

May 29, 2025

For Immediate Release

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

Citizen Watch Co., Ltd. announces that at a meeting of the Board of Directors held on May 29, 2025, it resolved to oppose proposals that a shareholder of the Company made in a letter which the Company received with respect to the exercise of a shareholder proposal right in conjunction with the 140th Ordinary General Meeting of Shareholders to be held in June 2025.

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) Dismissal of an Audit & Supervisory Board Member
 - 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
 - (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

Matters concerning compensation of Directors are properly disclosed in the Business Report in accordance with laws and regulations, and information necessary for the consideration of proposals for the election of Directors is properly disclosed in 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. The Board of Directors determines the details of Directors' compensation, etc., based on the Committee's recommendations, which enhances transparency with respect to Directors' compensation, etc.

Furthermore, we do not believe that it is suitable to stipulate in the Articles of Incorporation, which lays out the fundamental principles of the Company, matters related to the execution of specific individual business operations, such as the disclosure of Directors' compensation.

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 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. Consequently, 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 half 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 3

(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 has thus fully performed his roles as an Audit & Supervisory Board Member, the Company sees no reason for his dismissal.

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

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 officers 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 5

(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 136th Ordinary General Meeting of Shareholders held in June 2021, the Company has been holding a hybrid participation-type virtual general meeting of shareholders (*1), allowing shareholders unable to attend the meeting to participate online.

While we believe that legal stability in the administration of the General Meeting of Shareholders best serves the common interests of shareholders, we also believe that a hybrid attendance-type virtual general meeting of shareholders (*2) does not ensure legal stability since there is no legal or practical standard indicating that a resolution passed at a shareholders' meeting would not be subject to cancellation if a communication failure occurs and, thus, the possibility that a resolution passed at a shareholders' meeting may be rescinded cannot be ruled out.

Furthermore, as long as these technical concerns are not completely resolved, we believe there is a risk that shareholders may suffer significant disadvantages, such as being prevented from attending the General Meeting of Shareholders or exercising their voting rights due to a communication failure.

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

*1 A hybrid participation-type virtual general meeting of shareholders refers to a general meeting of shareholders that, in addition to the real meeting, allows shareholders who are not present at the location of the real meeting to confirm and observe deliberations, etc. by using the Internet or other means, without having to legally "attend" the general meeting.

*2 A hybrid attendance-type virtual general meeting of shareholders refers to a general meeting of shareholders that, in addition to the real meeting, allows shareholders who are not present at the location of the real meeting to "attend" the meeting under the Companies Act by using the Internet or other means.

*1 and *2 above are taken from the Guidelines for the Implementation of Hybrid Virtual Shareholders' Meetings (created by the Ministry of Economy, Trade and Industry (METI) on February 26, 2020).

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

We do not believe it is appropriate to permit disclosure of Minutes of Board of Directors Meetings at the request of shareholders, except in accordance with the procedures required by law.

In addition, the information necessary for shareholders to consider proposals for the election of Directors is properly disclosed in Reference Materials for the General Meeting of Shareholders in accordance with laws and regulations.

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

In voting on proposals at the General Meeting of Shareholders, the Company confirms that the requirements for approval of each proposal have been met based on the results of the exercise of voting rights on the day of the meeting, in addition to the results of the exercise of voting rights in advance, and reports to that effect at the meeting, and the Company believes that this method of voting on proposals is appropriate.

The results of the exercise of voting rights are appropriately disclosed in an extraordinary report to be submitted after the General Meeting of Shareholders, as required by law.

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

(Attachment)

*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

As a general rule, Directors' compensation shall be disclosed on a per-director basis.

(2) Reasons for proposal

Exercising voting rights is the single most critical right for shareholders. Companies are required to disclose the appropriate information to shareholders as a basis for making decisions when exercising their voting rights.

The compensation of individual officers, along with the percentage (%) of Board of Directors meetings attended, is an important determinant when voting on the reappointment or dismissal of individual officers.

Proposal 2 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

As a general rule, the Board of Directors should 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 more appropriate 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 shareholders.

In addition, having an Outside Director chair the Board of Directors would make it possible to create the appropriate sense of tension that should exist between the executive management team and the Board of Directors.

Proposal 3 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

Full-time Outside Audit & Supervisory Board Member Mr. Akatsuka is from Mizuho Bank, which is a creditor of the Company (13.8 billion yen loaned at the end of the 139th term) and a major shareholder of the Company (4,309,000 shares held at the end of the 139th 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 19 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.

Given the above, we consider Mr. Akatsuka to be unsuitable as an Independent Outside Audit & Supervisory Board Member who audits management execution and the Board of Directors.

Proposal 4 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

The total number of concurrent positions held by the Company's Outside Directors shall be limited to six (6) for listed companies on the TSE Prime Market, whose general meeting of shareholders is held in June.

(2) Reasons for proposal

The Company's Outside Directors concurrently serve as Outside Directors of many public companies listed on the TSE Prime Market, whose general meeting of shareholders is held in June.

Specifically, the following six companies: "Securities code 7012: Kawasaki Heavy Industries," "6755: FUJITSU GENERAL," "3034: Qol Holdings," "4216: ASAHI YUKIZAI," "6844: Shindengen Electric Manufacturing," and "8182: Inageya."

Most of the June 2024 general shareholders' meetings were held over a period spanning a mere six days, with up to 90.9% of them concentrated in this period.

It is currently difficult for all Outside Directors to attend the Company's General Meeting of Shareholders and answer questions from shareholders, etc., as required.

Given the above, we consider that any further increase in the number of concurrent positions of outside officers would be physically and reasonably impractical and lacking in common sense.

Proposal 5 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

As a general rule, online attendance at the General Meeting of Shareholders is to be made possible.

(2) Reasons for proposal

Both individual and institutional investors, etc., usually own multiple stocks. When shareholders try to attend several shareholder meetings of interest but are located far away, the hurdles obstructing attendance are considerable, such as the time and expense involved in traveling to and from a meeting. In addition, the pandemic that struck a few years ago made it virtually impossible in some cases to attend even in person. We, therefore, believe that if shareholders and directors alike were able to attend the meeting online, it would be beneficial to both shareholders and the company, and make the meeting more productive.

Proposal 6 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

As a general rule, the Minutes of Board of Directors Meetings are to be disclosed on a voluntary basis when requested by shareholders.

(2) Reasons for proposal

To ascertain what individual board members said in the process of reaching a board resolution.

To also provide a basis for making decisions when voting on the reappointment or dismissal of individual Directors.

Proposal 7 Partial Amendments to the Articles of Incorporation

(1) Contents of proposal

Resolutions of the General Meeting of Shareholders shall be adopted only after the voting results up to the day of the meeting have been clearly indicated and understood by the shareholders present at the meeting.

(2) Reasons for proposal

Except for proxy fights and narrowly passed resolutions in cases where there is a MOM resolution (majority among minority shareholders), the chairman usually knows in advance whether a proposal will be approved or not based on the results of voting rights exercised up to the day of the General Meeting of Shareholders. However, if a vote is taken on the day of the General Meeting of Shareholders among the shareholders present, the result could potentially go the other way.

Therefore, it is necessary to disclose the voting results in advance in order to fully gain the acceptance of individual shareholders present at the General Meeting of Shareholders.

We believe that this would make the General Meeting of Shareholders more productive.