

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 26, 2023, it resolved to oppose proposals that a shareholder of the Company made in a letter dated April 4, 2023, 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 138th Ordinary General Meeting of Shareholders to be held in June 2023 (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 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) Election of Eleven (11) Directors
- 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

Since the objective stipulated in Article 2 of the Articles of Incorporation defines the scope of the Company's rights and obligations and does not define the actual business operations, the Company deems it unnecessary to change this objective on the grounds that the Company has no actual business operations at this point in time.

With respect to the deletion of the agenda, the Company deems that it should be submitted to the General Meeting of Shareholders as a proposal for amendment to the Articles of Incorporation after the Board of Directors determines that the deletion of said agenda will not impede the possibility of increasing corporate value. This determination shall be performed from the perspective of business execution by verifying the possibility of contributing to the improvement of all corporate value such as future management policies, in addition to the existence of actual business operations.

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 number of authorized shares set forth in Article 6 of the Articles of Incorporation defines the maximum number of shares to be issued due to a capital increase, etc.

The Company is working to maximize shareholder returns by balancing investment in growth and shareholder returns in its capital policy and does not consider it necessary at this time to change the total number of shares authorized to be issued.

As for future changes in the total number of authorized shares, the Company proposes that such changes should be submitted to the General Meeting of Shareholders as an agenda for amending the Articles of Incorporation when the Board of Directors determines that such changes are necessary, taking into consideration the Company's medium- to long-term capital policy, the appropriate financing methods and policies regarding the appropriation of surplus funds, and consistency with management strategies and their impact on improving corporate value.

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

Decisions pertaining to how subsidiaries and the Group should be managed are related to business execution and should be made by the Company's Board of Directors, taking into consideration the relationship with the medium-term management plan and other measures to enhance corporate value.

For matters relating to the execution of specific business operations such as the status of subsidiaries, 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 appropriately discloses matters pertaining to Director's compensation, etc. in the BUSINESS REPORT in accordance with laws and regulations. Additionally, necessary information for considering proposals for the election of Directors is appropriately disclosed in the Reference Materials for the General Meeting of Shareholders in accordance with laws and regulations.

The Company has established the Compensation Committee as a voluntary institution. The majority of the Committee members are Outside Directors, the Chairman is an Outside Director selected by mutual election by the Committee members, and deliberations are carried out in a fair and transparent manner. 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.

For matters relating to the execution of specific business operations such as the decision of the contents to be included in the materials of the General Meeting of Shareholders, 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 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 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 often 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.

The Company believes that the President and CEO, who is well versed in industry trends and internal affairs, serving as Chairman 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 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 6

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

The Board of Directors objects to this proposal.

##### (2) Reason for the opposition

For the purpose of sustainable growth of the Company and enhancement of its corporate value over the medium to long term, the Company believes that it is an important responsibility of the President to formulate a succession plan for the President and Directors and to train their successors and that it is necessary for the President and CEO, who is familiar with industry trends and internal conditions, to participate in the election process as a member of the Nominating Committee.

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 Representative Director, the President and CEO, and the Chairman of the Board of Directors (hereinafter referred to as "President and CEO, etc."), the President and CEO, etc. are elected by a resolution of the Board of Directors based on a proposal by the Committee.

As the Nominating Committee regulations exclude the involvement of persons with special interests in the resolutions of the Committee, the President and CEO, etc. may not exercise their voting rights in the resolutions concerning their election or dismissal.

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 materials sent to shareholders for the General Meeting of Shareholders contain not only information that is required to be included in the materials for shareholders to consider the agenda but also optional information that is helpful for shareholders to consider the agenda.

With respect to the information to be included as reference materials for shareholders to consider proposals, the Company believes that it is appropriate for the Board of Directors to make decisions on a timely basis since such information should be determined on a case-by-case basis depending on the contents of proposals to be presented at the General Meeting of Shareholders.

For matters relating to the execution of specific business operations such as the decision of the contents to be included in the materials of the General Meeting of Shareholders, 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 8

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

The Board of Directors objects to this proposal.

##### (2) Reason for the opposition

The structure of the Board of Directors, as presented in Company Proposal Item 2, is based on the report of the Nominating Committee, in which the majority of the members are Outside Directors and the Chairman is an Outside Director to be determined by mutual election of the Committee members. Furthermore, the most appropriate personnel are selected on the basis of the skills required to execute the current medium-term management plan and to realize the long-term management policy.

The Company, therefore, believes that, at this point in time, this is the optimal structure for maximizing corporate value and ensuring the effectiveness of corporate governance.

Furthermore, the Company has received from the candidate, Mr. Katsutoshi Mukaijima, his intention to decline the appointment if he is elected under the Shareholder Proposal.

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

While the table of candidates shown in Company Proposal Item 2 includes biographical information of Director Toshiko Kuboki in which she is not an officer of the Company or other companies, the Company believes that such information is within the scope of her original duties as attorney-at-law and that she can utilize her wide range of experience in monitoring and supervising the Company's management.

The Company intends to have Ms. Toshiko Kuboki assume 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 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 through her comments at meetings of the Board of Directors, Nominating Committee, and Compensation Committee.

Furthermore, the structure of the Board of Directors, as presented in Company Proposal Item 2, is based on the report of the Nominating Committee, in which the majority of the members are Outside Directors and the Chairman is an Outside Director to be determined by mutual election of the Committee members, and since she is expected to continue her role in enhancing the corporate value of the Group, the Company sees no reason for her 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)

※ 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 Amendments to the Articles of Incorporation

##### (1) Contents of proposal

Delete “travel agency business based on the Travel Agency Act” and “non-life insurance agency business and business related to the solicitation of life insurance” from the Company’s business purposes.

##### (2) Reasons for proposal

Because there is no actual business, and it is deemed unnecessary for the Company’s business purposes in the medium- to long-term.

#### Proposal 2 Partial Amendments to the Articles of Incorporation

##### (1) Contents of proposal

The total number of authorized shares shall be 882,000,000 shares.

##### (2) Reasons for proposal

The current total number of authorized shares is 959,752 thousand shares, which is 3.26 times the number of shares issued (294 million shares) and raises concerns about significant dilution of the value of a single share. Because at the least the appropriate level is deemed to be less than 2.0 to 3.0 times the number of shares issued, and 882 million shares is the maximum such level.

#### Proposal 3 Partial Amendments to the Articles of Incorporation

##### (1) Contents of proposal

The Company owns a consolidated subsidiary named Citizen Tokyo Co., Ltd. which is engaged in the sale of luxury watch, jewelry, precious metals and their accessories.

##### (2) Reasons for proposal

The Company’s head office is located in Nishitokyo City, which is home to one of the world’s leading city brands, “Tokyo.” By fully utilizing its Tokyo brand, the Company will show a path toward achieving expansion of its high price range products over the medium- to long-term, thereby raising its PER (price to earnings per share ratio) and PBR (price to book value (net assets per share) per share ratio) to allow for sustainable growth.

For example, if a mid-price range women’s watch xC (cross C) or a unisex watch (XX) is made into a high price range product by adorning it with diamonds or using 18K gold, etc., various options become available, such as CITIZEN/xC in the mid-price range, and xC/Tokyo-collection and XX/Tokyo (twin cross Tokyo) in the high price range.

#### Proposal 4 Partial Amendments to the Articles of Incorporation

##### (1) Contents of proposal

Director remuneration is disclosed individually.

##### (2) Reasons for proposal

This is because the disclosure of individual Director’s remuneration is an important issue from, the perspective of increasing management transparency, and it is an issue for consideration when shareholders exercise their voting rights to elect or dismiss individual Directors. As our stock included in the Nikkei 225, an index representative of the Japanese economy, the Company is required to have a higher level of transparency in governance. Therefore, in accordance with Article 361, paragraph (7) of the Companies Act regarding Director’s remuneration, the Company should take steps to disclose individual Director’s (and other Officer) remuneration itself, which is more transparent and easier for shareholders to understand.

Proposal 5 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

The Board of Directors should abolish concurrently held position of Chief Executive Officer 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 shareholders' rights. In addition, having an Outside Director as Chairperson of the Board of Directors will create appropriate tension between the Board of Directors and the executive management team, and will encourage free and responsible comments by individual members in attendance, including internal and Outside Directors and Audit & Supervisory Board Members, and will enable more appropriate operation of the Board of Directors.

Proposal 6 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

Prohibit the Chief Executive Officer from serving concurrently as a member of the Nominating Committee.

(2) Reasons for proposal

Because there is a logical contradiction in the fact that a member of the Nominating Committee who proposes and reports on the nomination of the Chief Executive Officer is the Chief Executive Officer.

Proposal 7 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

The date of birth, month and year of joining the Company, and major achievements in the last three years shall be stated in the column for each Operating Officer in the Reference Materials for the General Meeting of Shareholders, and the information shall be disclosed.

(2) Reasons for proposal

To increase transparency of the executive management team and to provide a basis for shareholders to make decisions when proposing the election of Directors from within the Company.

Proposal 8 Election of Eleven (11) Directors

(1) Contents of proposal

Require Mr. Katsutoshi Mukaijima to be elected as Director.

(2) Reasons for proposal

- (i) While Watches, Machine Tools, and Devices and Components segments either fell into loss or saw significant profit declines due to the spread of COVID-19 and other factors in the fiscal year ended March 31, 2021, only Electronic and Other Products, for which Mr. Mukaijima is in charge, secured a profit increase, and the Company judged that he has practical management skills.
- (ii) Because Mr. Mukaijima is the inventor of 15 practical patents and is judged to have a high level of technical insight. A practical patent is, for example, in the case of a wristwatch with a calendar, where the date and day of the week may not be visible because the minute hand overlaps the calendar section, a patent that provides a watch system or structure that enables the date or day of the week to be instantly checked by shifting the minute hand through a flick of the wrist.

\* Source: Reference Materials for the 136th and 137th General Meeting of Shareholders, the Company's website, and content disclosed by the J-GLOBAL provided by JST (Japan Science and Technology Agency).

Proposal 9 Dismissal of a Director

(1) Contents of proposal

Require Ms. Toshiko Kuboki to be dismissed as Director.

(2) Reasons for proposal

- (i) Ms. Kuboki has seven concurrent positions, including the Company, and we have judged that she is unable to fully perform her abilities as a Director of the Company.
- (ii) Because two of the Company's five Outside Officers, including Ms. Kuboki, are attorneys, and there is an uneven distribution of human resources attributes.
- (iii) Because Ms. Kuboki served as an Audit & Supervisory Board Member supervising Directors and then shortly thereafter assumed office as a Director supervised by an Audit & Supervisory Board Member, and she has served as an Outside Officer of the Company for a total of almost seven years. It is worth noting she was absent from 3 out of 17 meetings of the Board of Directors and 2 out of 13 meetings of the Audit & Supervisory Board during the 133rd fiscal year. She was also absent from 1 out of 17 meetings of the Board of Directors during the 136th fiscal year.

\* Source: Reference Materials for the 131st through the 137th General Meeting of Shareholders.

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

- (i) Mr. Akatsuka is from a major bank from which the Company borrows every year (the Company borrowed 13.8 billion yen as of the end of the 137th fiscal year), and there is no expectation that he can be independent as an Outside Audit & Supervisory Board Member of the Company because of this interest. In addition, to the best of the Proposer's knowledge, for at least nearly 17 years, the successive Outside Audit & Supervisory Board Members, including Mr. Akatsuka, have consistently been from this major bank partner, and "the seats have become reserved for people from this bank."
- (ii) Because Mr. Akatsuka has already served as an Outside Audit & Supervisory Board Member for a total of almost five years, and if he continues to serve until the end of his term, he will have served for eight years. It is worth noting he was absent from one meeting of the Board of Directors and one meeting of the Audit & Supervisory Board during the 135th fiscal year, respectively.

\* Source: Reference Materials for the 121st through the 137th General Meeting of Shareholders.