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Citizen Watch Co., Ltd.

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

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

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

### **1. Basic Views**

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

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

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

#### **【Disclosure Based on the Principles of the Corporate Governance Code】**

##### **【Principle 1-4 Cross-shareholdings】**

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

#### 【Principle 1-7 Related Party Transactions】

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

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

The Company aims to increase the ratio of female managers, which is approximately 7% as of FY2021, to at least 20% by 2030. The Company will raise awareness to further encourage the active participation of women and build an environment including programs which help them balance work and family life.

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

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

As part of its human resource development policies for securing diversity, the Company assigns jobs and provides opportunities to its employees regardless of their gender, nationality, and whether they joined the Company as new graduates or mid-career employees. It promotes those who began to experience working as expatriates and to sense diversity in their late 20s to positions as senior general managers at head office or to posts responsible for overseas facilities, aiming to achieve diversity in the overall organization.

The Company has already introduced systems for permitting diverse workstyles, including shorter working hours, flexible working hours, teleworking, and fully remote work. The percentage of female employees who return to work after childcare leave is 100% (excluding those who have left the company due to job transfer of spouses). The Company will also encourage male employees to take childcare leave. The Company has introduced a job return system for those who leave the Company due to the relocation of spouses, childcare, or nursing care.

At the same time, the Company will also raise employees' awareness of independent career development, operate internal and external second job systems, support employees in reskilling, broaden their perspective, motivate them, and encourage them to work even more actively, so as to realize the growth of employees and the Company.

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

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

### 【Principle 3-1 Full Disclosure】

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

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

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

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

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

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

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

In its businesses, the Company takes steps to set up production facilities that reflect a consideration for the business process, that is, sustainable factories. It does this throughout the entire value chain so that the products and services it creates will not be involved in social issues such as conflict minerals and human rights abuses in the production and procurement of raw materials, thus creating sustainable products.

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

<https://www.citizen.co.jp/social/basic/sustainable/index.html>

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

<https://www.citizen.co.jp/social/policy/index.html>

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

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

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

See the following website page for the Citizen Group's environmental vision and long-term environmental goals.

<https://www.citizen.co.jp/social/environment/vision/index.html>

To achieve its environmental goals, in FY2020 the Company expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and identified and evaluated climate change-related risks and opportunities as requested in the TCFD recommendations, using two scenarios that differ in terms of the assumed temperature rise in the future (2-degree and 4-degree scenarios). For the risks thus identified, the Company is striving to reduce CO2 emissions and reflecting environmental considerations in its products, aiming to reduce risks in the 4-degree scenario, in which temperatures

will continue to rise, and to achieve the 2-degree scenario, in which goals will be achieved as promised internationally.

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

The Company checks Scope 3 emissions from the Group and receives a third-party examination by an external certification body, aiming to set Science Based Targets (SBTs) as specific emission reduction targets and obtain science-based certification. See the following website page for the Company's response to climate change risks and opportunities (TCFD and scenario analyses).

<https://www.citizen.co.jp/social/environment/gas/index.html>

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

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

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

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

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

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

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

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

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

(1) A party who is now or was previously an officer (excluding the Company’s Outside Director or Outside Audit &

Supervisory Board Member) or an employee of the Citizen Group (the “Citizen Group” refers to the group of companies made up of the Company and its subsidiaries; hereinafter the same).

(2) A party whose major business partner is the Company (Note 1) or an executive of such party (“executive” refers to an executive as defined in Article 2, paragraph 3, item 6 of the Enforcement Regulations of the Companies Act (Order of the Ministry of Justice No. 12 of 2006); hereinafter, the same).

(3) A major business partner of the Company (Note 2) or an executive of such party.

(4) A consultant, accounting professional, or legal professional who receives cash or other financial benefits of 10 million yen or higher as payment from the Citizen Group for reasons other than Director’s or Audit & Supervisory Board Member’s remuneration (if the party receiving such financial benefits is an incorporated entity, association or other organization, then a person belonging to such organization).

(5) A party receiving donations of cash or other financial benefits of 10 million yen or higher from the Citizen Group (if the party receiving such donation is an incorporated entity, association or other organization, then a person belonging to such organization).

(6) A party directly or indirectly holding 10% or more of the total number of voting rights held by the Company’s shareholders or an executive of such party.

(7) In the case that an officer or employee of the Citizen Group is serving as an outside officer at another company, an officer or employee of the company other than the aforementioned outside officer.

(8) A person to whom any of the criteria (2) through (7) applied in the most recent fiscal year or the past three fiscal years of the Company.

(9) A spouse or relative within the second degree of kinship of a person to whom any of the criteria (1) through (8) applies.

Notes:

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

2. “Major business partner of the Company” refers to a party whose group provides the Citizen Group with sales amounting to 2% or more of the consolidated net sales of the Company.

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

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

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

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

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

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

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

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

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

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

1. Method of evaluation

To analyse and evaluate the effectiveness of the Board of Directors, the Company used an effectiveness evaluation tool provided by an outside agency to conduct a questionnaire about the Board of Directors, surveying all members of the Board of Directors and the Audit & Supervisory Board. The questionnaire was conducted using questions prepared by an outside agency and the results of analysis and evaluation were then confirmed by the Board of Directors.

- Respondents: All Directors and Audit & Supervisory Board Members (12 people)
- Period: February 25 to March 11, 2022
- Questions: 18 in total

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

Part 2: Questions regarding the agenda items at meetings of the Board of Directors 12 questions

Part 3: Questions regarding the systems that support the Board of Directors 4 questions

2. Summary of the evaluation results

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

## Part 1 Management/Administration of the Board of Directors

Regarding management/administration, respondents' answers indicated that the volume of information is appropriate and that the deadlines for preliminary distribution have been generally observed, while suggesting that more time should be spent discussing growth strategy and human resources by contriving the arrangement of proceedings and information materials.

The responses also mentioned that the opinions expressed by the Inside Directors and the questions asked and opinions stated by the Outside Directors have increased and that, consequently, discussions are now more active.

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

Regarding the agenda items, respondents' answers indicated that there are opportunities for acquiring information and discussion outside of meetings of the Board of Directors, enabling lively discussions of not only short-term agenda items but also a diverse array of important agenda items related to medium- and long-term strategies, risks and personnel matters for the formulation of the medium-term management plan.

## Part 3: Systems that support the Board of Directors

Respondents indicated that even outside the meetings of the Board of Directors, important information was delivered regularly through opportunities to receive explanations and exchange opinions on specific themes.

Regarding training, respondents indicated that training had been offered, but was not sufficient and should be improved.

### 3. Initiatives in the previous fiscal year

- The Company changed the method of distributing preliminary information materials from paper to electronic data to shorten the process, improve convenience and ensure security.
- Meetings of the Board of Directors were held in various styles using Web conferences.
- The Company enhanced the content of the evaluation of the effectiveness of the Board of Director by using an online questionnaire conducted by an outside agency.

### 4. Initiatives for the future

The Company will strive to increase its effectiveness and its corporate value by improving the issues raised in this evaluation of effectiveness and by activating its deliberations.

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

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

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

The Company holds a medium-term management plan briefing, a quarterly financial results briefing and other conferences. The President and the Directors in charge of operations attend such dialogues with these shareholders. In addition, the Company regularly communicates its messages through the General Meeting of Shareholders, various briefings and other



meetings, websites and other channels and media. Opinions and other comments received from the shareholders are shared among the top management and the related departments. The IR department and the related departments of the Company also liaise with each other and share the opinions of the shareholders for arguments.

## 2. Capital Structure

Percentage of Foreign Shareholders	From 20% less than 30%
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### 【Status of Major Shareholders】 **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd.	57,916,262	19.40
Custody Bank of Japan, Ltd.	34,317,018	11.49
Nippon Life Insurance Company	11,948,346	4.00
Nichia Corporation	10,000,000	3.35
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	7,154,300	2.40
BNYM AS AGT/CLTS NON TREATY JASDEC	6,455,625	2.16
CITIZEN Group Employee Shareholding Association	5,425,361	1.82
STATE STREET BANK AND TRUST COMPANY 505001	5,414,789	1.81
NIKON CORPORATION	5,005,800	1.68
THE BANK OF NEW YORK 133972	4,715,100	1.58

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

### (Supplementary Explanation) **Updated**

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

The Master Trust Bank of Japan, Ltd. 57,916,262 shares

Custody Bank of Japan, Ltd. 34,317,018 shares

2. Schroder Investment Management Limited submitted a Change Report for its Large Shareholding Report on May 20, 2021. The Company, however, has yet to confirm the actual shareholding status of the said company as of the end of the fiscal year under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

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

Large shareholders: Schroder Investment Management Limited and one other company

Number of shares held: 15,145,100

Shareholding ratio: 4.82%

3. Sumitomo Mitsui Trust Bank, Limited submitted a Change Report for its Large Shareholding Report on December 21, 2021. The Company, however, has yet to confirm the actual shareholding status of the said company as of the end of the fiscal year under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

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

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

Number of shares held: 17,217,700

Shareholding ratio: 5.48%

4. Nomura Securities Co.,Ltd. submitted a Change Report for its Large Shareholding Report on January 19, 2022. The Company, however, has yet to confirm the actual shareholding status of the said company as of the end of the fiscal year under review, and has therefore decided not to reflect the information in the Status of Major Shareholders listed above.

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

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

Number of shares held: 19,858,019

Shareholding ratio: 6.32%

### 3. Corporate Attributes

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

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

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

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

### **1. Organizational Composition and Operation**

Organization Form	Company with the Audit & Supervisory Board
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#### **【Directors】**

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	President and CEO
Number of Directors	9
Appointment of External Director	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

#### **(Outside Directors' Relationship with the Company (1))** Updated

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

\* Categories for “Relationship with the Company”

\* “○” when the Director presently falls or has recently fallen under the category;

“△” when the Director fell under the category in the past

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

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

a. Executive of the Company or its subsidiaries

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

c. Executive of a fellow subsidiary company of the Company

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

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

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

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

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

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

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

k. Others

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

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

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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(Committee's Name, Composition, and Attributes of Chairperson)

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

(Supplementary Explanation)

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

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

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

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

【Audit & Supervisory Board Member】

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

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

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

## The 137th INDEPENDENT AUDITORS (From 1 April, 2021 to 31 March, 2022)

1. Name: Nihombashi Corporation

2. Amount of Compensation

(1) Compensation for Independent Auditors for the fiscal year under review : JPY 48 Million

(2) Total amount of money and other material benefits to be paid to Independent Auditors by the Company and subsidiaries : JPY 79 Million

Notes:

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

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

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

### 3. Non-audit Services

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

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

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

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

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

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

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

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

\* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of the Company or its subsidiary

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

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

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

e. Executive of a fellow subsidiary company of the Company

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

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

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

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

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

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

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

m. Others

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

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

【Independent Directors/Audit & Supervisory Board Member】

Number of Independent Directors/ Audit & Supervisory Board Member	5
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【Incentives】

Incentive Policies for Directors	Performance-linked Remuneration/ Other
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(Supplementary Explanation)

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



## 【Director Remuneration】

Disclosure of Individual Directors' Remuneration	Not disclosed
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(Supplementary Explanation) **Updated**

The 137th (From 1 April, 2021 to 31 March, 2022)

	Number of officers	Total amount of Compensation, etc. (millions of yen)	Amount of fixed compensation out of all compensation, etc. (millions of yen)	Amount of bonus out of all compensation, etc. (millions of yen)	Amount of Performance-linked Stock compensation out of all compensation, etc. (millions of yen)
Directors (Excluding Outside Directors)	7	234	124	82	26
Audit & Supervisory Board Member (Excluding Outside Audit & Supervisory Board Members)	1	18	18	-	-
Outside Officers	5	53	53	-	-

(Note)

1. The above figures include Directors who retired upon conclusion of the 136th Ordinary General Meeting of Shareholders held on June 25, 2021.
2. The above amount of the bonuses (82 million yen) for Directors (excluding Outside Directors) is the amount to be paid after the conclusion of the 137th Ordinary General Meeting of Shareholders scheduled to be held on June 28, 2022.
3. The above amount of performance-linked share-based compensation (26 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 total estimated amount of stock benefit obligation calculated based on the estimated number of shares to be delivered to six directors (excluding Outside Directors and Directors that are non-residents of Japan.) for the portion corresponding to the 135th and 136th fiscal years of the performance-linked share-based compensation for the three-fiscal-year applicable period corresponding to the Medium-term Management Plan, for which the fiscal year under review is the final fiscal year, was 47 million yen, and the same amount was recorded as an expense in the fiscal year under review.
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 and ROE in the Medium-term Management Plan. Actual results during the fiscal year under review were consolidated net sales of 281.417 billion yen, consolidated operating profit of 22.273 billion yen and ROE of 10.2%. Bonuses are calculated multiplying the base monthly compensation for each position by a coefficient determined by the level of achievement of performance indicators and nonfinancial 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 and ROE in the Medium-term Management Plan. Actual results during the fiscal year under review were consolidated net sales of 281.417 billion yen, consolidated operating profit of 22.273 billion yen and ROE of 10.2%.

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 four (4). 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. Fumiaki Terasaka 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.

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

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

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

(1) Composition of compensation for Directors

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

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

The Company's policy for determining the amount of fixed compensation is to determine a level that will motivate Directors to fully demonstrate their qualities and abilities and to strive for sustainable growth based on the Company's corporate philosophy and that will also enable it to attract and retain talent, while considering changes in the business environment, external data, general compensation levels and the business situation in determining it. In the case of a change in positions of Directors in June every year, the Compensation Committee, which is delegated authority by resolution of the Board of Directors, determines amounts within the limits stipulated in the Directors' Monthly Basic Compensation Standards at meetings of the Compensation Committee which to be held in a timely manner with fixed compensation paid in cash every month.

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

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

1) Bonuses

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

2) Performance-linked stock compensation

The aim of performance-linked stock compensation is to clarify the link between the compensation of Directors and the Company's stock price and to motivate Directors to contribute to improving business performance and enhancing corporate value in the medium and long term. The plan is a performance-linked stock compensation plan for Directors (excluding Outside Directors and non-residents in Japan) of the Company whereby shares of the Company are acquired through a trust funded by amounts of Directors' compensation contributed by the Company according to position, and shares of the Company or cash in the amount equivalent to the conversion value of the Company's shares are delivered or granted (hereinafter

referred to as "delivered, etc.") according to the level of achievement of business targets. The amount or number of such compensation and their calculation methods are stipulated in the Share Delivery Regulations for the Officers' Compensation BIP Trust by resolution of the Board of Directors based on the recommendations of the Compensation Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration**

### **Decisions (Overview of Current Corporate Governance System)**

- Summary of the Company's organization

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

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

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

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

- Nomination Committee and Compensation Committee

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

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

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

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

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

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

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

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

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

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

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

### **3. Reasons for Adoption of Current Corporate Governance System**

The Board of Directors of the Company consists of seven (7) Directors who control the Group and execute business in major operations and three (3) Outside Directors who check and monitor business management by making the most of their extensive experience and broad insights as managers from an independent position. An audit is conducted by three (3) Audit & Supervisory Board members, including two (2) Outside Audit & Supervisory Board Members, who have high-level knowledge and insight about corporate finance and legal matters.

## **III. Implementation of Measures for Shareholders and Other Stakeholders**

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

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

Providing Convocation Notice in English	The convocation notice is made available in English.
Other	The convocation notice is made available on the Company's homepage.

## 2. IR Activities

	Supplementary Explanation	Presentation by President
Preparation and Publication of Policies on Disclosure	The Company has established the Policies on Disclosure and posts them on the IR section of its website ( <a href="https://www.citizen.co.jp/ir/disclosure/index.html">https://www.citizen.co.jp/ir/disclosure/index.html</a> ).	
Regular Investor Briefings for Individual Investors	The Company strengthens IR for individual investors, including holding investor briefings for individual investors.	No
Regular Investor Briefings for Analysts and Institutional Investors	The representative provides briefings on the financial results for the second quarter and the full year. The officer in charge of IR provides briefings on the financial results for the first and third quarters.	Yes
Posting of IR Materials on Website	The Company makes available a summary of accounts, financial results briefing materials, questions and answers at the briefings, the securities reports, the quarterly reports, annual reports and other documents.	-
Establishment of Department and/or Manager in Charge of IR	The Company has established the office for public relations and IR and assigned three employees to it.	-

## 3. Measures to Ensure Due Respect for Stakeholders

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



	<p>the fullest by encouraging tailored communication with them including regular meetings with employees who are raising a child or caring for a family member.</p> <p>The ratio of female managers at major Group companies is posted at the URL below (Citizen Group CSR Data).</p> <p><a href="https://www.citizen.co.jp/social/data/index.html">https://www.citizen.co.jp/social/data/index.html</a></p>
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#### **IV. Matters Related to the Internal Control System**

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

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

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

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

##### **2. Basic Views on Eliminating Anti-Social Forces**

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

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

#### **V Other**

##### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
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(Supplementary Explanation)

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

The Company believes that even if a large-scale purchase act is conducted against the Company, it should ultimately be

left to the shareholders to decide whether or not the Company should accept it. The Company will not unconditionally deny a large-scale purchase act if it will contribute to the corporate value and the common interests of shareholders of the Company.

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

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

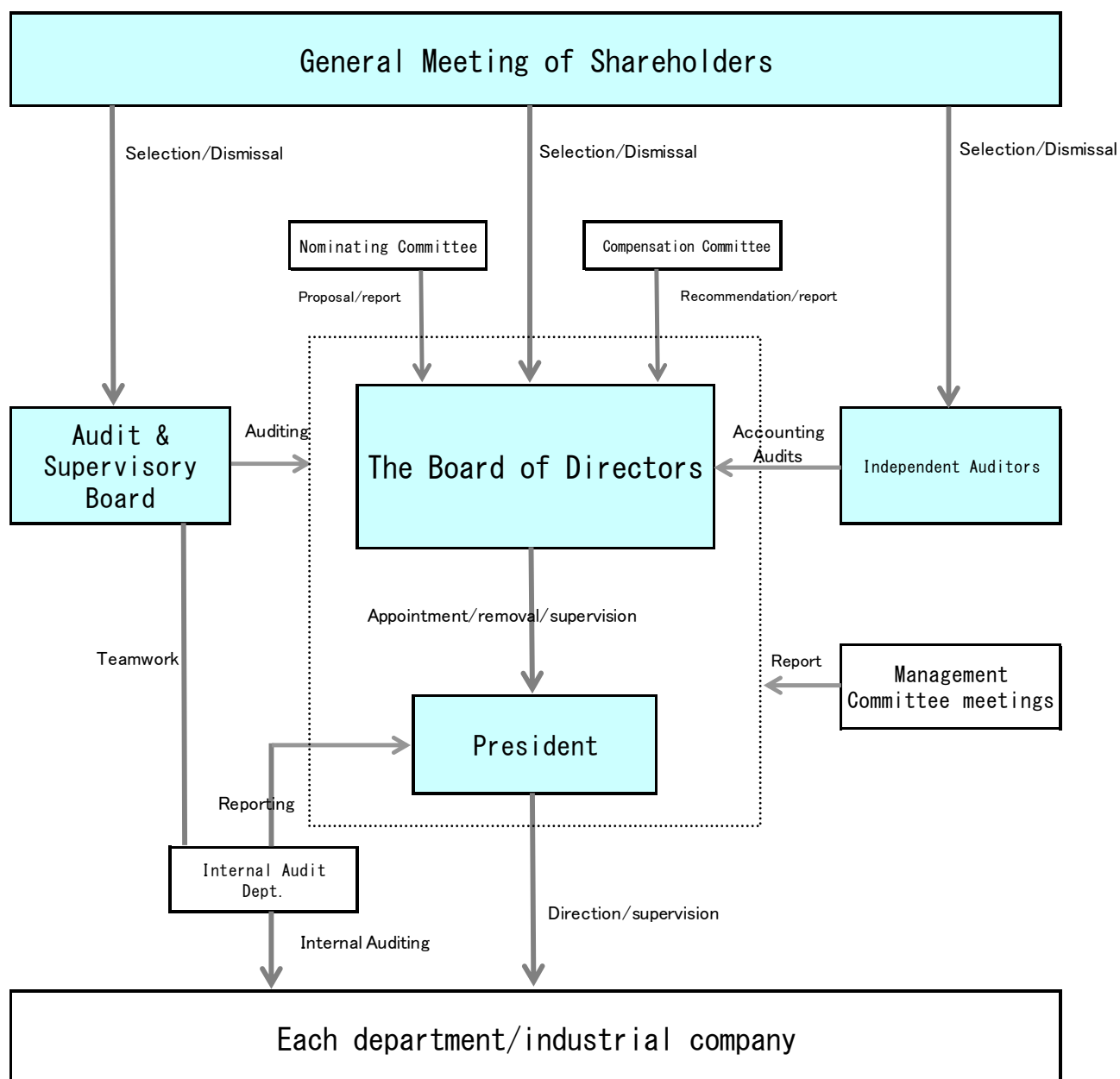
## **2. Other Matters Concerning to Corporate Governance System Updated**

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

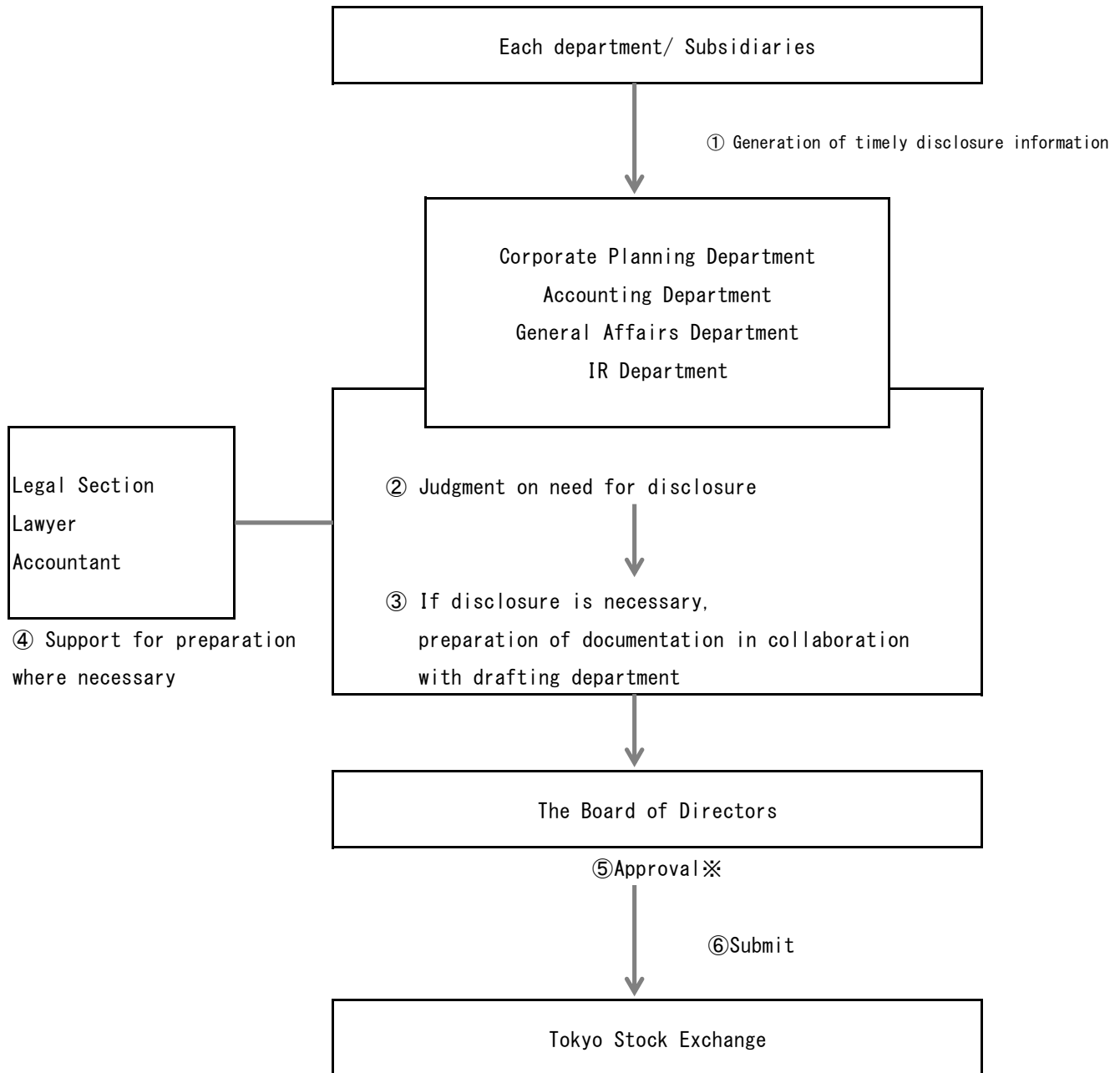
	Corporate management / Management strategy	Sales/ Marketing/DX	Research and Development/ Technology	International business	Human resource development/ Diversity	Finance/ Accounting	ESG/ Sustainability
President & CEO Toshihiko Sato	●				●		●
Managing Director Toshiyuki Furukawa	●	●				●	
Managing Director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

\* The Company describes up to three roles expected of each Director.

## Corporate Governance Framework



## Timely Disclosure Framework



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