

August 9, 2018

Press Release

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 (Code: 7762, First Section, Tokyo Stock Exchange)
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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 August, 9, 2018.

Note

1. Disposal outline

(1) Disposal date	September 4, 2018
(2) Type and no. of shares to be disposed	99,100 shares of the Company's common stock
(3) Disposal price	752 yen per share
(4) Total amount of disposal price	74,543,000 yen
(5) Allottee	The Master Trust Bank of Japan, Ltd. (Officer compensation BIP trust account)
(6) Other	Security notice on the disposal of treasury stock has been submitted pursuant to the Financial Instruments and Exchange Law.

2. Purpose of and reason for disposal

The Company has resolved to introduce a stock compensation system (hereinafter called the “Scheme”) for directors (excluding outside directors and residents outside Japan, 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. A mechanism called the officer compensation Board Incentive Plan (BIP) trust (hereinafter called the “BIP trust”) will operate the Scheme.

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 Scheme, the disposal of treasury stock is called officer compensation Board Incentive Plan (BIP) trust agreement (hereinafter called the “trust agreement”) the Company concludes with Mitsubishi UFJ Trust and Banking Corporation and treasury stock shall be

disposed by third-party allotment to the Master Trust Bank of Japan, Ltd.(Officer compensation BIP trust account) , co-trustees of the trust set up 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 0.03% of 320,353,809 shares, the total outstanding shares (rounded off to the second decimal place, 0.03%, a ratio to 3,178,651 voting rights, the total voting rights as of March 31, 2018.)

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 (anticipated)
Trust period	September 3, 2018 (anticipated) – August 31, 2019 (anticipated)
Commencement date of the Scheme	September 3, 2018 (anticipated)
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 752 yen, the closing price for the Company's shares on the Tokyo Stock Exchange (hereinafter called "TSE") on August 8, 2018, 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.

With respect to the above-mentioned disposal price, 3 Audit & Supervisory Board Members who attended the Board of Directors(2 members of which are Outside Audit & Supervisory Members)

expressed their opinions that the price was not especially favorable to 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.

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