

November 27, 2019

Press Release

Company name: Citizen Watch Co., Ltd.
 Representative: Toshihiko Sato, President and CEO
 (Code: 7762, First Section, Tokyo Stock Exchange)
 Please address inquiries to Toshiyuki Furukawa
 Director in charge of Public & Investor Relations Department
 TEL: 042-468-4934

Notice Regarding Disposal of Treasury Stock by Third-Party Allotment

Citizen Watch Co., Ltd. (the “Company”) announced today that it has resolved to dispose of treasury stock by third-party allotment (hereinafter called the “disposal of treasury stock”) at the Board of Directors held on November 27, 2019.

Note

1. Disposal outline

(1) Disposal date	December 18, 2019
(2) Type and no. of shares to be disposed	277,500 shares of the Company's common stock
(3) Disposal price	610 yen per share
(4) Total amount of disposal price	169,275,000 yen
(5) Allottee	The Master Trust Bank of Japan, Ltd. (Officer compensation BIP trust account)
(6) Other	The disposal of treasury stock is subject to the securities registration statement of the Financial Instruments and Exchange Act coming into effect.

2. Purpose of and reason for disposal

At the Board of Directors' meeting on November 27, 2019, the Company resolved to continue the officer compensation Board Incentive Plan (BIP) trust for directors of the Company (excluding outside directors and residents outside Japan; the same applies hereinafter) with the aim of raising awareness of making a contribution to enhancing the medium- to long-term results and increasing corporate value. For the outline of the BIP trust, please refer to the press release dated May 24, 2018 called “Notice Regarding Introduction of Performance-Linked Stock Compensation System for Officers.”

With the introduction of the continuation of the officer compensation Board Incentive Plan (BIP) trust, the disposal of treasury stock is called the officer compensation Board Incentive Plan (BIP) trust agreement (hereinafter called the “trust agreement”), which the Company concludes with

Mitsubishi UFJ Trust and Banking Corporation, and treasury stock shall be disposed of by third-party allotment to the Master Trust Bank of Japan, Ltd. (officer compensation BIP trust account), which is the co-trustee of the trust established based on the trust agreement (the Trust).

The number of shares to be disposed is the number of shares expected to be provided to the directors of the Company during the trust period based on share issuance regulations, and the scale of dilution is small in that 0.09% of 314,353,809 shares, the total outstanding shares (rounded off to the second decimal place, 0.09%, a ratio to 3,123,350 voting rights, the total voting rights as of September 30, 2019.)

The Company shares allotted by the disposal of treasury stock shall be delivered and provided to directors of the Company in accordance with the stock issuance regulations and it is not expected that the shares resulting from the disposal of treasury stock will temporarily flow into the stock market. The Company judges, therefore, that the impact on the secondary market will be insignificant and the number of shares to be disposed and the scale of dilution will be reasonable.

Outline of the trust agreement

Type of trust	Money held in trust outside the money trust of specific single investment (third-party benefit trust)
Purpose of trust	To provide incentives to directors
Entruster	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trusteeship The Master Trust Bank of Japan, Ltd.)
Beneficiary	Directors who meet the beneficiary requirements
Trust administrator	Professional practitioners and third parties with no conflicts of interest with the Company
Date of trust agreement	September 3, 2018
Trust period	September 3, 2018 – August 31, 2022 (anticipated)
Commencement date of the Scheme	September 3, 2018
Exercise of voting rights	The voting rights shall not be exercised.

3. The basis for calculation of disposal price and its details

In view of the recent stock price performance, the disposal price shall be 610 yen, the closing price for the Company's shares on the Tokyo Stock Exchange (hereinafter called "TSE") on November 26, 2019, which is the business day immediately prior to the date of the resolution by the Board of Directors on the disposal of treasury stock in order to eliminate arbitrariness. The Company adopted the closing price for the Company's shares on the TSE on the business day immediately prior to the date of the resolution by the Board of Directors, because the price was the market price immediately prior to the date of the resolution and the Company considers that it is highly objective as the basis for calculation and reasonable.

Moreover, it was judged that the disposal price was not particularly advantageous for the Company for the following reasons:

The disposal price is the amount obtained by multiplying 595 yen (figures of less than one yen are rounded down), the average closing price for the Company's shares on the Tokyo Stock Exchange (TSE) for the last month (from October 28, 2019 through November 26, 2019) before the resolution of the Board of Directors by 102.52% (<premium rate/discount rate>2.52%); the amount obtained by multiplying 552 yen (figures of less than one yen are rounded down), the average closing price for the Company's shares on the Tokyo Stock Exchange (TSE) for the last three months (from August 27, 2019 through November 26, 2019) before the resolution of the Board of Directors by 110.50% (<premium rate/discount rate>10.50%); the amount obtained by multiplying 540 yen (figures of less than one yen are rounded down), the average closing price for the Company's shares on the Tokyo Stock Exchange (TSE) for the last six months (from May 27, 2019 through November 26, 2019) before the resolution of the Board of Directors by 112.96% (<premium rate/discount rate>12.96%).

With respect to the abovementioned disposal price, 3 Audit & Supervisory Board Members who attended the Board of Directors' meeting (2 members of which are Outside Audit & Supervisory Members) expressed their opinions that the price was not particularly advantageous for the Company.

4. Procedures for corporate activity norm

The stock dilution resulting from this transaction is below 25% and this disposition involves no transfer of controlling shareholders. Consequently, it is not necessary to execute the procedures set forth in Article 432 of the Tokyo Stock Exchange Listing Regulations, which requires an independent third-party opinion and confirmation of shareholder intent.

End