

Ticker Code: 7762

June 3, 2025

Start date of measures for electronic provision: May 30, 2025

## **NOTICE OF THE 140th 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 140th Ordinary General Meeting of Shareholders of Citizen Watch Co., Ltd. (the “Company”) will be held as described below.

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

The Company’s website:

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

TSE website:

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

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

Other than attending the meeting in person, you can exercise your voting right in either of the following ways. Please review “Reference Materials for the General Meeting of Shareholders” and exercise your voting right by no later than 5:30 p.m. on Tuesday June 24, 2025.

[Exercise of voting right via the Internet]

Please access the website (<https://evote.tr.mufig.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.

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

**1. Time and Date: Wednesday, June 25, 2025 at 10:00 a.m.**

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

**2. Location                      Grand Prince Hotel Takanawa B1, Prince Room**  
3-13-1 Takanawa, Minato-ku, Tokyo

**3. Agenda:**

**Items to be reported:**

1. Business Report, Consolidated Financial Statements, and Audit Report on the Consolidated Financial Statements by the Independent Auditors and Audit & Supervisory Board for the 140th term (April 1, 2024 to March 31, 2025)
2. Report on the Non-consolidated Financial Statements for the 140th term (April 1, 2024 to March 31, 2025)

**Items to be resolved:**

<Company Proposals> (Item 1 to Item 7)

- Item 1:** Appropriation of Surplus
- Item 2:** Partial Amendments to the Articles of Incorporation
- Item 3:** Election of Seven (7) Directors (Excluding Those Who Are Audit & Supervisory Committee Members)
- Item 4:** Election of Three (3) Directors Who Are Audit & Supervisory Committee Members
- Item 5:** Determination of Amount of Compensation, etc. for Directors (Excluding Those Who Are Audit & Supervisory Committee Members)
- Item 6:** Determination of Amount of Compensation, etc. for Directors Who Are Audit & Supervisory Committee Members
- Item 7:** Determination of Amount of Performance-linked Stock Compensation, etc. for Directors (Excluding Those Who Are Audit & Supervisory Committee Members), etc. and Details Thereof

<Shareholder Proposals> (Item 8 to Item 14)

- Item 8: Partial Amendments to the Articles of Incorporation
- Item 9: Partial Amendments to the Articles of Incorporation
- Item 10: Dismissal of an Audit & Supervisory Board Member
- Item 11: Partial Amendments to the Articles of Incorporation
- Item 12: Partial Amendments to the Articles of Incorporation
- Item 13: Partial Amendments to the Articles of Incorporation
- Item 14: Partial Amendments to the Articles of Incorporation

**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.

- (i) If you plan to attend in person, please submit the enclosed voting form at the reception desk upon your arrival.
- (ii) In accordance with the provisions of laws and regulations the Articles of Incorporation of the Company, the following items are not provided in the document provided electronically.
- "INDEPENDENT AUDITORS", "System to Ensure the Appropriateness of the Company's Business and its Operation Status", and "Basic Policy Relating to Persons Who Control Decision-making over the Financial and Business Policies of the Company" of the Business Report
  - Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income,. Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements
  - Non-Consolidated Financial Statements (Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income,. Non-Consolidated Statement of Changes in Equity, Notes to Non-Consolidated Financial Statements
  - Audit Report (Financial Audit Report on Consolidated Financial Statements, Financial Audit Report on Non-Consolidated Financial Statements, Audit Report of the Audit & Supervisory Board)
- Notably, these items are included in the documents subject to audit by the Audit & Supervisory Board Members and the Independent Auditors.
- (iii) If revisions to the items subject to measures for electronic provision arise, the details of the revisions will be posted on each website.

## 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 ended 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 22.50 yen per share as shown below. This payment, combined with the interim dividend of 22.50 yen per share, will bring the total annual cash dividend for this fiscal year to 45.00 yen per share.

1. Type of dividend

Cash

2. Allotment and total amount of dividend

22.50 yen per common share of the Company

Total amount of dividends: 5,496,031,800 yen

3. Effective date of dividends from surplus

June 26, 2025

(Reference)

	138 <sup>th</sup> (FY2022)	139 <sup>th</sup> (FY2023)	140 <sup>th</sup> (current term) (FY2024)
Dividend (millions of yen)	9,315	9,770	10,992
(annual cash dividend per share) (yen)	(34)	(40)	(45)
Amount of treasury shares purchased (millions of yen)	30,542	12,301	—
Total (millions of yen)	39,857	22,072	10,992
Profit attributable to owners of parent (millions of yen)	21,836	22,958	23,876

## **Company Proposal**

### **Item 2: Partial Amendments to the Articles of Incorporation**

#### 1. Reasons for amendments

- (1) In order to make the audit and supervisory functions of the Board of Directors even stronger and to further enhance governance, as well as increase management efficiency through prompt decision-making and business operations by delegating authority, we would like to shift to a company with an Audit & Supervisory Committee, and so provisions regarding the Audit & Supervisory Committee and Audit & Supervisory Committee Members will be newly established and the provisions regarding the Audit & Supervisory Board Members and the Audit & Supervisory Board will be deleted.
- (2) By resolution of the Board of Directors, a provision will be newly established to the effect that the Company may delegate all or part of decisions of important business execution (excluding the matters listed in each item of paragraph (5), Article 399-13 of the Companies Act) to the Directors.
- (3) A new supplementary provision is proposed as a transitional measure regarding exemption of Audit & Supervisory Board Members from liability in connection with the transition to a company with an Audit & Supervisory Committee.
- (4) In addition to the above, the required changes are to be made to the numbers and wording of articles, reorganization of provisions, and other general changes.

#### 2. Contents of amendments

The proposed amendments are as follows:

The resolution pertaining to this proposal will become effective at the conclusion of this General Meeting of Shareholders.

(Underlined portions indicate amendments.)

Current Articles	Proposed Amendments
<p>Article 4 (Organs)</p> <p>The Company shall have the following organs in addition to general meeting of shareholders and Directors:</p> <ol style="list-style-type: none"> <li>1. Board of Directors;</li> <li>2. <u>Audit &amp; Supervisory Board Members;</u></li> <li>3. <u>Audit &amp; Supervisory Board;</u></li> <li>4. <u>Independent Auditors</u></li> </ol>	<p>Article 4 (Organs)</p> <p>The Company shall have the following organs in addition to general meeting of shareholders and Directors:</p> <ol style="list-style-type: none"> <li>1. Board of Directors;</li> <li>2. <u>Audit &amp; Supervisory Committee;</u> (Deleted)</li> <li>3. <u>Independent Auditors</u></li> </ol>
<p>Article 10 (Shareholder Registry Administrator)</p> <ol style="list-style-type: none"> <li>1) The Company shall appoint a shareholder registry administrator.</li> <li>2) The shareholder registry administrator and its business office shall be designated by resolution of the Board of Directors of the Company and public notice thereof shall be issued by the Company.</li> <li>3) Preparation and retention of the register of shareholders and the ledger of stock acquisition rights of the Company, as well as any other business with respect to the register of shareholders and the ledger of stock acquisition rights of the Company, shall be entrusted to the shareholder registry administrator and shall not be handled by the Company.</li> </ol>	<p>Article 10 (Shareholder Registry Administrator) (Unchanged)</p> <ol style="list-style-type: none"> <li>2) The shareholder registry administrator and its business office shall be designated by resolution of the Board of Directors of the Company <u>or decision by Directors delegated by the Board of Directors,</u> and public notice thereof shall be issued by the Company. (Unchanged)</li> </ol>
<p>Article 11 (Share Handling Regulations)</p> <p>The business and handling charges pertaining to shares of the Company shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Share Handling Regulations established <u>at</u> the Board of Directors of the Company.</p>	<p>Article 11 (Share Handling Regulations)</p> <p>The business and handling charges pertaining to shares of the Company shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Share Handling Regulations established <u>by resolution of</u> the Board of Directors of the Company <u>or decision by Directors delegated by the Board of Directors.</u></p>
<p>Article 14 (Person with Convocation Right and Chairman)</p> <ol style="list-style-type: none"> <li>1) The President and CEO of the Company shall convene the general meeting of shareholders and act as the chairman thereof.</li> <li>2) In the event that the President and CEO of the Company is unable to act, another Director, determined in accordance with an order of priority previously determined <u>at</u> the Board of Directors of the Company, shall convene the general meeting of shareholders and act as the chairman thereof.</li> </ol>	<p>Article 14 (Person with Convocation Right and Chairman) (Unchanged)</p> <ol style="list-style-type: none"> <li>2) In the event that the President and CEO of the Company is unable to act, another Director, determined in accordance with an order of priority previously determined <u>by resolution of</u> the Board of Directors of the Company, shall convene the general meeting of shareholders and act as the chairman thereof.</li> </ol>

<p>Article 18 (Number of Directors) The number of Directors of the Company shall not exceed <u>fifteen (15)</u>.</p> <p>(Newly established)</p>	<p>Article 18 (Number of Directors)</p> <p>1) The number of Directors <u>(excluding those who are Audit &amp; Supervisory Committee Members)</u> of the Company shall not exceed <u>nine (9)</u>.</p> <p>2) The number of Directors who are Audit &amp; Supervisory Committee Members of the Company shall not exceed four (4).</p>
<p>Article 19 (Election of Directors)</p> <p>1) Directors shall be elected <u>at</u> the general meeting of shareholders.</p> <p>2) Resolutions for the election of Directors shall be adopted by a majority vote of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</p> <p>3) Resolutions for the election of Directors shall not be by cumulative voting.</p>	<p>Article 19 (Election of Directors)</p> <p>1) Directors shall be elected <u>by resolution of the general meeting of shareholders, distinguishing between Directors who are Audit &amp; Supervisory Committee Members and those who are not.</u></p> <p>(Unchanged)</p> <p>(Unchanged)</p>
<p>Article 20 (Term of Office of Directors) The term of office of a Director shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within one (1) year from his/her election to office.</p> <p>(Newly established)</p>	<p>Article 20 (Term of Office of Directors)</p> <p>1) The term of office of a Director <u>(excluding those who are Audit &amp; Supervisory Committee Members)</u> shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within one (1) year from his/her election to office.</p> <p>2) <u>The term of office of a Director who is an Audit &amp; Supervisory Committee Member shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within two (2) years from his/her election to office.</u></p>
<p>Article 21 (Representative Directors and Executive Directors)</p> <p>1) Representative Directors of the Company shall be elected by resolution of the Board of Directors.</p>	<p>Article 21 (Representative Directors and Executive Directors)</p> <p>1) Representative Directors of the Company shall be elected <u>from among Directors (excluding those who are Audit &amp; Supervisory Committee Members)</u> by resolution of the Board of Directors.</p>

2) The Board of Directors may, by its resolution, elect one Chairman of the Board of Directors, one Vice President and Director, and several Senior Managing Directors and Managing Directors.	2) The Board of Directors may, by its resolution, elect one Chairman of the Board of Directors, one Vice President and Director, and several Senior Managing Directors and Managing Directors <u>from among Directors (excluding those who are Audit &amp; Supervisory Committee Members).</u>
<p>Article 22 (Person with Convocation Right and Chairman of the Board of Directors)</p> <p>1) Except as otherwise provided by laws and regulations, the Chairman of the Board of Directors shall convene the meetings of the Board of Directors and act as the chairman thereof.</p> <p>2) When the position of Chairman of the Board of Directors is vacant or the Chairman of the Board of Directors is unable to act, the President and CEO shall convene the meetings of the Board of Directors and act as the chairman thereof. On that condition, if the said President and CEO is unable to so act, another Director, determined in accordance with an order of priority previously determined <u>at the Board of Directors of the Company</u>, shall convene the meetings of the Board of Directors and act as the chairman thereof.</p>	<p>Article 22 (Person with Convocation Right and Chairman of the Board of Directors) (Unchanged)</p> <p>2) When the position of Chairman of the Board of Directors is vacant or the Chairman of the Board of Directors is unable to act, the President and CEO shall convene the meetings of the Board of Directors and act as the chairman thereof. On that condition, if the said President and CEO is unable to so act, another Director, determined in accordance with an order of priority previously determined <u>by resolution of the Board of Directors of the Company</u>, shall convene the meetings of the Board of Directors and act as the chairman thereof.</p>
<p>Article 23 (Notice of Convocation of the Board of Directors)</p> <p>1) Notice of convocation of a meeting of the Board of Directors of the Company shall be sent to each Director <u>and Audit &amp; Supervisory Board Member</u> at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</p> <p>2) When the consent of all Directors <u>and Audit &amp; Supervisory Board Members</u> is obtained in advance, a meeting of the Board of Directors of the Company may be held without following the procedures for convening a meeting.</p>	<p>Article 23 (Notice of Convocation of the Board of Directors)</p> <p>1) Notice of convocation of a meeting of the Board of Directors of the Company shall be sent to each Director at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</p> <p>2) When the consent of all Directors is obtained in advance, a meeting of the Board of Directors of the Company may be held without following the procedures for convening a meeting.</p>
(Newly established)	<p>Article 24 (Delegation of the Decisions of Important Business Execution) <u>Pursuant to the provisions of Article 399-13, paragraph (6) of the Companies Act, the Company shall be able to delegate all or part of the decisions of important business execution (excluding the matters listed in each item of paragraph (5) of the same Article) by resolution of the Board of Directors.</u></p>
Article <u>24</u> (Omitted)	Article <u>25</u> (Unchanged)



<p><u>Article 25</u> (Rules on Board of Directors)</p> <p>The matters concerning the Board of Directors of the Company shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Rules on Board of Directors determined <u>at</u> the Board of Directors of the Company.</p>	<p><u>Article 26</u> (Rules on Board of Directors)</p> <p>The matters concerning the Board of Directors of the Company shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Rules on Board of Directors determined <u>by resolution of</u> the Board of Directors of the Company.</p>
<p><u>Article 26</u> (Compensation etc. for Directors)</p> <p>The amount of compensation, bonuses and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty (<u>hereinafter referred to as “compensation etc.”</u>) shall be determined by resolution of the general meeting of shareholders</p>	<p><u>Article 27</u> (Compensation etc. for Directors)</p> <p>The amount of compensation, bonuses and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty shall be determined by resolution of the general meeting of shareholders, <u>distinguishing between Directors who are Audit &amp; Supervisory Committee Members and those who are not.</u></p>
<p><u>Article 27</u> (Omitted)</p>	<p><u>Article 28</u> (Unchanged)</p>
<p><u>Chapter V. Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board</u></p> <p><u>Article 28</u> (Number of Audit &amp; Supervisory Board Members)</p> <p><u>The number of Audit &amp; Supervisory Board Members of the Company shall not exceed four (4).</u></p>	<p>(Deleted)</p> <p>(Deleted)</p>
<p><u>Article 29</u> (Election of Audit &amp; Supervisory Board Members)</p> <p>1) <u>Audit &amp; Supervisory Board Members shall be elected at the general meeting of shareholders.</u></p> <p>2) <u>Resolutions for the election of Audit &amp; Supervisory Board Members shall be adopted by a majority vote of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</u></p>	<p>(Deleted)</p>
<p><u>Article 30</u> (Term of Office of Audit &amp; Supervisory Board Members)</p> <p>1) <u>The term of office of an Audit &amp; Supervisory Board Member shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within four (4) years from his/her election to office.</u></p> <p>2) <u>The term of office of an Audit &amp; Supervisory Board Member appointed as a substitute Audit &amp; Supervisory Board Member and retired before the expiration of his/her term of office shall be the remaining term of office of the retired Audit &amp; Supervisory Board Member.</u></p>	<p>(Deleted)</p>

<p><u>Article 31 (Full-Time Audit &amp; Supervisory Board Members)</u>  <u>The Audit &amp; Supervisory Board shall elect by its resolution one or more full-time Audit &amp; Supervisory Board Members.</u></p>	(Deleted)
<p><u>Article 32 (Notice of Convocation of the Audit &amp; Supervisory Board)</u>  1) <u>Notice of convocation of a meeting of the Audit &amp; Supervisory Board of the Company shall be sent to each Audit &amp; Supervisory Board Member at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</u>  2) <u>When the consent of all Audit &amp; Supervisory Board Members is obtained in advance, a meeting of the Audit &amp; Supervisory Board of the Company may be held without following the procedures for convening a meeting.</u></p>	(Deleted)
<p><u>Article 33 (Rules on Audit &amp; Supervisory Board)</u>  <u>The matters concerning the Audit &amp; Supervisory Board of the Company shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Rules on Audit &amp; Supervisory Board determined at the Audit &amp; Supervisory Board of the Company.</u></p>	(Deleted)
<p><u>Article 34 (Compensation etc. for Audit &amp; Supervisory Board Members)</u>  <u>The amount of compensation, etc. shall be determined by the resolution of the general meeting of shareholders.</u></p>	(Deleted)
<p><u>Article 35 (Exemption from Liabilities of Audit &amp; Supervisory Board Members)</u>  1) <u>Pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may exempt Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) from liabilities under Article 423, paragraph (1) of the same Act, to the extent permitted by laws and regulations, in accordance with resolution of the Board of Directors of the Company.</u></p>	(Deleted)

2) Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may enter into an agreement with each of the Audit & Supervisory Board Members to the effect that any liability of such Audit & Supervisory Board Member under Article 423, paragraph (1) of the same Act shall be limited; provided, however, the limit of the liability shall be a prescribed amount that is 10 million yen or more or the minimum liability amount set by laws and regulations, whichever is the greater.	
(Newly established)	Chapter V. Audit & Supervisory Committee
(Newly established)	Article 29 (Full-Time Audit & Supervisory Committee Members) The Audit & Supervisory Committee shall elect by its resolution one or more full-time Audit & Supervisory Committee Members.
(Newly established)	Article 30 (Notice of Convocation of the Audit & Supervisory Committee) 1) Notice of convocation of a meeting of the Audit & Supervisory Committee of the Company shall be sent to each Audit & Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened. 2) When the consent of all Audit & Supervisory Committee Members is obtained in advance, a meeting of the Audit & Supervisory Committee of the Company may be held without following the procedures for convening a meeting.
(Newly established)	Article 31 (Rules on Audit & Supervisory Committee) The matters concerning the Audit & Supervisory Committee of the Company shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Rules on Audit & Supervisory Committee determined at the Audit & Supervisory Committee of the Company.
Article 36 to 39 (Omitted)	Article 32 to 35 (Unchanged)

(Newly established)	<p><u>(Supplementary Provisions)</u></p> <p><u>Pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may exempt Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) from liabilities related to their acts before the conclusion of the 140th Ordinary General Meeting of Shareholders under Article 423, paragraph (1) of the same Act, to the extent permitted by laws and regulations, in accordance with resolution of the Board of Directors of the Company.</u></p>
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**Company Proposal****Item 3: Election of Seven (7) Directors (Excluding Those Who Are Audit & Supervisory Committee Members)**

Upon the approval of Item 2 “Partial Amendments to the Articles of Incorporation” as proposed, the Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this General Meeting of Shareholders. In addition, the terms of office of all of the present eight (8) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes to elect seven (7) Directors (excluding those who are Audit & Supervisory Committee Members; the same applies in the rest of this proposal).

The resolution of this proposal shall become effective when Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and takes effect.

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	Yoshitaka Oji	President and CEO	[For reelection]	17/17 (100%)
2	Toshiyuki Furukawa	Senior Managing Director In charge of Corporate Planning Division, IT Management Department and Devices and Components Business	[For reelection]	17/17 (100%)
3	Yoshiaki Miyamoto	Managing Director Group Risk Management, in charge of Personnel Division, General Affairs Division and CSR Department	[For reelection]	17/17 (100%)
4	Keiichi Kobayashi	Senior Operating Officer In charge of Corporate Public & Investor Relations Department, Sustainability Development Department, Development Division and Intellectual Property Division	[New election]	—
5	Toshiko Kuboki	Outside Director —	[For reelection] [Outside] [Independent]	17/17 (100%)
6	Yoshio Osawa	Outside Director —	[For reelection] [Outside] [Independent]	17/17 (100%)
7	Katsuhiko Yoshida	Outside Director —	[For reelection] [Outside] [Independent]	17/17 (100%)


No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
1	 Yoshitaka Oji (November 23, 1963)  For reelection	April 1986      Joined the Company 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. April 2015      General Manager of Corporate Planning Division of the Company October 2016   Operating Officer of the Company June 2017      Director of the Company April 2019      Senior General Manager of Product Development Division, Senior General Manager of Watch Development Division and Senior General Manager of R&D Center of the Company April 2022      Managing Director of the Company April 2022      Senior General Manager of Watch Business Division of the Company April 2025      President and CEO of the Company (present)	18,897 shares
		Reasons for nominating the candidate for Director In light of Mr. Yoshitaka Oji's experience in promoting the management strategy in the Citizen Group's watches business and his achievements in promoting the product development of watches and clocks at the Company, the Company believes he will continue to play a leading role in increasing the corporate value of the Citizen Group by leading the Group's management through implementation of the "Medium-term Management Plan 2027" 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	 <p>Toshiyuki Furukawa (January 19, 1963)</p> <p>For reelection</p>	<p>April 1986      Joined the Company</p> <p>April 2009      Manager of Investor and Public Relations Department of the Company</p> <p>June 2011      General Manager of Corporate Planning Division of the Company</p> <p>April 2015      Director of Citizen Watch Co., Ltd.</p> <p>April 2015      General Manager of Management Planning Division and in charge of Accounting Department of Citizen Watch Co., Ltd.</p> <p>June 2016      Director of the Company</p> <p>June 2016      General Manager of Corporate Planning Division of the Company</p> <p>June 2016      In charge of Accounting Department and Public &amp; Investor Relations Department of the Company</p> <p>October 2016    In charge of IT Management Department of the Company (present)</p> <p>April 2021      In charge of Corporate Planning Division of the Company (present)</p> <p>April 2022      Managing Director of the Company</p> <p>April 2025      Senior Managing Director of the Company (present)</p> <p>April 2025      In charge of Devices and Components Business of the Company (present)</p>	11,821 shares
		Reasons for nominating the candidate for Director	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	 Yoshiaki Miyamoto (February 3, 1963)  For reelection	August 1990    Joined the Company April 2009    Deputy General Manager of Business Administration Department, Administration Division of Citizen Watch Co., Ltd. December 2010    Deputy General Manager of Strategic Planning Department, Planning Division of Citizen Watch Co., Ltd. April 2012    President of Citizen Watch Manufacturing (Thailand) Co., Ltd. April 2014    President of Citizen Watch Europe GmbH April 2017    Senior Operating Officer of the Company April 2017    General Manager of General Affairs Division of the Company June 2017    Group Risk Management and in charge of Personnel Division of the Company (present) June 2018    Director of the Company April 2019    In charge of Environmental Management Department of the Company April 2019    In charge of CSR Department of the Company (present) April 2025    Managing Director of the Company (present) April 2025    In charge of General Affairs Division of the Company (present)	12,652 shares
		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
4	 Keiichi Kobayashi (August 6, 1968)  New election	April 1992    Joined Citizen Trading Co., Ltd. September 2005    Assigned to Marketing Department, Watch Business Division of the Company (assigned to United States of America) April 2007    Assigned to CB Business Division of Citizen Watch Co., Ltd. (assigned to United States of America) October 2016    Deputy General Manager of Switzerland of Global Marketing Division of the Company April 2017    President of Citizen Watch Europe GmbH April 2022    Operating Officer of the Company April 2022    General Manager of Corporate Planning Division of the Company April 2025    Senior Operating Officer of the Company (present) April 2025    In charge of Public & Investor Relations Department, Sustainability Development Department, Development Division and Intellectual Property Division of the Company (present)	6,099 shares
		Reasons for nominating the candidate for Director	Attendance at Board of Directors meetings
		In light of Mr. Keiichi Kobayashi's experience in managing the overseas subsidiaries responsible for the Citizen Group's watch and clock sales, and achievements in formulating the Citizen Group's management strategy as General Manager of the Company's Corporate Planning Division, the Company believes he will contribute to increasing the corporate value of the Citizen Group and newly nominated him as a candidate for Director.	—

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and significant concurrent roles held at other corporations	Number of the Company's shares held
5	 <p>Toshiko Kuboki (February 26, 1960)</p> <p>For reelection</p> <p>Candidate for Outside Director</p>	<p>April 1987 Registered as an attorney-at-law</p> <p>February 2002 Conciliation commissioner of Tokyo Family Court (present)</p> <p>April 2012 Visiting Professor of Graduate School of Law, Chuo University (present)</p> <p>June 2015 Outside Director of Qol Co., Ltd. (Currently Qol Holdings Co., Ltd.) (present)</p> <p>June 2015 Outside Auditor of Kyodo News (present)</p> <p>June 2016 Outside Audit &amp; Supervisory Board Member of the Company</p> <p>June 2019 Outside Director of the Company (present)</p> <p>December 2021 Chuo-ku Specially Appointed Civil Servant Remuneration, etc. Council Member (present)</p> <p>April 2023 Vice President of Tokyo Medical and Dental University</p> <p>June 2023 Outside Director and Audit and Supervisory Committee Member of Asahi Yukizai Corporation (present)</p> <p>October 2024 Vice President of Institute of Science Tokyo (present)</p> <p>April 2025 Audit Commissioner of Chuo-ku, Tokyo (present)</p> <p>Reasons for nominating the candidate for Outside Director and role expectations</p> <p>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 &amp; Supervisory Board Member, the Company deems that she has thorough knowledge of corporate legal affairs as an attorney-at-law and will be able to properly perform her duties as Outside Director.</p>	<p>5,000 shares</p> <p>Attendance at Board of Directors meetings</p> <p>17/17 (100%)</p>

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	 <p>Yoshio Osawa (January 22, 1952)</p> <p>For reelection</p> <p>Candidate for Outside Director</p>	<p>April 2003 Corporate Officer and General Manager of Network Division of Sumitomo Corporation</p> <p>April 2005 Executive Officer and General Manager of Network Division of Sumitomo Corporation</p> <p>April 2007 Executive Officer and General Manager of Media Division of Sumitomo Corporation</p> <p>April 2008 Managing Executive Officer and General Manager of Media, Network &amp; Lifestyle Retail Business Unit of Sumitomo Corporation</p> <p>June 2008 Representative Director and Managing Executive Officer of Sumitomo Corporation</p> <p>April 2011 Representative Director and Senior Managing Executive Officer of Sumitomo Corporation</p> <p>June 2013 Representative Director, President and Chief Operating Officer of SCSK Corporation</p> <p>April 2015 Representative Director and President of SCSK Corporation</p> <p>April 2016 Director and Chairman of the Board of SCSK Corporation</p> <p>April 2017 Director of SCSK Corporation</p> <p>March 2018 Outside Director of Canon Marketing Japan Inc. (present)</p> <p>June 2019 Outside Director of the Company (present)</p> <p>June 2024 Outside Director of Fujitsu General Ltd. (present)</p>	- shares
		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
7	 Katsuhiko Yoshida (April 5, 1954)	June 2007 Executive Officer of Kao Corporation June 2012 Managing Executive Officer of Kao Corporation March 2014 Representative Director, Managing Executive Officer of Kao Corporation March 2015 Representative Director, Senior Managing Executive Officer of Kao Corporation October 2019 President of Japan Childcare Support Association (present) June 2022 Outside Director of Kawasaki Heavy Industries, Ltd. (present) June 2022 Outside Director of the Company (present)	8,072 shares
		Reasons for nominating the candidate for Outside Director and role expectations	Attendance at Board of Directors meetings
		The Company intends to have Mr. Katsuhiko Yoshida assume supervisory functions in the appointment, etc. of the Company's President and CEO and processes such as the determination of officer compensation from an independent and objective position, in addition to utilizing his considerable experience in and extensive knowledge of management to check and supervise the Company's management. The Company therefore again nominated him as a candidate for Outside Director.	17/17 (100%)
	For reelection  Candidate for Outside Director		

Notes:

1. "Citizen Watch Co., Ltd." mentioned above in the career summary refers to the subsidiary that was newly incorporated in an incorporation-type split on April 2, 2007 and dissolved through being merged with the Company on October 1, 2016.
2. The number of the Company's shares held includes the shares held through the stock ownership plan.
3. No conflict of interest exists between the Company and any of the above candidates.
4. The Company, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, has an agreement with each of Ms. Toshiko Kuboki, Mr. Yoshio Osawa and Mr. Katsuhiko Yoshida to limit their liability for damages under Article 423, paragraph (1) of the Companies Act, in order to enable them to fully perform their duties as Outside Directors as expected, and if their reelection is approved at the meeting, the Company intends to continue these agreements. The amount of their total maximum liability for damages under such agreements is the higher of 10,000,000 yen or the minimum liability amount provided for under the relevant laws and regulations.
5. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The insurance policy will cover damages and litigation expenses incurred in cases where an insured receives a claim for damages arising from the performance of duties (including nonfeasance). However, there are exemptions from coverage such as damages arising from an illegal act by the insured with full knowledge of its illegality. If each candidate assumes the office as Director, each of them will be included as an insured in the policy. Insurance premiums are borne by the Company, and the insureds do not bear any of the premiums. In addition, when the policy is renewed next, the Company plans to renew the policy with the same terms.
6. The candidates Ms. Toshiko Kuboki, Mr. Yoshio Osawa, and Mr. Katsuhiko Yoshida are candidates for Outside Directors of the Company. The Company has appointed Ms. Toshiko Kuboki, Mr. Yoshio Osawa and Mr. Katsuhiko Yoshida, as Independent Officers defined by the Tokyo Stock Exchange and registered them with the Exchange as such.  
The terms of office of Ms. Toshiko Kuboki and Mr. Yoshio Osawa as Outside Director will be six (6) years at the conclusion of this General Meeting of Shareholders. The term of office of Mr. Katsuhiko Yoshida as Outside Director will be three (3) years at the conclusion of this General Meeting of Shareholders.
7. At Kawasaki Heavy Industries, Ltd., where the candidate Mr. Katsuhiko Yoshida serves as an Outside Director, cases of misconduct were discovered in 2024 in the submarine repair and marine diesel engine businesses. While he had no prior knowledge of the alleged misconduct, he had been proactively recommending measures on a daily basis to bolster corporate governance and ensure compliance with laws and regulations within the company group. Furthermore, since becoming aware of the facts, he has fulfilled his responsibilities properly by proposing measures to prevent recurrence, such as clarifying the full details, elucidating the root causes, investigating other cases of misconduct, and strengthening the compliance system.

### **Company Proposal**


#### **Item 4: Election of Three (3) Directors Who Are Audit & Supervisory Committee Members**

The Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this General Meeting of Shareholders on the condition that Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed. Accordingly, the Company proposes to elect three (3) Directors who are Audit & Supervisory Committee Members.


The resolution of this proposal shall become effective when Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and takes effect.

The candidates for the positions of Directors who are Audit & Supervisory Committee Members are as follows.

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

No.	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
1	 Kazunori Yanagi (February 3, 1963)  For new election	April 1986      Joined the Company April 2007      General Manager of Accounting Department, Administration Division of Citizen Watch Co., Ltd. August 2011    General Manager of Accounting Department of Citizen Watch Co., Ltd. April 2012      Executive Officer of Citizen Jewelry Co., Ltd. March 2014     Director of ROYAL TIME CITI CO., LTD. August 2014    Representative Director and President of ROYAL TIME CITI CO., LTD. April 2017      Director of ROYAL TIME CITI CO., LTD. April 2019      Director of Citizen Watch Manufacturing Co., Ltd. June 2022      Audit & Supervisory Board Member of the Company (present)	7,663 shares
		Reasons for nominating the candidate for Director who is an Audit & Supervisory Committee Member	Attendance at Board of Directors meetings
		Mr. Kazunori Yanagi has experience in managing a subsidiary of the Company as President after mainly being involved in the accounting area at the Company and holding several managerial positions in accounting departments of the Company's subsidiaries. In the belief that he will utilize such experience in audits of the Company, the Company newly nominated him as a candidate for Director who is an Audit & Supervisory Committee Member.	17/17 (100%)
			Attendance at Audit & Supervisory Board meetings
			13/13 (100%)

No.	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
2	 Yaeko Ishida (August 18, 1970)  For new election	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) June 2023 Outside Director of Shindengen Electric Manufacturing Co., Ltd. (present)	- shares
		Reasons for nominating the candidate for Outside Director who is an Audit & Supervisory Committee Member and role expectations	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 audit the Company, the Company believes that she is suitable for the position of Director who is an Audit & Supervisory Committee 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 Director who is an Audit & Supervisory Committee Member, and therefore newly nominated her as a candidate for Director who is an Audit & Supervisory Committee Member.	17/17 (100%)
			Attendance at Audit & Supervisory Board meetings 13/13 (100%)

No.	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
3	 Noriko Yamanaka (April 22, 1973)  For new election	October 1998    Joined Asahi & Co. (Currently KPMG AZSA LLC) April 2002      Registered as a certified public accountant August 2004    Joined Criminal Investigation Division, Securities and Exchange Surveillance Commission, Financial Services Agency August 2006    Joined AZSA & Co. (Currently KPMG AZSA LLC) September 2012    Joined Suntory Holdings Limited March 2022      Auditor of Pronto Corporation March 2024      Outside Director who is a member of the Audit and Supervisory Committee of I-ne Co., Ltd. (present) Reasons for nominating the candidate for Outside Director who is an Audit & Supervisory Committee Member and role expectations Ms. Noriko Yamanaka has extensive experience and knowledge as a certified public accountant, and since she will be able to utilize her professional point of view as a certified public accountant to audit the Company, the Company believes that she is suitable for the position of Director who is an Audit & Supervisory Committee Member. While Ms. Noriko Yamanaka 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 accounting and internal control as a certified public accountant and will be able to properly perform her duties as Director who is an Audit & Supervisory Committee Member, and therefore newly nominated her as a candidate for Director who is an Audit & Supervisory Committee Member.	- shares

Notes:

1. "Citizen Watch Co., Ltd." mentioned above in the career summary refers to the subsidiary that was newly incorporated in an incorporation-type split on April 2, 2007 and dissolved through being merged with the Company on October 1, 2016.
2. The number of the Company's shares held includes the shares held through the stock ownership plan.
3. The candidate Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.
4. No conflict of interest exists between the Company and any of the above candidates.
5. The Company, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, has an agreement with each of Mr. Kazunori Yanagi and Ms. Yaeko Ishida 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 Audit & Supervisory Board Members as expected. 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. If the election of the candidates Mr. Kazunori Yanagi, Ms. Yaeko Ishida, and Ms. Noriko Yamanaka are approved at the meeting, the Company, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, will enter into an agreement with each of them 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 Director as expected. The amount of their total maximum liability for damages under such an agreement will be 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. Yaeko Ishida and Ms. Noriko Yamanaka are candidates for Outside Directors of the Company. The Company has appointed Ms. Yaeko Ishida as an Independent Officer defined by the Tokyo Stock Exchange and registered her with the Exchange as such. The Company intends to appoint Ms. Noriko Yamanaka as Independent Officer defined by the Tokyo Stock Exchange and registered her with the Exchange as such. Additionally, Ms. Yaeko Ishida is currently serving as Outside Audit & Supervisory Board Member of the Company, and her term of office as an Audit & Supervisory Board Member will be six (6) years at the conclusion of this General Meeting of Shareholders.



**(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 skills held by each Director in the nominees listed in this Convocation Notice of Meeting are as follows, if they are elected as proposed.

Position / Name	Gender	Corporate Management / Management Strategy	Sales / Marketing	Technology / Development / Manufacturing	Global Management	IT / DX	HR Development / Diversity	Finance / Accounting	ESG / Sustainability	Legal Affairs / Risk Management
President and CEO Yoshitaka Oji	Male	•	•	•	•				•	
Senior Managing Director Toshiyuki Furukawa	Male	•	•		•	•		•	•	
Managing Director Yoshiaki Miyamoto	Male	•		•	•		•		•	•
Director Keiichi Kobayashi	Male	•	•		•	•			•	
Outside Director Toshiko Kuboki	Female						•		•	•
Outside Director Yoshio Osawa	Male	•	•		•	•			•	•
Outside Director Katsuhiko Yoshida	Male	•	•	•			•		•	
Director Full-time Audit & Supervisory Committee Member Kazunori Yanagi	Male	•		•	•		•	•		
Outside Director Audit & Supervisory Committee Member Yaeko Ishida	Female								•	•
Outside Director Audit & Supervisory Committee Member Noriko Yamanaka	Female							•		•

- Notes: 1. This does not represent all of the knowledge and experience possessed by each director.  
2. Ms. Yaeko Ishida uses the name Yaeko Kitadai in her profession as an attorney-at-law.

### **Company Proposal**

#### **Item 5: Determination of Amount of Compensation, etc. for Directors (Excluding Those Who Are Audit & Supervisory Committee Members)**

Regarding the amount of compensation, etc. for Directors of the Company, the total amount of compensation, etc. for Directors (excluding Outside Directors) was resolved to be within 370 million yen per year at the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018, and the total amount of compensation, etc. for Outside Directors was resolved to be within 40 million yen per year at the 134th Ordinary General Meeting of Shareholders held on June 26, 2019, and have not changed to date.

The Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this General Meeting of Shareholders on the condition that Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed.

Accordingly, in order to newly determine the amount of compensation, etc. for Directors (excluding those who are Audit & Supervisory Committee Members) in line with the transition to a company with an Audit & Supervisory Committee, the Company proposes to abolish current provisions related to the amount of compensation, etc. for Directors. It is proposed to set the total amount of compensation, etc. for Directors (excluding those who are Audit & Supervisory Committee Members) to be within 340 million yen per year (including 70 million yen per year for Outside Directors). Bonuses, etc. (excluding share-based compensation if Item 7 “Determination of Amount of Performance-linked Stock Compensation, etc. for Directors (Excluding Those Who Are Audit & Supervisory Committee Members), etc. and Details Thereof” is approved as proposed) are also proposed to be paid within this range (however, bonuses are not proposed to be paid to Outside Directors). In addition, as we have done in the past, the Company proposes that no compensation be paid to Directors concurrently serving as employees for their services.

If this proposal is approved, the Company plans to amend the “Policy on Determination of the Content of Individual Compensation, etc. of Directors” at the Board of Directors meeting scheduled to be held after the conclusion of this General Meeting, to be consistent with the approved content, including changing the scope of application to “Directors (excluding Directors who are Audit & Supervisory Committee Members)” and making other necessary revisions. This proposal is also necessary in order to determine the details of individual compensation, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the above Policy. Additionally, given that this proposal has been submitted based on the recommendations of the Compensation Committee, which is chaired by an Outside Director and consists of a majority of Outside Directors, we believe that this proposal is appropriate.

Although the current number of Directors is eight (8) including three (3) Outside Directors, if Item 2 “Partial Amendments to the Articles of Incorporation” and Item 3 “Election of Seven (7) Directors (Excluding Those Who Are Audit & Supervisory Committee Members)” are approved as proposed, the number of Directors (excluding those who are Audit & Supervisory Committee Members) will be seven (7) including three (3) Outside Directors.

The resolution of this proposal shall become effective when Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and takes effect.

**Company Proposal**

**Item 6: Determination of Amount of Compensation, etc. for Directors Who Are Audit & Supervisory Committee Members**

The Company will transition to a company with an Audit & Supervisory Committee at the conclusion of this General Meeting of Shareholders on the condition that Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed.

Accordingly, in line with the transition to a company with an Audit & Supervisory Committee, the Company proposes to set the total amount of compensation, etc. for Directors who are Audit & Supervisory Committee Members to be within 70 million yen per year.

This proposal determines the total amount of compensation, etc. for Directors who are Audit & Supervisory Committee Members within a reasonable range, taking into consideration the importance of responsibilities of Directors who are Audit & Supervisory Committee Members and a level of compensation enabling the securing of talented personnel, etc., and we believe that this proposal is reasonable.

If Item 2 “Partial Amendments to the Articles of Incorporation” and Item 4 “Election of Three (3) Directors Who Are Audit & Supervisory Committee Members” are approved as proposed, the number of Directors who are Audit & Supervisory Committee Members will be three (3).

The resolution of this proposal shall become effective when Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and takes effect.

## **Company Proposal**

### **Item 7: Determination of Amount of Performance-linked Stock Compensation, etc. for Directors (Excluding Those Who Are Audit & Supervisory Committee Members), etc. and Details Thereof**

At the 133rd Ordinary General Meeting of Shareholders held on June 27, 2018, the Company received approval to introduce a performance-linked stock compensation plan for its Directors (excluding Outside Directors and non-residents of Japan), whereby shares of the Company are delivered according to the degree of achievement of performance targets and other factors.

Subject to the approval of Item 2 “Partial Amendments to the Articles of Incorporation” as proposed, the Company will transfer to a company with an Audit & Supervisory Committee at the conclusion of this General Meeting of Shareholders.

In line with the transition to a company with an Audit & Supervisory Committee, the Company requests approval for this item of the establishment of a performance-linked stock compensation plan for the Company's Directors, and a new maximum compensation amount for a performance-linked stock compensation plan (the “Plan”) for the Company's Directors and Operating Officers (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and non-residents of Japan; collectively the “Directors, etc.” in this item).

If this proposal is approved, the Company plans to amend the “Policy on Determination of the Content of Individual Compensation, etc. of Directors” at the Board of Directors meeting scheduled to be held after the conclusion of this General Meeting, to be consistent with the approved content, including changing the scope of application to “Directors (excluding Directors who are Audit & Supervisory Committee Members)” and making other necessary revisions. This proposal is also necessary in order to determine the details of individual compensation, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the above Policy. Additionally, given that this proposal has been submitted based on the recommendations of the Compensation Committee, which is chaired by an Outside Director and consists of a majority of Outside Directors, we believe that this proposal is appropriate.

This item is to be established in a separate framework from the compensation limit amount (if Item 5 is approved as proposed, the annual amount shall not exceed 340 million yen (including 70 million yen or less for Outside Directors)) that is proposed to be approved in Item 5 “Determination of Amount of Compensation, etc. for Directors (Excluding Those Who Are Audit & Supervisory Committee Members).”

The number of Directors (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and non-residents of Japan) subject to the Plan will be four (4) if Item 3 “Election of Seven (7) Directors (Excluding Those Who Are Audit & Supervisory Committee Members)” is approved as proposed. The Plan also covers Operating Officers, and the number of Operating Officers who do not concurrently serve as Directors subject to the Plan is expected to be eleven (11) at the conclusion of this General Meeting of Shareholders. Compensation under the Plan includes compensation for Operating Officers, but since the Plan deals with stock compensation for Directors and stock compensation for Operating Officers in one package, this item proposes the amount and content of total compensation under the Plan.

The resolution of this item shall become effective when Item 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and the resolution becomes effective.

#### **(1) Overview of the Plan**

The Plan is a stock-based compensation plan under which the Company's shares are acquired through a trust (the “Trust”) funded by the amount of compensation of the Directors, etc. contributed by the Company and which the Company makes a delivery and payment (the

“Delivery, etc.”) of the Company's shares and money equivalent to the realization proceeds of the Company's shares (the “Company's Shares, etc.”) to the Directors, etc. (details are as described in (2) and after below).

(i) Persons subject to the Delivery, etc. of the Company's Shares, etc. subject to this item	- The Company's Directors and Operating Officers (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and non-residents of Japan)
(ii) Impact of the Company's shares subject to this item on the total number of outstanding shares	
Maximum amount of money to be contributed by the Company (as described in (2) below)	<p>- Amount calculated by multiplying 180 million yen by the number of fiscal years in the covered period</p> <p>- Regarding the initial covered period, it shall be 540 million yen in order to cover three fiscal years</p>
Maximum number of the Company's Shares, etc. used to make the Delivery, etc. from the Trust to the Directors, etc. and method of acquisition of the Company's shares (as described in (2) and (3) below)	<p>- The maximum number of points (number of shares of the Company) to be granted to the Directors, etc. during the trust period shall be 200,000 points (200,000 shares) multiplied by the number of fiscal years in the covered period (number of shares of the Company)</p> <p>- Regarding the initial covered period, it shall be 600,000 points (600,000 shares) in order to cover three fiscal years</p> <p>- The ratio of the number of the Company's shares corresponding to the maximum number of points to be granted to the Directors, etc. per fiscal year to the total number of outstanding shares (as of March 31, 2025, after deduction of treasury shares) is approximately 0.08%</p> <p>- The Company's shares will be acquired from the stock market or the Company (disposition of treasury shares)</p>
(iii) Details of performance achievement conditions (as described in (3) below)	- Changes depending on the level of achievement of performance indicators, etc. set forth in the Medium-term Management Plan
(iv) Timing of the Delivery, etc. of the Company's Shares, etc. to the Directors, etc. (as described in (4) below)	- In principle, after the retirement of the Directors, etc.

(2) Maximum amount of money to be contributed by the Company

The Plan covers the fiscal year corresponding to the Medium-term Management Plan (the “Covered Period”; however, in the event of an extension of the trust period as set forth in the fourth paragraph of this (2), the fiscal year corresponding to the subsequent Medium-term Management Plan shall apply). The initial Covered Period after the amendment of the Plan will be three fiscal years from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028 (the “Initial Covered Period”).

For each Covered Period, the Company shall contribute as compensation to the Directors, etc. an amount of money up to 180 million yen multiplied by the number of fiscal years of the Covered Period (for the Initial Covered Period, 540 million yen covering three fiscal years), and establish the Trust for a period (provided, including the extension of the trust period as provided in the fourth paragraph of this (2)) corresponding to the Covered Period with the Directors, etc. who satisfy the beneficiary requirements as beneficiaries.

In accordance with the instructions of the trust administrator, the Trust shall acquire the Company's shares from the stock market or the Company (disposition of treasury shares) using the money entrusted to the Trust as the source. During the trust period, the Company grants points to the Directors, etc., and the Trust makes the Delivery, etc. of the Company's Shares, etc.

At the expiration of the trust period, the Trust may be continued by amending the trust agreement and making additional trusts instead of establishing a new Trust. In such case, the trust period shall be extended for the same period as the fiscal year corresponding to the Medium-term Management Plan, and the fiscal year corresponding to the Medium-term Management Plan on or after the extension of the trust period shall be the new Covered Period. For each extended trust period, the Company shall make additional contributions to the extent approved by this General Meeting of Shareholders and continue to grant points to the Directors, etc. during the extended trust period, and the Trust shall continue to make the Delivery, etc. of the Company's Shares, etc. However, in the case of such additional contributions, if there are any shares of the Company remaining in the Trust (excluding the shares of the Company that correspond to the points granted to the Directors, etc. and the Delivery, etc. of which has not been completed) and money (the “Remaining Shares, etc.”) on the last day of the trust period prior to the extension, the total of the amount of the Remaining Shares, etc. and the additional contributions to the trust fund shall be within the amount obtained by multiplying 180 million yen by the number of fiscal years of the Covered Period.

In addition, if any of the Directors, etc. who may satisfy the requirements for beneficiaries is in office at the end of the trust period, no points will be granted to the Directors, etc. thereafter; however, the trust period may be extended for a maximum of 10 years until the Delivery, etc. of the Company's Shares, etc. to such Director or Operating Officer of the Directors, etc. is completed.

(3) Calculation method and maximum number of the Company's Shares, etc. to be acquired by the Directors, etc.

Points predetermined will be granted at a predetermined time during the trust period according to the position, etc. in each fiscal year, and the total points will be added to or subtracted from the Covered Period according to the degree of achievement of the performance indicators, etc. set forth in the Medium-term Management Plan after the end of the Covered Period. In principle, the Company will make the Delivery, etc. of the Company's Shares, etc. according to the accumulated value of points (the “Accumulated Points”) after the retirement of the Directors, etc.

One point shall consist of one share of the Company's share, and in the event that the Company's shares within the Trust increase or decrease due to the split of shares, free of charges allotment of shares, consolidation of shares, etc., the Company shall adjust the

number of the Company's shares to be made for the Delivery, etc. per point in proportion to the increase or decrease.

The total number of points to be granted to the Directors, etc. during the trust period shall be 200,000 points multiplied by the number of fiscal years in the Covered Period (600,000 points for the Initial Covered Period covering three fiscal years) up to the upper limit (upper limit on the assumption that the degree of achievement of the performance indicators, etc. set forth in the Medium-term Management Plan after the end of the Covered Period reaches the maximum value). The number of shares to be acquired by the Trust during the Covered Period (the "Number of Shares to be Acquired") shall be up to the number of shares equivalent to the maximum number of such points granted. If the above points are adjusted, the upper limit of the Number of Shares to be Acquired will also be adjusted according to the adjustment.

The upper limit of the total number of the Company's Shares, etc. to be made for the Delivery, etc. to the Directors, etc. is set by referring to the latest stock price, etc. in light of the upper limit of the trust fund in (2) above.

(4) Timing of the Delivery, etc. of the Company's Shares, etc. to the Directors, etc.

The Directors, etc. who satisfy the requirements for beneficiaries shall receive the Delivery, etc. of the number of the Company's Shares, etc. calculated based on (3) above after the retirement of the Directors, etc. At this time, such Director, etc. shall receive the delivery of the number of the Company's shares equivalent to 50% of the Accumulated Points (shares less than one unit shall be discarded), and the remainder shall be converted into cash within the Trust and then received cash equivalent to the conversion proceeds.

If any of the Directors, etc. dies during the trust period, all of the Company's shares corresponding to the Accumulated Points granted at that time shall be converted into cash within the Trust, and the heirs of such Director or Operating Officer of the Directors, etc. shall receive payment of money equivalent to the conversion proceeds.

In addition, if any of the Directors, etc. becomes a non-resident of Japan during the trust period, all of the Company's shares corresponding to the Accumulated Points granted at that time shall be converted into cash within the Trust, and such Director or Operating Officer of the Directors, etc. shall receive payment of money equivalent to the conversion proceeds.

(5) Voting rights related to the Company's shares within the Trust

In order to ensure the neutrality of management, voting rights shall not be exercised regarding the Company's shares within the Trust during the trust period.

(6) Handling of dividends related to the Company's shares within the Trust

Dividends paid with respect to common shares of the Company within the Trust will be used for trust fees and trust expenses of the Trust after receipt by the Trust.

(7) Malus and clawback

Under the Plan, if there is a serious violation, etc. of the delegation agreement between the Company and a Director in relation to the duties of the Director, the Company may, by resolution of the Board of Directors, not make the Delivery, etc. of the Company's Shares, etc. or request the return of the equivalent amount of the Company's Shares, etc. that have already been paid. With regard to Operating Officers, the Company will adopt a system similar to that for Directors.

(8) Other details of the Plan

Other details of the Plan shall be determined by the Board of Directors whenever the Trust is established, the trust agreement is amended, or additional contributions are made to the Trust.



**<Shareholder Proposals (Item 8 to Item 14)>**

Item 8 through Item 14 are proposals from a single shareholder (number of voting rights: 336; hereinafter referred to as the “Proposing Shareholder”).

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

**Shareholder Proposal**

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

1. Contents of proposal

As a general rule, Directors’ compensation shall be disclosed on a per-director basis.

2. Reasons for proposal

Exercising voting rights is the single most critical right for shareholders. Companies are required to disclose the appropriate information to shareholders as a basis for making decisions when exercising their voting rights.

The compensation of individual officers, along with the percentage (%) of Board of Directors meetings attended, is an important determinant when voting on the reappointment or dismissal of individual officers.

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

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

Matters concerning compensation of Directors are properly disclosed in the Business Report in accordance with laws and regulations, and information necessary for the consideration of proposals for the election of Directors is properly disclosed in 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. The Board of Directors determines the details of Directors’ compensation, etc., based on the Committee’s recommendations, which enhances transparency with respect to Directors’ compensation, etc.

Furthermore, we do not believe that it is suitable to stipulate in the Articles of Incorporation, which lays out the fundamental principles of the Company, matters related to the execution of specific individual business operations, such as the disclosure of Directors’ compensation.

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**

As a general rule, the Board of Directors should 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 more appropriate Board of Directors' resolutions and improve the supervision of corporate management and governance impact from the perspectives of increasing corporate value and protecting the rights of shareholders.

In addition, having an Outside Director chair the Board of Directors would make it possible to create the appropriate sense of tension that should exist between the executive management team and 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 put on the agenda at the Company's Board of Directors meetings to respond quickly to changes in the respective business environments and make appropriate decisions in a wide range of business lines.

Therefore, the Company believes that the President and CEO, who is well versed in industry trends as well as the current state of execution, pressing management issues, and other internal affairs, serving as Chairperson of the Board of Directors, can make decisions quickly and appropriately while maintaining adequate communication with the executive side to share information, and that this is necessary to enhance corporate value through a corporate governance structure suited to the Company. Consequently, the President and CEO, who has a thorough understanding of the Company's business, serves as Chairman of the Board of Directors and management is checked and supervised by highly independent Outside Directors, who comprise at least half 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 10: 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**

Full-time Outside Audit & Supervisory Board Member Mr. Akatsuka is from Mizuho Bank, which is a creditor of the Company (13.8 billion yen loaned at the end of the 139th term) and a major shareholder of the Company (4,309,000 shares held at the end of the 139th term). Mizuho Bank was formed in 2002 through the reorganization of Dai-Ichi Kangyo Bank, Fuji Bank, and Industrial Bank of Japan. To the best of the Proposer's knowledge, for at least nearly 19 years, the successive Audit & Supervisory Board Members, including Mr. Akatsuka, have consistently been from the Dai-Ichi Kangyo Bank, and it has become a fixed position in our Company.

Given the above, we consider Mr. Akatsuka to be unsuitable as an Independent Outside Audit & Supervisory Board Member who audits management execution and the Board of Directors.

#### **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 has thus fully performed his roles as an Audit & Supervisory Board Member, the Company sees no reason for his dismissal.

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

## **Shareholder Proposal**

### **Item 11: Partial Amendments to the Articles of Incorporation**

#### **1. Contents of proposal**

The total number of concurrent positions held by the Company's Outside Directors shall be limited to six (6) for listed companies on the TSE Prime Market, whose general meeting of shareholders is held in June.

#### **2. Reasons for proposal**

The Company's Outside Directors concurrently serve as Outside Directors of many public companies listed on the TSE Prime Market, whose general meeting of shareholders is held in June.

Specifically, the following six companies: "Securities code 7012: Kawasaki Heavy Industries," "6755: FUJITSU GENERAL," "3034: Qol Holdings," "4216: ASAHI YUKIZAI," "6844: Shindengen Electric Manufacturing," and "8182: Inageya."

Most of the June 2024 general shareholders' meetings were held over a period spanning a mere six days, with up to 90.9% of them concentrated in this period.

It is currently difficult for all Outside Directors to attend the Company's General Meeting of Shareholders and answer questions from shareholders, etc., as required.

Given the above, we consider that any further increase in the number of concurrent positions of outside officers would be physically and reasonably impractical and lacking in common sense.

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

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

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

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

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

## **Shareholder Proposal**

### **Item 12: Partial Amendments to the Articles of Incorporation**

#### **1. Contents of proposal**

As a general rule, online attendance at the General Meeting of Shareholders is to be made possible.

#### **2. Reasons for proposal**

Both individual and institutional investors, etc., usually own multiple stocks. When shareholders try to attend several shareholder meetings of interest but are located far away, the hurdles obstructing attendance are considerable, such as the time and expense involved in traveling to and from a meeting. In addition, the pandemic that struck a few years ago made it virtually impossible in some cases to attend even in person. We, therefore, believe that if shareholders and directors alike were able to attend the meeting online, it would be beneficial to both shareholders and the company, and make the meeting more productive.

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

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

Since the 136th Ordinary General Meeting of Shareholders held in June 2021, the Company has been holding a hybrid participation-type virtual general meeting of shareholders (\*1), allowing shareholders unable to attend the meeting to participate online.

While we believe that legal stability in the administration of the General Meeting of Shareholders best serves the common interests of shareholders, we also believe that a hybrid attendance-type virtual general meeting of shareholders (\*2) does not ensure legal stability since there is no legal or practical standard indicating that a resolution passed at a shareholders' meeting would not be subject to cancellation if a communication failure occurs and, thus, the possibility that a resolution passed at a shareholders' meeting may be rescinded cannot be ruled out.

Furthermore, as long as these technical concerns are not completely resolved, we believe there is a risk that shareholders may suffer significant disadvantages, such as being prevented from attending the General Meeting Of Shareholders or exercising their voting rights due to a communication failure.

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

\*1 A hybrid participation-type virtual general meeting of shareholders refers to a general meeting of shareholders that, in addition to the real meeting, allows shareholders who are not present at the location of the real meeting to confirm and observe deliberations, etc. by using the Internet or other means, without having to legally "attend" the general meeting.

\*2 A hybrid attendance-type virtual general meeting of shareholders refers to a general meeting of shareholders that, in addition to the real meeting, allows shareholders who are not present at the location of the real meeting to "attend" the meeting under the Companies Act by using the Internet or other means.

\*1 and \*2 above are taken from the Guidelines for the Implementation of Hybrid Virtual Shareholders' Meetings (created by the Ministry of Economy, Trade and Industry (METI) on February 26, 2020).

## **Shareholder Proposal**

### **Item 13: Partial Amendments to the Articles of Incorporation**

#### **1. Contents of proposal**

As a general rule, the Minutes of Board of Directors Meetings are to be disclosed on a voluntary basis when requested by shareholders.

#### **2. Reasons for proposal**

To ascertain what individual board members said in the process of reaching a board resolution.

To also provide a basis for making decisions when voting on the reappointment or dismissal of individual Directors.

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

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

We do not believe it is appropriate to permit disclosure of Minutes of Board of Directors Meetings at the request of shareholders, except in accordance with the procedures required by law.

In addition, the information necessary for shareholders to consider proposals for the election of Directors is properly disclosed in Reference Materials for the General Meeting of Shareholders in accordance with laws and regulations.

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

## **Shareholder Proposal**

### **Item 14: Partial Amendments to the Articles of Incorporation**

#### **1. Contents of proposal**

Resolutions of the General Meeting of Shareholders shall be adopted only after the voting results up to the day of the meeting have been clearly indicated and understood by the shareholders present at the meeting.

#### **2. Reasons for proposal**

Except for proxy fights and narrowly passed resolutions in cases where there is a MOM resolution (majority among minority shareholders), the chairman usually knows in advance whether a proposal will be approved or not based on the results of voting rights exercised up to the day of the General Meeting of Shareholders. However, if a vote is taken on the day of the General Meeting of Shareholders among the shareholders present, the result could potentially go the other way.

Therefore, it is necessary to disclose the voting results in advance in order to fully gain the acceptance of individual shareholders present at the General Meeting of Shareholders.

We believe that this would make the General Meeting of Shareholders more productive.

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

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

In voting on proposals at the General Meeting of Shareholders, the Company confirms that the requirements for approval of each proposal have been met based on the results of the exercise of voting rights on the day of the meeting, in addition to the results of the exercise of voting rights in advance, and reports to that effect at the meeting, and the Company believes that this method of voting on proposals is appropriate.

The results of the exercise of voting rights are appropriately disclosed in an extraordinary report to be submitted after the General Meeting of Shareholders, as required by law.

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

## BUSINESS REPORT

From April 1, 2024 to March 31, 2025

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

#### 1. Review of Operations

During the fiscal year under review, the Japanese economy saw only a weak recovery in personal consumption as people cut back on spending due to persistently high prices as well as other factors. Consumer spending in the North America economy was solid, due to factors including the improvement of income conditions. The economy in Europe shows signs that consumer spending was recovering amid the slowing of inflation and other factors. The Asian economy lacked momentum toward a recovery. In China, the economic slowdown continued. In the rest of Asia, consumer spending was at a standstill.

In this environment, the consolidated results for the fiscal year under review showed steady growth, mainly in the watches business, with net sales of 316.885 billion yen (up 1.3% year-on-year) and an operating profit of 20.592 billion yen (down 17.9% year-on-year). Ordinary profit amounted to 23.024 billion yen (down 25.3% year on year), while profit attributable to owners of parent came to 23.876 billion yen (up 4.0% year on year).

#### Consolidated Results

(Billions of yen)

Net sales	316.885 billion yen	(up 1.3% year-on-year)
Operating profit	20.592 billion yen	(down 17.9% year-on-year)
Ordinary profit	23.024 billion yen	(down 25.3% year-on-year)
Profit attributable to owners of parent	23.876 billion yen	(up 4.0% 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 including The CITIZEN and CAMPANOLA, in addition to core brands such as ATTESA and xC, and the growth of inbound tourism-related demand, despite a decline in consumer confidence linked to the increase of commodity prices.

Looking at the markets outside Japan, sales in North America increased, driven by the strong results of e-commerce sales, in addition to the continuously steady consumer spending and the ongoing solid performance of distribution to jewelry retail chains and department stores, our principal distribution channels. In Europe, sales rose, thanks chiefly to buoyant performance in the UK and other markets and to the positive effect of advertising activities including activities commemorating 100th anniversary of the first CITIZEN watch in France. Sales in Asia decreased, reflecting falling sales in China as a result of the prolonged faltering economy, despite signs of recovery trends in Thailand, India, and certain other markets.

In the mainstay North American market, sales of the BULOVA brand increased, driven by the strong sales results of distribution for department stores, our major distribution channel, mainly due to the success of 150th anniversary events of the BULOVA brand, and e-commerce sales also increased.

Sales of movements were also up, reflecting strong sales of value-added models of analog quartz movements and mechanical movements mainly for Europe and the United States.

As a result, notwithstanding the limited recovery in consumer confidence under the impact of rising prices globally, thanks to the progress made in initiatives for the enhancement of sales of global brands, premium brands and mechanical watches, the watches segment as a



whole posted an increase in sales, with net sales of 177.121 billion yen (up 6.6% year on year). Operating profit fell to 17.886 billion yen (down 9.9% year on year) due to lower sales in China and an increase in advertising expenses associated with 100th anniversary of the first CITIZEN watch.

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

Sales in the domestic market declined due to the ongoing downturn of automotive products in response to the prolonged restraint on capital spending, while sales of products related to semiconductors and construction equipment halted due to an uncertain market outlook. Among overseas markets, sales in Asia grew mainly due to subsidies policies in China, and sales to India also remained strong. In the Americas, the appetite for capital investment other than in the medical field was limited, and in Europe, market conditions were sluggish, especially in automotive products-related areas.

As a result, sales in markets outside Japan decreased.

As a result, net sales in the machine tools segment as a whole decreased to 74.318 billion yen (down 9.0% year on year). Operating profit decreased to 5.669 billion yen (down 37.2% year on year) due to lower sales and the product mix impact.

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

Sales of automotive components climbed because the domestic market remained at the same level as the previous year and the overseas market remained steady, despite a limited recovery in production by automotive manufacturers. Sales of small motors fell mainly due to the impact of customer inventory adjustments. Sales of ceramics rose due to the increase in sales of submount products. Sales of quartz devices decreased because the recovery in demand of markets for PC- and IoT-related products halted. Sales of opto-devices also fell due to sluggish demand.

As a result, net sales in the devices and components segment as a whole decreased to 40.464 billion yen (down 4.8% year on year), but operating profit increased to 0.479 billion yen (up 3.4% year on year) due to a reduction in fixed cost.

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

Sales of information equipment rose as a result of solid sales of POS printers and bar code printers in Japan, Europe and the Americas as well as steady progress in the expansion of sales of new photo printer products in the second quarter based on the stable demand for the products. Sales of healthcare equipment increased, due to steady sales of blood pressure monitors in the domestic market and favorable sales of thermometers for the overseas market.

As a result, the electronic and other products segment overall recorded increases in sales and profit, with net sales of 24.981 billion yen (up 11.0% year on year) and operating profit of 2.760 billion yen (up 73.8% year on year).

Note: The difference between 26.794 billion yen, the total of each segment's operating profit, and 20.592 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	177,121	55.9	6.6
Machine Tools	74,318	23.4	(9.0)
Devices and Components	40,464	12.8	(4.8)
Electronic and Other Products	24,981	7.9	11.0
Total	316,885	100.0	1.3

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

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

Business segment	137 <sup>th</sup> (FY2021)	138 <sup>th</sup> (FY2022)	139 <sup>th</sup> (FY2023)	140 <sup>th</sup> (FY2024)
Net sales (millions of yen)	281,417	301,366	312,830	316,885
Ordinary profit (millions of yen)	27,342	29,096	30,810	23,024
Profit attributable to owners of parent (millions of yen)	22,140	21,836	22,958	23,876
Basic earnings per share (yen)	71.38	75.25	93.60	97.91
Total assets (millions of yen)	394,962	389,982	415,445	415,552
Net assets (millions of yen)	238,673	232,775	256,134	264,147
Net assets per share (yen)	768.92	866.68	1,015.74	1,049.41

Notes:

1. 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.
2. 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.
3. Effective from the beginning of the fiscal year under review, the Group applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard 2022").

## 3. 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, continuing from the Medium-term Management Plan 2024, we formulated the 3-year Medium-term Management Plan 2027 covering the period from FY2025 (fiscal year ending March 31, 2026) to FY2027 (fiscal year ending March 31, 2028). 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 and components 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 Enhance value provided by brands through global strategy; Further step up initiatives in the North American market; and Develop movements for the realization of high-value-added products, through clarifying the brand image in the global market and improving the customer experience. We will strategically allocate management resources, while striving to grow our business and boost profitability by enhancing our brand value as a core business that drives the Group.
- b) In the Machine Tools Business, we will demonstrate real value of “manufacturing and sales innovation” toward achieving net sales of 100 billion yen, and we will seek to expand sales and develop new customers in the global market. Aiming to achieve further growth by enhancing sales and service systems in global markets such as 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. In the auto parts business, which utilizes the Citizen Group’s strength in compact metal processing technologies, we will expand sales of new EV-related products and products in existing domains such as engines and brakes. In the ceramics business, we will further strengthen competitiveness of submount products for optical communication, etc. In the motors business, we will gain high levels of customer satisfaction through technologies and motors quality that meet market needs. In the printers business, we will expand sales chiefly of photo printers.

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 Sophistication of decision making through the use of data, and Evolution of manufacturing with the use of data and 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. Further expansion of e-commerce (EC) and structural change in physical store distribution

3. Shrinkage of the analog quartz movement market due mainly to shrinkage of the fashion watch 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 four 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. Establishing a production and sales structure equipped to adapt in a timely manner to fluctuations in the machine tool market

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

#### **4. Financing**

The Company raised funds of 10.0 billion yen to repay loans by borrowing from financial institutions.

#### **5. Capital Expenditures**

Capital expenditures during the fiscal year under review totaled 20.910 billion yen. The major expenditures of which are as follows:

- (1) 8.622 billion yen for production facilities, etc. in Watches
- (2) 5.569 billion yen for production facilities, etc. in Machine Tools
- (3) 5.154 billion yen for production facilities, etc. in Devices and Components
- (4) 0.301 billion yen for production facilities, etc. in Electronic and Other Products

#### **6. Important Corporate Restructuring**

Not applicable

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

Not applicable

## 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 Systems Japan Co., Ltd.	450 million yen	100.0	Electronic and Other Products
Citizen Electronics Co., Ltd.	100 million yen	79.3	Devices and Components
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, 2025)

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

## 10. Principal Places of Business (as of March 31, 2025)

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

## 11. Employees (as of March 31, 2025)

Business Segment	Number of employees	Change from the previous fiscal year-end
Watches	5,817 [1,172]	766 [(727)]
Machine Tools	2,155 [167]	(37) [9]
Devices and Components	3,175 [489]	(268) [(154)]
Electronic and Other Products	1,004 [220]	(26) [67]
General Corporate	222 [31]	3 [2]
Total	12,373 [2,079]	438 [(803)]

Notes: 1. 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.  
2. The increase in employees in the Watches business is primarily due to the reclassification of employees at certain overseas subsidiaries.

**12. Principal Lenders (as of March 31, 2025)**

(Millions of yen)

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

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

### 1. Condition of Stocks (as of March 31, 2025)

- (1) Total number of authorized shares: 959,752,000 shares
- (2) Total number of shares issued: 246,000,000 shares
- (3) Number of shareholders: 98,384
- (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)	51,738	21.18
Custody Bank of Japan, Ltd. (trust account)	17,241	7.06
Nippon Life Insurance Company	11,948	4.89
Nichia Corporation	10,000	4.09
Mitsubishi UFJ Trust and Banking Corporation	4,568	1.87
Citizen Group Employee Shareholding Association	4,545	1.86
Mitsubishi Electric Corporation	4,317	1.77
Mizuho Bank, Ltd.	4,309	1.76
Shimizu Corporation	4,128	1.69
The Nomura Trust and Banking Co., Ltd.	3,650	1.50

Note: Shareholding ratio is calculated after deducting 1,731,920 treasury shares.

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

Business segment	Number of shares	Number of recipients
Directors (excluding Outside Directors)	49,444	1
Outside Director	—	—
Audit & Supervisory Board Member	—	—

Note: The number of shares includes 24,744 shares sold pursuant to the “Regulations on Delivery of Shares Related to the Officer Compensation BIP Trust” for which an amount equivalent to the proceeds of sale was provided.

### 2. Status of Share Acquisition Rights (as of March 31, 2025)

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, 2025)

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	Yoshiaki Miyamoto	Group Risk Management, General Manager of General Affairs Division and in charge of Personnel Division, CSR Department and Environmental Management Department
Director Outside Director	Hideo Ina Toshiko Kuboki	President of CITIZEN MACHINERY CO., LTD. Attorney-at-law Outside Director of Qol Holdings Co., Ltd. Outside Director and Audit and Supervisory Committee Member of Asahi Yukizai Corporation
Outside Director	Yoshio Osawa	Outside Director of Canon Marketing Japan Inc. Outside Director of Fujitsu General Ltd.
Outside Director	Katsuhiko Yoshida	Outside Director of Kawasaki Heavy Industries, Ltd.
Full-time Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	Noboru Akatsuka	
Audit & Supervisory Board Member (Full-time)	Kazunori Yanagi	
Outside Audit & Supervisory Board Member	Yaeko Ishida	Attorney-at-law Outside Director of Inageya Co., Ltd. Outside Director of Shindengen Electric Manufacturing Co., Ltd.

#### Notes:

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



8. The title, areas of responsibility, and significant concurrent role held at other companies by President and CEO Toshihiko Sato, Managing Directors Toshiyuki Furukawa and Yoshitaka Oji, and Directors Yoshiaki Miyamoto and Hideo Ina changed on April 1, 2025 as follows:

Title	Name	Area of responsibility and significant concurrent role held at other companies (if any)
Executive Advisor Senior Managing Director	Toshihiko Sato Toshiyuki Furukawa	In charge of Corporate Planning Division, IT Management Department and Devices and Components Business
President and CEO Managing Director	Yoshitaka Oji Yoshiaki Miyamoto	Group Risk Management, in charge of Personnel Division, General Affairs Division and CSR Department
Director	Hideo Ina	In charge of Machine Tools Business President of CITIZEN MACHINERY CO., LTD.

Operating Officers as of April 1, 2025 are as follows:

Title	Name	Area of responsibility
Senior Operating Officer Senior Operating Officer	Mitsunori Morita Hisashi Utsunomiya	In charge of Accounting Department In charge of Watch Manufacturing President of Citizen Watch manufacturing Co., Ltd.
Senior Operating Officer	Keiichi Kobayashi	In charge of Corporate Public & Investor Relations Department, Sustainability Development Department, Development Division and Intellectual Property Division
Operating Officer Operating Officer Operating Officer Operating Officer Operating Officer	Yoshio Miura Yoshihisa Yajima Masatoshi Sunaga Katsusuke Tokura Yoshitaka Kawade	General Manager of Movement Division Senior General Manager of Business Planning Center General Manager of Corporate Planning Division Senior General Manager of Product Planning Center General Manager of Domestic Watch Business Department
Operating Officer Operating Officer	Takehiko Kojima Kyoko Tsukada	Senior General Manager of Watch Development Center General Manager of Sustainability Development Department
Operating Officer	Hiroaki Shimizu	Senior General Manager of Manufacturing Technology Center

## 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
Keiichi Nakajima	June 25, 2024	Expiration of term of office	Director Outside Director of Fujitsu General Ltd.

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

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

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

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

- (a) Composition of Directors' compensation

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

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

The policy on the amount of fixed compensation is that it is at a level enabling Directors to fully exhibit their qualities and abilities, and contribute to the increasing motivation toward sustained growth based on the corporate philosophy of the Company, and enabling the securing of talented personnel, and is determined by taking into consideration changes in the management environment, external data, the level in peer companies and the content of management. In principle, the Compensation Committee delegated by resolution of the Board of Directors holds meetings every June and as needed when there is a change of positions to determine the amount within the range specified in the “Level of Monthly Base Compensation of Directors” and payments are made in cash every month.

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

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

- 1) Bonuses

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

- 2) Performance-linked stock compensation

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

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

Trust.”

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

The compensation of the Company’s Directors is made up of fixed compensation and performance-linked compensation. It is at a level enabling Directors to fully exhibit their qualities and abilities, and contribute to the increasing motivation toward sustained growth based on the corporate philosophy of the Company, and enabling the securing of talented personnel, and is at a level that can increase awareness of contributing to improvement of medium- to long-term performance and increasing corporate value by taking into consideration changes in the management environment, external data, the level in peer companies and the content of management.

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

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

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

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

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

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

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

- (1) Discussion and determination of matters delegated by the Board of Directors in relation to compensation, etc.
- (2) Discussion of matters concerning the policies and standards of the compensation, etc., and the provision of recommendations to the Board of Directors
- (3) Discussion and presentation of findings on matters concerning compensation, etc. in response to consultations by the Board of Directors and the President
- (4) Other matters specified by resolution of the Board of Directors

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

In order to increase transparency concerning the compensation, etc. of Directors, the Company shall establish a Compensation Committee composed of three (3) or more Directors who are appointed by a resolution of the Board of Directors, the majority of which are Outside Directors and which shall include at least one (1) Representative Director. The Compensation Committee shall hold discussions

with a majority of members able to participate in resolutions in attendance, and pass resolutions by a majority thereof. The Chairperson of the Compensation Committee shall be an Outside Director elected by mutual election of the members of the Committee. The details of the authority delegated to the Compensation Committee in (e) 2) and other matters related to the Compensation Committee shall be specified in the “Compensation Committee Rules.”

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

Business segment	Number of officers	Total amount of compensation, etc. (millions of yen)	Amount of fixed compensation out of all compensation, etc. (millions of yen)	Amount of bonus out of all compensation, etc. (millions of yen)	Amount of performance-linked stock compensation out of all compensation, etc. (millions of yen)
Director [Out of which, Outside Directors]	9 [3]	322 [32]	166 [32]	93 [—]	62 [—]
Audit & Supervisory Board Member [Out of which, Outside Audit & Supervisory Board Members]	3 [2]	49 [29]	49 [29]	— [—]	— [—]
Total [Out of which, outside officers]	12 [5]	371 [61]	215 [61]	93 [—]	62 [—]

Notes:

1. The above figures include Directors who retired upon conclusion of the 139th Ordinary General Meeting of Shareholders held on June 25, 2024.
2. The above amount of the bonuses (93 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 140th Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2025.
3. The above amount of performance-linked share-based compensation (62 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. The performance-linked-share-based compensation over the three fiscal years corresponding to the Medium-term Management Plan, with the current fiscal year as the final year, has been recorded as an expense of 6 million yen for this fiscal year. This amount represents the difference between the estimated share-based compensation liability, calculated based on the number of shares expected to be granted to six directors (excluding Outside Directors and Directors who are non-residents of Japan) for the 138th and 139th terms, and the expense amounts recorded in the business reports for each of those fiscal years.
4. 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 316.885 billion yen, consolidated operating profit ratio of 6.5% and ROE of 9.5%. 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.
5. 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, CO<sub>2</sub> 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 316.885 billion yen, consolidated operating profit ratio of 6.5% and ROE of 9.5%, CO<sub>2</sub> reduction rate (compared to 2018) of 43.4%, and an FTSE Russell ESG Ratings score of 4.2. Performance-linked stock compensation is calculated according to the level of achievement of performance indicators, etc.
6. 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.
7. 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).
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.

9. The maximum allowance for the total amount of compensation, etc. for Audit & Supervisory Board Members was set at 80 million yen per year at the 122nd Ordinary General Meeting of Shareholders held on June 26, 2007, and the number of Audit & Supervisory Board Members at the conclusion of that Ordinary General Meeting of Shareholders was three (3). No bonuses will be paid to Audit & Supervisory Board Members.
10. 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. Katsuhiko Yoshida and with Outside Directors Ms. Toshiko Kuboki and Mr. Yoshio Osawa 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, 2025

Title and name	Attendance, principal comments and overview of duties performed in relation to roles expected of Outside Directors
Outside Director Toshiko Kuboki	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. She attended all six meetings of the Nominating Committee held in the fiscal year under review, and has handled the supervisory functions in the appointment of the Company's President and CEO from an independent and objective position, such as participating in discussions on matters concerning the appointment, etc. of the President and CEO as a member of the committee. In addition, she attended all two meetings of the Compensation Committee held in the fiscal year under review, and has handled the supervisory functions in processes such as determination of officer compensation from an independent and objective position, such as participating in discussions on matters concerning the appointment, etc. of the President and CEO, policies on the determination of Directors' compensation and the level of compensation as a member of the committee.
Outside Director Yoshio Osawa	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. He attended all six meetings of the Nominating Committee held in the fiscal year under review, and has handled the supervisory functions in the appointment, etc. of the Company's President and CEO from an independent and objective position, participating in discussions on matters concerning the appointment, etc. of the President and CEO as the Chairperson of the committee. In addition, he attended all two meetings of the Compensation Committee held in the fiscal year under review, and has 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 of the President and CEO, policies on the determination of Directors' compensation and the level of compensation as a member of the committee.

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

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

#### IV. INDEPENDENT AUDITORS

**1. Name** Nihombashi Corporation

**2. Amount of Compensation**

	Millions of yen
(1) Compensation for Independent Auditors for the fiscal year under review	60
(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries	85

Notes:

1. In the audit agreement by and between the Company and the Independent Auditors, the Company does not clearly differentiate, and it is also practically impossible to differentiate, between compensation for audits under the Companies Act and compensation for audits under the Financial Instruments and Exchange Act. Thus, the amount stated in (1) above includes compensation for audits under the both Acts.
2. The Audit & Supervisory Board consented to the amount of compensation, etc. of the Independent Auditors after determining that, among others, the content of the audit program, the execution status of accounting audits, and the basis for calculation of compensation estimates of the Independent Auditors were appropriate.
3. Citizen Watch Company of America, Inc. and Citizen Watches (H.K.) Ltd. each of which is the Company's important subsidiary, undertook an audit necessary for consolidated financial statements by KPMG LLP and PHILIP LEE & CO., CERTIFIED PUBLIC ACCOUNTANTS respectively.

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

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

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

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

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

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

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



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

(c) Regulations and other systems relating to management of risks of loss

- 1) Business strategy risks inherent in significant decision-making made by the Citizen Group through resolutions of the Board of Directors or determinations by the President and CEO or the Directors in charge of respective operations shall be appropriately managed based on careful deliberations at the Management Committee meetings pursuant to the Rules on Management Committee, Affiliates Management Rules, Citizen Code of Conduct, the management policies and management plan, and the like.
- 2) In addition to 1) above, the Company shall appropriately manage operational risks inherent in processes, the activities of Directors and employees, systems, external events, etc. through risk management based on our Basic Risk Management Regulations.

(d) System to ensure the efficient performance of Directors' duties

- 1) The Company shall establish the Management Committee, and shall thoroughly discuss matters to be resolved at the Board of Directors meetings, and other significant matters relating to the management of the Company.
- 2) Prior to the decision-making by the Board of Directors, sufficient and appropriate information shall be provided to each of the Directors.
- 3) The Company shall develop a system in which the duties to be performed by, and the authorities and responsibilities of, each Director are specified by internal rules, resolutions of the Board of Directors, or by other similar decisions, and to ensure that all Directors smoothly and effectively perform their duties.

(e) System to ensure the appropriateness of the Citizen Group's business

- 1) The Company shall manage or instruct the subsidiaries concerning the development of the management and internal control systems for the subsidiaries pursuant to the Affiliates Management Rules or other similar rules.
- 2) Regarding individual business activities of the Citizen Group, the Company shall familiarize the Group companies with the management policies and the management plan established by the Company, and shall clearly define the authorities and responsibilities of the Group companies. Each of the Group companies shall independently carry out their management of business in consideration of the features of the industry in which each of the Group companies engages.
- 3) The Company shall hold meetings or liaison conference, or the like which consists of the Management Committee and other Group companies to share information and enhance the partnerships concerning the significant

matters of business in the Citizen Group.

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

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

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

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

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

(a) Compliance system

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

(b) System to ensure efficient execution of duties

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

(c) Audit & Supervisory Board Members' audit system

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

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

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

## **2. Corporate Governance**

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

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

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

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

The Company has a Board of Directors, which is comprised of five (5) Directors who are familiar with the Company's business lines, and three (3) Outside Directors who are independent from the Company's management. The Company also employs an Audit & Supervisory Board system and has an Audit & Supervisory Board comprised of three (3) Audit & Supervisory Board Members, two (2) of whom are Outside Audit & Supervisory Board Members.

#### **(b) Details of the Company's organization and status of development of internal control system**

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

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

(c) Nominating Committee and Compensation Committee

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

The main duties of the Nominating Committee include discussions on matters concerning the appointment, etc. of the Representative Director, the President and CEO, and the Chairman of the Board of Directors, and proposals of such matters to the Board of Directors. The Nominating Committee meetings were held 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 two (2) times during the fiscal year under review, and all members attended all of the Compensation Committee meetings held during the fiscal year under review.

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

(d) Status of audits by Audit & Supervisory Board Members, audits by Independent Auditors and internal audits

Each Audit & Supervisory Board Member conducts strict audits on the Directors' performance of their duties, in accordance with the audit policy and audit program stipulated by the Audit & Supervisory Board, by attending the Board of Directors meetings, Management Committee meetings, division meetings, or other such meetings; receiving from the Directors and other officers reports on the status of the performance of their duties; reviewing important written decisions and other documents; and investigating the business and financial status of the Company. The Company also receives a financial audit report from Nihombashi Corporation, which is an Independent Auditor. The Company conducts effective audits on itself and its subsidiaries in collaboration with the Independent Auditor, and is working on the further expansion and improvement of corporate governance. The Audit & Supervisory Board meetings were held thirteen (13) times during the fiscal year under review, and all members attended all of the Audit & Supervisory Board meetings held during the fiscal year under review.

With respect to the financial audits, the certified public accountants who independently audited the Company are Mr. Tatsuya Oritoya and Mr. Shigehiro Chiba, who are both associates of Nihombashi Corporation. In addition, nine (9) certified public accountants, four (4) successful candidates who have passed the Certified Public Accountants Examination, and eight (8) others 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, 3. Decision Making Policy for Dismissal or Non-reappointment of Independent Auditors,” which was decided not to be included in the document provided electronically in connection with the convocation of the 140th Ordinary General Meeting of Shareholders.

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

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

(e) Relationship with outside officers

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

### **3. Sustainability Initiatives**

The Citizen Group has set sustainable management as the Group vision based on its Corporate Philosophy of “Loved by citizens, working for citizens.” The Sustainability Committee, which is chaired by the Company’s President and CEO, is in charge of promoting sustainable management. The Company has also evaluated the level of impact of its business activities on social issues and identified five material issues, for which priorities were set. It also discloses a roadmap for the period through 2030 toward solution of social issues.

In our business, in addition to basic market competitiveness, we are working to create “Sustainable Products,” which are products and services that contribute to solving major social issues linked to materiality issues and contribute to business growth. We established the criteria for certification of sustainable products in the watches in FY2023, machine tools, devices and components, and electronic and other products businesses in FY2024, with reference to the opinions of outside experts. In FY2025, we will disclose the percentage of sustainable products in our consolidated net sales, which will be managed as an actual value of sustainable management toward 2030. In addition, the Citizen Group is developing its business based on the concept of “sustainable factories,” which takes into consideration the manufacturing process of products and services. We aim to realize sustainable production facilities and business sites (or business processes) that will comprehensively address compliance, human rights, labor practices, BCP, and productivity improvement, in addition to environmental considerations, throughout the entire value chain by 2030.

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

The Company actively implements initiatives for health management with an emphasis on health administration for employees and creating comfortable work environments. In March 2025, the Company was recognized as one of the “2025 Health & Productivity Management Outstanding Organizations (White 500)” selected by the Ministry of Economy, Trade and Industry (METI) and the Japan Health Council for the second consecutive year. The White 500 is a title given to the top 500 companies in the large corporate sector among those receiving the award. In 2025, the Company was also selected for the “2025 KENKO Investment for Health Stock Selection” by METI and the Tokyo Stock Exchange as a listed company that excels in health management. The KENKO Investment for Health Stock Selection selects listed companies within the top 500 applicants with the highest levels of success in KENKO Investment for Health.

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

To help solve the climate change problem, a global issue, the Company has established the CITIZEN Group Environmental Vision 2050 and CITIZEN Group Environmental Goals 2030 based on the CITIZEN Group Environmental Policy, aiming to achieve virtually zero CO<sub>2</sub> emissions from its factories and offices. To reach that environmental goal, the CITIZEN Group announced its approval to a proposal for the Task Force on Climate-Related Financial Disclosures (TCFD) in FY 2020. It also identified and assessed risks and opportunities related to climate change, using two scenarios of different assumptions of future temperature rises (1.5°C scenario and 4°C scenario) as requested by the TCFD proposal. For risks that have been identified, CO<sub>2</sub> reduction and environmental consideration in products will be promoted with an eye to reducing the risk of the 4°C scenario in which temperature rise progresses and making the 1.5°C scenario, in which targets internationally promised are achieved, come true. Further, to advance environmentally friendly management as an opportunity common to the two scenarios, the Company is switching to using 100% electricity from renewable energy sources at Tokyo Works and Tokorozawa Works, and installing solar power generation facilities at its domestic and overseas factories, among other measures, in addition to continuing existing energy-saving activities. In FY 2024, we joined RE100 to demonstrate our commitment to promoting the introduction of renewable energy.

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

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

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

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

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

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

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

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

(2) Special efforts to implement the Basic Policy

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

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

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

Furthermore, in March 2025, we established a three-year medium-term management plan, "Medium-term Management Plan 2027" from FY2025 (fiscal year ending March 31, 2026) to FY2027 (fiscal year ending March 31, 2028). The details are as stated in "I. MATTERS RELATING TO THE CURRENT SITUATION OF THE GROUP 3. Challenges Going Forward."

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

The purpose of the efforts mentioned in (2) above is to protect and enhance the corporate value and common interest of the shareholders of the Company, which, as a result, will help



the Company to implement the Basic Policy. Therefore, the Company believes that such efforts are implemented not for the sake of the Company's officers maintaining their position, but to comply with the Basic Policy and meet the shareholders' common interest.

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

## Consolidated Balance Sheet

(As of March 31, 2025)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>271,950</b>	<b>Current liabilities</b>	<b>77,553</b>
Cash and deposits	93,755	Notes and accounts payable - trade	17,894
Notes and accounts receivable - trade	53,928	Electronically recorded obligations - operating	8,018
Electronically recorded monetary claims - operating	2,969	Notes payable - facilities	47
Merchandise and finished goods	61,000	Electronically recorded obligations - non-operating	2,870
Work in process	26,251	Short-term borrowings	15,180
Raw materials and supplies	24,018	Income taxes payable	2,445
Consumption taxes receivable	2,519	Accrued expenses	12,021
Other	8,707	Provision for bonuses	6,368
Allowance for doubtful accounts	(1,200)	Provision for bonuses for directors (and other officers)	386
		Provision for product warranties	1,207
		Provision for loss on reorganization	60
<b>Non-current assets</b>	<b>143,602</b>	Other	11,052
<b>Property, plant and equipment</b>	<b>91,621</b>	<b>Non-current liabilities</b>	<b>73,852</b>
Buildings and structures	42,435	Bonds payable	10,000
Machinery, equipment and vehicles	19,703	Long-term borrowings	37,027
Tools, furniture and fixtures	4,797	Deferred tax liabilities	2,183
Land	11,231	Provision for loss on reorganization	2
Leased assets	6,646	Retirement benefit liability	16,490
Construction in progress	6,807	Lease obligations	6,006
<b>Intangible assets</b>	<b>6,523</b>	Other	2,140
Software	5,723	<b>Total liabilities</b>	<b>151,405</b>
Other	799	<b>NET ASSETS</b>	
<b>Investments and other assets</b>	<b>45,457</b>	<b>Shareholders' equity</b>	<b>202,688</b>
Investment securities	36,993	Share capital	32,648
Deferred tax assets	6,061	Capital surplus	33,747
Other	2,484	Retained earnings	137,961
Allowance for doubtful accounts	(82)	Treasury shares	(1,669)
		<b>Accumulated other comprehensive income</b>	<b>53,230</b>
		Valuation difference on available-for-sale securities	11,592
		Foreign currency translation adjustment	40,196
		Remeasurements of defined benefit plans	1,441
		<b>Non-controlling interests</b>	<b>8,228</b>
		<b>Total net assets</b>	<b>264,147</b>
<b>Total assets</b>	<b>415,552</b>	<b>Total liabilities and net assets</b>	<b>415,552</b>

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

## **Consolidated Statement of Income**

From April 1, 2024 to March 31, 2025

(Millions of yen)

Account title	Amount
<b>Net sales</b>	<b>316,885</b>
<b>Cost of sales</b>	<b>182,334</b>
<b>Gross profit</b>	<b>134,550</b>
<b>Selling, general and administrative expenses</b>	<b>113,958</b>
<b>Operating profit</b>	<b>20,592</b>
<b>Non-operating income</b>	<b>4,122</b>
Interest income	1,396
Dividend income	1,154
Rental income	85
Share of profit of entities accounted for using equity method	940
Subsidy income	83
Other	462
<b>Non-operating expenses</b>	<b>1,690</b>
Interest expenses	353
Loss on sale of notes receivable - trade	10
Depreciation of assets for rent	37
Foreign exchange losses	738
Other	550
<b>Ordinary profit</b>	<b>23,024</b>
<b>Extraordinary income</b>	<b>8,248</b>
Gain on sale of investment securities	7,562
Gain on sale of non-current assets	616
Other	68
<b>Extraordinary losses</b>	<b>1,739</b>
Loss on sale of non-current assets	10
Loss on retirement of non-current assets	124
Impairment losses	1,209
Loss on valuation of investment securities	73
Reorganization cost	58
Extra retirement payments	208
Other	53
<b>Profit before income taxes</b>	<b>29,533</b>
Income taxes - current	7,355
Income taxes - deferred	(1,627)
<b>Profit</b>	<b>23,805</b>
Loss attributable to non-controlling interests	71
<b>Profit attributable to owners of parent</b>	<b>23,876</b>

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

## **Consolidated Statement of Changes in Equity**

From April 1, 2024 to March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2024	32,648	33,739	124,466	(1,698)	189,156
Changes during period					
Purchase of shares of consolidated subsidiaries		7			7
Dividends of surplus			(10,381)		(10,381)
Profit attributable to owners of parent			23,876		23,876
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		31	31
Net changes in items other than shareholders' equity					
Total changes during period	-	7	13,495	29	13,531
Balance as of March 31, 2025	32,648	33,747	137,961	(1,669)	202,688

	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, 2024	16,561	41,558	382	58,502	8,475	256,134
Changes during period						
Purchase of shares of consolidated subsidiaries						7
Dividends of surplus						(10,381)
Profit attributable to owners of parent						23,876
Purchase of treasury shares						(2)
Disposal of treasury shares						31
Net changes in items other than shareholders' equity	(4,969)	(1,361)	1,058	(5,272)	(246)	(5,519)
Total changes during period	(4,969)	(1,361)	1,058	(5,272)	(246)	8,012
Balance as of March 31, 2025	11,592	40,196	1,441	53,230	8,228	264,147

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

## Notes to Consolidated Financial Statements

### 1. Notes on premise of going concern

Not applicable

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

#### (1) Scope of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

#### (3) Fiscal year of consolidated subsidiaries

##### (a) Consolidated subsidiaries whose closing date is different from the closing date for the consolidated financial statements are as follows:

December 31 49

##### (b) When preparing consolidated financial statements, the necessary settlements are made to prepare the financial statements which form the basis for the consolidated financial statements prepared on the consolidated closing date.

(4) Accounting policies

(a) Valuation standards and method for major assets

1) Securities

• Available-for-sale securities

Securities other than shares with no market value, etc..... Stated at fair value (valuation differences are reported as components of net assets and the cost of securities sold is primarily calculated based on the moving average method).

Shares with no market value, etc..... Those without determinable market values are stated at cost based on the moving average method.

2) Derivatives

Derivatives are stated at market value method.

3) Inventories

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

(b) Depreciation and amortization methods used for important depreciable assets

1) Depreciation of property, plant and equipment (excluding leased assets) is calculated using the straight-line method.

Primary useful lives are as follows:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	1 to 10 years

2) Amortization of intangible assets (excluding leased assets) is calculated using the straight-line method.

3) Leased assets are depreciated using the straight-line method.

(c) Method of accounting for significant deferred assets

Bond issuance cost

Amortized in lump sum in the fiscal year in which they occur.

(d) Basis of accounting for major reserves

1) Allowance for doubtful accounts

In setting aside an allowance for possible losses related to accounts receivable, loans receivable, etc. for the Company and its domestic consolidated subsidiaries, an amount equivalent to the portion judged to be uncollectible is

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

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

2) Provision for bonuses

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

3) Provision for directors' bonuses

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

4) Provision for product warranties

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

5) Provision for loss on reorganization

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

(e) Accounting policy for significant revenues and expenses

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

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

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

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

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

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

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

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

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

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

1) The method of attributing expected retirement benefit to periods

- Accounting treatment regarding retirement benefits

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.

- Actuarial difference and past service costs

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

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

2) Accounting treatment for income taxes and local income taxes and related tax effect accounting

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



### 3. Change in accounting policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the “Revised Accounting Standard 2022”) effective from beginning of the fiscal year under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of Paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the fiscal year under review. This change in accounting policies has no impact on the consolidated financial statements.

### 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	1,209

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

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

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

(2) Valuation of inventories

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

(Millions of yen)

Item	Amount
Merchandise and finished goods	61,000
Work in process	26,251
Raw materials and supplies	24,018

- (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 238,036 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 fixtures, opto-devices; manufacturing facilities for healthcare products; construction in progress; and software, etc.	Tools, furniture and fixtures; machinery, equipment and vehicles; construction in progress; and software, etc.
Switzerland	Manufacturing facilities for watch, etc.	Machinery, equipment and vehicles, etc.
China	Manufacturing facilities for opto-devices; and manufacturing facilities for healthcare products, etc.	Machinery, equipment and vehicles; and tools, furniture and fixtures, etc.
Hong Kong	Manufacturing facilities for opto-devices, etc.	Machinery, equipment and vehicles; and tools, furniture and fixtures, etc.

The Company and its subsidiaries group their assets into the smallest unit that generates cash flow, which is, in principle, a business unit based on the business classification for managerial accounting purposes. The Group treats some of its consolidated subsidiaries as independent

asset groups depending on their size of business. The assets that cannot clearly be associated with specific businesses, such as head office, are treated as corporate assets.

For the fiscal year under review, the book values of assets that were no longer expected to be used in the future, and assets that belonged to businesses with deteriorated profitability were written down to their recoverable amounts, and the amounts of the write-downs were recognized as impairment losses. The total amount of impairment losses presented as extraordinary losses amounted to 1,209 million yen. The amount consists primarily of 583 million yen for machinery, equipment and vehicles, 336 million yen for construction in progress, 152 million yen for tools, furniture and fixtures, and 115 million yen for software.

The recoverable amount is determined based on the net selling price or the value in use. The net selling price is estimated based on the valuation reasonably calculated and the value in use is determined mainly by discounting future cash flows at a discount rate of 10%.

## 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	246,000,000	—	—	246,000,000

### (2) Cash dividends

#### (a) Cash dividend payment

#### 1) Dividends approved at the 139th Ordinary General Meeting of Shareholders held on June 25 2024

- Total amount of dividends 4,885 million yen  
(The amount above includes dividends of 8 million yen for shares of the Company held by the BIP Trust.)
- Dividends per share 20 yen
- Record date March 31, 2024
- Effective date June 26, 2024

#### 2) Dividends approved at the meeting of the Board of Directors held on November 11, 2024

- Total amount of dividends 5,496 million yen  
(The amount above includes dividends of 8 million yen for shares of the Company held by the BIP Trust.)
- Dividends per share 22.50 yen
- Record date September 30, 2024
- Effective date December 5, 2024

#### (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 140th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 25, 2025.

- Total amount of dividends 5,496 million yen

(The amount above includes dividends of 8 million yen for shares of the Company held by the BIP Trust.)

• Dividend resource	Retained earnings
• Dividends per share	22.50 yen
• Record date	March 31, 2025
• Effective date	June 26, 2025

## 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, 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, 2025 were as follows:

(Millions of yen)			
	Consolidated balance sheet amount	Fair value	Differences
i) Investment securities (Note 2)			
Available-for-sale securities	20,413	20,413	—
Assets, total	20,413	20,413	—
ii) Bonds payable (including current portion)	10,000	9,747	(253)
iii) Long-term borrowings (including current portion)	52,037	51,250	(787)
Total liabilities	62,037	60,997	(1,040)
Derivatives (Note 3)	(13)	(13)	—

Notes: 1. Information on “cash and deposits,” “notes and accounts receivable - trade,” “electronically recorded monetary claims - operating,” “notes and accounts payable -trade,” “electronically recorded obligations - operating,” “electronically recorded obligations - non-operating” and “short-term borrowings” is omitted, since these accounts are cash and are settled or repaid in a short period of time, and therefore, their fair value approximates the book value.

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

Category	Current fiscal year (Millions of yen)
Unlisted shares	16,580

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, 2025

Business segment	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	20,413	—	—	20,413
Derivatives				
Currency	—	8	—	8
Total assets	20,413	8	—	20,421
Derivatives				
Currency	—	21	—	21
Total liabilities	—	21	—	21

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

As of March 31, 2025

Business segment	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	9,747	—	9,747
Long-term borrowings	—	51,250	—	51,250
Total liabilities	—	60,997	—	60,997

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

1. Investment securities

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

2. Derivatives

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

3. Bonds payable

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

4. Long-term borrowings

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

## 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	28,880	14,481	23,196	13,855	80,413
Asia	34,024	25,456	11,109	3,863	74,454
United States of America	80,538	6,766	2,081	2,501	91,887
Europe	31,284	26,754	4,071	4,669	66,781
Others	2,390	859	5	30	3,286
Revenue from contracts with customers	177,119	74,318	40,464	24,921	316,823
Other revenue	2	—	—	59	61
Revenues from external customers	177,121	74,318	40,464	24,981	316,885

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

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

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

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

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

- (a) The balance of contract liabilities

(Millions of yen)	
	Fiscal year under review
Contract liabilities	1,209

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 1,188 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	92
Over 1 year	374
Total	467

## 10. Notes on per share information

Net assets per share 1,049.41 yen

Basic earnings per share 97.91 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 413,318, and the number of shares at the period end held by the BIP trust was 399,810.

## 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 255 million yen and 399,810 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, 2025)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>89,395</b>	<b>Current liabilities</b>	<b>52,586</b>
Cash and deposits	25,385	Accounts payable - trade	8,230
Notes receivable - trade	76	Electronically recorded obligations - operating	1,669
Electronically recorded monetary claims - operating	168	Electronically recorded obligations - non-operating	432
Accounts receivable - trade	11,087	Current portion of long-term borrowings	15,000
Finished goods	14,196	Accounts payable - other	1,276
Work in process	235	Accrued expenses	2,196
Raw materials	266	Income taxes payable	885
Consumption taxes receivable	838	Deposits received	20,223
Short-term loans receivable	32,944	Provision for bonuses	931
Accounts receivable - other	3,521	Provision for bonuses for directors (and other officers)	93
Other current assets	1,254	Provision for loss on reorganization	2
Allowance for doubtful accounts	(580)	Other current liabilities	1,645
<b>Non-current assets</b>	<b>146,471</b>	<b>Non-current liabilities</b>	<b>51,207</b>
<b>Property, plant and equipment</b>	<b>13,971</b>	Bonds payable	10,000
Buildings and structures	9,229	Long-term borrowings	37,000
Machinery and equipment	1,076	Deferred tax liabilities	771
Vehicles	0	Provision for retirement benefits	3,170
Tools, furniture and fixtures	203	Provision for share awards for directors (and other officers)	206
Land	3,357	Provision for loss on reorganization	2
Leased assets	1	Asset retirement obligations	25
Construction in progress	102	Long-term lease obligations	0
<b>Intangible assets</b>	<b>2,280</b>	Long-term income taxes payable	29
Software	2,273	<b>Total liabilities</b>	<b>103,793</b>
Other intangible assets	7	<b>NET ASSETS</b>	
<b>Investments and other assets</b>	<b>130,219</b>	<b>Shareholders' equity</b>	<b>120,608</b>
Shares of subsidiaries and associates	100,400	<b>Share capital</b>	<b>32,648</b>
Investment securities	29,489	<b>Capital surplus</b>	<b>36,029</b>
Long-term prepaid expenses	164	Legal capital surplus	36,029
Other investments and other assets	244	Other capital surplus	0
Allowance for doubtful accounts	(78)	<b>Retained earnings</b>	<b>53,599</b>
		Other retained earnings	53,599
		Reserve for tax purpose reduction entry	285
		Retained earnings brought forward	53,313
		<b>Treasury shares</b>	<b>(1,669)</b>
		<b>Valuation and translation adjustments</b>	<b>11,464</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>11,464</b>
		<b>Total net assets</b>	<b>132,073</b>
<b>Total assets</b>	<b>235,867</b>	<b>Total liabilities and net assets</b>	<b>235,867</b>

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

## **Non-Consolidated Statement of Income**

From April 1, 2024 to March 31, 2025

(Millions of yen)

Account title	Amount
<b>Net sales</b>	<b>95,268</b>
<b>Cost of sales</b>	<b>71,818</b>
<b>Gross profit</b>	<b>23,449</b>
<b>Selling, general and administrative expenses</b>	<b>23,477</b>
<b>Operating loss</b>	<b>28</b>
<b>Non-operating income</b>	<b>20,656</b>
Interest income	231
Dividend income	20,362
Rental income	25
Other	38
<b>Non-operating expenses</b>	<b>753</b>
Interest expenses	287
Loss on sale of notes receivable - trade	10
Provision of allowance for doubtful accounts	53
Commission for syndicated loans, etc.	96
Foreign exchange losses	257
Other	47
<b>Ordinary profit</b>	<b>19,875</b>
<b>Extraordinary income</b>	<b>7,624</b>
Gain on sale of non-current assets	56
Gain on sale of investment securities	7,562
Reversal of provision for loss on reorganization	4
<b>Extraordinary losses</b>	<b>2,595</b>
Loss on sale of non-current assets	0
Loss on retirement of non-current assets	35
Impairment losses	191
Loss on valuation of shares of subsidiaries and associates	2,367
<b>Profit before income taxes</b>	<b>24,904</b>
Income taxes - current	1,729
Income taxes - deferred	(242)
<b>Profit</b>	<b>23,417</b>

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

## **Non-Consolidated Statement of Changes in Equity**

From April 1, 2024 to March 31, 2025

(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, 2024	32,648	36,029	–	36,029	285	40,277	40,563
Changes during period							
Dividends of surplus						(10,381)	(10,381)
Profit						23,417	23,417
Purchase of treasury shares							
Disposal of treasury shares			0	0			
Net changes in items other than shareholders' equity							
Total changes during period	–	–	0	0	–	13,036	13,036
Balance as of March 31, 2025	32,648	36,029	0	36,029	285	53,313	53,599

	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, 2024	(1,698)	107,543	16,403	16,403	123,946
Changes during period					
Dividends of surplus		(10,381)			(10,381)
Profit		23,417			23,417
Purchase of treasury shares	(2)	(2)			(2)
Disposal of treasury shares	31	31			31
Net changes in items other than shareholders' equity			(4,939)	(4,939)	(4,939)
Total changes during period	29	13,065	(4,939)	(4,939)	8,126
Balance as of March 31, 2025	(1,669)	120,608	11,464	11,464	132,073

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

## Notes to Non-Consolidated Financial Statements

### 1. Notes on premise of going concern

Not applicable

### 2. Notes on major accounting policies

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

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

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

Shares with no market value, etc.

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

#### (2) Valuation standards for derivatives

Derivatives are stated at market value method.

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

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

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

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

Calculated using the straight-line method.

Primary useful lives are as follows:

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

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

Calculated using the straight-line method.

- (c) Leased assets

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

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

- (a) Allowance for doubtful accounts

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

(b) Provision for bonuses

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

(c) Provision for bonuses for directors (and other officers)

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

(d) Provision for retirement benefits

The provision for defined retirement benefits is stated at the amount deemed to be correct as of the end of the fiscal year under review. The amount is based on estimated accounts of defined retirement benefit liabilities and pension assets as of the end of the fiscal year under review. The Company has established a retirement benefits trust.

1) The method of attributing expected retirement benefit to periods

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

2) Actuarial difference and past service costs

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

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

(e) Provision for share awards for directors (and other officers)

Provision for share awards for directors (and other officers) is provided based on the estimated amount of stock benefit obligation as of the end of the fiscal year under review in order to prepare for granting shares of the Company's stock to Directors (excluding Outside Directors and Directors who are non-residents of Japan) in accordance with the share delivery regulations.

(f) Provision for loss on reorganization

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

(6) Accounting policy for significant revenues and expenses

The Company primarily manufactures and sells watch products. The Company primarily deems its performance obligations to be satisfied on the transfer to a customer of control when the product is delivered and recognizes the revenue from sale of the product at that time. In addition, the Company provides membership-based inspection services. With respect to these services, performance obligations for sales of products and performance obligations for services are identified, and revenue is recognized when respective performance obligations are satisfied.

(7) Method of accounting for deferred assets

Bond issuance cost

Amortized in lump sum in the fiscal year in which they occur.

(8) Method of accounting for retirement benefits

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

**3. Changes in accounting policies**

Effective from the beginning of the fiscal year under review, the Group applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the “Revised Accounting Standard 2022”).

The amendment to categories in which current income taxes should be recorded follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022. This change in accounting policies has no impact on 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	191

(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	14,196
Work in process	235
Raw materials	266

(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  | 43,761 million yen |
|     | Short-term monetary liabilities to subsidiaries and associates   | 27,967 million yen |
| (2) | Accumulated depreciation of property, plant and equipment  | 29,216 million yen |
| (3) | Guarantee obligation   |                    |
|     | Guarantees for real estate lease agreement of subsidiaries and associates                                      | 41 million yen     |
|     | Concurrent obligations for payments for electronic monetary claims transactions of subsidiaries and associates | 1,026 million yen  |

## 6. Notes on Non-Consolidated Statement of Income

(1) Net sales concerning subsidiaries and associates	49,745 million yen
(2) Purchases from subsidiaries and associates	78,408 million yen
(3) Other operating transaction with subsidiaries and associates	18,955 million yen
(4) Non-operating transaction with subsidiaries and associates	19,689 million yen

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

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

Type of shares	No. of shares at the beginning of current fiscal year	Increase during the fiscal year	Decrease during the fiscal year	No. of shares at the end of current fiscal year
Common shares	2,178,601	2,659	49,530	2,131,730

Notes:

1. The 2,659 share increase in treasury shares resulted from the increase of shares through the purchase of shares less than one unit.
2. The 49,530 share decrease in treasury shares resulted from reduction of 49,444 shares due to the granting and sale of shares of the Company's stock by the Board Incentive Plan (BIP) Trust to persons who were Directors, and additional sale of 86 shares, which were less than one unit, to shareholders.
3. The number of shares at the beginning of the current fiscal year includes 449,254 shares held by the BIP trust.
4. The number of shares at the end of the current fiscal year includes 399,810 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	16,458 million yen
Provision for retirement benefits	1,564 million yen
Depreciable assets	1,101 million yen
Loss carryforward	908 million yen
Other	1,956 million yen
Subtotal	21,990 million yen
Valuation allowance for tax loss carryforward (Note)	(634) million yen
Valuation allowance for the total of deductible temporary differences, etc.	(18,572) million yen
Valuation allowance	(19,207) million yen
Total	2,783 million yen

### Deferred tax liabilities

Valuation difference on available-for-sale securities	(3,424) million yen
Other	(130) million yen
Total	(3,555) million yen
Net deferred tax liabilities	(771) 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 (*)	—	—	—	—	13	894	908
Valuation allowance	—	—	—	—	—	(634)	(634)
Deferred tax assets	—	—	—	—	13	260	273

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

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

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

## 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%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	35,905	Accounts payable - trade	3,486
					Purchase of raw materials on behalf of others (Note) 1	9,633	Accounts receivable - other	1,161
					Collecting of money (Note) 2, 3	742	Short-term loans receivable	7,082
Subsidiary	Sunciti Manufacturers Ltd.	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	14,717	Accounts payable - trade	1,188
					Purchase of raw materials on behalf of others (Note) 1	3,073	Accounts receivable - other	833
Subsidiary	Civis Manufacturing Limited	Ownership (direct) 100%	1	Manufacturing of the products of the Company	Purchase of products (Note) 1	15,797	Accounts payable - trade	1,022
					Purchase of raw materials on behalf of others (Note) 1	1,960	Accounts receivable - other	385
Subsidiary	Royal Time Citi Co., Ltd.	Ownership (direct) 87.44%	-	Manufacturing of the products of the Company	Purchase of products (Note) 1	10,175	Accounts payable - trade	497
					Purchase of raw materials on behalf of others (Note) 1	1,952	Accounts receivable - other	544
Subsidiary	Citizen Watch Company of America, Inc.	Ownership (direct) 100%	-	Sales of the products of the Company	Sales of products (Note) 1	21,809	Accounts receivable - trade	2,603
					Dividend income	6,012	-	-
Subsidiary	Frederique Constant Holding SA	Ownership (direct) 100%	1	Control /management of business activities	Lending of money (Note) 2	872	Short-term loans receivable	2,551
Subsidiary	Citizen Machinery Co., Ltd.	Ownership (direct) 100%	2	Control /management of business activities Leasing of real estate, etc.	Dividend income	3,645	-	-
					Lending of money (Note) 2, 3	5,812	Short-term loans receivable	19,405
Subsidiary	Citizen Electronics Co., Ltd.	Ownership (direct) 79.33%	2	Control /management of business activities	Lending of money (Note) 2, 3	1,503	Deposits received	11,219
Subsidiary	TOKYO BIJUTSU Co., Ltd.	Ownership (direct) 71.86%	2	Control /management of business activities	Collecting of money (Note) 2, 3	205	Deposits received	3,686

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 541.58 yen

Basic earnings per share 96.03 yen

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

For the fiscal year under review, the average number of shares held by the BIP trust during the period was 413,318, and the number of shares held by the BIP trust at the period end was 399,810.

## 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.

(Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to changes in income taxes)

Due to the enactment of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the “Special Corporation Tax for National Defense” will be imposed from the fiscal years beginning on or after April 1, 2026. Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2026 are calculated by changing the statutory effective tax rate from 30.6% to 31.5%.

As a result of this adjustment, deferred tax liabilities for the fiscal year (after deducting the amount of deferred tax assets) increased by 79 million yen, while the amount of income taxes - deferred decreased by 18 million yen, and the valuation difference on available-for-sale securities decreased by 97 million yen.

- (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 23, 2025

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

Nihombashi Corporation  
Chuo-ku, Tokyo  
Tatsuya Oritoya  
Designated Partner and Engagement  
Partner, C.P.A.  
Shigehiro Chiba  
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, 2024 to March 31, 2025. 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, 2025, and the consolidated results of its operations for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for opinion*

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

#### *Other Information*

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

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information. Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

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

There are no matters to report regarding the other information.

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

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

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

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

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

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

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

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

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

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

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

*Interest*

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

## Financial Audit Report on Non-Consolidated Financial Statements

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

May 23, 2025

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

Nihombashi Corporation  
Chuo-ku, Tokyo  
Tatsuya Oritoya  
Designated Partner and Engagement  
Partner, C.P.A.  
Shigehiro Chiba  
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 140th business term from April 1, 2024 to March 31, 2025. 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, 2025, and the results of its operations for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for opinion*

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

#### *Other Information*

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

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

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

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

There are no matters to report regarding the other information.

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

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

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

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

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

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

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

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

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

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

*Interest*

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



## Audit Report of the Audit & Supervisory Board

### Audit Report

With regard to the performance of the Directors' duties for the 140th business term from April 1, 2024 to March 31, 2025, we have prepared this Audit Report, with the uniformed opinion of all Audit & Supervisory Board Members, after examining the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

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

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

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

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

## 2. Audit Results

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

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

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

May 29, 2025

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

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

Kazunori Yanagi  
Full-time Audit & Supervisory Board Member

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