

May 18, 2022

For Immediate Release

Company name: Citizen Watch Co., Ltd.
Representative: Toshihiko Sato, President and CEO
(Code: 7762, Prime, Tokyo Stock Exchange)
Please address inquiries to Toshiyuki Furukawa
Managing Director in charge of Public & Investor Relations Department
TEL: +81-42-468-4934

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 18, 2022, it resolved to oppose proposals that a shareholder of the Company made in a letter dated April 22, 2022, which the Company received, with respect to the exercise of a shareholder proposal right (hereinafter, the shareholder proposals made in the said letter are referred to as the "Proposal(s)"). Details are as follows.

The Company received a letter from its shareholder to the effect that shareholder proposals would be made in conjunction with the 137th Ordinary General Meeting of Shareholders to be held in June 2022 (hereinafter referred to as the "Letter of Shareholder Proposals"). The Company announces that at a meeting of the Board of Directors, it resolved to oppose the said shareholder proposal as described below.

1. Shareholder making the proposals

One individual shareholder (the number of voting rights is 337)

2. Details of shareholder proposals

(1) Agenda

- 1) Partial amendment to the Articles of Incorporation
- 2) Partial amendment to the Articles of Incorporation
- 3) Partial amendment to the Articles of Incorporation
- 4) Dismissal of Directors
- 5) Dismissal of Directors

(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

The Board of Directors opposed the Proposal

(2) Reason for the opposition

The Company has been properly disclosing matters regarding remuneration and compensations for Directors in its business reports according to laws and regulations and properly disclosing information necessary for considering agendas related to the selection of Directors in reference documents on General Meetings of Shareholders pursuant to laws, regulations, etc.

The Company has a Remuneration Committee which was established a voluntary organ. A majority of members of the Committee are outside directors, and the chairperson is an outside director chosen from among members by mutual election. A high level of transparency is maintained because the Committee decides the details of remuneration and compensations for Directors.

The Board of Directors opposed the Proposal because it considers it unnecessary to include the provision presented in the Proposal in the Articles of Incorporation.

Proposal 2

(1) Opinion of the Board of Directors

The Board of Directors opposed the Proposal

(2) Reason for the opposition

The Company has been striving to run General Meetings of Shareholders properly from a range of perspectives including the nomination of respondents, selection of methods for voting, and disclosure of the results of exercised voting rights, and it will continue to do so going forward.

The shareholder said that the proposal was made because employees and employee shareholders, among other attendants, intimidated a questioner(s) through the continuous act of blocking questions.

However, this did not occur. The fact was that the shareholder who made the Proposal erroneously assumed the Chairman's statement as a statement made by a person other than the Chairman, and the shareholder who made the Proposal understood that it was a misunderstanding of facts as a result of an explanation provided by the Company.

The Board of Directors opposed the Proposal because it considers it unnecessary to include the provision presented in the Proposal in the Articles of Incorporation.

Proposal 3

(1) Opinion of the Board of Directors

The Board of Directors opposed the Proposal

(2) Reason for the opposition

The Company is also aware that a discussion is ongoing with respect to the separation of person chairing a meeting of the board of directors and a chief executive officer. However, the Company considers that it is appropriate that the President and Representative Director, who is very familiar with operations, chairs a meeting of the Board of Directors, while allowing management to be checked or audited by highly independent Outside Directors who account for one third of the Board of Directors.

The Company has the Nomination Committee which was established as a voluntary organ. A majority of members of the Committee are outside directors, and the chairperson is an outside director chosen from among members by mutual election. The Company enhances transparency regarding the selection of a President and Representative Director, etc., through the selection of a President and Representative Director by resolution of the Board of Directors, based on the proposal of the Committee.

The Board of Directors opposed the Proposal because it considers it unnecessary to include the provision presented in the Proposal in the Articles of Incorporation.

Proposal 4

(1) Opinion of the Board of Directors

The Board of Directors opposed the Proposal

(2) Reason for the opposition

Mr. Toshihiko Sato, President and Representative Director, played the leading role in achieving a quick recovery in operating results amid rapid changes in the management environment such as the COVID-19 pandemic. The Company sees no reason to dismiss Mr. Sato because he is expected to continue to play the leading role in enhancing the Group's corporate value. The Board of Directors therefore opposes the Proposal

Proposal 5

(1) Opinion of the Board of Directors

The Board of Directors opposed the Proposal

(2) Reason for the opposition

As indicated in the reason for opposing Proposal 2, it was due to a misunderstanding of the shareholder who made the Proposal that the shareholder who decided to make such a shareholder proposal.

Therefore, the Board of Directors considers the Proposal groundless and opposes it.

(Appendix)

※With respect to the details of and reasons for the following proposal, the Company has decided to present as is the relevant parts of the Letter of Shareholder Proposals submitted by the shareholder who made the Proposal from the perspectives of clarifying proposal details, excluding corrections made with the prior approval of the shareholder who made the Proposal.

Proposal 1 Partial amendment to the Articles of Incorporation

Details of proposal

Remuneration for individual Directors shall be disclosed.

Reason for proposal

The disclosure of remuneration of individual Directors is an important matter from the perspective of increasing management transparency. It is also used as a basis for judgement to determine the selection and dismissal of individual Directors. In addition, the disclosure of only the total amount of remuneration for Directors and the number of Directors to whom remuneration is provided, and the unclear description of policies with respect to a decision on remuneration for individual Directors and other matters are entirely insufficient to use as a basis for determining the selection and dismissal of individual Directors.

Proposal 2 Partial amendment to the Articles of Incorporation

Details of proposal

General Meetings of Shareholders shall be conducted in a fair and easy-to-understand way.

Reason for proposal

During the question and answer session for general shareholders, employees and employee shareholders, among other attendants, intimidated a questioner(s) through continuous acts of blocking questions. In addition, if the Chairman finds it difficult to respond to a shareholder's question, he is expected to nominate a relevant Director or other member who is best positioned to provide a response as a respondent and to have such Director or member to provide a response clearly and in as much detail as possible. However, no sufficient measures are taken at all. Also, when taking a vote for proposals submitted to a general meeting of shareholders, which is a company's highest decision-making organ, a company should, rather than using uncertain methods that lack transparency such as applause, etc., clearly present the ratio (%) of approval for respective proposals, which should factor in the results of the exercised voting rights obtained up to a date of the meeting and the status of shareholders' attendance on the day of the meeting, to facilitate shareholders' understanding.

Proposal 3 Partial amendment to the Articles of Incorporation

Details of proposal

The Board of Directors should in principle prohibit a Chief Operating Officer from taking the chair at a meeting of the Board of Directors, and appoint an outside Director as Chairperson.

Reason for proposal

Appointing an Outside Director, who is in an independent position without the obligation of executing operations, enhances the effects of the supervision of corporate management and governance from the perspectives of the improvement of corporate value and protection of shareholders' rights, among other factors, resulting in fairer meetings of the Board of Directors.

Proposal 4 Dismissal of a Director

Details of proposal

Requesting the dismissal of Mr. Toshihiko Sato

Reason for proposal

Since Mr. Toshihiko Sato took office as President and Representative Director, the total market value of the Company's stock has regrettably been almost always below the amount of shareholders' equity (corporate dissolution value), resulting in the deterioration of corporate value.

Proposal 5 Dismissal of a Director

Details of proposal

Requesting the dismissal of Mr. Yoshiaki Miyamoto

Reason for proposal

He regrettably lacks the capacity to implement risk management as a person responsible for the management of the general meeting of shareholders. To be more specific, he made a general shareholder feel uncomfortable at a General Meeting of Shareholders and caused a shareholder to raise a shareholder proposal.