

English Translation

The Japanese original should be considered to be the primary version.

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For Immediate Release

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Notice of the Opinion of the Board of Directors regarding Shareholder Proposals

Citizen Watch Co., Ltd. ("The Company") announces that at a meeting of the Board of Directors held on May 30, 2024, it resolved to oppose proposals that a shareholder of the Company made in a letter which the Company received on April 4, 2024, with respect to the exercise of a shareholder proposal right in conjunction with the 139th Ordinary General Meeting of Shareholders to be held in June 2024.

1. Shareholder making the proposals

One individual shareholder (the number of voting rights is 336)

2. Details of shareholder proposals

(1) Agenda

- 1) Partial Amendments to the Articles of Incorporation
- 2) Partial Amendments to the Articles of Incorporation
- 3) Partial Amendments to the Articles of Incorporation
- 4) Partial Amendments to the Articles of Incorporation
- 5) Partial Amendments to the Articles of Incorporation
- 6) Partial Amendments to the Articles of Incorporation
- 7) Partial Amendments to the Articles of Incorporation
- 8) Partial Amendments to the Articles of Incorporation
- 9) Dismissal of a Director
- 10) Dismissal of an Audit & Supervisory Board Member

(2) Details of and reasons for the proposals

As described in the attachments

3. Opinions of the Board of Directors regarding the shareholder proposals

Proposal 1

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

Proposal 2

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

Proposal 3

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

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

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

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

Proposal 4

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

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

Proposal 5

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

Proposal 6

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

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

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

Proposal 7

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

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

Proposal 8

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

Proposal 9

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

Proposal 10

(1) Opinion of the Board of Directors of the Company

The Board of Directors objects to this proposal.

(2) Reason for the opposition

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

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

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

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

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

(Appendix)

※ 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.

Proposal 1 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 2 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 3 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 4 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 5 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 6 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 7 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 8 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

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

(2) Reasons for proposal

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

Proposal 9 Dismissal of a Director

(1) Contents of proposal

Require Mr. Katsuhiko Yoshida to be dismissed as Director.

(2) Reasons for proposal

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

Proposal 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

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