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For Immediate Release

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Notice Regarding Issuance of Sustainability-linked Bonds

Citizen Watch Co., Ltd. (the "Company") hereby announces that it has filed an Amended Shelf Registration Statement regarding the issuance of the Company's first Sustainability-linked Bonds (*1) (the "Bonds") with the Director-General of the Kanto Local Finance Bureau for the purpose of promoting global environmental management aimed at realizing a sustainable civil society.

1. Purpose and Background of Issuance

Since its establishment, CITIZEN Group (the "Group") has been consistently committed to manufacturing in consideration of people and the environment, rooted in its corporate philosophy of "Loved by citizens, working for citizens." In December 2019, the Group revised the CITIZEN Group Environmental Policy, which forms the basis of the Group's environmental measures, to promote global environmental management aimed at realizing a sustainable civil society. In April 2020, the Group also revised the CITIZEN Group Environmental Vision 2050, which commits to decarbonization with virtually zero greenhouse gas and sustainable resource use emissions, and newly formulated the CITIZEN Group Resource Recycling Vision. In February 2022, the Group also revised the CITIZEN Group Environmental Goals 2030, referring to its five targets for achieving the SDGs, in line with changes in the external environment; the Group will implement "sustainable management" through production activities at "sustainable factories" that consider the environment throughout the value chain, including suppliers.

To put "sustainable management" into practice, the Group formulated CITIZEN Group Vision 2030 as the Group's long-term vision reflecting various future environmental changes that are predicted to occur down the road. By backcasting from this CITIZEN Group Vision 2030, the Group identified material issues with a large impact that the Group should address preferentially. The Group identified five issues: responding to climate change and contributing to a recycling-oriented society, contributing to high-quality life, providing solutions in industry, increasing job satisfaction and cultivating human resources, and fulfilling social responsibility.

The Group believes that, among these issues, responding to climate change is one of the most serious global environmental risks. As measures to mitigate climate change, the Group as a whole is focusing on energy saving measures at offices and factories and the introduction of energy from renewable resources to reduce its GHG emissions. To express its commitment to mitigating climate change, the Group participates in the Japan Climate Initiative, and in FY2020, announced its support for the TCFD recommendations. Furthermore, in the CITIZEN Group Environmental Goals 2030, the Group sets forth in a roadmap for environmental initiatives and FY2030 targets covering a wide range of areas, including the reduction of greenhouse gas and hazardous chemical emissions, and effective use of water and other resources. In January 2023, the Group acquired SBT certification for its revised greenhouse gas emissions (Scopes 1, 2 and 3) reduction target.

In this context, the Company decided to issue bonds whose terms vary depending on whether a predetermined

sustainability performance target is achieved or not, in order to encourage action on climate change, which is one of its material issues. The Company selected the rate of reduction of greenhouse gas emissions (Scope 1 and 2) as the KPI for the Bonds, believing that achievement of this target will contribute to realization of the Group Vision. Through issuance of the Bonds, the Company will promote global environmental management aimed at achieving the SDGs and will contribute to the realization of a decarbonized and resource-recycling society that is safe, secure and affluent.

2. Overview of the Bonds

Maturity	5 years (plan)
Amount	10.0 billion yen (plan)
Period of issuance	September 2023 (plan)
KPI	Rate of reduction in the Group's greenhouse gas emissions (Scope 1 and Scope 2) (*) *Scope 1 and Scope 2 emissions of the entire CITIZEN Group (operations in Japan and overseas)
SPT (*2)	33.6% reduction in greenhouse gas emissions (from FY2018 level) by FY2026
Characteristics of the bond after assessment	<p>If the sustainability performance target (SPT) is not achieved as of the assessment date (October 31, 2027), the characteristics of the Bonds vary and the Bonds will have either or both of the characteristics described below. The Company will decide between (i) and (ii) below for the variable characteristics on or after the abovementioned assessment date.</p> <p>(i) If the SPT is not achieved, the Company will donate an amount equivalent to 0.1% of the SLB issue amount to a public interest incorporated association, a public interest incorporated foundation, an international institution, a local government authorized NPO, a local government, etc. for the purpose of environmental conservation activities (*) by the redemption date of the Bonds.</p> <p>* The name of the corporation or organization, etc. to which the Company actually donated and the donation amount will be disclosed on the Company's website.</p> <p>(ii) If the SPT is not achieved, the Company will purchase emission rights (credits or certificates representing greenhouse gas emissions reductions*) in an amount equivalent to 0.1% of the SLB issue amount by the redemption date of the Bonds.</p> <p>* It is assumed that the Company will purchase J-Credits, Green Power Certificates or similar, but details such as the name, quantity and amount of emission rights purchased will be disclosed on the Company's website. However, if the Company is prevented from purchasing emission rights due to force majeure, the Company will donate an amount equivalent to the planned amount of emission rights purchased to the corporation, organization, etc. shown in (i).</p>
Lead underwriters	Nomura Securities Co., Ltd. (Lead Managing Underwriter), Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc., Okasan Securities Co., Ltd.
Structuring agent ^{(*)3}	Nomura Securities Co., Ltd.

3.Compliance of Sustainability-linked Bonds

The Company formulated the Sustainability-Linked Bond Framework for the issuance of the Bonds and obtained a third-party opinion from Rating & Investment Information, Inc. (R&I) to the effect that the framework complies with the Sustainability-Linked Bond Principles of the International Capital Market Association (ICMA) and the Sustainability- Linked Bond Guidelines and the Sustainability-Linked Loan Guidelines of the Ministry of the Environment of Japan.

·R&I's Second Party Opinion

<https://www.r-i.co.jp/en/rating/esg/index.html>

· Sustainability Linked Bond Framework (Japanese)

https://www.citizen.co.jp/cms/cwc/sustainability/pdf/sus_linked_finance_fw_citizen.pdf

(*1) Sustainability-linked bonds

Bonds whose terms vary depending on whether predetermined sustainability or ESG targets are achieved or not. The issuer of the sustainability-linked bonds commits to future improvements in sustainability outcomes with a pre-defined timeline. Specifically, sustainability-linked bonds are financial instruments based on the evaluation of future performance using key performance indicators (KPI) and sustainability performance targets (SPT) determined in advanced by the issuer. The terms of the bonds vary depending on whether the SPT set as a target to be achieved with respect to the KPI is achieved.

(*2) Sustainability performance target (SPT)

A target based on the issuer's management strategy which determines the terms of issuance of the sustainability-linked bonds.

(*3) Structuring agent

An entity that supports the introduction of green bonds through the establishment of a framework for sustainability-linked bonds, the provision of advice on obtaining second-party opinions, and other means.

(Reference)

Process of Identifying Material Issues

Process 1 Identifying social issues

Identify social issues based on medium- to long-term social trends; company direction; external ESG evaluations and reviews; SDGs; macro trends in the environmental, social and economic fields; GRI standards; and the ISO26000 standard, etc.

Process 2 Evaluating the importance of social issues

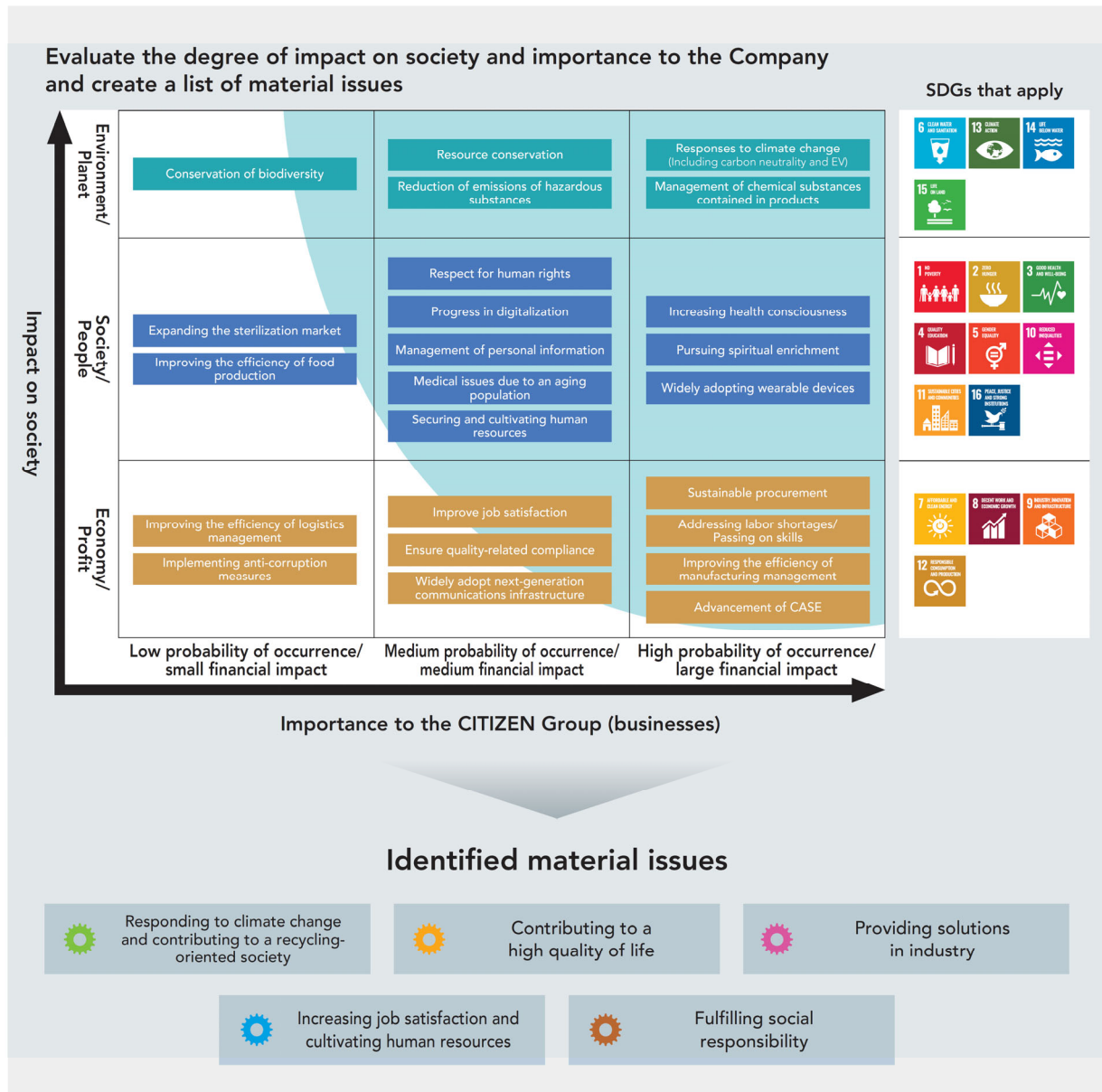
Evaluate the degree of impact on society and importance to the Company and create a draft proposal of material issues

Process 3 Evaluating the validity of the material issues proposal






Confirm with external experts and discuss in the Sustainability Committee, then reconsider the material issues proposal considering the applicable measures for each business

Process 4 Specifying material issues

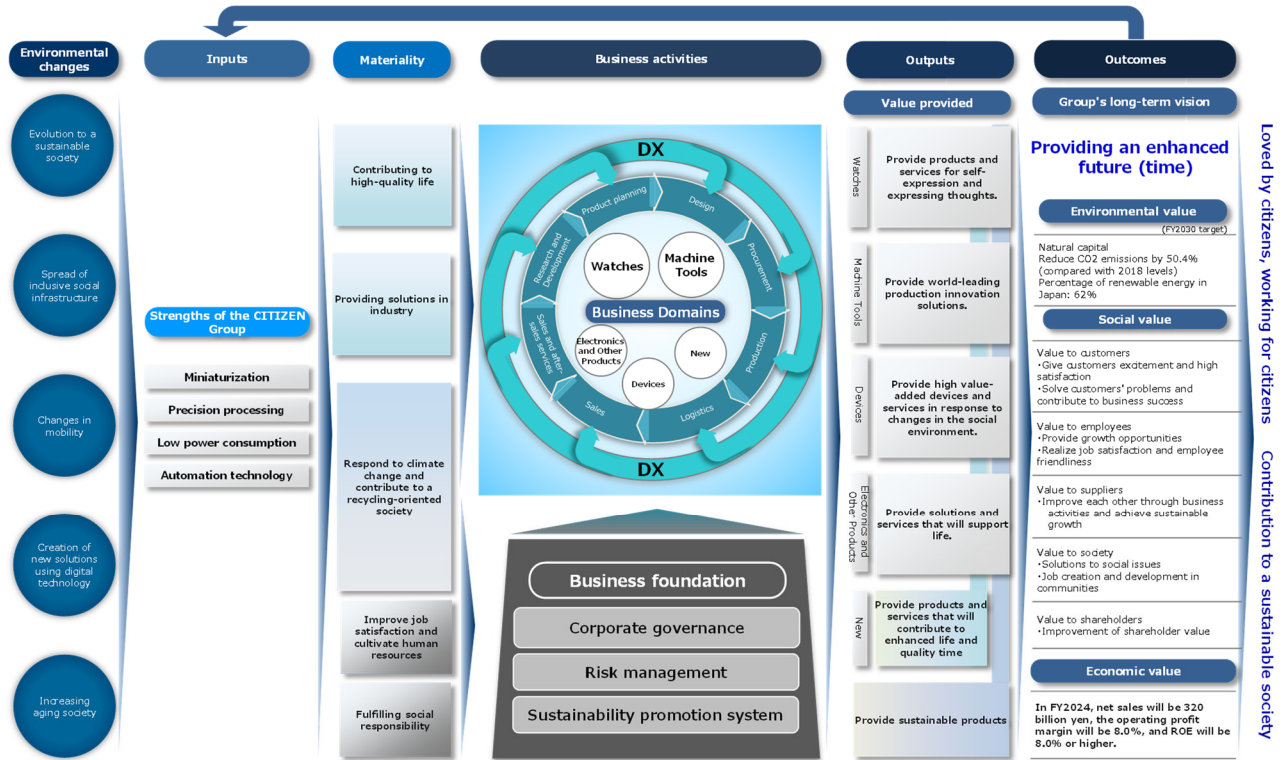
After repeat checking by the Sustainability Committee, the Management Committee and Board of Directors meet to formally specify material issues



Risks, Opportunities and Measures of Materiality

Materiality	Major risks and opportunities	Key measures
<p>Responding to climate change and contributing to a recycling-oriented society</p> 	<p>Risks</p> <ul style="list-style-type: none"> ▪ Office damage from wind and flood damage ▪ Increased energy costs ▪ Dependency on specific industries and customers ▪ Violation of laws and regulations concerning chemical substances contained in products <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Growing demand for products and services that contribute to energy and resource conservation and improved productivity ▪ Advancement of CASE 	<p>Business activities</p> <ul style="list-style-type: none"> ▪ Supply parts to eco-cars (EV, HV); sell LEDs for lighting ▪ Expand products in which LFV technology and friction bonding technology are embedded ▪ Reduce CO₂ emissions and expand the use of renewable energy <p>Business foundation</p> <ul style="list-style-type: none"> ▪ Sell photovoltaic watches and mechanical watches that can be used for a long time ▪ Reduce water consumption, promote recycling, manage hazardous chemical substances and reduce packaging materials
<p>Contributing to high-quality life</p> 	<p>Risks</p> <ul style="list-style-type: none"> ▪ Widespread adoption of smart watches ▪ Intensifying competition in the healthcare market ▪ Regulatory reforms for medical devices ▪ Leakage of personal information <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Shift from functional value to sentimental/emotional value ▪ Shift from treatment to preventive medicine 	<p>Business activities</p> <ul style="list-style-type: none"> ▪ Provide customized watches and services ▪ Provide an IoT platform for personalized experience ▪ Provide LCD devices for digital cameras, head-mounted displays, etc. ▪ Promote sales of UVC modules with high disinfection efficiency and sample holding plates for bacterial analysis ▪ Provide thermometers and blood pressure monitors that everyone can use ▪ Provide Health Appointment, a digital healthcare service
<p>Providing solutions in industry</p> 	<p>Risks</p> <ul style="list-style-type: none"> ▪ Loss of business opportunities ▪ Decline of competitiveness ▪ Market entry by competitors from other industries armed with digital technologies <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Factory automation/labor saving/automation/digitalization ▪ Advancement of CASE ▪ Widespread adoption of next-generation communications infrastructure 	<p>Business activities</p> <ul style="list-style-type: none"> ▪ Use and provide machines and digital technology, and techniques for the effective use of them ▪ Provide solution-oriented production facilities and self-service terminal solutions ▪ Provide time reference information to organizations that need accurate time information ▪ Develop and sell sensing devices (including remote-controlled robots) ▪ Develop and sell lasers for signal lamps of electric vehicles ▪ Supply parts for advanced brake systems, communications systems and sensors
<p>Increasing job satisfaction and cultivating human resources</p> 	<p>Risks</p> <ul style="list-style-type: none"> ▪ Outflux of human resources ▪ Worsening business performance <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Improvement of employee engagement ▪ Promotion of DX/innovations 	<p>Business foundation</p> <ul style="list-style-type: none"> ▪ Take steps to improve employee engagement; provide education opportunities ▪ Focus on developing management talent who will promote transformation and strengthen cooperation among Group companies ▪ Systematically foster female candidates for managerial positions and promote women to management; encourage male employees to take childcare leave
<p>Fulfilling social responsibility</p> 	<p>Risks</p> <ul style="list-style-type: none"> ▪ Damage to corporate value ▪ Reputation ▪ Weakening of business/management base <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Creation of sustainable factories ▪ Conforming with the terms and conditions for transactions with major customers 	<p>Business foundation</p> <ul style="list-style-type: none"> ▪ Update significant risks at the Group and implement risk management ▪ Make employees aware of the Quality Code of Conduct ▪ Establish human rights due diligence procedures ▪ CSR procurement, green procurement, responsible procurement of minerals, etc.

CITIZEN Group Value Creation Story



(Reference material)

CITIZEN Group Sustainability

<https://www.citizen.co.jp/global/sustainability>

CITIZEN Group Sustainability & CSR Report

<https://www.citizen.co.jp/global/sustainability/report/index.html>

CITIZEN REPORT (Integrated Report)

https://www.citizen.co.jp/global/ir/integrated_report.html

CITIZEN Group ESG Data

<https://www.citizen.co.jp/global/sustainability/data/index.html>