (Item 3 to Item 12)

Item 3: Partial Amendments to the Articles of Incorporation

Item 4: Partial Amendments to the Articles of Incorporation

Item 5: Partial Amendments to the Articles of Incorporation

Item 6: Partial Amendments to the Articles of Incorporation

Item 7: Partial Amendments to the Articles of Incorporation

Item 8: Partial Amendments to the Articles of Incorporation

Item 9: Partial Amendments to the Articles of Incorporation

Item 10: Partial Amendments to the Articles of Incorporation

Item 11: Dismissal of a Director

Item 12: Dismissal of an Auditor

**4. Notice on decisions related to the convocation**

- If no indication of approval or disapproval is made for a proposal on the Voting Right Exercise Form, it will be treated as an “approval” for company proposals and a “disapproval” for shareholder proposals.
- If you exercise your voting rights both via the Internet and by mail, we will treat the exercise of voting rights via the Internet as the valid exercise of voting rights.
- If you exercise your voting rights more than once via the Internet, the last vote will be treated as the valid exercise of voting rights.

## Reference Materials for the General Meeting of Shareholders

### Company Proposal

#### **Item 1: Appropriation of Surplus**

The Company considers the distribution of profits to shareholders to be an extremely important management issue, and as part of its three-year “Medium-term Management Plan 2024,” covering the period from FY2022 (fiscal year ended March 31, 2023) to FY2024 (fiscal year ending March 31, 2025), its fundamental policy is to emphasize stable and continuous dividends and to aim for a payout ratio of 50%.

As for the year-end dividend for the current fiscal year, considering the balance between dividend payments based on consolidated results and stable dividend payments, the Company proposes a payment of 20.00 yen per share as shown below. This payment, combined with the interim dividend of 20.00 yen per share, will bring the total annual cash dividend for this fiscal year to 40.00 yen per share.

1. Type of dividend

Cash

2. Allotment and total amount of dividend

20.00 yen per common share of the Company

Total amount of dividends: 4,885,413,060 yen

3. Effective date of dividends from surplus

June 26, 2024

(Reference)

	137 <sup>th</sup> (FY2021)	138 <sup>th</sup> (FY2022)	139 <sup>th</sup> (current term) (FY2023)
Dividend (millions of yen)	5,504	9,315	9,770
(annual cash dividend per share) (yen)	(18)	(34)	(40)
Amount of treasury shares purchased (millions of yen)	7,155	30,542	12,301
Total (millions of yen)	12,660	39,857	22,072
Profit attributable to owners of parent (millions of yen)	22,140	21,836	22,958

## **Company Proposal**

### **Item 2: Election of Eight (8) Directors**

The terms of office of all of the present eight (8) Directors will expire at the conclusion of this General Meeting of Shareholders, and the Company proposes to elect eight (8) Directors.


The candidates for the positions of Director are as follows:

No.	Name	Position and areas of responsibility in the Company	Attribute of candidate	Attendance at Board of Directors meetings
1	Toshihiko Sato	President and CEO –	[For reelection]	17/17 (100%)
2	Toshiyuki Furukawa	Managing Director In charge of Corporate Planning Division, Accounting Department, Public & Investor Relations Department and IT Management Department	[For reelection]	17/17 (100%)
3	Yoshitaka Oji	Managing Director Senior General Manager of Watch Business Division	[For reelection]	17/17 (100%)
4	Yoshiaki Miyamoto	Director Group Risk Management, General Manager of General Affairs Division and in charge of Personnel Division, CSR Department and Environmental Management Department	[For reelection]	17/17 (100%)
5	Hideo Ina	Senior Operating Officer –	New election	–
6	Toshiko Kuboki	Outside Director –	[For reelection] [Outside] [Independent]	17/17 (100%)
7	Yoshio Osawa	Outside Director –	[For reelection] [Outside] [Independent]	17/17 (100%)
8	Katsuhiko Yoshida	Outside Director –	[For reelection] [Outside] [Independent]	17/17 (100%)

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
1	 Toshihiko Sato (November 16, 1955)  For reelection	April 1981    Joined the Company August 2009    General Manager of R&D Division of the Company April 2012    President of CITIZEN FINETECH MIYOTA CO., LTD. (currently Citizen Finedevice Co., Ltd.) June 2015    Director of the Company April 2016    Director of Citizen Watch Co., Ltd. April 2016    Responsible for Production, General Manager of Product Development Division, and in charge of Quality Assurance Department of Citizen Watch Co., Ltd. October 2016    Responsible for Watch Production of the Company October 2016    Senior General Manager of Product Development Division and in charge of Quality Assurance Department of the Company April 2017    In charge of Product Division and Quality Assurance Department of the Company April 2017    President of Citizen Watch Manufacturing Co., Ltd. June 2017    Managing Director of the Company April 2018    Senior Managing Director of the Company April 2019    President and CEO of the Company (present)	11,255 shares
		<p style="text-align: center;"><u>Reasons for nominating the candidate for Director</u></p> In light of Mr. Toshihiko Sato's achievements and experience in running the Citizen Group's devices and components business, as well as being responsible for the watch production before being in charge of management as President and CEO of the Company, the Company believes that he will continue to play a leading role in increasing the corporate value of the Citizen Group and nominated him as a candidate for Director.	Attendance at Board of Directors meetings  17/17 (100%)


No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
2	 Toshiyuki Furukawa (January 19, 1963)  For reelection	April 1986    Joined the Company April 2009    Manager of Investor and Public Relations Department of the Company July 2010     Deputy General Manager of Corporate Planning Division of the Company June 2011     General Manager of Corporate Planning Division of the Company April 2015     Director of Citizen Watch Co., Ltd. April 2015     General Manager of Management Planning Division and in charge of Accounting Department of Citizen Watch Co., Ltd. June 2016     Director of the Company June 2016     General Manager of Corporate Planning Division of the Company June 2016     In charge of Accounting Department and Public & Investor Relations Department of the Company (present) October 2016    In charge of IT Management Department of the Company (present) April 2021     In charge of Corporate Planning Division of the Company (present) April 2022     Managing Director of the Company (present)	10,480 shares
		<u>Reasons for nominating the candidate for Director</u>	Attendance at Board of Directors meetings
		In light of Mr. Toshiyuki Furukawa's achievements in formulating the Citizen Group's management strategy as General Manager of the Company's Corporate Planning Division and achievements and experience being in charge of the Corporate Planning Division, Accounting Department, etc. as Director of the Company after being involved in the Company's investor dialogue and public relations strategy as Manager of the Company's Investor and Public Relations Department, the Company believes he will continue to play a leading role in increasing the corporate value of the Citizen Group and nominated him as a candidate for Director.	17/17 (100%)


No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held	
3	 <p>Yoshitaka Oji (November 23, 1963)</p> <p>For reelection</p>	April 1986	Joined the Company	17,214 shares
		August 2005	Assigned to Marketing Department, Watch Business Division of the Company (assigned to Singapore)	
		June 2011	General Manager of Business Administration Department, Administration Division of Citizen Watch Co., Ltd.	
		August 2011	General Manager of Business Management Department, Strategic Planning Division of Citizen Watch Co., Ltd.	
		July 2012	General Manager of Management Planning Division of Citizen Watch Co., Ltd.	
		April 2015	General Manager of Corporate Planning Division of the Company	
		June 2016	Operating Officer of Citizen Watch Co., Ltd.	
		June 2016	Deputy General Manager of Product Development Division of Citizen Watch Co., Ltd.	
		October 2016	Operating Officer of the Company	
		October 2016	Deputy Senior General Manager of Product Development Division of the Company	
		April 2017	Deputy Senior General Manager of Watch Business Division of the Company	
		June 2017	Director of the Company	
		April 2019	Senior General Manager of Product Development Division of the Company	
		April 2019	Senior General Manager of R&D Center of the Company	
		April 2019	Senior General Manager of Watch Development Division of the Company	
		April 2020	In charge of Watch Development Division of the Company	
		January 2021	In charge of R&D Center of the Company	
April 2021	Senior General Manager of Watch Business Division and in charge of Movement Division of the Company			
April 2022	Managing Director of the Company (present)			
April 2022	Senior General Manager of Watch Business Division of the Company (present)			
<u>Reasons for nominating the candidate for Director</u>			Attendance at Board of Directors meetings	
In light of Mr. Yoshitaka Oji's experience in promoting the management strategy in the Citizen Group's watches business as the General Manager of the Corporate Planning Division of the Company and its subsidiary and his achievements in promoting the product development of watches and clocks at the Company after being involved in the sales of watches and clocks at the Company's overseas subsidiary, the Company believes he will continue to contribute to the promotion of the Citizen Group business and nominated him as a candidate for Director.			17/17 (100%)	

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
4	 Yoshiaki Miyamoto (February 3, 1963)  For reelection	August 1990    Joined the Company April 2009    Deputy General Manager of Business Administration Department, Administration Division of Citizen Watch Co., Ltd. December 2010    Deputy General Manager of Strategic Planning Department, Planning Division of Citizen Watch Co., Ltd. April 2012    President of Citizen Watch Manufacturing (Thailand) Co., Ltd. April 2014    President of Citizen Watch Europe GmbH April 2017    Senior Operating Officer of the Company April 2017    General Manager of General Affairs Division of the Company (present) June 2017    Group Risk Management and in charge of Personnel Division of the Company (present) June 2018    Director of the Company (present) April 2019    In charge of CSR Department and Environmental Management Department of the Company (present)	11,738 shares
		<u>Reasons for nominating the candidate for Director</u>	Attendance at Board of Directors meetings
		In light of Mr. Yoshiaki Miyamoto's experience in managing the overseas subsidiaries responsible for watch and clock sales and achievements in the Group Risk Management, the General Affairs Division and the Personnel Division as Director of the Company after promoting startup of new plants at Citizen Group's overseas subsidiaries engaging in manufacturing of watches and clocks, the Company believes he will continue to play a leading role in increasing the corporate value of the Citizen Group and nominated him as a candidate for Director.	17/17 (100%)



No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
5	 <p>Hideo Ina (May 21, 1965)</p> <p>New election</p>	<p>April 1988      Joined CITIZEN PRECISION MACHINERY CO., LTD.</p> <p>October 2004    General Manager of Engineering and Service Department, Sales Division of CITIZEN PRECISION MACHINERY CO., LTD.</p> <p>October 2006    General Manager of Sales Engineering Department, Sales Division of CITIZEN PRECISION MACHINERY CO., LTD.</p> <p>October 2007    General Manager of Domestic Sales Department, Sales Division of CITIZEN PRECISION MACHINERY CO., LTD.</p> <p>August 2015     Deputy General Manager of Citizen (China) Precision Machinery Co., Ltd.</p> <p>March 2018      Development Manager of CITIZEN MACHINERY UK Ltd.</p> <p>April 2020       Operating Officer, Deputy General Manager of Sales Division and General Manager of Overseas Technical Support Office of CITIZEN MACHINERY CO., LTD.</p> <p>April 2020       Representative Director of CITIZEN MACHINERY SERVICE CO., LTD.</p> <p>April 2021       Director and Executive Officer, and Deputy General Manager of Sales Division of CITIZEN MACHINERY CO., LTD.</p> <p>April 2023       Managing Director and Operating Officer and General Manager of Processing Technology Development Department of CITIZEN MACHINERY CO., LTD.</p> <p>April 2024       President of CITIZEN MACHINERY CO., LTD. (present)</p> <p>April 2024       Senior Operating Officer of the Company (present)</p>	5,340 shares
		Reasons for nominating the candidate for Director	Attendance at Board of Directors meetings
		In light of Mr. Hideo Ina's experience of working at the Citizen Group's Machine Tools Business over many years, and his track record of engaging machine tool sales, technical support, and ICT-based solution services in our subsidiaries, the Company believes he will contribute to the promotion of the Citizen Group and have newly nominated him as a candidate for Director.	-

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
6	 Toshiko Kuboki (February 26, 1960)  For reelection  Candidate for Outside Director	April 1987 Registered as an attorney-at-law February 2002 Conciliation commissioner of Tokyo Family Court (present) April 2009 Retirement Benefit Examination Committee member of Board of Audit of Japan (present) April 2012 Visiting Professor of Graduate School of Law, Chuo University (present) June 2015 Outside Director of Qol Co., Ltd. (Currently Qol Holdings Co., Ltd.) (present) June 2015 Outside Auditor of Kyodo News (present) June 2016 Outside Audit & Supervisory Board Member of the Company June 2019 Outside Director of the Company (present) December 2021 Chuo-ku Specially Appointed Civil Servant Remuneration, etc. Council Member (present) April 2023 Vice President of Tokyo Medical and Dental University (present) June 2023 Outside Director and Audit and Supervisory Committee Member of Asahi Yukizai Corporation (present)	5,000
		Reasons for nominating the candidate for Outside Director and role expectations	Attendance at Board of Directors meetings
		The Company intends to have Ms. Toshiko Kuboki assume supervisory functions in the appointment, etc. 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 nominated her as a candidate for Outside Director. 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.	17/17 (100%)

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held	
7	 Yoshio Osawa (January 22, 1952)  For reelection  Candidate for Outside Director	April 2003	Corporate Officer and General Manager of Network Division of Sumitomo Corporation	- shares
		April 2005	Executive Officer and General Manager of Network Division of Sumitomo Corporation	
		April 2007	Executive Officer and General Manager of Media Division of Sumitomo Corporation	
		April 2008	Managing Executive Officer and General Manager of Media, Network & Lifestyle Retail Business Unit of Sumitomo Corporation	
		June 2008	Representative Director and Managing Executive Officer of Sumitomo Corporation	
		April 2011	Representative Director and Senior Managing Executive Officer of Sumitomo Corporation	
		June 2013	Representative Director, President and Chief Operating Officer of SCSK Corporation	
		April 2015	Representative Director and President of SCSK Corporation	
		April 2016	Director and Chairman of the Board of SCSK Corporation	
		April 2017	Director of SCSK Corporation	
March 2018	Outside Director of Canon Marketing Japan Inc. (present)			
June 2019	Outside Director of the Company (present)			
		Reasons for nominating the candidate for Outside Director and role expectations	Attendance at Board of Directors meetings	
		The Company intends to have Mr. Yoshio Osawa assume supervisory functions in the appointment, etc. 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. The Company therefore again nominated him as a candidate for Outside Director.	17/17 (100%)	

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
8	 Katsuhiko Yoshida (April 5, 1954)  For reelection  Candidate for Outside Director	June 2007 Executive Officer of Kao Corporation June 2012 Managing Executive Officer of Kao Corporation March 2014 Representative Director, Managing Executive Officer of Kao Corporation March 2015 Representative Director, Senior Managing Executive Officer of Kao Corporation October 2019 President of Japan Childcare Support Association (present) June 2022 Outside Director of Kawasaki Heavy Industries, Ltd. (present) June 2022 Outside Director of the Company (present)	5,601 shares
		Reasons for nominating the candidate for Outside Director and role expectations	Attendance at Board of Directors meetings
		The Company intends to have Mr. Katsuhiko Yoshida assume supervisory functions in the appointment, etc. 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. The Company therefore again nominated him as a candidate for Outside Director.	17/17 (100%)

Notes:

1. "Citizen Watch Co., Ltd." mentioned above in the career summary refers to the subsidiary that was newly incorporated in an incorporation-type split on April 2, 2007 and dissolved through being merged with the Company on October 1, 2016.
2. The number of the Company's shares held includes the shares held through the stock ownership plan.
3. No conflict of interest exists between the Company and any of the above candidates.
4. The Company, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, has an agreement with each of Ms. Toshiko Kuboki, Mr. Yoshio Osawa and Mr. Katsuhiko Yoshida to limit their liability for damages under Article 423, paragraph (1) of the Companies Act, in order to enable them to fully perform their duties as Outside Directors as expected, and if their reelection is approved at the meeting, the Company intends to continue these agreements. The amount of their total maximum liability for damages under such agreements is the higher of 10,000,000 yen or the minimum liability amount provided for under the relevant laws and regulations.
5. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The insurance policy will cover damages and litigation expenses incurred in cases where an insured receives a claim for damages arising from the performance of duties (including nonfeasance). However, there are exemptions from coverage such as damages arising from an illegal act by the insured with full knowledge of its illegality. If each candidate assumes the office as Director, each of them will be included as an insured in the policy. Insurance premiums are borne by the Company, and the insureds do not bear any of the premiums. In addition, when the policy is renewed next, the Company plans to renew the policy with the same terms.
6. The candidates Ms. Toshiko Kuboki, Mr. Yoshio Osawa, and Mr. Katsuhiko Yoshida are candidates for Outside Directors of the Company. The Company has appointed Ms. Toshiko Kuboki, Mr. Yoshio Osawa and Mr. Katsuhiko Yoshida, as Independent Officers defined by the Tokyo Stock Exchange and registered them with the Exchange as such.  
The terms of office of Ms. Toshiko Kuboki and Mr. Yoshio Osawa as Outside Director will be five (5) years at the conclusion of this General Meeting of Shareholders. The term of office of Mr. Katsuhiko Yoshida as Outside Director will be two (2) years at the conclusion of this General Meeting of Shareholders.
7. The candidate Mr. Yoshio Osawa will assume the position of Outside Director of Fujitsu General Ltd., if he is elected as that company's Outside Director at that company's 105th Ordinary General Meeting of Shareholders to be held on June 18, 2024.

**(Reference)**

Criteria on Independence of Outside Officers

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 (vi) 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.

**(Reference)**

**Skill matrix of Directors**

The role expectations for each Director in the nominees listed in this Convocation Notice of Meeting are elected as proposed are as follows.

Name	Corporate Management / Management Strategy	Sales / Marketing / DX	R&D / Technology	Global Business	HR Development / Diversity	Finance / Accounting	ESG / Sustainability
Toshihiko Sato	•		•				•
Toshiyuki Furukawa	•	•				•	
Yoshitaka Oji	•	•		•			
Yoshiaki Miyamoto	•				•		•
Hideo Ina	•		•	•			
Toshiko Kuboki				•	•		•
Yoshio Osawa	•	•		•			
Katsuhiko Yoshida	•	•			•		

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

<Shareholder Proposals (Item 3 to Item 12)>

Item 3 through Item 12 are proposals from a single shareholder (number of voting rights: 336; hereinafter referred to as the “Proposing Shareholder”).

The following contents of proposals and reasons for proposals are the original text of the relevant sections submitted by the Proposing Shareholder in each place.

**Shareholder Proposal**

**Item 3: Partial Amendments to the Articles of Incorporation**

1. Contents of proposal

The Company shall be known as CITZEN GROUP Co., Ltd in English.

2. Reasons for proposal

The Company’s corporate value (market capitalization) on October 24, 2007 was 491.4 billion yen, and the Nikkei Stock Average at that time was about 17,000 yen. If our market capitalization had performed at the same level as the Nikkei Average, our current market capitalization should be around 1.1 trillion yen. However, the current figure falls far short at 252.4 billion yen (as of April 2, 2024). The Proposer believes that removing the word “Watch” from the company name will allow for a variety of creativity to emerge and will facilitate profit growth in the watch business, as well as in the other businesses of machine tools, devices, and electronic devices, and will lead to an increase in market capitalization (corporate value).

**Opinion of the Board of Directors of the Company**

**Objection      The Board of Directors objects to this proposal.**

Watches are our ancestral business, and we have since expanded into the machine tools, devices, and electronics business areas.

The Watch Business is driving the growth of the Citizen Group as a core business, and going forward, as this situation will not change. the Company believes that the current trade name is appropriate.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 4: Partial Amendments to the Articles of Incorporation**

#### 1. Contents of proposal

Treasury share purchases exceeding 20% of the number of shares issued, or in an amount exceeding 20% of the total market value of the shares, and share cancellations shall be determined by resolution of the General Meeting of Shareholders.

#### 2. Reasons for proposal

On February 13, 2023, the Company's Board of Directors resolved to purchase 25.61% (maximum) of shares issued or 40 billion yen (maximum) of treasury shares, and in June of the same year, the Company cancelled 40 billion yen of treasury shares. It is believed that such an explosive purchase of treasury shares in such a short period of time would impede future business development and deteriorate the Company's financial position, leading to a decline in corporate value. If the Company owns 20% of another company's shares, it can be consolidated as an affiliate. With 40 billion yen, it can expand into growth areas through M&As.

### **Opinion of the Board of Directors of the Company**

#### **Objection      The Board of Directors objects to this proposal.**

The Company believes that if the purchase and cancellation of treasury shares is made a resolution item of the General Meeting of Shareholders, it may impede the flexible execution of business operations aimed at improving capital efficiency.

Therefore, the Company believes it is appropriate that the purchase and cancellation of treasury shares should be decided by the Board of Directors, regardless of its size, as part of the execution of business operations, and that this contributes to the common interests of the shareholders.

The Board of Directors objects to this proposal for the above reason.



## **Shareholder Proposal**

### **Item 5: Partial Amendments to the Articles of Incorporation**

#### 1. Contents of proposal

The disposal of treasury shares to executives through performance-based share compensation plans within one year prior to the date of the decision to purchase treasury shares in excess of 20% of the outstanding shares or in excess of 20% of the total market value of the shares shall be prohibited.

#### 2. Reasons for proposal

The Company's Board of Directors resolved on November 14, 2022 to allot treasury shares to the Company's directors at a disposal price of 606 yen. Less than three months later, the Company announced a large-scale treasury share purchase (up to 25.61%, up to 40 billion yen). The next day, the share price soared from 618 yen to a stop at 718 yen, and the day after that, the price finally reached the 800 yen level. This series of moves was considered by the Proposer to be less than fair in the market.

#### **Opinion of the Board of Directors of the Company**

##### **Objection      The Board of Directors objects to this proposal.**

The Company believes that this disposal of treasury shares is not something that lacks market fairness for the following reasons.

This disposal of treasury shares was implemented as a contribution of trust assets to the Company's share-based compensation plan, and this contribution is to be implemented in the first year of the Mid-term Management Plan in accordance with the Trust Agreement and the Regulations on Delivery of Shares Related to the Officer Compensation BIP Trust.

Also, taking into consideration the schedule required for practical procedures, etc., the Company conducts such transactions at a time when they do not constitute insider trading.

The disposal price is determined in accordance with the "Rules concerning Handling of Allotment of New Shares to Third Party, etc." of the Japan Securities Dealers Association to eliminate arbitrariness.

Furthermore, with regard to restricting the timing of the disposal of treasury shares, the Company believes that it is not appropriate to stipulate such matters in the Articles of Incorporation, which are the Company's fundamental principles.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 6: Partial Amendments to the Articles of Incorporation**

1. Contents of proposal

The positions of Advisor, Chair, Vice President, Executive Director, and Managing Director shall be abolished.

2. Reasons for proposal

To create an organization capable of making quick decisions in response to changes in the business environment.

#### **Opinion of the Board of Directors of the Company**

**Objection      The Board of Directors objects to this proposal.**

The Company believes that our current structure is the most appropriate one at this point in time to enhance our corporate value.

We also believe that allowing for each of the positions to be established as required is necessary for the flexible execution of business operations.

The Company believes that the abolition of each position should be decided by the Board of Directors as part of the execution of business operations, and that it is not appropriate to stipulate such proposal matters in the Articles of Incorporation, which are the Company's fundamental principles.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 7: Partial Amendments to the Articles of Incorporation**

#### 1. Contents of proposal

Remuneration for Directors shall be determined individually by resolution of the General Meeting of Shareholders.

#### 2. Reasons for proposal

To allow shareholders to check whether individual officers are being reasonably compensated. The Proposer believes that it should be lower for outside directors if they are absent from board meetings and higher if they are the chair of the Nominating Committee or Compensation Committee. The Proposer believes that for internal directors, the amount should increase or decrease based on the revenue of the business for which they are responsible, and for CEOs, the amount should increase or decrease based on overall performance and stock market capitalization.

### **Opinion of the Board of Directors of the Company**

#### **Objection      The Board of Directors objects to this proposal.**

The Company believes that the evaluation and calculation for the amount of remuneration for each Director should be performed based on the understanding of each Director's duties and therefore it is appropriate that this is determined by the Board of Directors within the scope authorized by the General Meeting of Shareholders. Moreover, it is not appropriate to include this proposed content in the Company's Articles of Incorporation, which are the fundamental principles of the Company.

The Company has established the Compensation Committee as a voluntary institution. The majority of the Committee members are Outside Directors, the Chairman is an Outside Director selected by mutual election by the Committee members, and deliberations are carried out in a fair and transparent manner. To improve the transparency of Directors' compensation, etc., the Board of Directors determines the content of Directors' compensation, etc., after receiving a recommendation made by the Committee.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 8: Partial Amendments to the Articles of Incorporation**

#### 1. Contents of proposal

The Board of Directors should abolish concurrently held position of CEO and Chairperson of the Board of Directors and appoint an Outside Director as Chairperson.

#### 2. Reasons for proposal

This is because the appointment of an independent Outside Director who does not conduct operations as Chairperson will result in fairer Board of Directors' resolutions and improve the supervision of corporate management and governance impact from the perspectives of increasing corporate value and protecting the rights of minority shareholders.

### **Opinion of the Board of Directors of the Company**

#### **Objection      The Board of Directors objects to this proposal.**

The Company recognizes that there is a debate to be had about separating the roles of Chairman of the Board of Directors and Chief Executive Officer. On the other hand, the Corporate Governance Code requires that a system appropriate to the actual conditions of each company be put in place to ensure effective corporate governance.

Proposals related to the execution of business operations are put on the agenda at the Company's Board of Directors meetings to respond quickly to changes in the respective business environments and make appropriate decisions in a wide range of business lines.

Therefore, the Company believes that the President and CEO, who is well versed in industry trends as well as the current state of execution, pressing management issues, and other internal affairs, serving as Chairperson of the Board of Directors, can make decisions quickly and appropriately while maintaining adequate communication with the executive side to share information, and that this is necessary to enhance corporate value through a corporate governance structure suited to the Company. At present, the President and CEO, who has a thorough understanding of the Company's business, serves as Chairman of the Board of Directors and management is checked and supervised by highly independent Outside Directors, who comprise at least one-third of the Board, and the Company deems this arrangement to be appropriate.

In addition, the Company has established the Nomination Committee as a voluntary institution. The majority of the Committee members are Outside Directors and the Chairperson is an Outside Director selected by mutual election by Committee members. To improve the transparency concerning the election of the President and CEO, etc., the President and CEO is elected by a resolution of the Board of Directors based on a proposal by the Committee.

The Board of Directors objects to this proposal for the above reason.

**Shareholder Proposal**

**Item 9: Partial Amendments to the Articles of Incorporation**

1. Contents of proposal

There shall be at least four (4) Outside Directors.

2. Reasons for proposal

The Nominating Committee, which proposes and reports on CEO nominations, consists of three (3) outside Directors and one (1) CEO. Among them, the CEO cannot vote on own selection or dismissal, and the chairperson of the outside Directors cannot, in principle, exercise voting rights from the position of stimulating committee discussions and organizing the agenda. The remaining two (2) outside Directors would then decide whether to approve or disapprove. In the event of a split vote, the Nominating Committee becomes dysfunctional. Therefore, at least four (4) outside Directors are required. In addition, to strengthen the supervisory function of the Board of Directors, and furthermore, to prepare for the absence of an outside Director, it is believed that at least four (4) members are necessary.

**Opinion of the Board of Directors of the Company**

**Objection      The Board of Directors objects to this proposal.**

The Company believes that in order to enhance corporate value, it is necessary to flexibly respond to the appointment of outside Directors, as the skills, knowledge, and experience required vary depending on the business environment, etc.

Therefore, we consider that the structure of the Board of Directors, including the number of outside Directors, should be determined by the Board of Directors and put forward as a proposal at the general meeting of shareholders.

The Company believes that the structure of the Board of Directors as presented in the Company's Proposal Item 2 is the most appropriate one at this point in time to enhance our corporate value.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 10: Partial Amendments to the Articles of Incorporation**

#### 1. Contents of proposal

The Company's outside Directors are prohibited from concurrently serving as outside Directors of other TSE Prime Market issues whose Articles of Incorporation stipulate that the General Meeting of Shareholders is held in June.

#### 2. Reasons for proposal

Because the dates of the shareholder meetings overlap, there is a higher probability of absence from the General Meeting of Shareholders, the highest decision-making body of the company.

### **Opinion of the Board of Directors of the Company**

#### **Objection      The Board of Directors objects to this proposal.**

In order to allow for flexibility, the Company believes that it is not appropriate to include the proposed content in the Company's Articles of Incorporation, which are the fundamental principles of the Company.

Since the skills, knowledge, and experience required of outside Directors vary depending on the management environment, etc., we believe that enabling a broad selection of candidates for such positions will contribute to the enhancement of corporate value.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 11: Dismissal of a Director**

1. Contents of proposal

Require Mr. Katsuhiko Yoshida to be dismissed as Director.

2. Reasons for proposal

Mr. Yoshida concurrently serves as an outside director of both the Company and Kawasaki Heavy Industries and, unfortunately, he was absent from the Company's General Meeting of Shareholders held on June 28, 2023. On the same day, Mr. Yoshida was reappointed as an outside director of Kawasaki Heavy Industries at its general shareholders' meeting held in Kobe, Japan, with a 99.30% approval rate.

#### **Opinion of the Board of Directors of the Company**

**Objection      The Board of Directors objects to this proposal.**

The outside Director Mr. Katsuhiko Yoshida attended all the meetings of the Board of Directors, Nominating Committee and Compensation Committee held on the current fiscal year. Through his comments, etc. at the meetings, he assumes supervisory functions in the appointment, etc. of the Company's President and CEO and in processes such as the determination of officer compensation from an independent and objective standpoint, in addition to utilizing his abundant experience and broad insight as a manager in checking and supervising the Company's management.

As he is expected to continue playing a leading role in increasing the corporate value of the Citizen Group, the Company sees no reason for his dismissal.

The Board of Directors objects to this proposal for the above reason.

## **Shareholder Proposal**

### **Item 12: Dismissal of an Audit & Supervisory Board Member**

#### 1. Contents of proposal

Require Mr. Noboru Akatsuka to be dismissed as Audit & Supervisory Board Member.

#### 2. Reasons for proposal

Mr. Akatsuka is from Mizuho Bank, the main bank from which the Company borrows every year (14.97 billion yen at the end of 138th term). Mizuho Bank was formed in 2002 through the reorganization of Dai-Ichi Kangyo Bank, Fuji Bank, and Industrial Bank of Japan. To the best of the Proposer's knowledge, for at least nearly 18 years, the successive Audit & Supervisory Board Members, including Mr. Akatsuka, have consistently been from the Dai-Ichi Kangyo Bank, and it has become a fixed position in our Company. This is because we believe that regardless of Mr. Akatsuka's ability, we cannot expect any independence from the Outside Audit & Supervisory Board Members in terms of the governance of the Company.

### **Opinion of the Board of Directors of the Company**

#### **Objection      The Board of Directors objects to this proposal.**

As a Full-time Audit & Supervisory Board Member, Mr. Noboru Akatsuka attends meetings of the Board of Directors and other important decision-making meetings, offers his opinions as necessary and audits the appropriateness of agenda items and items to be reported and legality of procedures.

On the basis of his extensive experience as a business manager, he offers comments on economic and financial conditions as well as financial and accounting matters.

During the daily auditing activities, he monitors the operation of the Company's internal control system, audits the Directors' performance of their duties, and provides necessary guidance on the expansion of the internal auditing system, including that of the Group.

As he is expected to continue playing a leading role in increasing the corporate value of the Citizen Group, the Company sees no reason for his dismissal.

The Board of Directors objects to this proposal for the above reason.



## BUSINESS REPORT

From April 1, 2023 to March 31, 2024

### I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP

#### 1. Review of Operations

During the fiscal year under review, the Japanese economy maintained a gradual recovery trend, with personal consumption remaining on an increasing trend reflecting the normalization of economic activity. In the North American and European economies, despite growing fears of recession due to rising inflation and interest rates, consumer spending remained strong, partly owing to widespread wage increases and rising employment. In the Asian economy, economic recovery in China was sluggish after the resumption of economic activity, and recovery in the rest of Asia was only moderate, as exports and capital investment demand lacked momentum.

In this environment, the consolidated results for the fiscal year under review showed steady growth, mainly in the watches business, with net sales of 312.830 billion yen (up 3.8% year-on-year) and an operating profit of 25.068 billion yen (up 5.7% year-on-year). Ordinary profit increased to 30.810 billion yen (up 5.9% year on year), while profit attributable to owners of parents came to 22.958 billion yen (up 5.1% year on year).

#### Consolidated Results

(Billions of yen)

Net sales	312.830 billion yen	(up 3.8% year-on-year)
Operating profit	25.068 billion yen	(up 5.7% year-on-year)
Ordinary profit	30.810 billion yen	(up 5.9% year-on-year)
Profit attributable to owners of parent	22.958 billion yen	(up 5.1% year-on-year)

Net sales by segment for the fiscal year under review were as follows:

#### [Watches]

In the domestic market, sales of Citizen brand watches increased as men's watch brands such as "ATTESA" and "PROMASTER" were strong revenue drivers and inbound demand also recovered, despite a decline in consumer confidence due to rising prices.

In overseas markets, the North American market showed increased sales due to strong performance in e-commerce sales and tourism distribution, despite some weakness in jewelry chain and department store distribution amid increasing consumer thriftiness as consumer price index remained high. In the European market, despite high prices, sales in the U.K., Italy, and other countries remained strong, and in France, sales increased due to the steady expansion of new dealers. In the Asian market, although there are variations by region, a recovery trend was observed in countries such as India and Singapore. In the Chinese market, collaborative products were well-received, and new sales attempts using social media led to an increase in revenue.

Sales of Bulova brand watches increased. While momentum was lacking in the mainstay North American market, particularly in major retail channels such as jewelry chains, this was compensated by the expansion of new distribution channels, such as tourism distribution.

Sales of movements increased due to firm sales of mechanical movements, although sales of analog quartz movements were cautious due to concerns about economic recession in Western markets.

As a result of the above, watches as a whole achieved a year-on-year increase in net sales to 166.205 billion yen (up 10.8% year-on-year), as a result of efforts to strengthen global brands, premium brands, and mechanical watches, despite concerns about a decline in consumer confidence caused by prolonged global price hikes. Operating profit increased 19.4% year on year to 19.851 billion yen, due to an increase in net sales and ongoing efforts to improve profitability.

#### **[Machine Tools]**

In the domestic market, sales decreased due to sluggish growth in automotive-related shipments as a more cautious approach to capital investment continued, in addition to weakness in other markets, such as semiconductors and construction machinery related. In overseas markets, while sales in Europe and the Americas were solid, mainly in the medical-related market, sales declined due to the ongoing market downturn in China and other Asian markets.

As a result, the machine tools segment as a whole posted a decrease in sales, with net sales of 81.629 billion yen (down 5.3% year on year). Operating profit decreased to 9.029 billion yen (down 26.0% year on year), due mainly to rises in raw material prices and transportation expenses.

#### **[Devices and Components]**

Sales of automotive components increased due to the easing of parts supply shortages associated with the semiconductor shortage and a recovery in production by auto manufacturers. Sales of small motors increased due to market recovery in a wide range of fields such as medical-related applications. Sales of quartz devices decreased due to slowing demand in the PC and IoT-related markets. Sales of opto-devices decreased due to sluggish demand.

As a result, the devices and components segment as a whole recorded a decrease in sales and an increase in profits with net sales of 42.487 billion yen (down 5.0% year on year) and an operating profit of 0.463 billion yen (compared to an operating loss of 0.818 billion yen in the previous fiscal year).

#### **[Electronic and Other Products]**

Sales of information equipment increased, supported by the expansion of demand for photo printers, despite weak demand recovery due to the deteriorating outlook for the market environment, and sluggish growth of POS printers and barcode printers. Sales of health care equipment declined as demand for thermometers remained sluggish, and sales of blood pressure monitors, despite a recovery trend, failed to surpass the previous year's level.

As a result of these developments, the Electronics and Other Products Business recorded an increase in revenue and an increase in profits, with net sales of 22.507 billion yen (up 10.0% year-on-year) and an operating profit of 1.588 billion yen (up 38.7% year-on-year).

Note: The difference between 30.931 billion yen, the total of each segment's operating profit, and 25.068 billion yen, the Company's operating profit, is attributable to elimination of inter-segment transactions and corporate expenses not allocated to individual segments.

### [Sales by Business Segment]

Business segment	Amount (Millions of yen)	Percentage of total (%)	Change from the previous fiscal year (%)
Watches	166,205	53.1	10.8
Machine Tools	81,629	26.1	(5.3)
Devices and Components	42,487	13.6	(5.0)
Electronic and Other Products	22,507	7.2	10.0
<b>Total</b>	<b>312,830</b>	<b>100.0</b>	<b>3.8</b>

Note: The rate of the sales in the overseas to the gross sales is 73.5%.

## 2. Financing

On September 20, 2023, the Company issued its fourth series of unsecured bonds (Sustainability Link Bonds) in the amount of 10 billion yen to provide funds for the redemption of bonds and other purposes.

## 3. Capital Expenditures

Capital expenditures during the fiscal year under review totaled 22.02 billion yen. The major expenditures of which are as follows:

- (1) 11.281 billion yen for production facilities, etc. in Watches
- (2) 6.054 billion yen for production facilities, etc. in Machine Tools
- (3) 2.933 billion yen for production facilities, etc. in Devices and Components
- (4) 0.493 billion yen for production facilities, etc. in Electronic and Other Products

## 4. Important Corporate Restructuring

Not applicable

## 5. Acquisition or Disposition of Shares, Other Equity Interests, or Share Acquisition Rights of Other Companies

Not applicable

## 6. Challenges Going Forward

The Company, based on its Corporate Philosophy of “Loved by citizens, working for citizens,” drew up a vision of how the Citizen Group could be to enable growth to deal with a sustainable society and a digital society with a view to 2030. We then used backcasting to set five materiality: Respond to climate change and contribute to a recycling-oriented society; Contributing to high quality life; Providing solutions in industry; Improve job satisfaction and cultivate human resources; and Fulfilling social responsibility.

We then stated the Group’s medium-term management vision of “Crafting a new tomorrow” to realize our long-term vision and formulated the 3-year Medium-term Management Plan 2024 covering the period from FY2022 (fiscal year ended March 31, 2023) to FY2024 (fiscal year ending March 31, 2025). We aim to take on the challenge of creating new, unique value and to be known around the world for reliability, security and emotion that will bring about a better world.

To achieve the Group’s medium-term management vision, we will tackle the following key strategies contained in this Medium-term Management Plan.

1. Strategies of business portfolio

The watches business and machine tools business will remain as the core businesses that drive the Group's growth, and we will aim for further growth by strategically investing our management resources. With the devices business and electronics and other products business, we will aim for stable growth while promoting refining and targeting of the businesses and products. In addition, we will also make progress in exploring new business areas with growth potential.

The strategies by business in this Medium-term Management Plan are as follows:

- a) The watches business uses the same vision that is stated for the Group Vision of "Crafting a new tomorrow," and will tackle three key strategies of Global brand strategy; Premium brands and mechanical watches strategy; and Continued enhancement of user contact points and use of data, through clarifying the brand image in the global market and improving the customer experience. We will strategically invest in management resources, while improving profitability and promoting sustained growth as a core business that drives the Group.
- b) The Machine Tools Business is taking initiatives for establishment of business foundations with an eye toward achieving net sales of 100 billion yen, differentiating by leveraging processing technologies, expansion of areas where automation/labor-saving measures are applied to create world-leading production innovation solutions and to create our position as "a new manufacturer." Aiming to achieve further growth by enhancing sales and service systems in Asia, where further growth is anticipated.
- c) The Devices and Components Business is aiming to establish firm competitiveness through selection and concentration of products in line with market changes, improvements in earnings power and business expansion in fields where the Company's strengths can be used to their utmost. The auto parts business, which utilizes the Citizen Group's strength in compact metal processing technologies, is aiming to expand high value-added products and EV parts and develop fields other than auto parts. The Opto-devices Business is aiming for expansion of high-efficiency, long-life, environmentally products such as LEDs for lighting.
- d) The Electronics and Other Products Business is aiming to secure stable profits by firmly looking at the Citizen Group's strengths, undertaking selection and concentration of business and product and bolstering productivity and rationalization.

## 2. Promoting the DX strategy and cultivating human resources

The DX vision is stated as "Become a Corporate Group That Will Continue to Create and Enhance Value from the User Perspective" and incorporates three key initiatives: Transformation to a highly profitable structure through business process transformation; Creating new user value by changing products and services; and Reforming corporate culture.

"Transformation to a highly profitable structure through business process transformation" incorporates initiatives for Increasing operational efficiency and sophistication, Sophistication of decision making through the use of data, and Evolution of manufacturing with the use of digital technology. "Creating new user value by changing products and services" incorporates initiatives for providing new user experience and building a new business model.

We state the human resources vision as "Each individual employee feels that they are contributing to the fulfillment of the medium-term vision and feel pride in working at

Citizen,” and while steadily advancing digital technologies, we are promoting collaboration with the Group on “reforming corporate culture.”

As the business environment surrounding our Company, we recognize the following environmental changes:

1. Geopolitical risks on the global economy
2. Impact of prolonged inflation on the economy
3. Further expansion of e-commerce (EC) and structural change in physical store distribution
4. Shrinkage of the watch market centered on fashion watches along with the expansion of the smart watch market
5. Shrinkage of the analog quartz movement market

Recognizing an increased risk for a downturn in business due to the impact of the changes in business environment as described above, we will address issues, prioritizing the following five in the core watch business and the machine tools business.

1. Expanding mechanical watches and expanding direct sales of mechanical movements
2. Further emphasizing the features of environmentally-friendly Eco-Drive and environmental considerations, taking advantage of rising environmental awareness
3. Two-way communication that communicates experiential value, including product value
4. A shift to fields where there is no competition with smartwatches
5. Strengthen the business base for the Machine Tools Business

We would like to thank our shareholders for their continued support.

## 7. Assets and Profit and Loss of the Company

Business segment	136 <sup>th</sup> (FY2020)	137 <sup>th</sup> (FY2021)	138 <sup>th</sup> (FY2022)	139 <sup>th</sup> (FY2023)
Net sales (millions of yen)	206,641	281,417	301,366	312,830
Ordinary profit (millions of yen)	(4,143)	27,342	29,096	30,810
Profit attributable to owners of parent (millions of yen)	(25,173)	22,140	21,836	22,958
Basic earnings per share (yen)	(80.52)	71.38	75.25	93.60
Total assets (millions of yen)	365,811	394,962	389,982	415,445
Net assets (millions of yen)	212,864	238,673	232,775	256,134
Net assets per share (yen)	652.47	768.92	866.68	1,015.74

Notes:

1. The figures of ordinary profit, profit attributable to owners of parent and basic earnings per share in parentheses represent losses.
2. Basic earnings per share is calculated based on the number of shares by deducting the average total number of treasury shares during the term from the average total number of shares outstanding during the term. Net assets per share is calculated based on the number of shares by deducting the total number of treasury shares at the fiscal year-end from the total number of shares outstanding at the fiscal year-end.
3. The Company has introduced a performance-linked stock compensation plan utilizing the Board Incentive Plan (BIP) Trust, and the shares of the Company held by the BIP Trust are presented as treasury shares in the net assets section. Accordingly, the number of shares of the Company held by the BIP Trust is included in the number of treasury shares that are deducted in the calculation of basic earnings per share and net assets per share.

4. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) from the 137th term.

## 8. Details of Important Subsidiaries

Name	Capital	Voting Right Percentage of the Company (%)	Major Business
Citizen Watch Manufacturing Co., Ltd.	100 million yen	100.0	Watches
Citizen Machinery Co., Ltd.	2,651 million yen	100.0	Machine Tools
Citizen Finedevice Co., Ltd.	1,753 million yen	100.0	Devices and Components
Citizen Electronics Co., Ltd.	100 million yen	79.3	Devices and Components
Citizen Systems Japan Co., Ltd.	450 million yen	100.0	Electronic and Other Products
Citizen Watch Company of America, Inc.	US\$ 43.66 million	100.0	Watches
Citizen Watches (H.K.) Ltd.	HK\$ 10 million	100.0	Watches

Note: Citizen Electronics Co., Ltd. carried out a capital reduction on June 14, 2023, reducing its capital from 5,488 million yen to 100 million yen.

## 9. Products of Principal Business (as of March 31, 2024)

Business segment	Principal products
Watches	Watches, movement
Machine Tools	CNC automatic lathes
Devices and Components	Automotive parts, crystal devices, small motors, LED
Electronic and Other Products	Printers, healthcare equipment and other products

## 10. Principal Places of Business (as of March 31, 2024)

Name	Location
Citizen Watch Co., Ltd.	Nishitokyo, Tokyo
Citizen Watch Manufacturing Co., Ltd.	Tokorozawa, Saitama
Citizen Machinery Co., Ltd.	Kitasaku-gun, Nagano
Citizen Finedevice Co., Ltd.	Minamitsuru-gun, Yamanashi
Citizen Electronics Co., Ltd.	Fujiyoshida, Yamanashi
Citizen Systems Japan Co., Ltd.	Nishitokyo, Tokyo
Citizen Watch Company of America, Inc.	California, U.S.A.
Citizen Watches (H.K.) Ltd.	Hong Kong, China

## 11. Employees (as of March 31, 2024)

Business Segment	Number of employees	Change from the previous fiscal year-end
Watches	5,051 [1,899]	44 [(131)]
Machine Tools	2,192 [158]	(58) [(12)]
Devices and Components	3,443 [643]	(198) [(86)]
Electronic and Other Products	1,030 [153]	(107) [(33)]
General Corporate	219 [29]	(2) [(2)]
Total	11,935 [2,882]	(321) [(264)]

Note: The number of employees covers all those engaged in operations and figures in brackets represent average annual temporary workers in addition to the number of employees.

**12. Principal Lenders (as of March 31, 2024)**

(Millions of yen)

Name	Borrowed Amount
Mizuho Bank, Ltd.	13,800
MUFG Bank, Ltd.	12,600
Nippon Life Insurance Company	6,000
Sumitomo Mitsui Banking Corporation	3,600
The Hachijuni Bank, Ltd.	3,500
The Yamanashi Chuo Bank, Ltd.	2,500

## II. MATTERS CONCERNING COMPANY STOCK AND SHARE ACQUISITION RIGHTS, ETC.

### 1. Condition of Stocks (as of March 31, 2024)

- (1) Total number of authorized shares: 959,752,000 shares  
 (2) Total number of shares issued: 246,000,000 shares

Note: The total number of shares issued decreased by 48,000,000 shares in comparison with the number as of March 31, 2023 as a result of the cancellation of treasury shares conducted on June 30, 2023.

- (3) Number of shareholders: 84,182  
 (4) Major shareholders (Top 10)

Name	Number of the Company's shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	48,359	19.80
Custody Bank of Japan, Ltd. (trust account)	15,377	6.30
Nippon Life Insurance Company	11,948	4.89
Nichia Corporation	10,000	4.09
Citizen Group Employee Shareholding Association	4,578	1.87
Mitsubishi UFJ Trust and Banking Corporation	4,568	1.87
Mitsubishi Electric Corporation	4,317	1.77
Mizuho Bank, Ltd.	4,309	1.76
JPMorgan Chase & Co.	4,283	1.75
Shimizu Corporation	4,128	1.69

Note: Shareholding ratio is calculated after deducting 1,729,347 treasury shares.

- (5) Status of shares delivered to officers of the Company as compensation for the performance of the duties during the fiscal year under review

Business segment	Number of shares	Number of recipients
Directors (excluding Outside Directors)	34,508	1
Outside Director	—	—
Audit & Supervisory Board Member	—	—

Note: The number of shares includes 17,308 shares sold pursuant to the "Regulations on Delivery of Shares Related to the Officer Compensation BIP Trust" for which an amount equivalent to the proceeds of sale was provided.

### 2. Status of Share Acquisition Rights (as of March 31, 2024)

Not applicable



### III. MATTERS CONCERNING DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

#### 1. Names, etc. of Directors and Audit & Supervisory Board Members (as of March 31, 2024)

Title	Name	Area of responsibility and significant concurrent role held at other companies (if any)
President and CEO Managing Director	Toshihiko Sato Toshiyuki Furukawa	In charge of Corporate Planning Division, Accounting Department, Public & Investor Relations Department and IT Management Department
Managing Director	Yoshitaka Oji	Senior General Manager of Watch Business Division
Director Director	Keiichi Nakajima Yoshiaki Miyamoto	President of Citizen Machinery Co., Ltd. Group Risk Management, General Manager of General Affairs Division and in charge of Personnel Division, CSR Department and Environmental Management Department
Outside Director	Toshiko Kuboki	Attorney-at-law Outside Director of Qol Holdings Co., Ltd. Outside Director and Audit and Supervisory Committee Member of Asahi Yukizai Corporation Outside Director of Canon Marketing Japan Inc.
Outside Director	Yoshio Osawa	
Outside Director	Katsuhiko Yoshida	Outside Director of Kawasaki Heavy Industries, Ltd.
Full-time Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	Noboru Akatsuka	
Audit & Supervisory Board Member (Full-time)	Kazunori Yanagi	
Outside Audit & Supervisory Board Member	Yaeko Ishida	Attorney-at-law Outside Director of Inageya Co., Ltd. Outside Director of Shindengen Electric Manufacturing Co., Ltd.

Notes:

1. Outside Audit & Supervisory Board Member Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.
2. In accordance with the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with each Outside Director and Audit & Supervisory Board Member that limit the maximum liability for damages under Article 423, paragraph (1) of the said Act. The maximum amount of liability for damages based on such agreements shall be the higher of 10 million yen or the lowest liability amount stipulated by laws and regulations.
3. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy will cover damages and litigation expenses incurred in cases where an insured receives a claim for damages arising from the performance of duties (including nonfeasance). However, there are exemptions from coverage such as damages arising from an illegal act by the insured with full knowledge of its illegality. All Directors, Audit & Supervisory Board Members and Operating Officers of the Company and its domestic subsidiaries are insured under the insurance policy. Insurance premiums are borne by the Company, and the insureds effectively do not bear any of the premiums. In addition, when the policy is renewed next, the Company plans to renew the policy with the same terms.
4. Full-time Audit & Supervisory Board Member Mr. Noboru Akatsuka has been managing banks and companies for many years and has extensive knowledge of finance and accounting.
5. Full-time Audit & Supervisory Board Member Mr. Kazunori Yanagi has experience in accounting operations holding several managerial positions in accounting departments of subsidiaries of the Company and has extensive knowledge of finance and accounting.
6. Outside Audit & Supervisory Board Member Ms. Yaeko Ishida possesses specialized knowledge and experience related to corporate legal affairs, etc. as an attorney-at-law as well as the knowledge necessary to strengthen the audit system from an objective and fair perspective.
7. The Company has appointed Outside Directors, Ms. Toshiko Kuboki, Mr. Yoshio Osawa and Mr. Katsuhiko Yoshida, and Outside Audit & Supervisory Board Members, Mr. Noboru Akatsuka and Ms. Yaeko Ishida as Independent Officers defined by the Tokyo Stock Exchange and registered them with the Exchange as such.

8. The significant concurrent role held at other companies by Director Mr. Keiichi Nakajima changed on April 1, 2024 as follows:

Title	Name	Area of responsibility and significant concurrent role held at other companies (if any)
Director	Keiichi Nakajima	

Director Mr. Keiichi Nakajima and Outside Director Mr. Yoshio Osawa will assume the position of Outside Director of Fujitsu General Ltd. on June 18, 2024.

Operating Officers as of April 1, 2024 are as follows:

Title	Name	Area of responsibility
Senior Operating Officer	Katsuhiro Miwa	Senior General Manager of R&D Center
Senior Operating Officer	Hideo Ina	President of Citizen Watch manufacturing Co., Ltd.
Senior Operating Officer	Hiroshi Shinohara	President of Citizen Machinery Co., Ltd.
Senior Operating Officer	Katsutoshi Mukaijima	President of Citizen Finedevice Co., Ltd.
Operating Officer	Hisashi Utsunomiya	President and CEO of Citizen Systems Japan Co., Ltd.
Operating Officer	Mitsunori Morita	Chairman of the Board of Directors of Citizen Watch Company of America, Inc.
Operating Officer	Yoshio Miura	General Manager of Accounting Department
Operating Officer	Yoshihisa Yajima	General Manager of Movement Division, Watch Business Division
Operating Officer	Katsusuke Tokura	Senior General Manager of Business Planning Center, Watch Business Division
Operating Officer	Keiichi Kobayashi	Senior General Manager of Product Planning Center, Watch Business Division
Operating Officer	Yoshitaka Kawade	General Manager of Corporate Planning Division
Operating Officer	Takehiko Kojima	General Manager of Domestic Watch Business Department, Watch Business Division
Operating Officer		Senior General Manager of Watch Development Center, Watch Business Division

## 2. Directors and Audit & Supervisory Board Members Who Retired during This Fiscal Year

Name	Retirement date	Reason for retirement	Position, area of responsibility, and significant concurrent role held at other companies at the time of retirement
Shinji Shirai	June 28, 2023	Expiration of term of office	Director

## 3. Directors' and Audit & Supervisory Board Members' Compensation

- (1) Policies, etc. on determination of officer compensation, etc.

The outline of content of the “Policy on Determination of the Content of Individual Compensation, etc. of Directors” is as follows.

A recommendation made by the Compensation Committee was obtained for the resolution on this policy.

- (a) Composition of Directors' compensation

The compensation of the Company's Directors shall be made up of fixed compensation, bonuses and performance-linked stock compensation (hereinafter, “bonuses” and “performance-linked stock compensation” are collectively referred to as “performance-linked compensation”).

- (b) Policies on determination of the amount and method of calculation of fixed compensation, and policies on the determination of the timing and conditions of granting fixed compensation to Directors

The policy on the amount of fixed compensation is that it is at a level enabling Directors to fully exhibit their qualities and abilities, and contribute to the increasing motivation toward sustained growth based on the corporate philosophy of the Company, and enabling the securing of talented personnel, and is determined by taking into consideration changes in the management environment, external data, the

level in peer companies and the content of management. In principle, the Compensation Committee delegated by resolution of the Board of Directors holds meetings every June and as needed when there is a change of positions to determine the amount within the range specified in the “Level of Monthly Base Compensation of Directors” and payments are made in cash every month.

In the event of a severe deterioration of performance or the occurrence of a scandal in the Citizen Group (the group of companies made up of the Company and its subsidiaries), the amount of fixed compensation may be changed by resolution of the Board of Directors based on the findings of the Compensation Committee when consulted by the Board of Directors or the President or a recommendation by the Compensation Committee.

- (c) Policies on determination of the content of performance indicators for performance-linked compensation, the amount or number and method of calculation of performance-linked compensation, and policies on the determination of the timing and conditions of granting performance-linked compensation to Directors

- 1) Bonuses

In addition to the policy in (b), the policy is that the amount of bonuses is determined in accordance with the financial evaluation items (net sales, operating profit, etc.) and non-financial evaluation items (global conditions, disasters, M&A, etc.) specified in the Standard of Payment of Bonuses to Directors. In principle, the amount is determined every June by the Compensation Committee delegated by resolution of the Board of Directors. Bonuses shall be paid in cash every July.

- 2) Performance-linked stock compensation

Performance-linked stock compensation aims at further clarifying the linkage between compensation for Directors and the share value of the Company to promote motivation in contributing to the enhancement of medium- to long-term performance and improvement of corporate value. The content is a performance-linked stock compensation plan for Directors (excluding Outside Directors and Directors who are non-residents of Japan) where the shares of the Company are acquired through a trust using the amount of compensation for Directors contributed by the Company based on their position, and the shares of the Company and the money equivalent to the amount obtained by converting the shares of the Company into cash are delivered and granted (hereinafter, the “Delivery, etc.”) to Directors according to the degree of achievement of performance targets. The amount or number and the method of calculation thereof is specified in the “Regulations on Delivery of Shares Related to the Officer Compensation BIP Trust” by resolution of the Board of Directors based on a recommendation from the Compensation Committee.

In principle, the Company shall conduct the Delivery, etc. of performance-linked stock compensation to each Director at the time they leave office pursuant to the “Regulations on Delivery of Shares Related to the Officer Compensation BIP Trust.”

- (d) Policies on determination of the percentage of the amount of fixed compensation and the amount of performance-linked compensation in the amount of compensation for individual Directors

The compensation of the Company’s Directors is made up of fixed compensation and performance-linked compensation. It is at a level enabling Directors to fully exhibit their qualities and abilities, and contribute to the increasing motivation toward sustained growth based on the corporate philosophy of the Company, and enabling

the securing of talented personnel, and is at a level that can increase awareness of contributing to improvement of medium- to long-term performance and increasing corporate value by taking into consideration changes in the management environment, external data, the level in peer companies and the content of management.

The percentage of performance-linked compensation within the amount of individual compensation shall exceed 50% in case of the maximum performance evaluation pertaining to performance-linked compensation, of which the percentage of performance-linked stock compensation shall be about 15%. Performance-linked compensation may not be paid as a result of performance evaluation, etc.

Bonuses are paid to Directors excluding Outside Directors and performance-linked stock compensation is paid to Directors excluding Outside Directors and Directors who are non-residents of Japan.

(e) Matters delegating all or part of determination of the content of compensation of individual Directors to Directors or other third parties

1) Name and position and areas of responsibility in the Company of the delegated persons

The determination of the content of compensation of individual Directors shall be delegated to the Compensation Committee whose members are selected from among Directors by resolution of the Board of Directors pursuant to the “Compensation Committee Rules.”

2) Details of authority delegated to the persons in 1)

The details of the authority delegated to the Compensation Committee shall be the following matters specified in the “Compensation Committee Rules.”

(1) Discussion and determination of matters delegated by the Board of Directors in relation to compensation, etc.

(2) Discussion of matters concerning the policies and standards of the compensation, etc., and the provision of recommendations to the Board of Directors

(3) Discussion and presentation of findings on matters concerning compensation, etc. in response to consultations by the Board of Directors and the President

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

3) Details of measures taken to ensure authority in 2) delegated to the persons in 1) is appropriately exercised

In order to increase transparency concerning the compensation, etc. of Directors, the Company shall establish a Compensation Committee 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 Compensation Committee shall hold discussions with a majority of members able to participate in resolutions in attendance, and pass resolutions by a majority thereof. The Chairperson of the Compensation Committee shall be an Outside Director elected by mutual election of the members of the Committee. The details of the authority delegated to the Compensation Committee in (e) 2) and other matters related to the Compensation Committee shall be specified in the “Compensation Committee Rules.”

(2) Total amount of compensation, etc. related to the fiscal year under review

Business segment	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)
Director [Out of which, Outside Directors]	9 [3]	314 [31]	167 [31]	95 [—]	52 [—]
Audit & Supervisory Board Member [Out of which, Outside Audit & Supervisory Board Members]	3 [2]	48 [28]	48 [28]	— [—]	— [—]
Total [Out of which, outside officers]	12 [5]	362 [60]	215 [60]	95 [—]	52 [—]

Notes:

- The above figures include Directors who retired upon conclusion of the 138th Ordinary General Meeting of Shareholders held on June 28, 2023.
- The above amount of the bonuses (95 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 139th Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2024.
- The above amount of performance-linked share-based compensation (52 million yen) for Directors (excluding Outside Directors and Directors who are non-residents of Japan) is the amount that was recorded as an expense in the fiscal year under review.
- In order to promote motivation in contributing to the enhancement of single-year and medium- to long-term performance and improvement of corporate value, the performance indicators for bonuses are consolidated net sales and consolidated operating profit in the annual plan in addition to consolidated net sales, consolidated operating profit ratio and ROE in the Medium-term Management Plan. Actual results during the fiscal year under review were consolidated net sales of 312.830 billion yen, consolidated operating profit ratio of 8.0% and ROE of 9.7%. Bonuses are calculated multiplying the base monthly compensation for each position by a coefficient determined by the level of achievement of performance indicators and non-financial items.
- The content of performance-linked stock compensation is shares of the Company, and the conditions, etc. at the time of allotment are as stated in “(1) Policies, etc. on determination of officer compensation, etc.” Furthermore, the status of delivery is as stated in “II. 1. (5) Status of shares delivered to officers of the Company as compensation for the performance of the duties during the fiscal year under review.” In order to further clarify the linkage between compensation for Directors and the share value of the Company to promote motivation in contributing to the enhancement of medium- to long-term performance and improvement of corporate value, the performance indicators for performance-linked stock compensation are consolidated net sales, consolidated operating profit ratio, ROE, CO2 reduction rate (compared to 2018), and a FTSE Russell ESG Ratings score in the Medium-term Management Plan. Actual results during the fiscal year under review were consolidated net sales of 312.830 billion yen, consolidated operating profit ratio of 8.0%, ROE of 9.7%, CO2 reduction rate (compared to 2018) of 39.0%, and an FTSE Russell ESG Ratings score of 4.0. Performance-linked stock compensation is calculated according to the level of achievement of performance indicators, etc.
- The maximum allowance for the total amount of compensation, etc. for Directors (excluding Outside Directors) was set at 370 million yen per year (inclusive of bonuses, etc.) at the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018, and the number of Directors (excluding Outside Directors) at the conclusion of that Ordinary General Meeting of Shareholders was eight (8). Employee salaries for employees who also serve as Directors shall not be paid.
- Separate from note 6 above, at the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018, the total amount of performance-linked stock compensation for Directors (excluding Outside Directors and Directors who are non-residents of Japan) was set at not more than 300 million yen for every three fiscal years (starting in 2018, the first year, at not more than 100 million yen), and the number of Directors (excluding Outside Directors and Directors who are non-residents of Japan) at the conclusion of that Ordinary General Meeting of Shareholders was eight (8).
- The maximum allowance for the total amount of compensation, etc. for Outside Directors was set at 40 million yen per year at the 134th Ordinary General Meeting of Shareholders held on June 26, 2019, and the number of Outside Directors at the conclusion of that Ordinary General Meeting of Shareholders was three (3). No bonuses will be paid to Outside Directors.
- The maximum allowance for the total amount of compensation, etc. for Audit & Supervisory Board Members was set at 80 million yen per year at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007, and the number of Audit & Supervisory Board Members at the conclusion of that Ordinary General Meeting of Shareholders was three (3). No bonuses will be paid to Audit & Supervisory Board Members.
- In order to increase transparency concerning the compensation of Directors, the Company delegated the determination of the content of individual compensation, etc. of Directors for the fiscal year under review to the Compensation Committee chaired by Outside Director Mr. Yoshio Osawa and with Outside Directors Ms. Toshiko Kuboki and Mr. Katsuhiko Yoshida and President and CEO Mr. Toshihiko Sato as members. The Compensation Committee found that the content of the individual compensation, etc. of Directors for the fiscal year under review is in line with the Policy on Determination of the Content of Individual Compensation, etc. of Directors because the determination of the content was delegated to the Compensation Committee by

resolution of the Board of Directors and the content of compensation, etc. conforms with said policy resolved by the Board of Directors.

#### 4. Matters Relating to Outside Officers

- (1) Relationships between the Company and organizations where important concurrent positions are held

The Company has no special interest with the organizations where Outside Officers hold important concurrent positions.

- (2) Major activities during the fiscal year ended March 31, 2024

Title and name	Attendance, principal comments and overview of duties performed in relation to roles expected of Outside Directors
<p>Outside Director Toshiko Kuboki</p>	<p>Ms. Toshiko Kuboki attended all 17 meetings of the Board of Directors held in the fiscal year under review, made comments as needed primarily from the professional viewpoint of an attorney-at-law, and performed an appropriate role to ensure the suitability and appropriateness of decision making.</p> <p>She attended all five meetings of the Nominating Committee held in the fiscal year under review, and has handled the supervisory functions in the appointment of the Company's President and CEO from an independent and objective position, such as participating in discussions on matters concerning the appointment, etc. of the President and CEO as a member of the committee. In addition, she attended all two meetings of the Compensation Committee held in the fiscal year under review, and has handled the supervisory functions in processes such as determination of officer compensation from an independent and objective position, such as participating in discussions on matters concerning the appointment, etc. of the President and CEO, policies on the determination of Directors' compensation and the level of compensation as a member of the committee.</p>
<p>Outside Director Yoshio Osawa</p>	<p>Mr. Yoshio Osawa attended all 17 meetings of the Board of Directors held in the fiscal year under review, made comments as needed primarily from the viewpoint of a highly experienced executive, and performed an appropriate role to ensure the suitability and appropriateness of decision making.</p> <p>He attended all five meetings of the Nominating Committee held in the fiscal year under review, and has handled the supervisory functions in the appointment, etc. of the Company's President and CEO from an independent and objective position, participating in discussions on matters concerning the appointment, etc. of the President and CEO as the Chairperson of the committee. In addition, he attended all two meetings of the Compensation Committee held in the fiscal year under review, and has lead the supervisory functions in processes such as determination of officer compensation from an independent and objective position, such as participating in discussions on matters concerning the appointment of the President and CEO, policies on the determination of Directors' compensation and the level of compensation as the Chairperson of the committee.</p>

Title and name	Attendance, principal comments and overview of duties performed in relation to roles expected of Outside Directors
<p>Outside Director Katsuhiko Yoshida</p>	<p>Mr. Katsuhiko Yoshida attended all 17 meetings of the Board of Directors held in the fiscal year under review, made comments as needed primarily from the viewpoint of a highly experienced executive, and performed an appropriate role to ensure the suitability and appropriateness of decision making.</p> <p>He attended all five meetings of the Nominating Committee held in the fiscal year under review, and has handled the supervisory functions in the appointment of the Company's President and CEO from an independent and objective position, such as participating in discussions on matters concerning the appointment, etc. of the President and CEO as a member of the committee. In addition, he attended all two meetings of the Compensation Committee held in the fiscal year under review, and has handled the supervisory functions in processes such as determination of officer compensation from an independent and objective position, such as participating in discussions on matters concerning the appointment, etc. of the President and CEO, policies on the determination of Directors' compensation and the level of compensation as a member of the committee.</p>
<p>Outside Audit &amp; Supervisory Board Member Noboru Akatsuka</p>	<p>Mr. Noboru Akatsuka attended all 17 meetings of the Board of Directors held in the fiscal year under review, and also all 13 meetings of the Audit &amp; Supervisory Board. He made comments in the meetings of the Board of Directors as needed primarily from the viewpoint of a highly experienced executive to ensure the suitability and appropriateness of decision making. In addition, he made the necessary comments in the meetings of the Audit &amp; Supervisory Board on the Company's accounting system, internal auditing, etc.</p>
<p>Outside Audit &amp; Supervisory Board Member Yaeko Ishida</p>	<p>Ms. Yaeko Ishida attended all 17 meetings of the Board of Directors held in the fiscal year under review, and also all 13 meetings of the Audit &amp; Supervisory Board. She made comments in the meetings of the Board of Directors as needed primarily from the professional viewpoint of an attorney-at-law to ensure the suitability and appropriateness of decision making. In addition, she made the necessary comments in the meetings of the Audit &amp; Supervisory Board on the Company's compliance system, etc.</p>

Note: Outside Audit & Supervisory Board Member Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.

#### IV. INDEPENDENT AUDITORS

##### 1. Name Nihombashi Corporation

##### 2. Amount of Compensation

	Millions of yen
(1) Compensation for Independent Auditors for the fiscal year under review	53
(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries	85

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 necessary for consolidated financial statements by KPMG LLP and PHILIP LEE & CO., CERTIFIED PUBLIC ACCOUNTANTS respectively.

##### 3. Non-audit Services

The Company entrusts the Independent Auditors to provide translation services concerning the preparation of Annual Reports as well services pertaining to the preparation of comfort letters in relation to the issuance of bonds.

##### 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.



## **V. SYSTEM AND POLICIES OF THE COMPANY**

### **1. System to Ensure the Appropriateness of the Company's Business and its Operation Status**

- (1) Summary of the decisions on the development of a system to ensure the appropriateness of the Company's business
  - (a) System to ensure that the Directors and employees perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation
    - 1) The Company shall hold, in principle, a regular meeting of the Board of Directors at least once a month, and shall make decisions on significant matters concerning the performance of business and other matters to be submitted for discussion. In addition, the Company shall supervise the Directors' performance of their duties.
    - 2) In order to ensure that Directors and employees of the Citizen Group perform their duties in conformance with relevant laws and regulations, the Articles of Incorporation, and other internal rules, and to ensure that the Company commits to corporate social responsibility, the Company shall stipulate the Citizen Group Code of Conduct (hereinafter the "Citizen Code of Conduct") as a code of conduct which is applicable in common to all of the companies constituting the Citizen Group. In addition, the Company shall establish the CSR Department, and shall thoroughly inform Directors and employees of the Group of the Citizen Code of Conduct in order to enhance their knowledge and awareness of compliance and foster their adherence to the Citizen Code of Conduct.
    - 3) The Company shall also create an internal reporting system, and thereby aim to prevent, find at an early stage, and correct voluntarily any violation of laws and regulations or misconduct caused by fraudulent acts.
    - 4) The Company shall establish the Internal Audit Department, which is directly controlled by the President and CEO, and the Internal Audit Department shall, based on the audit program, audit as to whether the business of the Group is performed in conformance with relevant laws and regulations and internal rules.
    - 5) It shall be clearly stated in the Citizen Code of Conduct and the like that the Company will decisively reject anti-social forces that threaten social order and sound business activities. The Company shall also develop and enhance its system to cooperate with the police and other related external organizations and block any link with anti-social forces.
  - (b) System for storage and management, etc. of information relating to Directors' performance of their duties
    - 1) The Company shall properly keep and manage the Minutes of General Meetings of Shareholders, Minutes of Board of Directors Meetings, Minutes of Management Committee Meetings, Written Requests for Managerial Decisions, and other information relating to the performance of the duties of Directors in accordance with relevant laws and regulations, the Articles of Incorporation, the Rules on Board of Directors, the Rules on Management Committee, the Rules on Request for Decisions, and other internal rules.
    - 2) The Company shall develop and maintain a system to ensure that the

Company is able to disclose information regarding the Directors' performance of their duties in a timely and appropriate manner pursuant to relevant laws and regulations, the Articles of Incorporation, the Rules on Information Control and Prevention of Insider Trading by the Citizen Group, and other internal rules, when such disclosure of information is requested by Directors, Audit & Supervisory Board Members, shareholders, creditors, and other interested parties, by setting up a position of the General Manager of Information Control and an Information Control Section.

- (c) Regulations and other systems relating to management of risks of loss
  - 1) Business strategy risks inherent in significant decision-making made by the Citizen Group through resolutions of the Board of Directors or determinations by the President and CEO or the Directors in charge of respective operations shall be appropriately managed based on careful deliberations at the Management Committee meetings pursuant to the Rules on Management Committee, Affiliates Management Rules, Citizen Code of Conduct, the management policies and management plan, and the like.
  - 2) In addition to 1) above, the Company shall appropriately manage operational risks inherent in processes, the activities of Directors and employees, systems, external events, etc. through risk management based on our Basic Risk Management Regulations.
- (d) System to ensure the efficient performance of Directors' duties
  - 1) The Company shall establish the Management Committee, and shall thoroughly discuss matters to be resolved at the Board of Directors meetings, and other significant matters relating to the management of the Company.
  - 2) Prior to the decision-making by the Board of Directors, sufficient and appropriate information shall be provided to each of the Directors.
  - 3) The Company shall develop a system in which the duties to be performed by, and the authorities and responsibilities of, each Director are specified by internal rules, resolutions of the Board of Directors, or by other similar decisions, and to ensure that all Directors smoothly and effectively perform their duties.
- (e) System to ensure the appropriateness of the Citizen Group's business
  - 1) The Company shall manage or instruct the subsidiaries concerning the development of the management and internal control systems for the subsidiaries pursuant to the Affiliates Management Rules or other similar rules.
  - 2) Regarding individual business activities of the Citizen Group, the Company shall familiarize the Group companies with the management policies and the management plan established by the Company, and shall clearly define the authorities and responsibilities of the Group companies. Each of the Group companies shall independently carry out their management of business in consideration of the features of the industry in which each of the Group companies engages.
  - 3) The Company shall hold meetings or liaison conference, or the like which consists of the Management Committee and other Group companies to share information and enhance the partnerships concerning the significant

matters of business in the Citizen Group.

- 4) The Company shall request that the subsidiaries regularly report to the Company at opportunities such as the Business Control and Management Committee meetings and Watch Group Control Committee meetings regarding whether the business of the subsidiaries is properly performed, and in addition, shall monitor the same by having the Internal Audit Department conduct an audit, etc.
- (f) Matters relating to employees who assist the Audit & Supervisory Board Members in their duties
- 1) At the request of the Audit & Supervisory Board Members for arranging employees who assist the Audit & Supervisory Board Members in their duties, the Company shall arrange auditing personnel with sufficient ability to assist the Audit & Supervisory Board Members in their duties.
  - 2) If the Company arranges for auditing personnel for a request mentioned in 1) above, the relevant auditing personnel shall exclusively engage in assistance with the duties of the Audit & Supervisory Board Members under the direction of the Audit & Supervisory Board Members in order to ensure the independence of such auditing personnel, and the appointment, dismissal or other personnel changes and personnel evaluations and disciplinary dispositions shall be subject to the prior consent of the Audit & Supervisory Board.
- (g) System relating to reporting to the Audit & Supervisory Board Members
- 1) Directors shall report any decisions that could seriously affect the business or the organization, and the results of internal audits of the Group, to the Audit & Supervisory Board without delay.
  - 2) The Directors shall immediately report to the Audit & Supervisory Board if they become aware of any material breach of relevant laws and regulations, the Articles of Incorporation, the Citizen Code of Conduct, or other internal rules, or any wrongdoing, any possible occurrence of such a breach or wrongdoing in connection with the Group's business, or any other fact which could cause material damage to the Company.
  - 3) If any of the employees of the Company and directors, audit & supervisory board members, and employees of a subsidiary of the Company comes to know the fact referred to in 2) above, such an employee of the Company or an audit & supervisory board member of a subsidiary of the Company may directly report that fact to an Audit & Supervisory Board Member of the Company and such a director or an employee of a subsidiary of the Company may, directly or through an audit & supervisory board member of the subsidiary, report that fact to an Audit & Supervisory Board Member of the Company.
  - 4) In addition to 1), 2) and 3) above, Directors and employees of the Company and directors, audit & supervisory board members and employees of its subsidiaries shall timely and appropriately make a business report at the request of the Audit & Supervisory Board Members.
  - 5) The Company shall ensure that a person who made a report referred to in 1) through 4) above to the Audit & Supervisory Board or an Audit & Supervisory Board Member will not be treated in a disadvantageous manner

on the ground that he or she made such a report and take any necessary measures including the development of relevant internal rules.

(h) Other systems to ensure the effectiveness of audits by the Audit & Supervisory Board Members

- 1) The Company shall have the Audit & Supervisory Board Members attend the Board of Directors meetings, Management Committee meetings, and other important meetings.
- 2) In addition to 1) above, the Company shall maintain communication between the Audit & Supervisory Board Members and directors, audit & supervisory board members and employees of the Group companies by holding talks between the Representative Director and the Audit & Supervisory Board Members on a regular basis, while maintaining the fair attitude and independent position of the Audit & Supervisory Board Members, or by other means, and shall assist the Audit & Supervisory Board Members in collecting information necessary for the Audit & Supervisory Board Members to perform their duties and in improving the audit environment.
- 3) Any expenses or obligations arising in the course of performance of duties by Audit & Supervisory Board Members shall be treated appropriately in accordance with the relevant laws and regulations and internal rules.

(2) Summary of the operation status of the system to ensure the appropriateness of the Company's business

(a) Compliance system

The Company is working to promote compliance by establishing the Citizen Code of Conduct as a code of conduct which is applicable in common to all of the companies constituting the Citizen Group, and by thoroughly informing Directors and employees of the Citizen Code of Conduct to enhance their knowledge and awareness of compliance. In addition, we conduct a CSR awareness survey to Directors and employees of the Citizen Group every year to grasp the awareness of CSR and corporate ethics.

(b) System to ensure efficient execution of duties

The Company holds, in principle, a regular meeting of the Management Committee, twice a month, and thoroughly discusses matters to be resolved at the Board of Directors meetings, determined by President and CEO and other significant matters relating to the management of the Company. In addition, the scope of matters to be submitted for deliberation by the Board of Directors and decision criteria have been specified so as to clarify the duties to be performed by, and the authorities and responsibilities of, each Director. At the same time, the Company appoints Operating Officers to commission the performance of duties, allocating the authority and responsibilities pertaining to specific decisions on business execution and thereby ensuring efficient execution of duties.

(c) Audit & Supervisory Board Members' audit system

Audit & Supervisory Board Members attended the Board of Directors meetings, Management Committee meetings and other important meetings to monitor, among

other things, the status of performance of duties and important decision-making processes by Directors and stated their opinions as necessary.

Audit & Supervisory Board Members are putting effort into the coordination of management supervision by holding regular meetings for exchange of opinions with the Representative Director and Independent Auditors, respectively, in addition to holding meetings with Outside Directors. In addition, Audit & Supervisory Board Members confirmed the development and the operation status of the internal control system of the Group by receiving reports on the development and the operation status of the risk management system, the operation status of the whistleblower program and results of monitoring from the Internal Audit Department, the CSR Department, etc., conducting on-site audits, and demanding explanation as necessary. Audit & Supervisory Board Members have put in place a system for communication with audit & supervisory board members of the Group companies, and collect information about, among others, the status of performance of duties by directors of Group companies.

## **2. Corporate Governance**

### **(1) Our corporate governance vision**

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.

### **(2) The Company's organization**

#### **(a) Summary of the Company's organization**

The Company has a Board of Directors, which is comprised of five (5) 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.

#### **(b) 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 fulltime 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, and all Directors and all Audit & Supervisory Board Members attended all of the Board of Directors meetings held during the fiscal year under review.

(c) Nominating Committee and Compensation Committee

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, etc. 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 Nominating Committee meetings were held five (5) times during the fiscal year under review, and all members attended all of the Nominating Committee meetings held during the fiscal year under review.

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. The Compensation Committee meetings were held two (2) times during the fiscal year under review, and all members attended all of the Compensation Committee meetings held during the fiscal year under review.

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.

(d) 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. The Audit & Supervisory Board meetings were held thirteen (13) times during the fiscal year under review, and all members attended all of the Audit & Supervisory Board meetings held during the fiscal year under review.

With respect to the financial audits, the certified public accountants who independently audited the Company are Mr. Shigehiro Chiba and Mr. Tatsuya Oritoya, who are both associates of Nihombashi Corporation. In addition, twelve (12) certified public accountants and seven (7) 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.

Whether to reappoint the Independent Auditors is deliberated and decided by the Audit & Supervisory Board. If the Audit & Supervisory Board does not approve the reappointment of the Independent Auditors, such proposal will be deliberated on at the Ordinary General Meeting of Shareholders pursuant to the Companies Act.

For details of the decision-making policy for the dismissal or non-reappointment of the Independent Auditors, see “IV. INDEPENDENT AUDITORS, 4. Decision Making Policy for Dismissal or Non-reappointment of Independent Auditors.”

Further, the Company has established the Internal Audit Department as an internal audit division and conducts audits in accordance with an annual audit program 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 closely communicate with each other.

(e) Relationship with outside officers

The Citizen Group has no special interest with Outside Directors, Ms. Toshiko Kuboki, Mr. Yoshio Osawa or Mr. Katsuhiko Yoshida, or Outside Audit & Supervisory Board Members, Mr. Noboru Akatsuka or Ms. Yaeko Ishida.

### 3. Sustainability Initiatives

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.

In our business, in addition to basic market competitiveness, we are working to create “Sustainable Products,” which are products and services that contribute to solving major social issues linked to materiality issues and contribute to business growth. In FY2023, we established the criteria for certification of sustainable products in the watches, machine tools, devices and components, and electronic and other products businesses, with reference to the opinions of outside experts. In 2025, we will disclose the percentage of sustainable products in our consolidated net sales, which will be managed as an actual value of sustainable management toward 2030. In addition, the Citizen Group is developing its business based on the concept of “sustainable factories,” which takes into consideration the manufacturing process of products and services. We aim to realize sustainable production facilities and business sites (or business processes) that will comprehensively address compliance, human rights, labor practices, BCP, and productivity improvement, in addition to environmental considerations, throughout the entire value chain by 2030.

Regarding human capital, the Company is working on resolving management issues for advancing management strategy, based on its understanding that it is people that form the foundation of a company’s competitiveness. In recruitment activities, the Company emphasizes industry-ready human resources, including mid-career employees, aiming to strengthen e-commerce and digital marketing and advance strategies for priority regions, including the promising Asian market. Regarding the deployment and development of human resources, the Company conducts talent management, thereby checking the experience and skills of each employee and providing training needed to fill in gaps in its human resource portfolio. With regard to employee engagement, the Company began to conduct an annual employee awareness survey in 2016 to learn more about its employees and takes countermeasures as needed.

The Company actively implements initiatives for health management with an emphasis on health administration for employees and creating comfortable work environments. In March 2024, the Company was recognized as one of the “Health & Productivity Management Outstanding Organizations (White 500)” selected by the Ministry of Economy, Trade and

Industry (METI) and the Japan Health Council. The White 500 is a title given to the top 500 companies in the large corporate sector among those receiving the award.

Concerning intellectual property, the Company has been focusing its efforts on activities for protecting its businesses. In the future, the Company will advance activities that contribute to improving business competitiveness and 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.

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 CO<sub>2</sub> emissions from its factories and offices. To reach that environmental goal, the CITIZEN Group announced its approval to a proposal for the Task Force on Climate-Related Financial Disclosures (TCFD) in FY 2020. It also identified and assessed risks and opportunities related to climate change, using two scenarios of different assumptions of future temperature rises (1.5°C scenario and 4°C scenario) as requested by the TCFD proposal. For risks that have been identified, CO<sub>2</sub> reduction and environmental consideration in products will be promoted with an eye to reducing the risk of the 4°C scenario in which temperature rise progresses and making the 1.5°C scenario, in which targets internationally promised are achieved, come true.

Further, to advance environmentally friendly management as an opportunity common to the two scenarios, the Company is switching to using 100% electricity from renewable energy sources at Tokyo Works and Tokorozawa Works, and installing solar power generation facilities at its domestic and overseas factories, among other measures, in addition to continuing existing energy-saving activities.

Moreover, the greenhouse gas emission reduction target for 2030, as set forth by the Company in CITIZEN Group Environmental Goals 2030, has been recognized by the SBT Initiative as a scientifically based level to achieve the targets of the Paris Agreement, and SBT certification was obtained.

#### **4. Basic Policy Relating to Persons Who Control Decision-making over the Financial and Business Policies of the Company**

##### **(1) Basic Policy**

The mission of the Citizen Group is to provide the best products and services to all citizens around the world, as its name implies. Under its corporate philosophy “Loved by citizens, working for citizens,” the Company has been making its utmost efforts to protect and enhance the corporate value and the common interest of its shareholders, by contributing to the better lives of citizens all over the world through “manufacturing of products that are loved and trusted by citizens.”

The Company believes that persons who control decision-making over its financial and business policies should appropriately and consistently implement the Group’s management strategies with medium- to long-term perspectives, with a good understanding of its corporate philosophy and unique business profiles, thereby achieving the further creation and enhancement of the corporate value and the common interest of its shareholders.

Nonetheless, the Company holds a view that if a large-scale purchase of the Company’s shares occurs, the Company will give consideration as long as such large-scale purchase is beneficial to its corporate value and the shareholders’ common interest, and a decision of acceptance or rejection of the said issue should be made ultimately by its shareholders.



In light of the current legal framework and financial environment, however, it is difficult to deny the possibility of a large-scale purchase that would not be beneficial to the corporate value of the Company or the common interest of its shareholders. Examples of such a largescale purchase would include those that, judging from the objectives and the manner in which large-scale purchases are conducted, do not seek rationalization of the management in good faith and could cause irreparable damage to the Company; those that may in effect force the shareholders to sell their shares of the Company; those that do not provide sufficient time and information for the shareholders and the Board of Directors of the targeted company to examine the purchase conditions, or for the Board of Directors of the targeted company to make alternative proposals; and those that necessitate further negotiation between the targeted company and the large-scale purchaser for the chance of a better bargain than that which has been offered by the purchaser.

The Company considers persons who carry out such large-scale purchases are, exceptionally, not suitable for controlling decision-making over the financial and business policies of the Company. Therefore, to those who intend to conduct large-scale purchases, to secure the corporate value of the Company and the common interest of its shareholders, the Company will request to provide necessary and sufficient information for the shareholders to make appropriate judgements, disclose the opinions of the Board of Directors, etc. and take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations, while striving to keep time and information for shareholders to consider the matter.

(2) Special efforts to implement the Basic Policy

The Company has implemented various measures for the purpose of having many shareholders hold shares in the long run upon understanding the corporate value of the Company.

For example, in March 2022, we established a three-year medium-term management plan, “Medium-term Management Plan 2024” from FY2022 (fiscal year ended March 31, 2023) to FY2024 (fiscal year ending March 31, 2025) (hereinafter the “Management Plan”).

In the Management Plan, under the Group’s medium-term management vision, “Crafting a new tomorrow,” we are focusing on two key strategies: 1) strategies of business portfolio, and 2) promoting the DX strategy and cultivating human resources.

(3) Opinion of the Board of Directors on the efforts mentioned in (2) above and reasons thereof

The purpose of the efforts mentioned in (2) above is to protect and enhance the corporate value and common interest of the shareholders of the Company, which, as a result, will help the Company to implement the Basic Policy. Therefore, the Company believes that such efforts are implemented not for the sake of the Company’s officers maintaining their position, but to comply with the Basic Policy and meet the shareholders’ common interest.

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Note: In this Business Report, all monetary amounts and numbers of shares are rounded down to the specified unit. However, as for ratios, basic earnings per share and net assets per share, fractional amounts are rounded off.

## Consolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>267,741</b>	<b>Current liabilities</b>	<b>75,641</b>
Cash and deposits	81,312	Notes and accounts payable - trade	18,712
Notes and accounts receivable - trade	57,754	Electronically recorded obligations - operating	9,482
Electronically recorded monetary claims - operating	3,056	Notes payable - facilities	115
Merchandise and finished goods	64,977	Electronically recorded obligations - non-operating	2,057
Work in process	26,472	Short-term borrowings	10,077
Raw materials and supplies	24,600	Income taxes payable	2,315
Consumption taxes receivable	2,659	Accrued expenses	12,252
Other	8,178	Provision for bonuses	6,548
Allowance for doubtful accounts	(1,272)	Provision for bonuses for directors (and other officers)	328
		Provision for product warranties	1,264
<b>Non-current assets</b>	<b>147,703</b>	Provision for loss on reorganization	104
<b>Property, plant and equipment</b>	<b>87,987</b>	Other	12,381
Buildings and structures	43,146	<b>Non-current liabilities</b>	<b>83,668</b>
Machinery, equipment and vehicles	18,634	Bonds payable	10,000
Tools, furniture and fixtures	4,477	Long-term borrowings	42,433
Land	10,529	Deferred tax liabilities	5,334
Leased assets	7,722	Provision for loss on reorganization	5
Construction in progress	3,477	Retirement benefit liability	16,777
<b>Intangible assets</b>	<b>5,206</b>	Lease obligations	7,380
Software	4,368	Other	1,737
Other	837	<b>Total liabilities</b>	<b>159,310</b>
<b>Investments and other assets</b>	<b>54,510</b>	<b>NET ASSETS</b>	
Investment securities	46,602	<b>Shareholders' equity</b>	<b>189,156</b>
Long-term loans receivable	182	Share capital	32,648
Deferred tax assets	6,058	Capital surplus	33,739
Other	1,979	Retained earnings	124,466
Allowance for doubtful accounts	(313)	Treasury shares	(1,698)
		<b>Accumulated other comprehensive income</b>	<b>58,502</b>
		Valuation difference on available-for-sale securities	16,561
		Foreign currency translation adjustment	41,558
		Remeasurements of defined benefit plans	382
		<b>Non-controlling interests</b>	<b>8,475</b>
		<b>Total net assets</b>	<b>256,134</b>
<b>Total assets</b>	<b>415,445</b>	<b>Total liabilities and net assets</b>	<b>415,445</b>

Note: Figures are rounded down to the nearest millions of yen.

## Consolidated Statement of Income

From April 1, 2023 to March 31, 2024

(Millions of yen)

Account title	Amount
<b>Net sales</b>	<b>312,830</b>
<b>Cost of sales</b>	<b>181,447</b>
<b>Gross profit</b>	<b>131,383</b>
<b>Selling, general and administrative expenses</b>	<b>106,314</b>
<b>Operating profit</b>	<b>25,068</b>
<b>Non-operating income</b>	<b>7,413</b>
Interest income	1,364
Dividend income	1,292
Rental income	105
Share of profit of entities accounted for using equity method	1,361
Foreign exchange gains	2,879
Subsidy income	81
Other	328
<b>Non-operating expenses</b>	<b>1,670</b>
Interest expenses	334
Bond issuance cost	53
Loss on sale of notes receivable - trade	12
Depreciation of assets for rent	40
Commission for purchase of treasury shares	586
Provision of allowance for doubtful accounts	173
Other	469
<b>Ordinary profit</b>	<b>30,810</b>
<b>Extraordinary income</b>	<b>1,026</b>
Gain on sale of investment securities	554
Gain on sale of shares of subsidiaries	414
Gain on sale of non-current assets	45
Other	12
<b>Extraordinary losses</b>	<b>2,507</b>
Loss on sale of non-current assets	28
Loss on retirement of non-current assets	559
Impairment losses	1,677
Reorganization cost	13
Other	228
<b>Profit before income taxes</b>	<b>29,329</b>
Income taxes - current	8,213
Income taxes - deferred	(1,689)
<b>Profit</b>	<b>22,805</b>
Loss attributable to non-controlling interests	(152)
<b>Profit attributable to owners of parent</b>	<b>22,958</b>

Note: Figures are rounded down to the nearest millions of yen.

## Consolidated Statement of Changes in Equity

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2023	32,648	33,740	150,483	(28,581)	188,290
Changes during period					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(9,809)		(9,809)
Profit attributable to owners of parent			22,958		22,958
Purchase of treasury shares				(12,305)	(12,305)
Disposal of treasury shares		0		22	22
Cancellation of treasury shares		(39,166)		39,166	-
Transfer from retained earnings to capital surplus		39,166	(39,166)		-
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	(26,017)	26,883	865
Balance as of March 31, 2024	32,648	33,739	124,466	(1,698)	189,156

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2023	10,161	25,659	67	35,888	8,596	232,775
Changes during period						
Purchase of shares of consolidated subsidiaries						(0)
Dividends of surplus						(9,809)
Profit attributable to owners of parent						22,958
Purchase of treasury shares						(12,305)
Disposal of treasury shares						22
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	6,400	15,898	315	22,614	(121)	22,493
Total changes during period	6,400	15,898	315	22,614	(121)	23,358
Balance as of March 31, 2024	16,561	41,558	382	58,502	8,475	256,134

Note: Figures are rounded down to the nearest millions of yen.

## Notes to Consolidated Financial Statements

### 1. Notes on premise of going concern

Not applicable

### 2. Basis of presenting the consolidated financial statements

#### (1) Scope of consolidation

##### (a) Number of consolidated subsidiaries 72

The names of main consolidated subsidiaries are Citizen Machinery Co., Ltd., Citizen Finedevice Co., Ltd., Citizen Electronics Co., Ltd. and Citizen Systems Japan Co., Ltd.

Please note that effective from the fiscal year under review, the former consolidated subsidiaries of the Company, East Eagle Watch (Shanghai) Co., LTD, and Citizen Watch do Brasil S.A. have been excluded from the scope of consolidation due to liquidation in the case of the former and the sale of shares in the case of the latter.

##### (b) Status of non-consolidated subsidiaries

The name of a main non-consolidated subsidiary is Citizen Customer Service Co., Ltd.

The reason for exclusion is because the total assets, net sales, profit/loss (equivalent portion for equity holdings), and retained earnings (equivalent portion for equity holdings) of the non-consolidated subsidiary excluded from the scope of consolidation were individually immaterial in comparison to net assets, net sales, profit/loss and retained earnings, as reported on the consolidated financial statements, and also would not materially impact the consolidated financial statements taken together.

#### (2) Application of the equity method

##### (a) Number of non-consolidated subsidiaries under the equity method –

##### (b) Number of affiliates under the equity method 1

The name of affiliates under the equity method is Marubeni Citizen-Cincom Inc.

Please note that effective from the fiscal year under review, the former affiliate of the Company under the equity method First Cainta Resources Corporation has been excluded from the affiliates under the equity method due to the transfer of shares.

##### (c) Status of non-consolidated subsidiaries and affiliates to which the equity method is not applied

The major non-consolidated subsidiary to which the equity method is not applied is Citizen Customer Service Co., Ltd., and the main affiliate to which the equity method is not applied is VELDT Inc.

The reason for non-application is based on the immateriality of the individual impacts of their profit/loss (equivalent portions for equity holdings), retained earnings (equivalent portions for equity holdings), and other financial measures on the consolidated financial statements, and based on the overall lack of importance of each of these companies to the consolidated group.

- (3) Fiscal year of consolidated subsidiaries
- (a) Consolidated subsidiaries whose closing date is different from the closing date for the consolidated financial statements are as follows:
- December 31 49
- (b) When preparing consolidated financial statements, the necessary settlements are made to prepare the financial statements which form the basis for the consolidated financial statements prepared on the consolidated closing date.
- (4) Accounting policies
- (a) Valuation standards and method for major assets
- 1) Securities
- Available-for-sale securities
- Securities other than shares with no market value, etc.....Stated at fair value (valuation differences are reported as components of net assets and the cost of securities sold is primarily calculated based on the moving average method).
- Shares with no market value, etc.....Those without determinable market values are stated at cost based on the moving average method.
- 2) Derivatives
- Derivatives are stated at market value method.
- 3) Inventories
- Inventories are primarily stated at cost on the gross average method (with balance sheet values reflecting write downs for decreased profitability).
- (b) Depreciation and amortization methods used for important depreciable assets
- 1) Depreciation of property, plant and equipment (excluding leased assets) is calculated using the straight-line method.
- Primary useful lives are as follows:
- |                                   |               |
|-----------------------------------|---------------|
| Buildings and structures          | 2 to 60 years |
| Machinery, equipment and vehicles | 1 to 10 years |
- 2) Amortization of intangible assets (excluding leased assets) is calculated using the straight-line method.
- 3) Leased assets are depreciated using the straight-line method.
- (c) Method of accounting for significant deferred assets
- Bond issuance cost
- Amortized in lump sum in the fiscal year in which they occur.
- (d) Basis of accounting for major reserves
- 1) Allowance for doubtful accounts
- In setting aside an allowance for possible losses related to accounts receivable, loans receivable, etc. for the Company and its domestic consolidated subsidiaries, an amount equivalent to the portion judged to be uncollectible is

recorded; ordinary receivables are based on the loan loss ratio, and receivables regarded as doubtful are based on individual evaluation for collectability.

For overseas consolidated subsidiaries, individual receivables are evaluated for collectability and required loss estimates are recorded.

2) Provision for bonuses

In the Company and some consolidated subsidiaries, the provision for bonuses to employees is stated at an amount based on the estimated forthcoming payments.

3) Provision for directors' bonuses

In the Company and some consolidated subsidiaries, the provision for bonuses to directors is stated at an amount based on the estimated forthcoming payments.

4) Provision for product warranties

At some consolidated subsidiaries, certain rates of net sales are provided as an allowance for the possible expenses required for after-sales service of products.

5) Provision for loss on reorganization

An estimated amount is recorded in preparation for expenses or losses associated with business restructuring.

(e) Accounting policy for significant revenues and expenses

The Group primarily manufactures and sells products in the watches business, the machine tools business, the devices and components business, and the electronic and other products business.

The Company primarily deems its performance obligations to be satisfied on the transfer to a customer of control when the product is delivered and recognizes the revenue from sale of the product at that time.

The transaction price is determined at an amount calculated by deducting variable consideration such as sales returns and rebates expected in the future from consideration promised under contracts with customers.

Variable consideration is estimated based on past results and information available as at the end of the fiscal year under review, and reassessed at the end of each period.

Further, the watches business provides membership-based inspection services. With respect to these services, performance obligations for sales of products and performance obligations for services are identified, and revenue is recognized when respective performance obligations are satisfied. Consideration for these performance obligations does not contain any significant financial component, because it is basically paid within one year after the performance obligations are satisfied.

(f) Translation standards of major foreign currency assets or liabilities

Foreign currency amounts are translated into Japanese yen at the spot rate on the consolidated closing date for accounts receivables and accounts payable. The translation adjustments are stated as gains/losses.

In addition, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot rate on the consolidated closing date, whereas revenues and expenses are translated into Japanese yen using the weighted-average

rate. The translation adjustments are included in foreign currency translation adjustment and non-controlling interests in net assets section.

(g) Other important matters for presenting the consolidated financial statements

Accounting treatment regarding retirement benefits

1) The method of attributing expected retirement benefit to periods

With respect to the method of attributing expected retirement benefit to periods up to the end of the fiscal year under review, we adopt benefit formula basis for the calculation of retirement benefit liabilities.

2) Actuarial difference and past service costs

Actuarial difference is recognized as expense starting from the fiscal year following the year in which it occurs and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle).

Past service costs are recognized as expense and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle).

**3. Notes on accounting estimates**

(1) Impairment losses on non-current assets

(a) Amount recorded in consolidated financial statements for the fiscal year under review

(Millions of yen)	
Item	Amount
Impairment losses	1,677

(b) Information of significant accounting estimate relating to identified item

In accounting for non-current assets or asset groups deemed as exhibiting signs of impairment based on factors such as an asset's market price and/or profit or loss resulting from operating activities utilizing the asset, if the total amount of discounted future cash flows obtainable from the asset or asset group falls below the book value, the Group writes down the book value of the non-current asset or asset group up to its recoverable amount and records the amount of the write-down as an impairment loss. The higher of the net selling price and the value in use is used for the recoverable amount. The net selling price is estimated based on the valuation reasonably calculated. The value in use is calculated as the discounted present value of future cash. Future cash flows are calculated based on the business plan approved by the Board of Directors, etc. or market forecasts etc.

The Company gives careful consideration to understanding signs of impairment losses and recognizing and measuring impairment losses. However, if the conditions or assumptions on which the estimates are based were to change due to changes in business plans or market conditions, it could have a material impact on the consolidated financial statements for the following fiscal year.



(2) Valuation of inventories

- (a) Amount recorded in consolidated financial statements for the fiscal year under review

(Millions of yen)

Item	Amount
Merchandise and finished goods	64,977
Work in process	26,472
Raw materials and supplies	24,600

- (b) Information of significant accounting estimate relating to identified item

The Group's inventories consist mainly of inventories related to the Watch business. These are stated at cost using the periodic average method (The amount stated in the balance sheet is calculated using the book value write-down method based on reduction in profitability.) If the net sale price of inventories falls below the book value, the book value is written down to the net sale price, and the amount of the write-down is recorded in cost of sales as loss on valuation of inventories. For inventories such as slow-moving inventory left over from the sales cycle or items for disposal, a write-down rate is set for each item based on a certain number of years elapsed, and their book value is written down on a regular basis.

These estimates are made based on internal inventory disposal rules and past performance data, among other references, and are impacted by factors such as changes in the market environment. As such, they involve uncertainties, and if provisional revision, etc. of estimates using inventory valuation becomes necessary, it could have a material impact on the amount of inventories recorded in the consolidated financial statements for the following fiscal year.

#### 4. Notes on Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment 242,104 million yen

#### 5. Notes on Consolidated Statement of Income

For the fiscal year under review, the Group recognized impairment losses on the asset groups as shown below.

Location	Use	Type
Japan	Manufacturing facilities for fixtures, opto-devices, software, etc.	Tools, furniture and fixtures; machinery, equipment and vehicles; and software, etc.
Switzerland	Manufacturing facilities for watch, etc.	Machinery, equipment and vehicles, etc.
China	Manufacturing facilities for electronic device; and manufacturing facilities for healthcare products, etc.	Machinery, equipment and vehicles; and tools, furniture and fixtures, etc.

The Company and its subsidiaries group their assets into the smallest unit that generates cash flow, which is, in principle, a business unit based on the business classification for managerial accounting purposes. The Group treats some of its consolidated subsidiaries as independent asset groups depending on their size of business. The assets that cannot clearly be associated with specific businesses, such as head office, are treated as corporate assets.

For the fiscal year under review, the book values of assets that were no longer expected to be used in the future, and assets that belonged to businesses with deteriorated profitability were written down to their recoverable amounts, and the amounts of the write-downs were recognized as impairment losses. The total amount of impairment losses presented as

extraordinary losses amounted to 1,677 million yen. The amount consists primarily of 676 million yen for machinery, equipment and vehicles, 393 million yen for tools, furniture and fixtures, 230 million yen for software, 187 million yen for construction in progress, and 87 million yen for buildings and structures.

The recoverable amount is determined based on the net selling price or the value in use. The net selling price is estimated based on the valuation reasonably calculated and the value in use is determined mainly by discounting future cash flows at a discount rate of 8%.

## 6. Notes on Consolidated Statement of Changes in Equity

### (1) Total number of issued shares

Type of shares	No. of shares at the beginning of current fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at the end of current fiscal year
Common shares	294,000,000	–	48,000,000	246,000,000

(Note) The decrease in the total number of issued shares is due to the cancellation of treasury shares.

### (2) Cash dividends

#### (a) Cash dividend payment

#### 1) Dividends approved at the 138th Ordinary General Meeting of Shareholders held on June 28, 2023

- Total amount of dividends 4,923 million yen  
(The amount above includes dividends of 9 million yen for shares of the Company held by the BIP Trust.)
- Dividends per share 19 yen
- Record date March 31, 2023
- Effective date June 29, 2023

#### 2) Dividends approved at the meeting of the Board of Directors held on November 13, 2023

- Total amount of dividends 4,885 million yen  
(The amount above includes dividends of 8 million yen for shares of the Company held by the BIP Trust.)
- Dividends per share 20 yen
- Record date September 30, 2023
- Effective date December 5, 2023

#### (b) Of the cash dividends with record date during the fiscal year under review, those with effective date in the next fiscal year

The following matters will be placed on the agenda at the 139th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 25, 2024.

- Total amount of dividends 4,885 million yen  
(The amount above includes dividends of 8 million yen for shares of the Company held by the BIP Trust.)
- Dividend resource Retained earnings
- Dividends per share 20 yen

- Record date March 31, 2024
- Effective date June 26, 2024

## 7. Notes on financial instruments

### (1) Status on financial instruments

As a Group policy, the Company and consolidated subsidiaries restrict their investments only in short term deposits or the like and obtain funds mainly by borrowing from financial institutions including banks and bond issuance.

The customer credit risk associated with notes and accounts receivable is mitigated in accordance with the internal rules on receivables management procedures of each company belonging to the Group.

The foreign exchange fluctuation risk associated with operating receivables denominated in foreign currencies, arisen from the overseas operations, is partially hedged by employing foreign exchange contract, except for such receivables of which the amounts are below the operating debt denominated in the same foreign currencies.

Investment securities mainly consist of equity securities, and their market prices and the financial conditions of the issuers are periodically monitored.

Loans payable and bonds payable are made for the purpose of working capital, re-financing of long-term liabilities and funds for strategic investments.

Derivatives are utilized solely to avoid the fluctuation risks of foreign exchanges and interest rates, in accordance with the internal management rules of the Company and each subsidiary.

### (2) Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them as of March 31, 2024 were as follows:

(Millions of yen)			
	Consolidated balance sheet amount	Fair value	Differences
i) Investment securities			
Available-for-sale securities	29,426	29,426	–
ii) Long-term loans receivable	182		
Allowance for doubtful accounts (Note 3)	(182)		
	–	–	–
Assets, total	29,426	29,426	–
iii) Bonds payable (including current portion)	10,000	9,974	(26)
iv) Long-term borrowings (including current portion)	52,443	51,800	(643)
Total liabilities	62,443	61,774	(669)
Derivatives (Note 4)	(189)	(189)	–

Notes: 1. Information on “cash and deposits,” “notes and accounts receivable - trade,” “electronically recorded

monetary claims - operating,” “notes and accounts payable -trade,” “electronically recorded obligations - operating,” “electronically recorded obligations - non-operating” and “short-term borrowings” is omitted, since these accounts are cash and are settled or repaid in a short period of time, and therefore, their fair value approximates the book value.

2. Shares with no market price, etc. are not included in “(i) Investment securities.” The consolidated balance sheet amounts of the financial instruments are as follows.

Category	Current fiscal year (Millions of yen)
Unlisted shares	17,175

3. Allowance for doubtful accounts separately recognized in long-term loans receivable is excluded.  
 4. Net receivables and payables arising from derivatives are presented on a net basis, and value of a net payable after totaling of receivables and payables is shown in parentheses.

(3) Components of fair values of financial instruments by level, etc.

Fair values of financial instruments are classified into the following three levels, depending on observability and significance of inputs for determining fair values.

Fair values of Level 1:

Fair value determined based on a quoted market price for the asset or liability whose fair value is measured, which is formed in an active market, out of observable inputs for fair value measurement

Fair values of Level 2:

Fair value determined using inputs for fair value measurement other than Level 1 inputs, out of observable inputs for fair value measurement

Fair values of Level 3:

Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have a significant influence on determination of fair value, the fair value is classified as the lowest priority level of fair value measurement of levels in which each input belongs.

(a) Financial instruments recorded at fair value on the consolidated balance sheet

As of March 31, 2024

Business segment	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	29,426	–	–	29,426
Derivatives				
Currency	–	16	–	16
Total assets	29,426	16	–	29,443
Derivatives				
Currency	–	205	–	205
Total liabilities	–	205	–	205

(b) Financial instruments other than those recorded at fair value on the consolidated balance sheet

As of March 31, 2024

Business segment	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	–	9,974	–	9,974
Long-term borrowings	–	51,800	–	51,800
Total liabilities	–	61,774	–	61,774

Notes: Explanation of valuation techniques used to determine fair values and inputs for fair value measurement

1. Investment securities

Listed shares are measured using the quoted market price. Since listed shares are traded in an active market, their fair value is classified as Level 1 fair value.

2. Derivatives

The fair value of forward exchange contracts is measured by the discounted cash flow method using observable inputs such as interest rates and foreign exchange rates, and is classified as Level 2 fair value.

3. Bonds payable

Fair value of bonds payable issued by the Company is determined based on the total of principal and interest as well as the interest rate taking into account the remaining period and credit risk of the bonds payable, using the discounted cash flow method, and is classified as Level 2 fair value.

4. Long-term borrowings

Fair value of long-term borrowings is determined based on the total of principal and interest as well as the interest rate taking into account the remaining period and credit risk of the borrowings, using the discounted cash flow method, and is classified as Level 2 fair value.

## 8. Notes on revenue recognition

### (1) Information on disaggregation of revenue from contracts with customers

(Millions of yen)

	Watches	Machine Tools	Devices and Components	Electronic and Other Products	Total
Japan	27,522	19,462	23,178	12,382	82,545
Asia	35,773	19,931	12,605	3,224	71,535
United States of America	72,513	8,800	2,258	2,147	85,720
Europe	28,015	32,799	4,434	4,665	69,914
Others	2,240	635	10	28	2,914
Revenue from contracts with customers	166,065	81,629	42,487	22,448	312,630
Other revenue	140	–	–	59	199
Revenues from external customers	166,205	81,629	42,487	22,507	312,830

(Note) Other revenue represents revenue, etc. based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).

### (2) Information forming the basis for understanding revenue

Information forming the basis for understanding revenue is as stated in “2. Basis of presenting the consolidated financial statements (4) Accounting policies (e) Accounting policy for significant revenues and expenses.”

### (3) Information for understanding the amount of revenue in the fiscal year under review and the following fiscal years

Information on relationship between satisfaction of performance obligations under contracts with customers and cash flows arising from the contracts as well as the amount and timing of revenue that is expected to be recognized in the following fiscal years from contracts with customers existing at the end of the fiscal year under review

#### (a) The balance of contract liabilities

(Millions of yen)

	Fiscal year under review
Contract liabilities	1,631

In the consolidated balance sheet, contract liabilities are included in “other.” Contract liabilities are recognized, mainly in the case where consideration for a transaction for sales of products is received as advances received before the delivery of the products, and where consideration for a transaction in membership-based inspection services in the watches business is received in advance in lump sum at the time of selling the products, and other cases. Contract liabilities are reversed along with the recognition of revenue.

Of revenue recognized during the fiscal year under review, the amount included in the balance of contract liabilities as at the beginning of the year was 1,978 million yen.

(b) Transaction price allocated to remaining performance obligations

The Group applies the practical expedient in providing a note on transaction prices allocated to remaining performance obligations, and excludes contracts with an initial expected contract period of one year or less from the scope of note disclosure. The total amount of transaction prices allocated to remaining performance obligations and period in which revenue is expected to be recognized are as follows.

(Millions of yen)	
	Fiscal year under review
Within 1 year	95
Over 1 year	365
Total	460

## 9. Notes on per share information

Net assets per share 1,015.74 yen

Basic earnings per share 93.60 yen

Note: Net assets per share was calculated using the number of shares by deducting the number of treasury shares at the period end and the number of shares at the period end held by the BIP trust from the total number of shares issued at the period end. Basic earnings per share was calculated using the number of shares by deducting the average number of treasury shares during the period and the average number of shares during the period held by the BIP trust from the average total number of shares issued during the period.

For the fiscal year under review, the average number of shares during the period held by the BIP trust was 459,171, and the number of shares at the period end held by the BIP trust was 449,254.

## 10. Other notes

(1) Additional information

Performance-linked stock compensation plan

(a) Overview of the plan

From the fiscal year under review, the Company has introduced a new performance-linked stock compensation plan (hereinafter “the Plan”) for directors of the Company (excluding Outside Directors and Directors that are non-residents of Japan. Hereinafter “Directors”). The purpose is to clarify the link between Directors’ compensation and share value of the Company and raise awareness of making a contribution to enhancing the medium- to long-term results and increasing corporate value.

A mechanism called the officer compensation Board Incentive Plan (BIP) trust (hereinafter the “BIP trust”) will operate the Plan. The BIP trust will deliver and provide to Directors the Company’s shares and money equivalent to the converted cash of the Company shares in accordance with their title and level of achievement, like a performance-linked stock compensation (Performance Share) plan and a transfer restricted stock compensation (Restricted Stock) plan in the U.S.

(b) The number of residual shares of the Company in the BIP trust

The residual shares of the Company in the BIP trust were presented as treasury shares in the net assets section. At the end of the fiscal year under review, the book value

and the number of such treasury shares were 286 million yen and 449,254 shares, respectively.

- (2) Figures are rounded down to the nearest millions of yen. However, as for ratios, net assets per share and basic earnings per share, fractional amounts are rounded off.



**Non-Consolidated Balance Sheet**  
(As of March 31, 2024)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>72,814</b>	<b>Current liabilities</b>	<b>47,042</b>
Cash and deposits	12,345	Accounts payable - trade	7,890
Notes receivable - trade	93	Electronically recorded obligations - operating	1,550
Electronically recorded monetary claims - operating	189	Electronically recorded obligations - non-operating	515
Accounts receivable - trade	12,623	Current portion of long-term borrowings	10,000
Finished goods	14,244	Accounts payable - other	991
Work in process	202	Accrued expenses	2,389
Raw materials	291	Deposits received	20,986
Consumption taxes receivable	713	Provision for bonuses	886
Short-term loans receivable	26,065	Provision for bonuses for directors (and other officers)	95
Accounts receivable - other	4,957	Provision for loss on reorganization	6
Income taxes receivable	357	Other current liabilities	1,730
Other current assets	1,342	<b>Non-current liabilities</b>	<b>58,486</b>
Allowance for doubtful accounts	(612)	Bonds payable	10,000
<b>Non-current assets</b>	<b>156,661</b>	Long-term borrowings	42,000
<b>Property, plant and equipment</b>	<b>13,640</b>	Deferred tax liabilities	3,107
Buildings and structures	9,010	Provision for retirement benefits	3,176
Machinery and equipment	1,003	Provision for share awards for directors (and other officers)	168
Vehicles	0	Provision for loss on reorganization	5
Tools, furniture and fixtures	206	Asset retirement obligations	25
Land	3,359	Long-term lease obligations	2
Leased assets	3	Other non-current liabilities	1
Construction in progress	58	<b>Total liabilities</b>	<b>105,529</b>
<b>Intangible assets</b>	<b>1,534</b>	<b>NET ASSETS</b>	
Software	1,527	<b>Shareholders' equity</b>	<b>107,543</b>
Other intangible assets	7	<b>Share capital</b>	<b>32,648</b>
<b>Investments and other assets</b>	<b>141,486</b>	<b>Capital surplus</b>	<b>36,029</b>
Shares of subsidiaries and associates	102,728	Legal capital surplus	36,029
Investment securities	38,461	<b>Retained earnings</b>	<b>40,563</b>
Long-term loans receivable	182	Other retained earnings	40,563
Long-term prepaid expenses	130	Reserve for tax purpose reduction entry	285
Other investments and other assets	292	Retained earnings brought forward	40,277
Allowance for doubtful accounts	(309)	<b>Treasury shares</b>	<b>(1,698)</b>
		<b>Valuation and translation adjustments</b>	<b>16,403</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>16,403</b>
		<b>Total net assets</b>	<b>123,946</b>
<b>Total assets</b>	<b>229,476</b>	<b>Total liabilities and net assets</b>	<b>229,476</b>

Note: Figures are rounded down to the nearest millions of yen.

## Non-Consolidated Statement of Income

From April 1, 2023 to March 31, 2024

(Millions of yen)

Account title	Amount
<b>Net sales</b>	<b>95,311</b>
<b>Cost of sales</b>	<b>71,479</b>
<b>Gross profit</b>	<b>23,832</b>
<b>Selling, general and administrative expenses</b>	<b>22,008</b>
<b>Operating profit</b>	<b>1,823</b>
<b>Non-operating income</b>	<b>28,881</b>
Interest income	187
Dividend income	26,699
Rental income	45
Foreign exchange gains	1,934
Other	14
<b>Non-operating expenses</b>	<b>1,342</b>
Interest expenses	302
Loss on sale of notes receivable - trade	12
Provision of allowance for doubtful accounts	201
Commission for syndicated loans, etc.	45
Commission for purchase of treasury shares	586
Other	194
<b>Ordinary profit</b>	<b>29,361</b>
<b>Extraordinary income</b>	<b>563</b>
Gain on sale of non-current assets	2
Gain on sale of investment securities	554
Gain on sale of shares of subsidiaries and associates	6
<b>Extraordinary losses</b>	<b>2,578</b>
Loss on sale of non-current assets	1
Loss on retirement of non-current assets	322
Impairment losses	302
Loss on sale of shares of subsidiaries and associates	83
Loss on valuation of shares of subsidiaries and associates	1,130
Transfer pricing taxation adjustment	737
<b>Profit before income taxes</b>	<b>27,346</b>
Income taxes - current	(350)
Income taxes - deferred	(888)
<b>Profit</b>	<b>28,584</b>

Note: Figures are rounded down to the nearest millions of yen.

## Non-Consolidated Statement of Changes in Equity

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				Reserve for tax purpose reduction entry	Retained earnings brought forward		
Balance as of April 1, 2023	32,648	36,029	–	36,029	285	60,667	60,953
Changes during period							
Dividends of surplus						(9,809)	(9,809)
Profit						28,584	28,584
Purchase of treasury shares							
Disposal of treasury shares			0	0			
Cancellation of treasury shares			(39,166)	(39,166)			
Transfer from retained earnings to capital surplus			39,166	39,166		(39,166)	(39,166)
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	–	–	(20,390)	(20,390)
Balance as of March 31, 2024	32,648	36,029	–	36,029	285	40,277	40,563

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2023	(28,581)	101,051	10,061	10,061	111,112
Changes during period					
Dividends of surplus		(9,809)			(9,809)
Profit		28,584			28,584
Purchase of treasury shares	(12,305)	(12,305)			(12,305)
Disposal of treasury shares	22	22			22
Cancellation of treasury shares	39,166	–			–
Transfer from retained earnings to capital surplus		–			–
Net changes in items other than shareholders' equity			6,341	6,341	6,341
Total changes during period	26,883	6,492	6,341	6,341	12,834
Balance as of March 31, 2024	(1,698)	107,543	16,403	16,403	123,946

Note: Figures are rounded down to the nearest millions of yen.

## Notes to Non-Consolidated Financial Statements

### 1. Notes on premise of going concern

Not applicable

### 2. Notes on major accounting policies

#### (1) Valuation standards and method for marketable securities

- (a) Shares of subsidiaries and affiliates are stated at cost based on the moving average method.
- (b) Available-for-sale securities  
Securities other than shares with no market value, etc.

Those with determinable market values are stated at market value method. (Valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method).

Shares with no market value, etc.

Those without determinable market values are stated at cost based on the moving average method.

#### (2) Valuation standards for derivatives

Derivatives are stated at market value method.

#### (3) Valuation standards and method for inventories

Inventories are stated at cost on the gross average method (with balance sheet values reflecting write downs for decreased profitability).

#### (4) Depreciation methods used for non-current assets

- (a) Depreciation of property, plant and equipment (excluding leased assets)

Calculated using the straight-line method.

Primary useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	1 to 10 years

- (b) Amortization of intangible assets (excluding leased assets)

Calculated using the straight-line method.

- (c) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership of the leased assets to the lessee are depreciated using the straight-line method with useful lives equal to lease terms and zero residual values.

#### (5) Basis of accounting for reserves

- (a) Allowance for doubtful accounts

In setting aside an allowance for possible losses related to accounts receivable, loans receivable, etc., an amount equivalent to the portion judged to be uncollectible is recorded; ordinary receivables are based on the loan loss ratio, and receivables regarded as doubtful are based on individual evaluation for collectability.

- (b) Provision for bonuses  
The provision for bonuses is stated at an amount based on the estimated forthcoming payments.
- (c) Provision for bonuses for directors (and other officers)  
The provision for bonuses to directors is stated at an amount based on the estimated forthcoming payments.
- (d) Provision for retirement benefits  
The provision for defined retirement benefits is stated at the amount deemed to be correct as of the end of the fiscal year under review. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets as of the end of the fiscal year under review. The Company has established a retirement benefits trust.
  - 1) The method of attributing expected retirement benefit to periods  
With respect to the method of attributing expected retirement benefit to periods up to the end of the fiscal year under review, we adopt benefit formula basis for the calculation of retirement benefit liabilities.
  - 2) Actuarial difference and past service costs  
Actuarial difference is recognized as expense starting from the fiscal year following the year in which it occurs and amortized over an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle).  
  
Past service costs are recognized as expense and amortized over on an average remaining service period of employees at the time of accrual (five years with the declining-balance method in principle).
- (e) Provision for share awards for directors (and other officers)  
Provision for share awards for directors (and other officers) is provided based on the estimated amount of stock benefit obligation as of the end of the fiscal year under review in order to prepare for granting shares of the Company's stock to Directors (excluding Outside Directors and Directors who are non-residents of Japan) in accordance with the share delivery regulations.
- (f) Provision for loss on reorganization  
An estimated amount is recorded in preparation for expenses or losses associated with business restructuring.
- (6) Accounting policy for significant revenues and expenses  
The Company primarily manufactures and sells watch products. The Company primarily deems its performance obligations to be satisfied on the transfer to a customer of control when the product is delivered and recognizes the revenue from sale of the product at that time. In addition, the Company provides membership-based inspection services. With respect to these services, performance obligations for sales of products and performance obligations for services are identified, and revenue is recognized when respective performance obligations are satisfied.
- (7) Method of accounting for deferred assets  
Bond issuance cost  
Amortized in lump sum in the fiscal year in which they occur.

(8) Method of accounting for retirement benefits

The accounting treatment for the balance of unrecognized actuarial differences and unrecognized past service costs for retirement benefits is different to the treatment for these items in the consolidated financial statements.

**3. Notes on accounting estimates**

(1) Impairment losses on non-current assets

(a) Amount recorded in financial statements for the fiscal year under review

(Millions of yen)

Item	Amount
Impairment losses	302

(b) Information of significant accounting estimate relating to identified item

The same as the content stated in “3. Notes on accounting estimates (1) Impairment losses on non-current assets” of the Notes to Consolidated Financial Statements.

(2) Valuation of inventories

(a) Amount recorded in financial statements for the fiscal year under review

(Millions of yen)

Item	Amount
Finished goods	14,244
Work in process	202
Raw materials	291

(b) Information of significant accounting estimate relating to identified item

The same as the content stated in “3. Notes on accounting estimates (2) Valuation of inventories” of the Notes to Consolidated Financial Statements.

**4. Notes on Non-Consolidated Balance Sheet**

(1) Short-term monetary claims from subsidiaries and associates	40,055 million yen
Short-term monetary liabilities to subsidiaries and associates	27,770 million yen
Long-term monetary claims from subsidiaries and associates	229 million yen
(2) Accumulated depreciation of property, plant and equipment	29,041 million yen
(3) Guarantee obligation	
Guarantees for real estate lease agreement of subsidiaries and associates	42 million yen
Concurrent obligations for payments for electronic monetary claims transactions of subsidiaries and associates	1,471 million yen

**5. Notes on Non-Consolidated Statement of Income**

(1) Transactions with subsidiaries and associates

(a) Net sales concerning subsidiaries and associates	52,783 million yen
(b) Purchases from subsidiaries and associates	75,804 million yen
(c) Other operating transaction with subsidiaries and associates	18,711 million yen
(d) Non-operating transaction with subsidiaries and associates	26,623 million yen

(2) Transfer pricing taxation adjustment

Based on the agreement of mutual consultation regarding the application for prior confirmation on transfer pricing, the Company made adjustments related to prior year transactions paid by the Company to its overseas consolidated subsidiaries, which were recorded as “Transfer pricing taxation adjustment” of 737 million yen in the current fiscal year under extraordinary losses. There is no impact on the consolidated statement of income since the “transfer pricing taxation adjustment” is eliminated in the consolidated financial statements.

**6. Notes on Non-Consolidated Statement of Changes in Equity**

Type and total number of treasury shares as of the end of the fiscal year under review

Type of shares	No. of shares at the beginning of current fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at the end of current fiscal year
Common shares	35,334,190	14,879,042	48,034,631	2,178,601

Notes:

1. The 14,879,042 share increase in treasury shares resulted from the increase of 14,875,100 shares through market purchases and the increase of 3,942 shares through the purchase of shares less than one unit.
2. The 48,034,631 share decrease in treasury shares resulted from a reduction of 48,000,000 shares due to cancellation of treasury stock, reduction of 34,508 shares due to the granting and sale of shares of the Company’s stock by the Board Incentive Plan (BIP) Trust to persons who were Directors, and additional sale of 123 shares, which were less than one unit, to shareholders.
3. The number of shares at the beginning of the current fiscal year includes 483,762 shares held by the BIP trust.
4. The number of shares at the end of the current fiscal year includes 449,254 shares held by the BIP trust.

## 7. Notes on tax effect accounting

- (1) Breakdown of deferred tax assets and deferred tax liabilities by the cause of its occurrence

### Deferred tax assets

Shares of subsidiaries and associates and investment securities	15,800 million yen
Provision for retirement benefits	1,560 million yen
Depreciable assets	1,299 million yen
Loss carryforward	1,982 million yen
Other	1,879 million yen
<b>Subtotal</b>	<b>22,522 million yen</b>
Valuation allowance for tax loss carryforward (Note)	(1,247) million yen
Valuation allowance for the total of deductible temporary differences, etc.	(18,726) million yen
<b>Valuation allowance</b>	<b>(19,973) million yen</b>
<b>Total</b>	<b>2,549 million yen</b>

### Deferred tax liabilities

Valuation difference on available-for-sale securities	(5,517) million yen
Other	(138) million yen
<b>Total</b>	<b>(5,656) million yen</b>
<b>Net deferred tax liabilities</b>	<b>(3,107) million yen</b>

(Note) Valuation allowance for tax loss carryforward

(Millions of yen)

	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 year within 5 years	Over 5 years	Total
Tax loss carryforward (*)	–	184	7	–	16	1,775	1,982
Valuation allowance	–	(88)	(7)	–	(16)	(1,136)	(1,247)
Deferred tax assets	–	96	–	–	–	639	735

\* Tax loss carryforward is the amount obtained by multiplying by the effective statutory tax rate.

- (2) Accounting for corporate and local income taxes or tax effect accounting related to these taxes

The Company has adopted the group tax sharing system. In accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021), the Company accounted for income taxes and local income taxes or tax effect accounting related to these taxes and made disclosures.

## 8. Notes on revenue recognition

Information forming the basis for understanding revenue from contracts with customers is omitted, because the same information has been provided in “2. Notes on major accounting policies (6) Accounting policy for significant revenues and expenses.”



## 9. Notes on transactions with related parties

Attribute	Name	Voting rights or ownership	Relationship		Transactions	Transaction amount (Millions of yen)	Item	Balance at the year end (Millions of yen)
			No. of interlocking directors	Business relations				
Subsidiary	Citizen Watch Manufacturing Co., Ltd.	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	32,401	Accounts payable - trade	3,189
					Purchase of raw materials on behalf of others (Note) 1	8,954	Accounts receivable - other	1,300
					Lending of money (Note) 2, 3	2,116	Short-term loans receivable	7,825
Subsidiary	Sunciti Manufacturers Ltd.	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	16,966	Accounts payable - trade	963
					Purchase of raw materials on behalf of others (Note) 1	3,505	Accounts receivable - other	918
Subsidiary	Civis Manufacturing Limited	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	14,627	Accounts payable - trade	989
					Purchase of raw materials on behalf of others (Note) 1	2,105	Accounts receivable - other	726
Subsidiary	Royal Time Citi Co., Ltd.	Ownership (direct) 87.44%	-	Manufacturing of the products of the Company	Purchase of products (Note) 1	10,422	Accounts payable - trade	518
					Purchase of raw materials on behalf of others (Note) 1	2,004	Accounts receivable - other	624
Subsidiary	Citizen Watch Company of America, Inc.	Ownership (direct) 100%	-	Sales of the products of the Company	Sales of products (Note) 1	24,439	Accounts receivable - trade	3,289
					Dividend income	6,611	-	-
Subsidiary	Citizen Machinery Co., Ltd.	Ownership (direct) 100%	2	Control /management of business activities Leasing of real estate, etc.	Dividend income	9,332	-	-
					Lending of money (Note) 2, 3	4,259	Short-term loans receivable	13,593
Subsidiary	Citizen Electronics Co., Ltd.	Ownership (direct) 79.33%	2	Control /management of business activities	Lending of money (Note) 2, 3	938	Deposits received	12,723
Subsidiary	TOKYO BIJUTSU Co., Ltd.	Ownership (direct) 71.86%	2	Control /management of business activities	Collecting of money (Note) 2, 3	259	Deposits received	3,481

Notes: Business terms and decision-making policy of business terms, etc.

1. Purchase and sales of products and purchase of raw materials on behalf of others are determined in accordance with price negotiating that gives consideration to market prices, etc.
2. The interest rates for lending and collecting money shall be determined in view of the market interest rates.

3. The amount of transaction through the lending and collecting of money is the amount arising from transactions under the CMS (cash management system), and the amount stated is the increase/decrease (net amount) during the fiscal year under review.

## 10. Notes on per share information

Net assets per share	508.35 yen
Basic earnings per share	116.54 yen

Note: Net assets per share was calculated using the number of shares by deducting the number of treasury shares at the period end and the number of shares at the period end held by the BIP trust from the total number of shares issued at the period end. Basic earnings per share was calculated using the number of shares by deducting the average number of treasury shares during the period and the average number of shares during the period held by the BIP trust from the average total number of shares issued during the period.

For the fiscal year under review, the average number of shares held by the BIP trust during the period was 459,171, and the number of shares held by the BIP trust at the period end was 449,254.

## 11. Other notes

(1) Additional information

(Performance-linked stock compensation plan)

The note on the transactions in which shares of the Company are delivered to Directors, etc. through a trust is omitted as the same description can be found in “10. Other notes” of the Notes to Consolidated Financial Statements

(2) Figures are rounded down to the nearest millions of yen. However, as for ratios, net assets per share and basic earnings per share, fractional amounts are rounded off.

## Financial Audit Report on Consolidated Financial Statements

### Independent Auditors' Report on Consolidated Financial Statements

May 22, 2024

To the Board of Directors of Citizen Watch Co., Ltd.

Nihombashi Corporation  
Chuo-ku, Tokyo  
Shigehiro Chiba  
Designated Partner and Engagement  
Partner, C.P.A.  
Tatsuya Oritoya  
Designated Partner and Engagement  
Partner, C.P.A.

#### *Opinion*

Pursuant to the provisions of Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements of Citizen Watch Co., Ltd. (the "Company") for the fiscal year from April 1, 2023 to March 31, 2024. These statements comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group consisted of the Company and its consolidated subsidiaries as of March 31, 2024, and the consolidated results of its operations for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is further stated in the Auditor's responsibility for the audit of the consolidated financial statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

#### *Other Information*

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

*Responsibility of management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. The responsibility includes designing, implementing and maintaining internal control, judged by the management as necessary for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for monitoring the Directors' performance of duties related to maintenance and operation the financial reporting process.

*Auditor's responsibility for the audit of the consolidated financial statements*

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent point of view in an auditor's report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or in the aggregate, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures responsive to those risks. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Assess the appropriateness of accounting policies adopted by management and their method of application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes thereto.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we determine that there is a significant uncertainty concerning the premise of a going concern, we are required to call attention to the notes to the consolidated financial statements in our auditor's report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, to issue a qualified opinion with exceptions on the consolidated financial statements. While our conclusions are based on the audit evidence obtained up to the date of our auditor's report, depending on future events or conditions, the Company may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, assess whether the presentation, structure, and content of the consolidated financial statements including related notes thereto, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. We are responsible for the instruction, supervision, and performance of the audit of the consolidated financial statements, and remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, material audit findings including any material

weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

We also report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements as well as matters that are reasonably considered to have an impact on the auditor's independence and where applicable, convey details of measures taken in order to eliminate obstruction factors or safeguards that applied in order to reduce obstruction factors to acceptable levels.

*Interest*

We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Financial Audit Report on Non-Consolidated Financial Statements

### Independent Auditors' Report on Non-Consolidated Financial Statements

May 22, 2024

To the Board of Directors of Citizen Watch Co., Ltd.

Nihombashi Corporation  
Chuo-ku, Tokyo  
Shigehiro Chiba  
Designated Partner and Engagement  
Partner, C.P.A.  
Tatsuya Oritoya  
Designated Partner and Engagement  
Partner, C.P.A.

#### *Opinion*

Pursuant to the provisions of Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements and the supplementary schedules (hereinafter the "Financial Statements, etc.") of Citizen Watch Co., Ltd. (the "Company") for the 139th business term from April 1, 2023 to March 31, 2024. The non-consolidated financial statements comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements.

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is further stated in the Auditor's responsibility for the audit of the Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and are fulfilling other ethical responsibilities in accordance with these requirements. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

#### *Other Information*

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the non-consolidated financial statements, etc. does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the non-consolidated financial statements, etc. is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the non-consolidated financial statements, etc. or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

*Responsibility of management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements, etc.*

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. in accordance with accounting principles generally accepted in Japan. The responsibility includes designing, implementing and maintaining internal control, judged by the management as necessary for the preparation and fair presentation of the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for monitoring the Directors' performance of duties related to maintenance and operation the financial reporting process.

*Auditor's responsibility for the audit of the Financial Statements, etc.*

Our responsibility is to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the Financial Statements, etc. from an independent point of view in our auditor's report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or in the aggregate, influence the decisions of users taken on the basis of the Financial Statements, etc.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures responsive to those risks. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit of the Financial Statements, etc. in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the Financial Statements, etc. is not expressing an opinion on the effectiveness of the Company's internal control.
- Assess the appropriateness of accounting policies adopted by management and their method of application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes thereto.
- Determine whether it is appropriate for management to prepare the Financial Statements, etc. on the premise of a going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we determine that there is a significant uncertainty concerning the premise of a going concern, we are required to call attention to the notes to the Financial Statements, etc. in our auditor's report, or if the notes to the Financial Statements, etc. pertaining to the significant uncertainty are inappropriate, to issue a qualified opinion with exceptions on the Financial Statements, etc. While our conclusions are based on the audit evidence obtained up to the date of our auditor's report, depending on future events or conditions, the Company may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the Financial Statements, etc. are in accordance with accounting standards generally accepted in Japan, assess whether the presentation, structure, and content of the Financial Statements, etc. including related notes thereto, and whether the Financial Statements, etc. fairly present the transactions and accounting events on which they are based.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, material audit findings including any material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

We also report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements as well as matters that are reasonably considered to have an impact on the auditor's independence and where applicable, convey details of measures taken in order to eliminate obstruction factors or safeguards that applied in order to reduce obstruction factors to acceptable levels.

*Interest*

We or engagement partners have no interests in the Company, which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



## Audit Report of the Audit & Supervisory Board

### Audit Report

With regard to the performance of the Directors' duties for the 139th business term from April 1, 2023 to March 31, 2024, we have prepared this Audit Report, with the uniformed opinion of all Audit & Supervisory Board Members, after examining the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

1. Auditing Methods of the Audit & Supervisory Board Members and Audit & Supervisory Board, and Details of Such Audits
  - (1) We established the audit policy, allocation of duties, and other relevant matters, and we received reports from each Audit & Supervisory Board Member regarding the status of their audits and the results thereof. We also received reports from the Directors and others, and the Independent Auditors regarding the performance of their duties, and asked them to provide explanations when needed.
  - (2) According to the audit standards, each Audit & Supervisory Board Member conformed to the audit policy and allocation of duties and other relevant matters prescribed by the Audit & Supervisory Board; maintained communications with the Directors, the internal audit division, employees, and others; made efforts to establish an environment for collecting information and auditing; and implemented auditing in the following manner.
    - (a) We attended the Board of Directors meetings and other important meetings; received reports from the Directors, employees and others on the performance of their duties; asked the Directors, employees and others to provide explanations when needed; reviewed important written decisions and other items; and studied the business and financial conditions of the Company at its head office, etc.
    - (b) We have periodically received reports from Directors and employees, among others, required explanation when necessary, and provided opinions with respect to matters mentioned in the business report. Such matters consist of the details of the resolution of the Board of Directors regarding the development of a system established to ensure that the Directors perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation and other systems stipulated in Article 100, paragraphs (1) and (3) of the Enforcement Regulations of the Companies Act, which are necessary to ensure the appropriateness of the operations of the Corporate Group comprised of the Company and its subsidiaries, as well as the status of operations regarding the system developed under such resolution (the "internal control system").

With respect to internal control over financial reporting, we received reports from Directors and Nihombashi Corporation regarding the evaluation and status of audit of the internal control, and asked them to provide explanations when needed.
    - (c) Regarding the Basic Policy Relating to Persons who Control Decision-making over the Financial and Business Policies of the Company mentioned in the Business Report, we also considered the contents in light of the circumstances, etc. of deliberations by the Board of Directors and other bodies.

- (d) With respect to subsidiaries, the Full-Time Audit & Supervisory Board Member concurrently served as audit & supervisory board member of the important subsidiaries, and in addition to attending meeting of the important subsidiaries including meetings of the board of directors, maintained communications and exchanged information with directors, audit & supervisory board members, and others of subsidiaries, and received business reports from subsidiaries when needed. From the standpoint of group auditing, the Full-Time Audit & Supervisory Board Member regularly held the Group Audit & Supervisory Board Members' Liaison Meetings attended by the full-time audit & supervisory board members of the Group companies, maintained communications, shared information, and exchanged opinions.
- (e) We monitored and examined whether the Independent Auditors performed proper audits while retaining their independence, and received reports from the Independent Auditors on the performance of their duties and asked them to provide explanations when needed. In addition, we were notified by the Independent Auditors that the "system to ensure proper performance of its duties" (matters stipulated in items in Article 131 of the Company Accounting Regulations) has been developed in accordance with the "Quality Control Standards for Audits" (issued by the Business Accounting Council), and other relevant standards, and we asked the Independent Auditors to provide explanations when needed.

Based on the above methods, we reviewed the business report and its supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for this business term.

## 2. Audit Results

### (1) Audit Results of Business Report and Other Documents

- (a) We are of the opinion that the Business Report and the supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Articles of Incorporation.
- (b) We have found no significant evidence of wrongful acts or violations of relevant laws and regulations or the Articles of Incorporation with regard to the Directors' performance of their duties.
- (c) We are of the opinion that the resolutions of the Board of Directors regarding the internal control system are proper and correct. Furthermore, with respect to the internal control system in question, we have confirmed that its architecture and operations are being continually improved. We have found no matters which we need to point out regarding the details described in the Business Report and the Directors' performance of their duties in connection with the relevant internal control system and the internal control over financial reporting.

- (d) We have found no matters which we need to point out regarding the Basic Policy Relating to Persons who Control Decision-making over the Financial and Business Policies of the Company mentioned in the Business Report. We are of the opinion that the Company's efforts based on such Basic Policy do not impair the common interests of the Company's shareholders, and do not aim to protect the officers' positions in the Company.
- (2) Audit Results of Non-Consolidated Financial Statements and Supplementary Schedules  
We are of the opinion that the methods and results of the audit made by the Independent Auditors, Nihombashi Corporation, are appropriate.
- (3) Audit Results of Consolidated Financial Statements  
We are of the opinion that the methods and results of the audit made by the Independent Auditors, Nihombashi Corporation, are appropriate.

May 30, 2024

The Audit & Supervisory Board  
Citizen Watch Co., Ltd.

Noboru Akatsuka  
Full-time Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Kazunori Yanagi  
Full-time Audit & Supervisory Board Member

Yaeko Ishida  
Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)