

Ticker Code: 7762

June 6, 2023

Start date of measures for electronic provision: May 27, 2023

NOTICE OF THE 138th 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 138th 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 (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 Tuesday June 27, 2023.

[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: 10:00 a.m. on Wednesday, June 28, 2023

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

2. Place: Citizen Watch Tokyo Works, Conference Room
6-1-12 Tanashi-cho, Nishitokyo, Tokyo

3. Agenda:

Items to be reported:

Item 1: Business Report, Consolidated Financial Statements, and Audit Report on the Consolidated Financial Statements by the Independent Auditors and Audit & Supervisory Board for the 138th term (April 1, 2022 to March 31, 2023)

Item 2: Report on the Non-consolidated Financial Statements for the 138th term (April 1, 2022 to March 31, 2023)

Items to be resolved:

<Company Proposals> (Item 1 to Item 3)

Item 1: Appropriation of Surplus

Item 2: Election of Eight (8) Directors

Item 3: Election of One (1) Audit & Supervisory Board Member

<Shareholder Proposals> (Item 4 to Item 13)

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: Election of a Director

Item 12: Dismissal of a Director

Item 13: Dismissal of an Audit & Supervisory Board Member

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.

• If you attend in person, please submit the enclosed Voting Right Exercise Form to the reception desk.

• In case of any revision to the items subject to measures of electronic provision, we will post the revision on the respective websites where the information is posted.

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 19.00 yen per share as shown below. This payment, combined with the interim dividend of 15.00 yen per share, will bring the total annual cash dividend for this fiscal year to 34.00 yen per share.

1. Type of dividend

Cash

2. Allotment and total amount of dividend

19.00 yen per common share of the Company

Total amount of dividends: 4,923,841,868 yen

3. Effective date of dividends from surplus

June 29, 2023

(Reference)

	136 th (FY2020)	137 th (FY2021)	138 th (current term) (FY2022)
Dividend (millions of yen)	1,565	5,504	9,315
(annual cash dividend per share) (yen)	(5)	(18)	(34)
Amount of treasury shares purchased (millions of yen)	–	7,155	30,542
Total (millions of yen)	1,565	12,660	39,857
Profit attributable to owners of parent (millions of yen)	(25,173)	22,140	21,836

Company Proposal

Item 2: Election of Eight (8) Directors

The terms of office of all of the present nine (9) 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	Keiichi Nakajima	Director –	[For reelection]	17/17 (100%)
5	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%)
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]	13/13 (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)	10,496
		Reasons for nominating the candidate for Director 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, 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)	8,978
		<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	15,369
		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	 Keiichi Nakajima (August 14, 1958) For reelection	April 1982	Joined the Company	25,161
		March 2001	President of Citizen Machinery Asia Co., Ltd.	
		August 2004	General Manager of Corporate Planning Division of CITIZEN PRECISION MACHINERY CO., LTD.	
		March 2008	President of Citizen (ZIBO) Precision Machinery Co., Ltd.	
		April 2008	Senior General Manager of Administration Center of CITIZEN MACHINERY CO., LTD.	
		June 2008	President of Citizen Machinery Asia Co., Ltd.	
		June 2008	President of Citizen Machinery Vietnam Co., Ltd.	
		June 2008	Director of CITIZEN MACHINERY CO., LTD.	
		March 2009	Outside Director of Miyano Machinery Japan Inc. (Currently CITIZEN MACHINERY CO., LTD.)	
		June 2010	Operating Officer of CITIZEN MACHINERY CO., LTD.	
April 2011	Operating Officer of CITIZEN MACHINERY MIYANO CO., LTD. (Currently CITIZEN MACHINERY CO., LTD.)	Attendance at Board of Directors meetings		
April 2012	Director and Operating Officer of CITIZEN MACHINERY MIYANO CO., LTD.		17/17 (100%)	
April 2013	President of CITIZEN MACHINERY MIYANO CO., LTD. (present)			
		June 2013	Director of the Company (present)	
		Reasons for nominating the candidate for Director		
		Mr. Keiichi Nakajima has mainly been involved in the Citizen Group's machine tools business, driving the Citizen Group's overall machine tools business as President of CITIZEN MACHINERY CO., LTD., and in light of his achievements and experience in promoting the Company's business strategy, the Company believes he will continue to contribute to the promotion of the Citizen Group business and 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	
5	 Yoshiaki Miyamoto (February 3, 1963) For reelection	August 1990	Joined the Company	10,742
		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	
		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)	
		Reasons for nominating the candidate for Director		
		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.		
				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
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)	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	-
		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	2,809		
		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)			
					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.	13/13 (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 in 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 activities of the candidate Mr. Katsuhiko Yoshida shown above were those during his term, for he was newly elected as Outside Director at the 137th Ordinary General Meeting of Shareholders held on June 28, 2022.
5. 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.
6. 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.
7. 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 four (4) years at the conclusion of this General Meeting of Shareholders. The term of office of Mr. Katsuhiko Yoshida as Outside Director will be one (1) year at the conclusion of this General Meeting of Shareholders.
8. The candidate Ms. Toshiko Kuboki will assume the position of outside Director (Audit & Supervisory Committee Member) of ASAHI YUKIZAI CORPORATION, if she is elected for that position at that company's 102nd Ordinary General Meeting of Shareholders to be held on June 23, 2023.


Company Proposal

Item 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Ms. Yaeko Ishida will expire at the conclusion of this General Meeting of Shareholders. The Company proposes to elect one (1) Audit & Supervisory Board Member.

The candidates for the position of Audit & Supervisory Board Member are as follows.

Regarding this item, the consent of the Audit & Supervisory Board has been obtained.

Name (Date of birth)	Career summaries, position in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
 Yaeko Ishida (August 18, 1970) For reelection	October 2000 Registered as an attorney-at-law January 2007 Judicial Commissioner of Tokyo Summary Court April 2016 Conciliation Commissioner of Tachikawa Branch of Tokyo Family Court June 2019 Outside Audit & Supervisory Board Member of the Company (present) June 2021 Outside Director of Inageya Co., Ltd. (present)	—
	Reasons for nominating the candidate for Outside Audit & Supervisory Board Member	Attendance at Board of Directors meetings
	Ms. Yaeko Ishida has extensive experience and knowledge as an attorney-at-law, and since she will be able to utilize her professional point of view as an attorney-at-law to the audit the Company, the Company believes that she is suitable for the position of Outside Audit & Supervisory Board Member. While Ms. Yaeko Ishida 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 Audit & Supervisory Board Member, and therefore again nominated her as a candidate for Outside Audit & Supervisory Board Member.	17/17 (100%) Attendance at Audit & Supervisory Board meetings 13/13 (100%)

Notes:

- The candidate Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.
- No conflict of interest exists between the Company and the above candidate.
- The term of office of Ms. Yaeko Ishida as Outside Audit & Supervisory Board Member will be four (4) years at the conclusion of this General Meeting of Shareholders.
- The Company, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, has an agreement with Ms. Yaeko Ishida to limit her liability for damages under Article 423, paragraph (1) of the Companies Act, in order to enable him to fully perform her duties as Audit & Supervisory Board Member as expected, and if her reelection is approved at the meeting, the Company intends to continue the agreement. 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.
- 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 the candidate assumes the office as Audit & Supervisory Board Member, the candidate 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.
- The candidate Ms. Yaeko Ishida is a candidate for Outside Audit & Supervisory Board Member of the Company. The Company has appointed him as Independent Officer defined by the Tokyo Stock Exchange and registered him with the Exchange as such.

(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	•	•		•			
Keiichi Nakajima	•		•	•			
Yoshiaki Miyamoto	•				•		•
Toshiko Kuboki				•	•		•
Yoshio Osawa	•	•		•			
Katsuhiko Yoshida	•	•			•		

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

<Shareholder Proposals (Item 4 to Item 13)>

Item 4 through Item 13 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 as submitted by the Proposing Shareholder in each place.

Shareholder Proposal

Item 4: Partial Amendments to the Articles of Incorporation

1. Contents of proposal

Delete “travel agency business based on the Travel Agency Act” and “non-life insurance agency business and business related to the solicitation of life insurance” from the Company’s business purposes.

2. Reasons for proposal

Because there is no actual business, and it is deemed unnecessary for the Company’s business purposes in the medium- to long-term.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

Since the objective stipulated in Article 2 of the Articles of Incorporation defines the scope of the Company’s rights and obligations and does not define the actual business operations, the Company deems it unnecessary to change this objective on the grounds that the Company has no actual business operations at this point in time.

With respect to the deletion of the agenda, the Company deems that it should be submitted to the General Meeting of Shareholders as a proposal for amendment to the Articles of Incorporation after the Board of Directors determines that the deletion of said agenda will not impede the possibility of increasing corporate value. This determination shall be performed from the perspective of business execution by verifying the possibility of contributing to the improvement of all corporate value such as future management policies, in addition to the existence of actual business operations.

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

Shareholder Proposal

Item 5: Partial Amendments to the Articles of Incorporation

1. Contents of proposal

The total number of authorized shares shall be 882,000,000 shares.

2. Reasons for proposal

The current total number of authorized shares is 959,752 thousand shares, which is 3.26 times the number of shares issued (294 million shares) and raises concerns about significant dilution of the value of a single share. Because at the least the appropriate level is deemed to be less than 2.0 to 3.0 times the number of shares issued, and 882 million shares is the maximum such level.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

The number of authorized shares set forth in Article 6 of the Articles of Incorporation defines the maximum number of shares to be issued due to a capital increase, etc.

The Company is working to maximize shareholder returns by balancing investment in growth and shareholder returns in its capital policy and does not consider it necessary at this time to change the total number of shares authorized to be issued.

As for future changes in the total number of authorized shares, the Company proposes that such changes should be submitted to the General Meeting of Shareholders as an agenda for amending the Articles of Incorporation when the Board of Directors determines that such changes are necessary, taking into consideration the Company's medium- to long-term capital policy, the appropriate financing methods and policies regarding the appropriation of surplus funds, and consistency with management strategies and their impact on improving corporate value.

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 Company owns a consolidated subsidiary named Citizen Tokyo Co., Ltd. which is engaged in the sale of luxury watch, jewelry, precious metals and their accessories.

2. Reasons for proposal

The Company's head office is located in Nishitokyo City, which is home to one of the world's leading city brands, "Tokyo." By fully utilizing its Tokyo brand, the Company will show a path toward achieving expansion of its high price range products over the medium-to long-term, thereby raising its PER (price to earnings per share ratio) and PBR (price to book value (net assets per share) per share ratio) to allow for sustainable growth.

For example, if a mid-price range women's watch xC (cross C) or a unisex watch (XX) is made into a high price range product by adorning it with diamonds or using 18K gold, etc., various options become available, such as CITIZEN/xC in the mid-price range, and xC/Tokyo-collection and XX/Tokyo (twin cross Tokyo) in the high price range.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

Decisions pertaining to how subsidiaries and the Group should be managed are related to business execution and should be made by the Company's Board of Directors, taking into consideration the relationship with the medium-term management plan and other measures to enhance corporate value.

For matters relating to the execution of specific business operations such as the status of subsidiaries, 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 7: Partial Amendments to the Articles of Incorporation

1. Contents of proposal

Director remuneration is disclosed individually.

2. Reasons for proposal

This is because the disclosure of individual Director's remuneration is an important issue from, the perspective of increasing management transparency, and it is an issue for consideration when shareholders exercise their voting rights to elect or dismiss individual Directors. As our stock included in the Nikkei 225, an index representative of the Japanese economy, the Company is required to have a higher level of transparency in governance. Therefore, in accordance with Article 361, paragraph (7) of the Companies Act regarding Director's remuneration, the Company should take steps to disclose individual Director's (and other Officer) remuneration itself, which is more transparent and easier for shareholders to understand.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

The Company appropriately discloses matters pertaining to Director's compensation, etc. in the BUSINESS REPORT in accordance with laws and regulations. Additionally, necessary information for considering proposals for the election of Directors is appropriately disclosed in the Reference Materials for the General Meeting of Shareholders in accordance with laws and regulations.

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.

For matters relating to the execution of specific business operations such as the decision of the contents to be included in the materials of the General Meeting of Shareholders, 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 8: Partial Amendments to the Articles of Incorporation

1. Contents of proposal

The Board of Directors should abolish concurrently held position of Chief Executive Officer 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 shareholders' rights. In addition, having an Outside Director as Chairperson of the Board of Directors will create appropriate tension between the Board of Directors and the executive management team, and will encourage free and responsible comments by individual members in attendance, including internal and Outside Directors and Audit & Supervisory Board Members, and will enable more appropriate operation of the Board of Directors.

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 often 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.

The Company believes that the President and CEO, who is well versed in industry trends and internal affairs, serving as Chairman 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 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

Prohibit the Chief Executive Officer from serving concurrently as a member of the Nominating Committee.

2. Reasons for proposal

Because there is a logical contradiction in the fact that a member of the Nominating Committee who proposes and reports on the nomination of the Chief Executive Officer is the Chief Executive Officer.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

For the purpose of sustainable growth of the Company and enhancement of its corporate value over the medium to long term, the Company believes that it is an important responsibility of the President to formulate a succession plan for the President and Directors and to train their successors and that it is necessary for the President and CEO, who is familiar with industry trends and internal conditions, to participate in the election process as a member of the Nominating Committee.

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 Representative Director, the President and CEO, and the Chairman of the Board of Directors (hereinafter referred to as "President and CEO, etc."), the President and CEO, etc. are elected by a resolution of the Board of Directors based on a proposal by the Committee.

As the Nominating Committee regulations exclude the involvement of persons with special interests in the resolutions of the Committee, the President and CEO, etc. may not exercise their voting rights in the resolutions concerning their election or dismissal.

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 date of birth, month and year of joining the Company, and major achievements in the last three years shall be stated in the column for each Operating Officer in the Reference Materials for the General Meeting of Shareholders, and the information shall be disclosed.

2. Reasons for proposal

To increase transparency of the executive management team and to provide a basis for shareholders to make decisions when proposing the election of Directors from within the Company.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

The materials sent to shareholders for the General Meeting of Shareholders contain not only information that is required to be included in the materials for shareholders to consider the agenda but also optional information that is helpful for shareholders to consider the agenda.

With respect to the information to be included as reference materials for shareholders to consider proposals, the Company believes that it is appropriate for the Board of Directors to make decisions on a timely basis since such information should be determined on a case-by-case basis depending on the contents of proposals to be presented at the General Meeting of Shareholders.

For matters relating to the execution of specific business operations such as the decision of the contents to be included in the materials of the General Meeting of Shareholders, 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 11: Election of Eleven (11) Directors

1. Contents of proposal

Require Mr. Katsutoshi Mukaijima to be elected as Director.

2. Reasons for proposal

(i) While Watches, Machine Tools, and Devices and Components segments either fell into loss or saw significant profit declines due to the spread of COVID-19 and other factors in the fiscal year ended March 31, 2021, only Electronic and Other Products, for which Mr. Mukaijima is in charge, secured a profit increase, and the Company judged that he has practical management skills.

(ii) Because Mr. Mukaijima is the inventor of 15 practical patents and is judged to have a high level of technical insight. A practical patent is, for example, in the case of a wristwatch with a calendar, where the date and day of the week may not be visible because the minute hand overlaps the calendar section, a patent that provides a watch system or structure that enables the date or day of the week to be instantly checked by shifting the minute hand through a flick of the wrist.

* Source: Reference Materials for the 136th and 137th General Meeting of Shareholders, the Company's website, and content disclosed by the J-GLOBAL provided by JST (Japan Science and Technology Agency).

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

The structure of the Board of Directors, as presented in Company Proposal Item 2, is based on the report of the Nominating Committee, in which the majority of the members are Outside Directors and the Chairman is an Outside Director to be determined by mutual election of the Committee members. Furthermore, the most appropriate personnel are selected on the basis of the skills required to execute the current medium-term management plan and to realize the long-term management policy.

The Company, therefore, believes that, at this point in time, this is the optimal structure for maximizing corporate value and ensuring the effectiveness of corporate governance.

Furthermore, the Company has received from the candidate, Mr. Katsutoshi Mukaijima, his intention to decline the appointment if he is elected under the Shareholder Proposal.

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

Shareholder Proposal

Item 12: Dismissal of a Director

1. Contents of proposal

Require Ms. Toshiko Kuboki to be dismissed as Director.

2. Reasons for proposal

- (i) Ms. Kuboki has seven concurrent positions, including the Company, and we have judged that she is unable to fully perform her abilities as a Director of the Company.
- (ii) Because two of the Company's five Outside Officers, including Ms. Kuboki, are attorneys, and there is an uneven distribution of human resources attributes.
- (iii) Because Ms. Kuboki served as an Audit & Supervisory Board Member supervising Directors and then shortly thereafter assumed office as a Director supervised by an Audit & Supervisory Board Member, and she has served as an Outside Officer of the Company for a total of almost seven years. It is worth noting she was absent from 3 out of 17 meetings of the Board of Directors and 2 out of 13 meetings of the Audit & Supervisory Board during the 133rd fiscal year. She was also absent from 1 out of 17 meetings of the Board of Directors during the 136th fiscal year.

* Source: Reference Materials for the 131st through the 137th General Meeting of Shareholders.

Opinion of the Board of Directors of the Company

Objection The Board of Directors objects to this proposal.

While the table of candidates shown in Company Proposal Item 2 includes biographical information of Director Toshiko Kuboki in which she is not an officer of the Company or other companies, the Company believes that such information is within the scope of her original duties as attorney-at-law and that she can utilize her wide range of experience in monitoring and supervising the Company's management.

The Company intends to have Ms. Toshiko Kuboki assume 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 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 through her comments at meetings of the Board of Directors, Nominating Committee, and Compensation Committee.

Furthermore, the structure of the Board of Directors, as presented in Company Proposal Item 2, is based on the report of the Nominating Committee, in which the majority of the members are Outside Directors and the Chairman is an Outside Director to be determined by mutual election of the Committee members, and since she is expected to continue her role in enhancing the corporate value of the Group, the Company sees no reason for her dismissal.

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

Shareholder Proposal

Item 13: 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

- (i) Mr. Akatsuka is from a major bank from which the Company borrows every year (the Company borrowed 13.8 billion yen as of the end of the 137th fiscal year), and there is no expectation that he can be independent as an Outside Audit & Supervisory Board Member of the Company because of this interest. In addition, to the best of the Proposer's knowledge, for at least nearly 17 years, the successive Outside Audit & Supervisory Board Members, including Mr. Akatsuka, have consistently been from this major bank partner, and "the seats have become reserved for people from this bank."
- (ii) Because Mr. Akatsuka has already served as an Outside Audit & Supervisory Board Member for a total of almost five years, and if he continues to serve until the end of his term, he will have served for eight years. It is worth noting he was absent from one meeting of the Board of Directors and one meeting of the Audit & Supervisory Board during the 135th fiscal year, respectively.

* Source: Reference Materials for the 121st through the 137th General Meeting of Shareholders.

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, 2022 to March 31, 2023

I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP

1. Review of Operations

During the fiscal year under review, the Japanese economy, while affected by the higher cost of living, among other factors, continued to experience a moderate recovery in consumer spending, reflecting the normalization of economic activity. There was growing concern in the North American and European markets about an economic recession given uncertain circumstances such as geopolitical instability and inflation linked to rising resource prices, although consumer spending remained firm. Looking at the Asian market, China remained very slow, despite an about-face in the country's zero-COVID policy, while other Asian countries experienced weak economic recoveries due to the impact of sharp price increases.

In this environment, the consolidated results for the fiscal year under review showed increases in sales and profits, with net sales of 301.366 billion yen (up 7.1% year on year) and operating profit of 23.708 billion yen (up 6.4% year on year). Ordinary profit increased to 29.096 billion yen (up 6.4% year on year), while profit attributable to owners of parents came to 21.836 billion yen (down 1.4% year on year).

Consolidated Results		(Billions of yen)
Net sales	301.366	(up 7.1% year-on-year)
Operating profit	23.708	(up 6.4% year-on-year)
Ordinary profit	29.096	(up 6.4% year-on-year)
Profit attributable to owners of parent	21.836	(down 1.4% 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, reflecting the steady performance of premium brands such as The CITIZEN, the CITIZEN ATTESA Eco-Drive watch equipped with the Satellite Wave GPS and the brand's 35th anniversary limited edition models, despite growth in saving consciousness linked to an increase in the cost of living.

Looking at overseas markets, in the North American market sales continued to grow, largely reflecting the strong performance of main distribution channels, including jewelry chain stores and department stores, as well as an increase in sales aboard cruise ships due to a recovery in tourism demand. The European market suffered significant price increases. Despite that, sales climbed due to solid performance recorded in the UK and Germany, among other countries. In the Asian market, sales decreased, reflecting the significant impact of restrictions linked to lockdowns in China, despite signs of an improvement, mainly in Southeast Asia and India.

Sales of Bulova brand watches increased, helped by growth in sales via online stores and tourism distribution, as well as solid sales at department stores in the mainstay North American market.

Sales of movements decreased, reflecting weak demand for mechanical movements partly due to a decline in the Chinese market, as well as slow sales of analog quartz movements on growing concern about a recession in the North American and European markets in particular.

As a result, the watches segment posted an increase in sales, with net sales of 150.002

billion yen (up 14.4 % year on year), reflecting the strong performance of overseas markets due to the effective launch of products, efforts to increase the number of stores that carry the Company's products, and the weakening of the yen, although there were concerns over the decline in consumer confidence linked to a global increase in the cost of living. Operating profit increased 61.4% year on year, to 16.632 billion yen, given an increase in net sales and ongoing efforts to improve profitability.

[Machine Tools]

In the domestic market, sales of automobile-related products remained weak as automakers reduced production due to the prolonged impact of the shortage of parts, particularly semiconductors. Even so, revenue increased, reflecting firm demand from industries such as construction machinery and housing equipment. In overseas markets, the Chinese market grew sluggishly due to the repeated implementation of lockdowns and the chaotic situation in the wake of the abolishment of its zero-COVID policy. However, sales climbed, reflecting continued strength in sales related to medical equipment in Europe and the Americas, even amid growing concern about future economic conditions.

As a result, the machine tools segment as a whole posted an increase in sales, with net sales of 86.171 billion yen (up 6.4% year on year). Operating profit decreased to 12.203 billion yen (down 3.1% year on year), due mainly to rises in raw material prices and transportation expenses.

[Devices and Components]

In precision components, sales of automotive parts decreased due to the impact of car manufacturers reducing production in response to semiconductor shortages. In addition, there were signs of a plateauing in demand for crystal devices, which had been consistently brisk. Sales of small motors increased, reflecting a solid performance against the backdrop of growing demand for use in a broad range of areas, including medical and semiconductor-related products. However, sales decreased in precision components as a whole.

Among opto-devices, sales of chip LEDs for game consoles remained solid, but sales of in-vehicle LEDs and LEDs for lighting fell due to the disruption of markets in connection with lockdowns in China and the shortage of parts and materials such as semiconductors, resulting in a decline in sales overall.

As a result, the devices and components segment recorded a decrease in both sales and profits with net sales of 44.737 billion yen (down 10.6% year on year) and an operating loss of 0.818 billion yen (compared to operating profit of 2.864 billion yen in the previous fiscal year).

[Electronic and Other Products]

Sales of information equipment increased, reflecting a recovery in demand for POS printers and bar code printers, coupled with the delivery of a number of photo printers, offsetting the impact of delays in parts procurement and distribution due to the shortage of semiconductors. Sales of healthcare products decreased, mainly reflecting a decline in demand for thermometers in individual markets as a result of the end of COVID-19 as well as a fall in sales in blood pressure monitors linked to price increases.

As a result, the electronic and other products segment overall recorded increase in sales and decrease in profits, with net sales of 20.454 billion yen (up 6.0% year on year) and operating profit of 1.145 billion yen (down 2.4% year on year).

Note: The difference between 29.162 billion yen, the total of each segment's operating profit, and 23.708 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	150,002	49.8	14.4
Machine Tools	86,171	28.6	6.4
Devices and Components	44,737	14.8	(10.6)
Electronic and Other Products	20,454	6.8	6.0
Total	301,366	100.0	7.1

Note: The rate of the sales in the overseas to the gross sales is 74.6%.

2. Financing

Not applicable

3. Capital Expenditures

Capital expenditures during the fiscal year totaled 17.428 billion yen. The major expenditures of which are as follows:

- (1) 5.235 billion yen for production facilities in Watches
- (2) 8.493 billion yen for production facilities in Machine Tools
- (3) 2.012 billion yen for production facilities in Devices and Components
- (4) 0.608 billion yen for production facilities 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 ending 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 inflation on the economy, especially in Western Countries
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 thank our shareholders for their continuing support.

7. Assets and Profit and Loss of the Company

	135 th (FY2019)	136 th (FY2020)	137 th (FY2021)	138 th (FY2022)
Net sales (millions of yen)	278,531	206,641	281,417	301,366
Ordinary profit (millions of yen)	7,531	(4,143)	27,342	29,096
Profit attributable to owners of parent (millions of yen)	(16,667)	(25,173)	22,140	21,836
Basic earnings per share (yen)	(53.07)	(80.52)	71.38	75.25
Total assets (millions of yen)	369,575	365,811	394,962	389,982
Net assets (millions of yen)	230,791	212,864	238,673	232,775
Net assets per share (yen)	709.21	652.47	768.92	866.68

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.	5,488 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

9. Products of Principal Business (as of March 31, 2023)

Business segment	Principal products
Watches	Watches, movement
Machine Tools	NC 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, 2023)

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, 2023)

Business Segment	Number of employees	Change from the previous fiscal year-end
Watches	5,007 [2,030]	(4) [(98)]
Machine Tools	2,250 [170]	114 [(6)]
Devices and Components	3,641 [729]	(360) [(358)]
Electronic and Other Products	1,137 [186]	(32) [(5)]
General Corporate	221 [31]	(11) [1]
Total	12,256 [3,146]	(293) [(466)]

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.

Principal Lenders (as of March 31, 2023)

(Millions of yen)

Name	Borrowed Amount
Mizuho Bank, Ltd.	14,970
MUFG Bank, Ltd.	13,718
Nippon Life Insurance Company	6,000
Sumitomo Mitsui Banking Corporation	3,912
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, 2023)

- (1) Total number of authorized shares: 959,752,000 shares
 (2) Total number of shares issued: 294,000,000 shares

Note: The total number of shares issued decreased by 20,353,809 shares in comparison with the number as of March 31, 2023 as a result of the cancellation of treasury shares conducted on July 29, 2022.

- (3) Number of shareholders: 69,829
 (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)	46,920	18.11
Custody Bank of Japan, Ltd. (trust account)	17,063	6.58
Nippon Life Insurance Company	11,948	4.61
Nichia Corporation	10,000	3.86
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	5,835	2.25
Citizen Group Employee Shareholding Association	5,081	1.96
NIKON CORPORATION	5,005	1.93
Mitsubishi UFJ Trust and Banking Corporation	4,568	1.76
Marubeni Corporation	4,496	1.74
City Index Eleventh Co., Ltd.	4,440	1.71

Note: Shareholding ratio is calculated after deducting 34,850,428 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

Not applicable

2. Status of Share Acquisition Rights (as of March 31, 2023)

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, 2023)

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 Shinji Shirai	President of Citizen Machinery Co., Ltd. Senior General Manager of Manufacturing Technology Center, Watch Business Division President of Citizen Watch manufacturing Co., Ltd.
Director	Yoshiaki Miyamoto	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	Yoshio Osawa	Outside Director of Canon Marketing Japan Inc.
Outside Director	Katsuhiko Yoshida	Outside Director of Kawasaki Heavy Industries, Ltd.
Full-time Audit & Supervisory Board Member	Noboru Akatsuka	
Outside Audit & Supervisory Board Member		
Audit & Supervisory Board Member (Full-time)	Kazunori Yanagi	
Outside Audit & Supervisory Board Member	Yaeko Ishida	Attorney-at-law Outside Director of Inageya Co., Ltd.

Notes:

- Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.
- 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.
- 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.
- 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.
- 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.
- 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.
- Outside Audit & Supervisory Board Member Ms. Yaeko Ishida is thoroughly experienced in corporate legal affairs as an attorney-at-law and has extensive knowledge of finance and accounting.
- 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 title and area of responsibility and significant concurrent role held at other companies by Director Mr. Shinji Shirai changed on April 1, 2023 as follows:

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

Ms. Toshiko Kuboki will assume the position of outside Director (Audit & Supervisory Committee Member) of ASAHI YUKIZAI CORPORATION. on June 23, 2023.

Operating Officers as of April 1, 2023 are as follows:

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

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
Fumiaki Terasaka	June 28, 2022	Expiration of term of office	Outside Director
Yoshio Takada	June 28, 2022	Resignation	Audit & Supervisory Board Member (Full-time)

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. for the fiscal year under review

	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	10	309	167	99	43
[Out of which, Outside Directors]	[4]	[28]	[28]	[—]	[—]
Audit & Supervisory Board Member	4	45	45	—	—
[Out of which, Outside Audit & Supervisory Board Members]	[2]	[27]	[27]	[—]	[—]
Total	14	355	212	99	43
[Out of which, outside officers]	[6]	[55]	[55]	[—]	[—]

Notes:

- The above figures include Directors and Audit & Supervisory Board Members who retired upon conclusion of the 137th Ordinary General Meeting of Shareholders held on June 28, 2022.
- The above amount of the bonuses (99 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 138th Ordinary General Meeting of Shareholders scheduled to be held on June 28, 2023.
- The above amount of performance-linked share-based compensation (43 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. Of the estimated amount of stock benefit obligation calculated based on the estimated number of shares to be delivered to six directors (excluding Outside Directors and Directors that are non-residents of Japan.) as performance-linked share-based compensation for the three-fiscal-year applicable period corresponding to the Medium-term Management Plan ending in the 137th fiscal year, 16 million yen was recorded as an expense in the fiscal year under review, excluding the amount of expense recorded in the Business Report for the 137th fiscal year.
- 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 301.366 billion yen, consolidated operating profit ratio of 7.9% and ROE of 9.6%. 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 301.366 billion yen, consolidated operating profit ratio of 7.9%, ROE of 9.6%, CO₂ reduction rate (compared to 2018) of 16.8%, and an FTSE Russell ESG Ratings score of 3.5. 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 four (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, 2023

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 6 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, 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 8 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 Directors 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 6 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 8 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 Directors Katsuhiko Yoshida</p>	<p>Mr. Katsuhiko Yoshida attended all 13 meetings of the Board of Directors held in the fiscal year under review during the term of his office, 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. He attended all 6 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 4 meetings of the Compensation Committee held in the fiscal year under review during the term of his office, 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 & 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 & 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 & Supervisory Board on the Company's accounting system, internal auditing, etc.</p>
<p>Outside Audit & 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 & 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 & 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	50
(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries	81

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.

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

(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 during the term of their office. Note that apart from the aforementioned number of Board of Directors meeting held, one (1) resolution in writing was made that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and Article 24 of the Company's Articles of Incorporation.

(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 six (6) 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 eight (8) times during the fiscal year under review, and all members attended all of the Compensation Committee meetings held during the fiscal year under review during the term of their office.

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. Audit & Supervisory Board meetings were held thirteen (13) times during the fiscal year under review, and all Audit & Supervisory Board 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, Mr. Hidekazu Takahashi and Mr. Tatsuya Oritoya, associates of Nihombashi Corporation. In addition, six (6) certified public accountants, eight (8) successful candidates who have passed the Certified Public Accountants Examination, etc. assisted in the audit of the Company. The Company ensures fairness and independence while it is audited by the Independent Auditors.

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 its businesses, the Company takes steps to realize sustainable factories by ensuring its production facilities have been set up to reflect consideration for the business process across the entire value chain. By doing so, the Company is able to create sustainable products, whereby all products and services reflect not only the Company’s longstanding consideration for the environment but also consideration for social issues such as avoiding human rights abuses in the production and procurement of raw materials, which could come about if conflict minerals were involved.

Regarding human capital, the Company pursue numerous related initiatives to work on its management strategies and issues, based on its understanding that it is people that form the foundation of a company’s competitiveness. In its 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.

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

Further, to help solve the climate change problem, a global issue, the Company has established the CITIZEN Group Environmental Vision 2050 and CITIZEN Group

Environmental Goals 2030 based on the CITIZEN Group Environmental Policy, aiming to achieve virtually zero CO2 emissions from its factories and offices.

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 (2°C scenario and 4°C scenario) as requested by the TCFD proposal. For risks that have been identified, CO₂ 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 2°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.

The Company's greenhouse gas emission reduction target for 2030, the CITIZEN Group Environmental Goals 2030, has been recognized by the SBT Initiative as a scientifically based level to achieve 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.

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, 2023)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	259,642	Current liabilities	79,317
Cash and deposits	82,490	Notes and accounts payable - trade	18,889
Notes and accounts receivable - trade	53,718	Electronically recorded obligations - operating	13,325
Electronically recorded monetary claims - operating	2,081	Notes payable - facilities	18
Merchandise and finished goods	58,604	Electronically recorded obligations - non-operating	384
Work in process	24,291	Short-term borrowings	3,787
Raw materials and supplies	25,595	Income taxes payable	2,179
Consumption taxes receivable	3,052	Accrued expenses	10,997
Other	10,907	Provision for bonuses	6,156
Allowance for doubtful accounts	(1,099)	Provision for bonuses for directors (and other officers)	303
		Provision for product warranties	1,244
		Current portion of bonds payable	10,000
		Provision for loss on reorganization	110
Non-current assets	130,340	Other	11,918
Property, plant and equipment	79,521	Non-current liabilities	77,889
Buildings and structures	41,808	Long-term borrowings	51,328
Machinery, equipment and vehicles	15,868	Deferred tax liabilities	3,628
Tools, furniture and fixtures	3,899	Provision for loss on reorganization	6
Land	10,367	Retirement benefit liability	16,572
Leased assets	5,134	Other	6,353
Construction in progress	2,443		
Intangible assets	4,751	Total liabilities	157,206
Software	3,951	NET ASSETS	
Other	799	Shareholders' equity	188,290
Investments and other assets	46,066	Share capital	32,648
Investment securities	39,021	Capital surplus	33,740
Long-term loans receivable	163	Retained earnings	150,483
Deferred tax assets	5,581	Treasury shares	(28,581)
Other	1,675	Accumulated other comprehensive income	35,888
Allowance for doubtful accounts	(236)	Valuation difference on available-for-sale securities	10,161
Allowance for investment loss	(138)	Foreign currency translation adjustment	25,659
		Remeasurements of defined benefit plans	67
		Non-controlling interests	8,596
		Total net assets	232,775
Total assets	389,982	Total liabilities and net assets	389,982

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

Consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account title	Amount
Net sales	301,366
Cost of sales	179,186
Gross profit	122,180
Selling, general and administrative expenses	98,472
Operating profit	23,708
Non-operating income	6,248
Interest income	851
Dividend income	1,563
Rental income	111
Share of profit of entities accounted for using equity method	1,248
Foreign exchange gains	1,237
Subsidy income	233
Other	1,002
Non-operating expenses	860
Interest expenses	297
Loss on sale of notes receivable - trade	26
Depreciation of assets for rent	19
Commission for syndicated loans	48
Commission for purchase of treasury shares	86
Non-deductible consumption taxes	126
Other	255
Ordinary profit	29,096
Extraordinary income	3,719
Gain on sale of investment securities	1,530
Gain on sale of non-current assets	1,761
Other	427
Extraordinary losses	4,576
Loss on sale of non-current assets	17
Loss on retirement of non-current assets	501
Impairment losses	3,887
Reorganization cost	32
Other	138
Profit before income taxes	28,240
Income taxes - current	6,400
Income taxes - deferred	809
Profit	21,029
Loss attributable to non-controlling interests	807
Profit attributable to owners of parent	21,836

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

Consolidated Statement of Changes in Equity

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2022	32,648	33,740	145,912	(8,225)	204,076
Changes during period					
Dividends of surplus			(7,078)		(7,078)
Profit attributable to owners of parent			21,836		21,836
Purchase of treasury shares				(30,611)	(30,611)
Disposal of treasury shares		11		55	66
Cancellation of treasury shares	-	(10,199)	-	10,199	-
Transfer from retained earnings to capital surplus	-	10,188	(10,188)	-	-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,570	(20,356)	(15,785)
Balance as of March 31, 2023	32,648	33,740	150,483	(28,581)	188,290

	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, 2022	8,977	16,646	(394)	25,228	9,367	238,673
Changes during period						
Dividends of surplus						(7,078)
Profit attributable to owners of parent						21,836
Purchase of treasury shares						(30,611)
Disposal of treasury shares						66
Cancellation of treasury shares	-	-	-	-	-	-
Transfer from retained earnings to capital surplus	-	-	-	-	-	-
Net changes in items other than shareholders' equity	1,183	9,013	462	10,659	(770)	9,888
Total changes during period	1,183	9,013	462	10,659	(770)	(5,897)
Balance as of March 31, 2023	10,161	25,659	67	35,888	8,596	232,775

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 74

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- CITIZEN WATCH GOODRINGTON (HONG KONG) LIMITED, MOST CROWN INDUSTRIES LTD., and SUNCITI PVD (JIANGMEN) LTD.- have been excluded from the scope of consolidation due to the liquidation of their respective companies.

In addition, CINCOM MIYANO TOOLING CO., LTD. has been included in the scope of consolidation upon its new establishment.

(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 2

The names of affiliates under the equity method are Marubeni Citizen-Cincom Inc. and First Cainta Resources Corporation.

(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 51
- (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) allowance for investment loss

To provide for possible losses due to extreme devaluation in shares of nonconsolidated subsidiaries (excluding shares subject to impairment accounting), an allowance for investment loss is provided for an amount considering the actual share prices as of the end of the fiscal year.

3) 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.

4) 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.

5) 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.

6) 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

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).

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).

3. Notes on changes in accounting policies

(1) Application of implementation guidance on accounting standard for fair value measurement

Effective from the beginning of the fiscal year under review, the Group applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; hereinafter the “Fair Value Measurement Accounting Standard Implementation Guidance”). It therefore has decided to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application of the accounting standard has no impact on the consolidated financial statements.

(2) Adoption of ASC 842 lease accounting

The Citizen Group’s subsidiaries that have adopted US GAAP began adopting ASC 842 lease accounting in the current consolidated fiscal year under review. Accordingly, all leasing transactions of lessees are recorded under assets and liabilities in the balance sheet, in principle. In adopting these standards, the method of recognizing the cumulative impact of their adoption as of the date of the adoption is used as an approved interim measure.

With the adoption of these accounting standards, leased assets (net) under property, plant and equipment increased 4,121 million yen, and lease obligations under other of current liabilities increased 921 million yen, while lease obligations under other of

non-current liabilities increased 3,712 million yen in the consolidated balance sheet of the fiscal year under review. The impact of this change on profit and loss for the consolidated fiscal year under review was immaterial.

4. 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	3,887

(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, with the value in use 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 Group's financial position and management results.

(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	58,604
Work in process	24,291
Raw materials and supplies	25,595

(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

5. Notes on Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment 236,172 million yen

6. 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 electronic device, and software	Buildings and structures; machinery, equipment and vehicles; construction in progress; tools, furniture and fixtures, software, land, etc.
China	Manufacturing facilities for electronic device, etc.	Machinery, equipment and vehicles; and tools, furniture and fixtures
The Philippines	Manufacturing facilities for crystal device	Machinery, equipment and vehicles; and tools, furniture and fixtures

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, assets that belonged to businesses with deteriorated profitability and assets that belonged to businesses for which the business environment deteriorated significantly 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 3,887 million yen. The amount consists primarily of 1,835 million yen for machinery, equipment and vehicles, 1,265 million yen for buildings and structures, 387 million yen for construction in progress, 228 million yen for tools, furniture and fixtures, 98 million yen for software, and 70 million yen for land.

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

7. 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	314,353,809	–	20,353,809	294,000,000

(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 137th Ordinary General Meeting of Shareholders held on June 28, 2022

- Total amount of dividends 2,687 million yen
(The amount above includes dividends of 3 million yen for shares of the Company held by the BIP Trust.)
- Dividends per share 9 yen
- Record date March 31, 2022
- Effective date June 29, 2022

2) Dividends approved at the meeting of the Board of Directors held on November 14, 2022

- Total amount of dividends 4,391 million yen
(The amount above includes dividends of 3 million yen for shares of the Company held by the BIP Trust.)
- Dividends per share 15 yen
- Record date September 30, 2022
- Effective date December 6, 2022

(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 138th Ordinary General Meeting of Shareholders, which is scheduled to be 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.)
- Dividend resource Retained earnings
- Dividends per share 19 yen
- Record date March 31, 2023
- Effective date June 29, 2023

8. 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, 2023 were as follows:

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Differences
i) Investment securities			
Available-for-sale securities	22,382	22,382	–
ii) Long-term loans receivable	163	162	(0)
Assets, total	22,545	22,545	(0)
iii) Bonds payable (including current portion)	10,000	9,994	(6)
iv) Long-term borrowings (including current portion)	52,514	51,843	(670)
Total liabilities	62,514	61,837	(676)
Derivatives (Note 3)	(83)	(83)	–

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” 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	16,639

3. 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, 2023

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	22,382	–	–	22,382
Derivatives				
Currency	–	16	–	16
Total assets	22,382	16	–	22,398
Derivatives				
Currency	–	99	–	99
Total liabilities	–	99	–	99

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

As of March 31, 2023

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	–	162	–	162
Total assets	–	162	–	162
Bonds payable	–	9,994	–	9,994
Long-term borrowings	–	51,843	–	51,843
Total liabilities	–	61,837	–	61,837

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. Long-term loans receivable

The fair value of long-term loans receivable is classified by certain period, measured for each category of credit risks in credit management based on future cash flows and interest rate derived from an adequate indicator such as yield of government bonds, with credit-spread added, by the discounted cash flow method, and classified as Level 2 fair value.

4. 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.

5. 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.

9. 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	25,194	19,685	22,175	9,385	76,440
Asia	33,390	25,960	14,794	4,714	78,859
United States of America	66,015	8,397	3,413	2,599	80,426
Europe	23,404	30,918	4,318	3,645	62,287
Others	1,997	1,209	35	48	3,291
Revenue from contracts with customers	150,002	86,171	44,737	20,392	301,305
Other revenue	–	–	–	61	61
Revenues from external customers	150,002	86,171	44,737	20,454	301,366

(Note) Other revenue represents rent revenue from real estate, etc.

(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	2,360

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 1,880 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	123
Over 1 year	382
Total	505

10. Notes on per share information

Net assets per share	866.68 yen
Basic earnings per share	75.25 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 408,352, and the number of shares at the period end held by the BIP trust was 483,762.

11. 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 308 million yen and 483,762 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, 2023)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	67,072	Current liabilities	51,345
Cash and deposits	11,417	Notes payable - trade	84
Notes receivable - trade	245	Accounts payable - trade	8,350
Electronically recorded monetary claims - operating	165	Electronically recorded obligations - operating	1,534
Accounts receivable - trade	7,667	Electronically recorded obligations - non-operating	29
Finished goods	16,167	Short-term borrowings	3,745
Work in process	229	Current portion of bonds payable	10,000
Raw materials	403	Current portion of long-term borrowings	1,000
Consumption taxes receivable	688	Accounts payable - other	509
Short-term loans receivable	21,559	Accrued expenses	2,051
Accounts receivable - other	4,397	Deposits received	21,437
Income taxes receivable	2,174	Provision for bonuses	858
Other current assets	2,460	Provision for bonuses for directors (and other officers)	99
Allowance for doubtful accounts	(503)	Provision for loss on reorganization	4
Non-current assets	151,335	Other current liabilities	1,639
Property, plant and equipment	13,745	Non-current liabilities	55,950
Buildings and structures	8,910	Long-term borrowings	51,000
Machinery and equipment	1,057	Deferred tax liabilities	1,199
Vehicles	0	Provision for retirement benefits	3,575
Tools, furniture and fixtures	302	Provision for share awards for directors (and other officers)	138
Land	3,359	Provision for loss on reorganization	6
Leased assets	4	Asset retirement obligations	25
Construction in progress	111	Long-term lease obligations	3
Intangible assets	1,239	Other non-current liabilities	1
Software	1,233	Total liabilities	107,295
Other intangible assets	6	NET ASSETS	
Investments and other assets	136,350	Shareholders' equity	101,051
Shares of subsidiaries and associates	105,888	Share capital	32,648
Investment securities	31,500	Capital surplus	36,029
Long-term loans receivable	163	Capital surplus	36,029
Long-term prepaid expenses	114	Retained earnings	60,953
Other investments and other assets	284	Other retained earnings	60,953
Allowance for doubtful accounts	(233)	Reserve for tax purpose reduction entry	285
Allowance for investment loss	(1,367)	Retained earnings brought forward	60,667
		Treasury shares	(28,581)
		Valuation and translation adjustments	10,061
		Valuation difference on available-for-sale securities	10,061
		Total net assets	111,112
Total assets	218,408	Total liabilities and net assets	218,408

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

Non-Consolidated Statement of Income

From April 1, 2022 to March 31, 2023

(Millions of yen)

Account title	Amount
Net sales	84,047
Cost of sales	64,054
Gross profit	19,992
Selling, general and administrative expenses	20,587
Operating loss	594
Non-operating income	27,178
Interest income	111
Dividend income	26,434
Rental income	38
Foreign exchange gains	475
Reversal of allowance for doubtful accounts	58
Other	59
Non-operating expenses	446
Interest expenses	245
Loss on sale of notes receivable - trade	26
Commission for syndicated loans, etc.	48
Commission for purchase of treasury shares	86
Other	39
Ordinary profit	26,137
Extraordinary income	1,650
Gain on sale of non-current assets	0
Gain on sale of investment securities	1,524
Reversal of provision for loss on guarantees	126
Extraordinary losses	1,627
Loss on retirement of non-current assets	265
Loss on sale of non-current assets	0
Impairment losses	97
Provision of allowance for investment loss	1,263
Profit before income taxes	26,161
Income taxes - current	(470)
Income taxes - deferred	356
Profit	26,275

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

Non-Consolidated Statement of Changes in Equity

From April 1, 2022 to March 31, 2023

(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, 2022	32,648	36,029	–	36,029	285	51,659	51,945
Changes during period							
Dividends of surplus						(7,078)	(7,078)
Profit						26,275	26,275
Purchase of treasury shares							
Disposal of treasury shares			11	11			
Cancellation of treasury shares			(10,199)	(10,199)			
Transfer from retained earnings to capital surplus			10,188	10,188		(10,188)	(10,188)
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	–	–	9,008	9,008
Balance as of March 31, 2023	32,648	36,029	–	36,029	285	60,667	60,953

	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, 2022	(8,225)	112,398	8,792	8,792	121,190
Changes during period					
Dividends of surplus		(7,078)			(7,078)
Profit		26,275			26,275
Purchase of treasury shares	(30,611)	(30,611)			(30,611)
Disposal of treasury shares	55	66			66
Cancellation of treasury shares	10,199	–			–
Transfer from retained earnings to capital surplus		–			–
Net changes in items other than shareholders' equity			1,269	1,269	1,269
Total changes during period	(20,356)	(11,347)	1,269	1,269	(10,078)
Balance as of March 31, 2023	(28,581)	101,051	10,061	10,061	111,112

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) Allowance for investment loss

To provide for possible losses due to extreme devaluation in shares of subsidiaries (excluding shares subject to impairment accounting), an allowance for investment loss is provided for an amount considering the actual share prices as of the end of the fiscal year under review.

(c) Provision for bonuses

The provision for bonuses is stated at an amount based on the estimated forthcoming payments.

(d) 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.

(e) 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

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).

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).

(f) 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.

(g) 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 changes in accounting policies

Application of implementation guidance on accounting standard for fair value measurement

Effective from the beginning of the fiscal year under review, the Group applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; hereinafter the “Fair Value Measurement Accounting Standard Implementation Guidance”). It therefore has decided to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This does not affect the non-consolidated financial statements.

4. 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	97

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

The same as the content stated in “4. 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	16,167
Work in process	229
Raw materials	403

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

The same as the content stated in “4. Notes on accounting estimates (2) Valuation of inventories” of the Notes to Consolidated Financial Statements.

5. Notes on Non-Consolidated Balance Sheet

(1) Short-term monetary claims from subsidiaries and associates	31,347 million yen
Short-term monetary liabilities to subsidiaries and associates	29,892 million yen
Long-term monetary claims from subsidiaries and associates	193 million yen
(2) Accumulated depreciation of property, plant and equipment	28,620 million yen
(3) Guarantee obligation	
Guarantees for real estate lease agreement of subsidiaries and associates	33 million yen
Concurrent obligations for payments for electronic monetary claims transactions of subsidiaries and associates	1,923 million yen

6. Notes on Non-Consolidated Statement of Income

(1) Net sales concerning subsidiaries and associates	43,482 million yen
(2) Purchases from subsidiaries and associates	72,263 million yen
(3) Other operating transaction with subsidiaries and associates	17,922 million yen
(4) Non-operating transaction with subsidiaries and associates	25,157 million yen

7. Notes on Non-Consolidated Statement of Changes in Equity

Type and total number of treasury shares at the fiscal year-end

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	16,137,900	39,550,127	20,353,837	35,334,190

Notes:

1. The 39,550,127 share increase in treasury shares resulted from the increase of 39,547,400 shares through market purchases and the increase of 2,727 shares through the purchase of shares less than one unit.
2. The 20,353,837 share decrease in treasury shares resulted from the cancellation of 20,353,809 treasury shares and additional sale of 28 shares, which were less than one unit, to shareholders.
3. The number of shares at the beginning of the current fiscal year includes 373,362 shares held by the BIP trust.
4. The number of shares at the end of the current fiscal year includes 483,762 shares held by the BIP trust.

8. 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	15,516 million yen
Provision for retirement benefits	1,685 million yen
Depreciable assets	1,460 million yen
Loss carryforward	2,593 million yen
Other	2,117 million yen
Subtotal	23,374 million yen
Valuation allowance for tax loss carryforward (Note)	(2,505) million yen
Valuation allowance for the total of deductible temporary differences, etc.	(19,213) million yen
Valuation allowance	(21,719) million yen
Total	1,654 million yen

Deferred tax liabilities

Valuation difference on available-for-sale securities	(2,721) million yen
Other	(132) million yen
Total	(2,853) million yen
Net deferred tax liabilities	(1,199) million yen

(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 (*)	0	–	200	7	–	2,386	2,593
Valuation allowance	(0)	–	(200)	(7)	–	(2,298)	(2,505)
Deferred tax assets	–	–	–	–	–	87	87

* 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 from the fiscal year under review. 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.

9. 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.”

10. 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%	2	Manufacturing of the products of the Company	Purchase of products (Note) 1	31,562	Accounts payable - trade	3,043
					Purchase of raw materials on behalf of others (Note) 1	8,615	Accounts receivable - other	980
					Lending of money (Note) 2, 3	1,844	Short-term loans receivable	5,709
Subsidiary	Sunciti Manufacturers Ltd.	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	17,350	Accounts payable - trade	2,113
					Purchase of raw materials on behalf of others (Note) 1	3,557	Accounts receivable - other	1,071
					Dividend income	5,993	-	-
Subsidiary	Civis Manufacturing Limited	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	12,476	Accounts payable - trade	638
					Purchase of raw materials on behalf of others (Note) 1	1,434	Accounts receivable - other	349
Subsidiary	Royal Time Citi Co., Ltd.	Ownership (direct) 87.44%	-	Manufacturing of the products of the Company	Purchase of products (Note) 1	9,989	Accounts payable - trade	609
					Purchase of raw materials on behalf of others (Note) 1	2,078	Accounts receivable - other	618
Subsidiary	MANUFACTURE LA JOUX-PERRET S.A.	Ownership (direct) 100%	1	Purchase of products Manufacturing of parts for the products of the Company	Lending of money (Note) 2, 3	1,887	Short-term loans receivable	2,484
Subsidiary	Citizen Watch Company of America, Inc.	Ownership (direct) 100%	-	Sales of the products of the Company	Sales of products (Note) 1	19,924	Accounts receivable - trade	1,099
					Dividend income	5,700	-	-
Subsidiary	Citizen Machinery Co., Ltd.	Ownership (direct) 100%	2	Control/management of business activities Leasing of real estate, etc.	Dividend income Lending of money (Note) 2, 3	7,348 6,437	- Short-term loans receivable	- 9,333
Subsidiary	Citizen Electronics Co., Ltd.	Ownership (direct) 79.33%	2	Control/management of business activities	Collecting of money (Note) 2, 3	611	Deposits received	13,622
Subsidiary	TOKYO BIJUTSU Co., Ltd.	Ownership (direct) 71.86%	2	Control/management of business activities	Collecting of money (Note) 2, 3	107	Deposits received	3,221

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.

11. Notes on per share information

Net assets per share 429.56 yen

Basic earnings per share 90.55 yen

Notes: 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 408,352, and the number of shares held by the BIP trust at the period end was 483,762.

12. 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 “11. 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 19, 2023

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.
Hidekazu Takahashi
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, 2022 to March 31, 2023. 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, 2022, 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 Group 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, any safeguards that are in place to eliminate or reduce obstruction factors.

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 19, 2023

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.
Hidekazu Takahashi
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 138th business term from April 1, 2022 to March 31, 2023. 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, 2022, 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, any safeguards that are in place to eliminate or reduce obstruction factors.

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 138th business term from April 1, 2022 to March 31, 2023, 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. In carrying out the audit as initially planned, we enlisted COVID-19 safeguards that included using a web conferencing system to perform certain aspects of the audit.
 - (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 on October 28, 2005), 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 26, 2023

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

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

Kazunori Yanagi [seal]
Full-time Audit & Supervisory Board Member

Yaeko Ishida [seal]
Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member)