



# CITIZEN GROUP SUSTAINABILITY AND CSR REPORT

CITIZEN GROUP SUSTAINABILITY AND CSR REPORT 2022

Digest



The CITIZEN Group's Corporate Philosophy

# Loved by citizens, working for citizens

The CITIZEN Group's corporate philosophy "Loved by citizens, working for citizens" calls for contributing broadly to people's lives worldwide through manufacturing loved and being appreciated by the public. Taking advantage of the establishment of the Sustainability Committee in April 2020, the CITIZEN Group will further promote sustainable management, which has started in earnest, and contribute to the realization of a sustainable society while fulfilling the Group's responsibility as a member of society.

## Digest Overview

The CITIZEN Group reports on the state of its CSR and sustainability activities so that all stakeholders can understand our CSR and sustainability efforts in a document titled the CITIZEN Group and Sustainability and CSR Report. This digest reports specifically on our sustainable management, in accordance with the Medium-Term Management Plan 2021. It also reports the CITIZEN Group's FY 2020 efforts in maintaining relations with stakeholders in business activities, as well as the issues and materiality concerning sustainability. Note that a committee and a system promoting efforts concerning materiality are shown on our website.

## Editorial Policy

The CITIZEN Group's CSR website discloses detailed information on our CSR initiatives, including case studies and environmental and social data, as well as the content of this digest.

Period subject to reporting: FY 2021 (April 1, 2021 to March 31, 2022) (Includes some information from after the above subject period)

Date of publication of this Digest: Aug 2022

Organizations subject to reporting of economic data: 13 domestic companies\*, 64 overseas companies (77 companies in all)

Organizations subject to reporting of environmental data: 12 domestic companies\*, 13 overseas companies (25 companies in all)

Disclaimer: This Digest contains forward-looking statements. Such statements are based on information available at the time of preparation of the Digest and may differ from the actual results of activities.

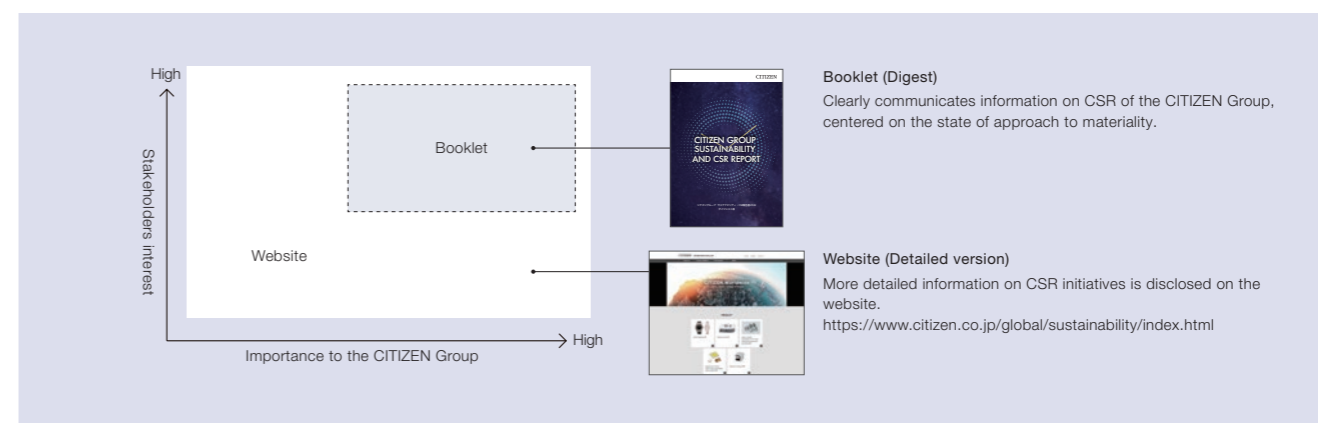
Guidelines referenced: GRI Sustainability Reporting Standards, Environmental Reporting Guidelines 2018

External guarantee: Some environmental data are certified by an outside organization.

\*Domestic companies include Citizen Watch Co.

For details, visit our website:

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



CITIZEN GROUP SUSTAINABILITY AND CSR REPORT

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We aim to realize  
“Sustainable Management”  
from a global perspective in  
an ever-changing society.

CITIZEN WATCH CO., LTD.  
President and Representative Director

佐藤敏彦

**By further promoting sustainable management, we aim to become a company that can create value sustainably.**

The CITIZEN Group has formulated the “CITIZEN Group Vision 2030” as its long-term vision, taking into account the various future environmental changes that are expected to occur. By envisioning the ideal form of the group, we will work to realize this vision by redefining our materiality and looking ahead to future changes in the business environment.

In the CITIZEN Group Vision 2030, we have set forth a new vision of “Crafting a new tomorrow” - a vision that will connect us to a prosperous future. We believe that our mission is to pass on this richness to the next generation.

The CITIZEN Group will strive to be an entity that delivers security, trust, and inspiration to the world.

### Re-Identifying Materialities

The CITIZEN Group has re-identified the following five areas as materialities after organizing the relevance of each business: “Contributing to a recycling-oriented society by addressing climate change,” “Contributing

to quality of life,” “Providing solutions in industrial fields,” “Enhancing job satisfaction and developing human resources,” and “Fulfilling our social responsibility.” Of these, we consider addressing climate change to be one of the most important issues for the company. The CITIZEN Group aims to endorse the TCFD recommendations in FY2020 and acquire SBT certification by FY2024.

### We See ESG as a Top Agenda for Sustainable Management

In sustainable management, ESG (Environmental, Social, and Governance) is a management priority and social responsibility. In addition to addressing climate change and the circular economy and respecting human rights globally, we are promoting diversity and inclusion. In terms of governance, we will also focus on fulfilling our social responsibilities as a corporation, including strengthening our risk management.

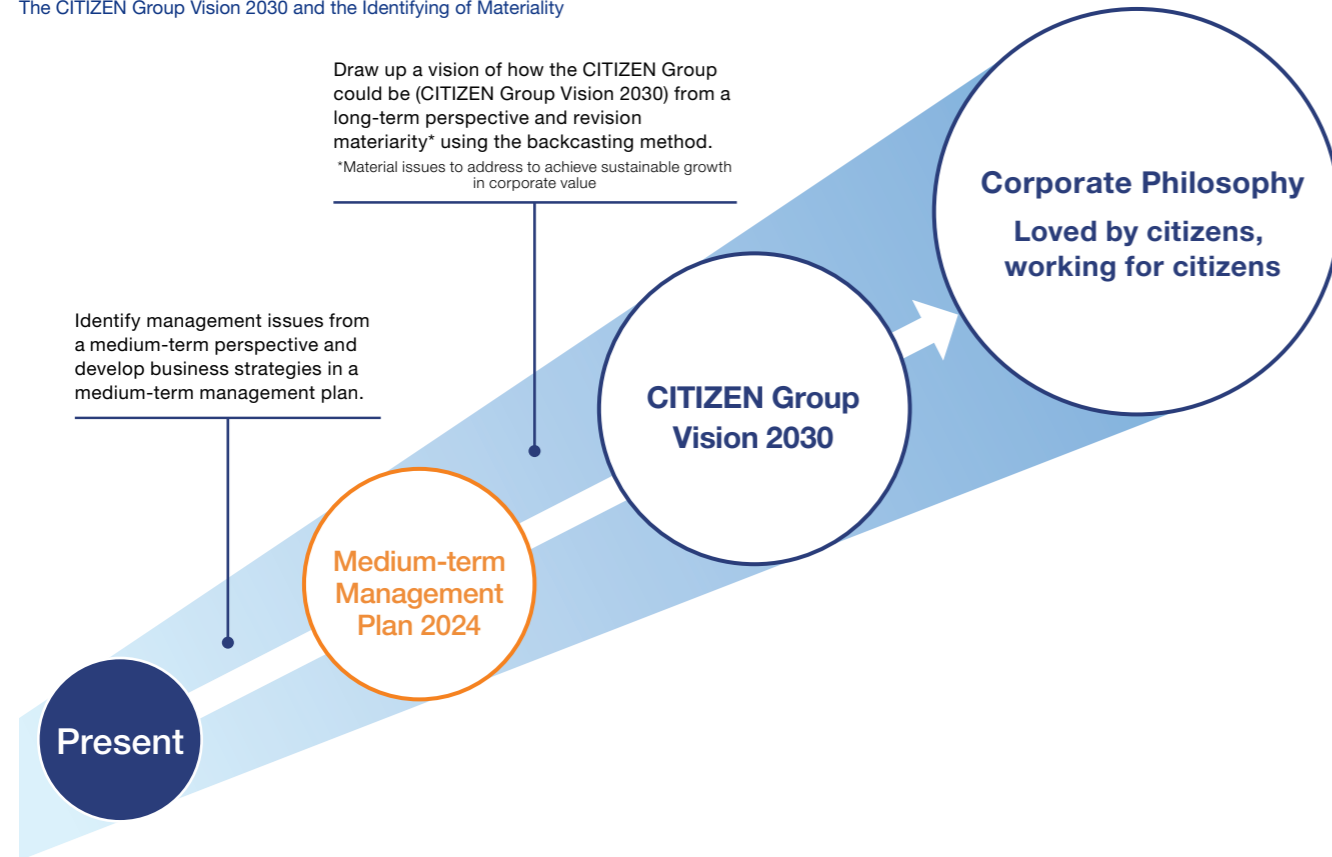
In order to realize our corporate philosophy of “Loved by Citizens, Working for Citizens,” the CITIZEN Group will enhance its corporate value by becoming an entity that can continuously create value in an ever-changing society. We look forward to your continued support of the CITIZEN Group.

# Materiality

In April 2022, we formulated the "CITIZEN Group Vision 2030" by organizing and backcasting the social issues to be addressed by the CITIZEN Group leading up to 2030 from the perspectives of a sustainable society and a digital society.

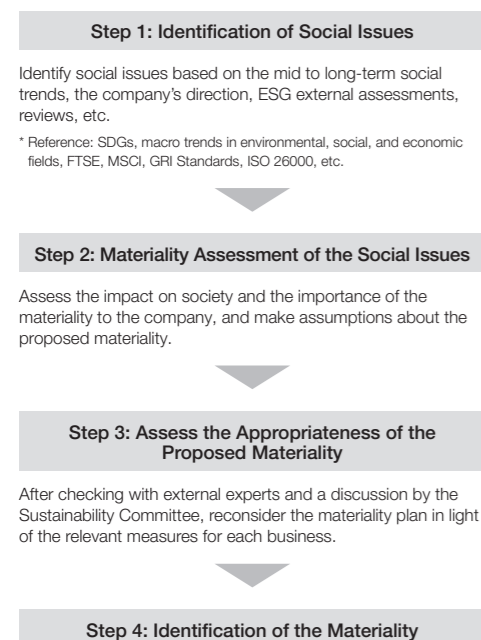
In order to realize the CITIZEN Group Vision 2030, we have identified five materialities by organizing the CITIZEN Group's

## The CITIZEN Group Vision 2030 and the Identifying of Materiality



materialities (important issues for the sustainable enhancement of corporate value) from both internal and external perspectives in terms of business activities and business infrastructure, based on a consideration of the mid to long-term environmental changes and megatrends.

## Materiality Identification Process



Materiality is identified by the Management Committee and Board of Directors after reaffirmation by the Sustainability Committee.

Impact on stakeholders (society)	Planet	Biodiversity Conservation	Saving Resources Reduction of toxic substance emissions	Responding to Climate Change (Carbon Neutral and EV Conversion) Management of Chemical Substances Contained in Products
		Expanding Sterilization Market Efficiency of food production	Respect for human rights Progress of Digitalization Management of Personal Information Aging and Medical Issues Securing and Developing Human Resources	Growing health awareness Pursuit of spiritual richness Widespread use of wearable devices
	Profit	Improved efficiency of logistics management Corruption Prevention	Improved Job Satisfaction Enhancing quality compliance Diffusion of next-generation telecommunications infrastructure	Promoting Sustainable Procurement Labor Shortage / Skills Transfer Streamlining Manufacturing Management CASE Progress
		Occurrence probability: Low / Financial Impact : Small      Occurrence probability: Middle / Financial Impact : Middle      Occurrence probability: High / Financial Impact : Large		
Impact on the CITIZEN Group (business)				

## Materiality Opportunities, Risks, and Measures

ESG	Materiality	Opportunity / risk	Classification	Main measures to be taken in terms of business activities / business infrastructure	Applicable businesses
E	Responding to Climate Change and Contributing to a Recycling-Oriented Society 	<b>Opportunity</b> • Expanding demand for products and services that contribute to energy and resource conservation and productivity improvement • Progress of CASE	Responding to Climate Change	<b>Business activities</b> • Supply parts for eco-cars (EVs and HVs), sale of LEDs for lighting, etc. <b>Business foundation</b> • Reduction of CO <sub>2</sub> emissions, expansion of introduction of renewable energy, etc.	Watches and Clocks Machine Tools Devices Electronics Others
		<b>Risk</b> • Wind and flood damage at business sites • Increased energy costs • Dependence on specific industries and customers • Violation of laws and regulations concerning the chemical substances contained in products	Contribution to a Recycling-Oriented Society	<b>Business activities</b> • Sales of photovoltaic and mechanical watches that can be used for a long time • Expansion of products using LFBV and friction bonding technology, etc. <b>Business foundation</b> • Reduction of water consumption, promotion of recycling, management of hazardous chemicals, reduction of packaging materials, etc.	
S	Contribution to Quality of Life 	<b>Opportunity</b> • Shift from mechanical to passionate value • Shift from treatment to preventive care	Contribution to diverse lifestyles	<b>Business activities</b> • Customized watches and services • Personalized experience, IoT platforms, etc.	Watches and Clocks Devices Electronics Others
		<b>Risk</b> • Smartwatch proliferation • Increased competition in the healthcare market • Regulatory changes for medical devices • Leakage of personal information	Contribution to medical and healthcare	<b>Business activities</b> • Sales of UVC modules with a high bactericidal effect, specimen-holding plates for bacterial analysis, etc. • Providing thermometers and blood pressure monitors that are easy for anyone to use • Providing digital health care services, "health appointments," etc.	
	Providing solutions in the industrial sector 	<b>Opportunity</b> • Factory automation / labor saving / automation / digitalization • Expanding demand for products/services that contribute to manufacturing management efficiency • Advancement of CASE • Diffusion of next-generation telecommunications infrastructure	Provide labor-saving and automation solutions Contribution to next-generation communication technology	<b>Business activities</b> • Use and provision of "Machines, digital technology, and technology to use," etc. <b>Column</b> • "Alkappsolution" supports the digital transformation of the manufacturing industry	Machine Tools Devices Electronics Others
		<b>Risk</b> • Loss of business opportunities • Decline in competitiveness • Entry of competitors from other industries using digital technology as a weapon	Contribution to Mobility	<b>Business activities</b> • Provide time reference information to institutions requiring accurate time information, etc. • Development and sales of sensing devices (teleoperated robots, etc.)	
G	Improving Job Satisfaction and Developing Human Resources 	<b>Opportunity</b> • Increase employee engagement • Driving DX / innovation	Improvement of Job Satisfaction Human Resource Development	<b>Business foundation</b> • Implement measures to improve employee engagement, provide training opportunities, etc. <b>Business foundation</b> • Developing human resources to promote change within the group, strengthening group collaboration in the development of management human resources, etc.	Watches and Clocks Machine Tools Devices Electronics Others
		<b>Risk</b> • Outflow of human resources • Deterioration of business performance	Diversity and Inclusion	<b>Business foundation</b> • Systematic training and promotion of female management candidates, encouraging male employees to take childcare leave, etc.	
G	Fulfillment of Social Responsibility 	<b>Opportunity</b> • Realization of the sustainable factory concept • Compliance with major customers' terms and conditions	Strengthen Risk Management Quality Compliance	<b>Business foundation</b> • Update and operation of the Group's material risks, etc. <b>Business foundation</b> • Activities to disseminate the Quality Code of Conduct, etc.	Watches and Clocks Machine Tools Devices Electronics Others
		<b>Risk</b> • Damage to corporate value Reputation • Weakening of the management base	Respect for Human Rights and Labor Practices Promoting Sustainable Procurement	<b>Business foundation</b> • Implementation of human rights due diligence, etc. <b>Business foundation</b> • CSR procurement, green procurement, responsible mineral procurement, etc.	



# Concept of Sustainable Management

The CITIZEN Group has been operating for over 100 years based on its corporate philosophy of “Loved by Citizens, Working for Citizens.” Starting in FY2019, our 101st year in business, we are promoting “Sustainable Management” to solve social issues through our business. Sustainable management means not only providing good products and services, but also expanding our business while earning the trust of our stakeholders and continuously improving our corporate value through management that takes into consideration social issues such as human rights and the global environment throughout the value chain.

The CITIZEN Group's Value Creation Story

## Inputs

(As of March 2022)

### Financial capital

Total assets JPY **394.9** billion  
 Net assets JPY **238.6** billion

### Intellectual capital

Number of patents owned by the Group Over **5,000**  
 Number of trademarks owned by the Group Over **5,000**

### Manufacturing capital

Capital expenditure JPY **10.7** billion  
 Production structures mainly in Japan, China and Thailand

### Social capital

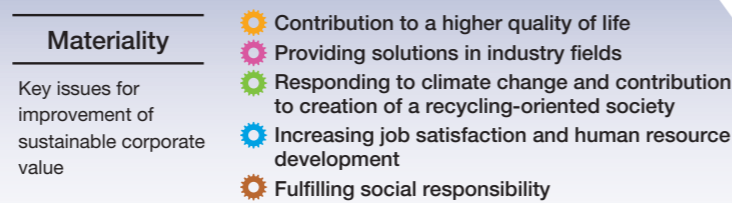
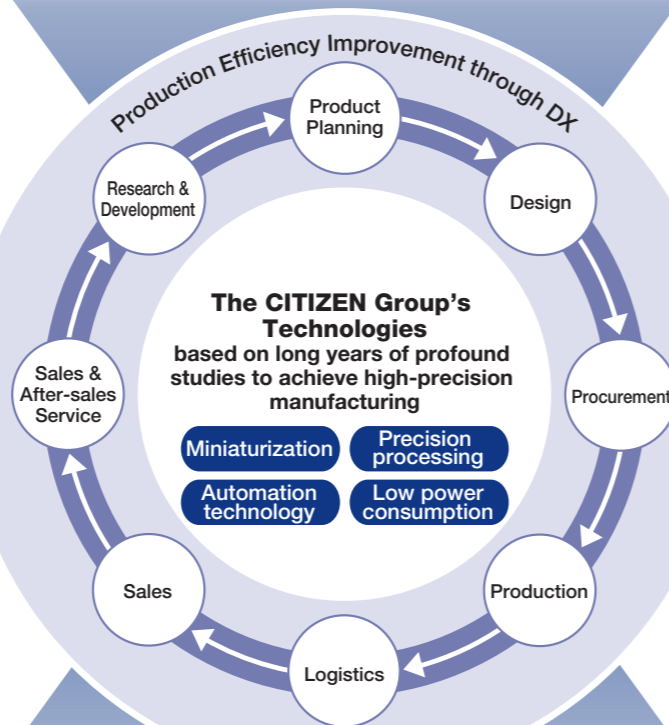
Globally expanded supply chain network

### Human capital

Number of employees **16,161**

### Natural capital

Total energy consumption **2,862** thousand GJ  
 Water intake **1,890** thousand m<sup>3</sup>  
 Recycling rate **73%**



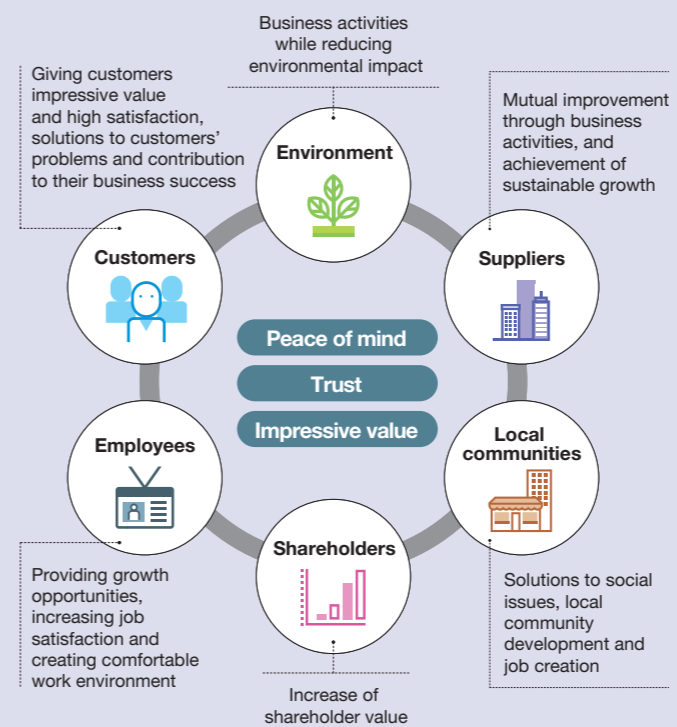
In light of the medium and long-term changes in the environment, the CITIZEN Group will leverage the Group's strengths and capital to address materiality (key issues for the sustainable enhancement of corporate value) in both its business activities and business infrastructure. By creating social, environmental, and economic value that contributes to solving social issues, we aim to be loved by and work for citizens, as well as contribute to the achievement of the SDGs (Sustainable Development Goals).

## Outputs

### Providing sustainable products

**Products and Services**  
 Watches, machine tools, devices, electronics and others

## Outcomes



The CITIZEN Group's Long-term Vision

Connecting to a prosperous future

Crafting a new tomorrow

# Sustainability Promotion Structure

## Establishment of the Sustainability Committee

In April 2020, the CITIZEN Group established the Sustainability Committee, which is chaired by the president and representative director of CITIZEN WATCH and includes full-time directors of CITIZEN WATCH and the presidents of business management companies as members. The committee meets once a quarter, mainly to discuss materiality, check the progress of activities, and hold study sessions with external lecturers.

The CSR Department, Corporate Planning Department, and Environmental Department of CITIZEN WATCH, which serve as the committee secretariat, also operate the Sustainability Secretariat Meeting together with each committee secretariat related to materiality and the CSR departments, environmental

departments, corporate planning departments of each Group company. The committee also regularly verifies the sustainability issues and progress of activities at each company. Proposals and reports from each committee and each company are discussed at the Sustainability Committee.

Objectives and Functions	To promote sustainable management in the CITIZEN Group: 1. Identification and periodic review of materiality 2. Promoting efforts in existing businesses to improve their sustainability and contribute to resolving social issues 3. Formulating policies for addressing ESG issues and monitoring activities based on those policies
Meets	Quarterly (every three months)

## Sustainability Promotion Structure

The following subcommittees of the Sustainability Committee have been established: the Group Quality Compliance Committee, which deliberates on quality compliance in the Group; the Group HR Committee, which deliberates on hiring and human resource development and addresses discrimination by nationality, LGBT status, and other properties, as well as human rights; and the Group Environmental Committee, which deliberates on such subjects as Group-wide opportunities, risks, and measures related to environmental issues in general. The Group Sustainable Procurement Committee deliberates on revisions of the supplier management structure across the Group in order to be more sustainable and responsible.

In addition, the Sustainability Committee Secretariat and the Sustainability Committee Meeting, consisting of the corpo-

rate planning department and the CSR department of each Group company, ensure that the content of the deliberations by the Sustainability Committee is shared with the organizations promoting each business.

We also established CITIZEN-SIRT, the Group Information Governance Committee, the Group Legal/Compliance Committee, and the Group Business Continuity Management Committee to address matters related to the handling of management-related risks and making the Group's management base more resilient. These committees addressing risks related to the management base have been established under the Management Committee, which meets monthly, as a structure that enables the swift detection of and deliberation on problems as well as immediate responses to them.

## Sustainable Products

The CITIZEN Group, by 2030, will come up with sustainable products designed to help address key global challenges in each business segment of the group. The definition of "Sustain-

able Products" and the applicable products and services are currently under consideration.

## Sustainable Factories

The CITIZEN Group is developing its business based on the concept of "sustainable factories," which also takes into consideration the manufacturing process of products and services. A sustainable factory is a sustainable production facility or office (or business process) that comprehensively considers compliance, human rights, labor practices, BCP\*, and productivity improvement, in addition to environmental considerations. The CITIZEN Group as a whole aims to realize the "sustainable factory" concept by 2030.

Since the cooperation of our suppliers and the entire value chain is essential to achieving this goal, we are also promoting

activities to seek the understanding and cooperation of our stakeholders. Specifically, we have formulated a roadmap and a vision of what we aim to achieve in 2030 in the areas of "addressing climate change and contributing to a recycling-oriented society," "adherence to quality compliance," "respect for human rights and labor practices," and "the promotion of sustainable procurement" in FY2019. Please refer to the relevant page on Materiality (link in the table below) for progress.

\* BCP (Business Continuity Plan): A business continuity plan is formulated during normal times of operation to prepare for the possible effects of large-scale disasters on business activities. Such a plan stipulates the systems, functions, and procedures necessary to continue supplying products and services, and to enable early recovery.

## Goal in 2030

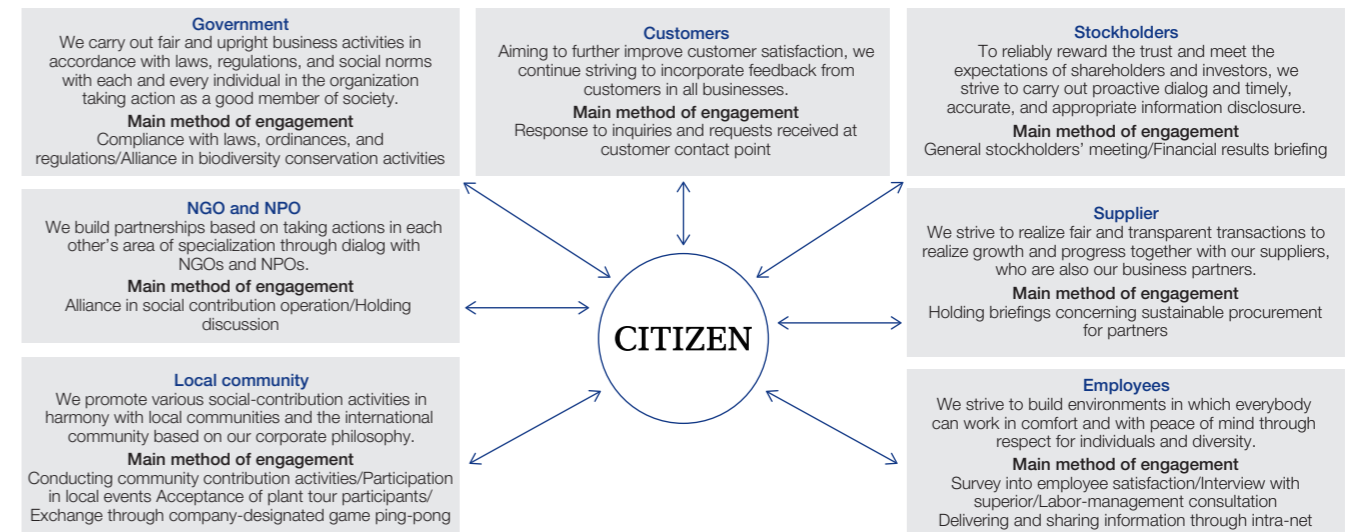
Materiality (Business Foundation)	Target in 2030	Indicator
Responding to Climate Change and Contributing to a Recycling-Oriented Society	Contribute to the realization of a decarbonized society, a resource-recycling society, and a safe, secure, and prosperous society • Promotion of global warming countermeasures • Promote sustainable resource use • Strengthen environmental risk management and continue to achieve zero environmental accidents • Provide sustainable products and strengthen the management of chemical substances contained in products	• CO <sub>2</sub> emissions (Scopes 1 and 2) 50.4% reduction (compared to FY2018) • CO <sub>2</sub> emissions (Scope 3): 15% reduction (compared to FY2018) • Water consumption: 35% reduction (compared to FY2018) • Recycling rate (waste reuse rate): 90% • Continuation of zero environmental accidents • Reduction of chemical substances subject to the PRTR Act (in Japan): 45%
Quality Compliance	Compliance with the Group Quality Code of Conduct	Zero Violations of the Quality Code of Conduct
Respect for Human Rights and Labor Practices	• Compliance with the Group's Human Rights Policy • Compliance with laws related to work style reforms (in Japan) • Establishment of the Group Health and Safety Policy	• Establishment of human rights due diligence • Zero work-related lost-time injuries
Promoting Sustainable Procurement	100% of the Group and 70% of direct major suppliers* will comply with 100% of the CSR Procurement Guidelines * Top 90% of procurement transactions + the volume of transactions and suppliers handling important items that cannot be substituted	• 100% of major suppliers responded to the Self-Assessment Questionnaire (SAQ) • 70% of major suppliers scored 100% on the SAQ

## The CITIZEN Group's Stakeholders

The Group aims to contribute to a sustainable society and achieve growth for the Group through the realization of its corporate philosophy. In developing our business, we practice CSR with the participation of all employees based on the Group Charter of Corporate Behavior, which is in the spirit of the United Nations Global Compact. In addition, in order to maximize the

value we provide to society, it is important to incorporate the demands and expectations of our diverse stakeholders into our management. Therefore, we aim to realize our corporate philosophy by building strong relationships of trust through close communication with our stakeholders and by conducting business activities that meet their requests and expectations.

### The CITIZEN Group's stakeholders



### Examples of stakeholder engagements

Stakeholder	Response / Plan	Result / Evaluation
Customers	• Improvement of products and services, ensuring safety • Promoting universal design principles	• Conducting social campaign "New TiMe New Me" • Develop customer feedback to relevant departments (VOC report)
Suppliers	• Implementation of human rights due intelligence	• Briefings for suppliers (distributed via video) • Evaluation based on the SAQ
Employees	• Improving employee satisfaction • Enhancing work-life balance programs • Developing workplaces where employees can work with peace of mind, • Developing workplaces where employees can demonstrate their abilities to the maximum extent	• Reinforcement of a work-life balance • Promoting employee health (Stress Check) • Introduction of telecommuting
NGO/NPO	• Promotion of social contribution activities in cooperation with NGOs that allow participation by employees • Holding briefings to report on the results of Social Contribution Mission Program	• Holding sessions for reporting the results of social contribution activities • Exchange of opinions with environmental NGOs
Local communities	• Inviting community residents to events held on business sites • Contributing to stable communities through mutual understanding • Enhancing activities to contribute to local society through our businesses • Improving table-tennis skills in the community	• Total number of employees participating in beautification activities: 2,109 • TNumber of plant tours accepted: 6 • TNumber of watch assembly classes held: 5 • TDonations to social contribution activities: 27.1 million yen • TTable-tennis lessons held • TDevelopment of a vibrating thermometer



## Evaluations by Society



FTSE Blossom Japan Sector Relative Index

### FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index is an investment index constructed by FTSE Russell, a global index provider, that reflects the performance of Japanese companies with superior environmental, social, and governance (ESG) responsiveness relative to their peers in their respective sectors. In selecting stocks, Russell assesses the quality of companies' management of greenhouse gas emissions and their response to the risks and opportunities associated with the transition to a low-carbon economy, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

The Index has also been adopted as one of the investment criteria by the General Pension Investment Fund (GPIF), which actively promotes ESG investment.

\* FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that DIC Corporation has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index as a result of an independent investigation. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.



FTSE Blossom Japan

### FTSE Blossom Japan Index

Since December 2019, we have been included in the FTSE Blossom Japan Index.

Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index has been selected by the Government Pension Investment Fund (GPIF) of Japan as an index for use in ESG investment.

### 2022 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数

### 2022 CONSTITUENT MSCI 日本株 女性活躍指数 (WIN)

### MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women Index (WIN)

2021 CONSTITUENT MSCI Japan Empowering Women Index (WIN) We have been included in the MSCI Japan ESG Select Leaders Index since December 2019 and the MSCI Japan Empowering Women Index (WIN) since June 2017. 2021 CONSTITUENT MSCI Japan ESG Select Leaders Index.

\* The inclusion of CITIZEN WATCH company, Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of CITIZEN WATCH company, Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.



### S&P/JPX Carbon Efficient Index

We have been included in the S&P/JPX Carbon Efficient Index.

Designed by S&P Dow Jones Index, one of the world's largest independent index providers, to measure the performance of companies in the Tokyo Stock Price Index (TOPIX), (the "underlying index"), while overweighting or underweighting those companies that have lower or higher levels of carbon emissions per unit of revenue.

The S&P/JPX Carbon Efficient Index has been selected by the GPIF as an index for use in ESG investment.



### CDP Supplier Engagement Evaluation

In 2021, we have been included in CDP's supplier engagement as Leaderboard, the highest evaluation.



### SOMPO Sustainability Index

Since 2017, we have been included in the SOMPO Sustainability Index (previously known as the SNAM Sustainability Index).

The SOMPO Sustainability Index is a stock index developed independently by Sompo Asset Management (previously known as Sompo Japan Nipponkoa Asset Management) by combining the ESG evaluation with a stock price evaluation.

The 2020 Certified Health and Productivity Management Organization Recognition Program under the large enterprise category.



### Excellent health management corporation 2022 among large corporations

CITIZEN WATCH has been certified as an "Excellent Health Management Company 2021 (Large-Scale Corporations)" under the Ministry of Economy, Trade and Industry's certification system for persons with excellent health management from 2019. The "Excellent Health Management" program recognizes large and medium-sized enterprises and other small and medium-sized enterprises that have implemented particularly excellent health management strategies based on their efforts to address local health issues and the promotion of health in line with the Japan Health Council.

### Mizuho Eco Finance

CITIZEN WATCH's efforts toward the transition to a decarbonized society were evaluated highly, and in October 2021, CITIZEN WATCH concluded a commitment line agreement with Mizuho Eco Finance, an environmental assessment loan product offered by Mizuho Bank, to promote corporate efforts toward the transition to a decarbonized society.



### Good Design Award 2021

"CITIZEN Forest Office," which aims to be a place that enhances productivity and health throughout the site based on the concept of "work both indoors and outdoors," received the Good Design Award for 2021, which was sponsored by the Japan Institute of Design Promotion.

## Joint Initiatives

### Participation in the United Nations Global Compact

In April 2005, the CITIZEN Group announced its participation in the United Nations Global Compact, which is based on the ten principles of human rights, labor, environment, and anti-corruption advocated by the United Nations. The UN Global Compact is the foundation of the CITIZEN Group's CSR activities, and we refer to it when necessary, such as when revising the CITIZEN Group Code of Conduct. The CITIZEN Group is also a member of nine subcommittees of the Global Compact Network Japan (GCNJ), which consists of companies participating in the UN Global Compact: The Supply Chain Subcommittee, CSV Subcommittee, Human Rights Due Diligence (HRDD) Subcommittee, Human Rights Education Subcommittee, Environmental Management Subcommittee, SDGs Subcommittee, ESG

Subcommittee, Reporting Research Subcommittee, Circular Economy Subcommittee, and Internal Penetration Research Subcommittee. Each subcommittee shares the latest CSR-related trends and case studies from each company, including lectures by experts, while at the same time producing a variety of outputs to support corporate CSR promotion based on the experience of participating companies in a wide range of industries.

The opinions gained at the subcommittee meetings are also reflected in the CITIZEN Group's CSR activities.



### Support for the "Challenge to 30% by 2030" of the Japan Business Federation (Keidanren)

In June 2021, CITIZEN WATCH announced its support for the "Challenge to 30% by 2030" of the Japan Business Federation (Keidanren). The "Challenge to 30% by 2030" is a goal set forth in the "New Growth Strategy" released by Keidanren in November 2020 to achieve a ratio of 30% or more female executives by 2030. The Group will continue to promote diversity and inclusion by working to encourage the active participation of a diverse range of people.

Challenge to 30% by 2030  
<https://challenge203030.com/EN.php>



### Endorsement of Nippon Keidanren's "Initiative for Biodiversity"

The CITIZEN Group endorses the Keidanren Initiative for Biodiversity, and our biodiversity philosophy is consistent with the principles of the organization's Declaration of Biodiversity.

Keidanren Initiative for Biodiversity  
[https://www.keidanren-biodiversity.jp/logo\\_en.php](https://www.keidanren-biodiversity.jp/logo_en.php)



### Contribution to the Achievement of the SDGs

The Sustainable Development Goals (SDGs) were launched in 2016 with the aim of solving social issues relating to poverty, hunger, energy, climate change, and peaceful societies, among others, by 2030. It notes that in order to achieve the SDGs, which consist of 17 goals and 169 targets, all countries and people who are members of the United Nations must have a sense of ownership and take action in cooperation with each other. As a member of the international community, the CITIZEN Group will contribute to the formation of a sustainable society by working to solve social issues, including the achievement of the SDGs, through the Group's businesses that are "Loved by Citizens and Working for Citizens." Through further business expansion, we aim to be a company that can continue to operate for the next 100 years.



# Responding to Climate Change

As a measure to mitigate climate change, one of the most serious global environmental risks, the CITIZEN Group is making Group-wide efforts to reduce GHG emissions through energy-saving activities at its plants and offices and the introduction of electricity derived from renewable energy sources. As an expression of our commitment to climate change mitigation, we

have joined the "Climate Change Initiative" and endorsed the TCFD proposal in 2020. In 2022, we have revised the Group's CO<sub>2</sub> emission reduction targets (Scope 1 and Scope 2) and aim to obtain SBT certification. In addition, measures to adapt to large-scale disasters due to climate change are stipulated in our disaster BCP (Business Continuity Plan).

## Governance

The CITIZEN Group has established an environmental management system to efficiently promote environmental management. Under the umbrella of the Sustainability Committee, which is chaired by the chairman of CITIZEN Watch, the Group Environmental Committee is chaired by a director (director in charge of environmental affairs) appointed by the chairman of the company.

Climate change issues are discussed by the Group Environmental Committee, followed by discussions by the Sustainability Committee, and are then deliberated and approved by the Executive Committee. The content approved by the Management Committee is reported to the Board of Directors on a regular basis (twice a year) and is used for decision-making on environmental risks and environmental investments.

### The CITIZEN Group Environmental Management System



## Scenario Analysis

Recognizing that the risks and opportunities associated with climate change will have a significant impact on its business strategy, the CITIZEN Group has identified the risks and opportunities associated with climate change through the following process, and the Sustainability Committee Secretariat took the lead in analyzing and assessing the significance of the 1.5°C and 4°C scenarios.

### Process for identifying the risks and opportunities associated with climate change

Process 1	We comprehensively identified the risks and opportunities associated with climate change.
Process 2	We organized the identified risks and opportunities in relation to the four business segments of Watches and Clocks, Machine Tools, Devices, and Electronic Devices and Others, as well as in three time frames: short, medium, and long term.
Process 3	For each risk and opportunity identified, we used a 5-point scale to evaluate its "impact on the company" and "likelihood of occurrence". As an overall evaluation, items with a high "impact on the company" and "likelihood of occurrence" were extracted, and important risks and opportunities were identified.

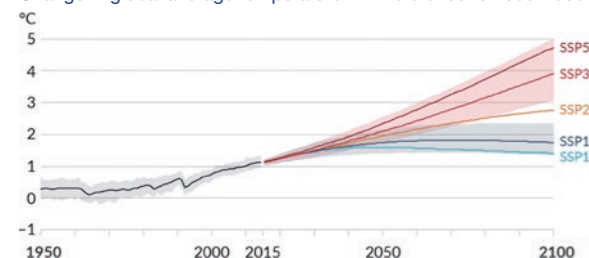
## Selected Climate Change Scenarios

We analyzed and evaluated the 1.5°C scenario, which is a scenario of moving toward a decarbonized society, and the 4°C scenario, which is a scenario of increasing warming.

SSP1-1.9 was used for the 1.5°C scenario, and SSP5-8.5 for the 4°C scenario.

\* SSP1-1.9: Assumes that warming is controlled to about 1.5°C above 1850-1900 levels by 2100 "after a slight overshoot" and that CO<sub>2</sub> is reduced to net zero around mid-century.  
\* SSP5-8.5: High-level reference scenario without additional climate policies.

Change in global average temperature with reference to 1850-1900



Scenario	Short-term: 2021 - 2040		Mid-term: 2041 - 2060		Long-term: 2081 - 2100	
	Best Estimates (°C)	Very High Potential Range (°C)	Best Estimates (°C)	Very High Potential Range (°C)	Best Estimates (°C)	Very High Potential Range (°C)
SSP1-1.9	1.5	1.2 - 1.7	1.6	1.2 - 2.0	1.4	1.0 - 1.8
SSP1-2.6	1.5	1.2 - 1.8	1.7	1.3 - 2.2	1.8	1.3 - 2.4
SSP2-4.5	1.5	1.2 - 1.8	2	1.6 - 2.5	2.7	2.1 - 3.5
SSP3-7.0	1.5	1.2 - 1.8	2.1	1.7 - 2.6	3.6	2.8 - 4.6
SSP5-8.5	1.6	1.3 - 1.9	2.4	1.9 - 3.0	4.4	3.3 - 5.7

Source: Figure, IPCC AR5 WG I SPM Fig. SPM.7(a)

## Scenario Analysis Results and Strategies

We have formulated the "CITIZEN Group Environmental Vision 2050" to achieve carbon neutrality in 2050. The CITIZEN Group aims to achieve virtually zero CO<sub>2</sub> emissions from its factories and offices by 2050. We are also working to understand the risks related to climate change throughout our supply chain. The Group sees the transition to a low-carbon economy as an opportunity to invest in renewable energy and energy-saving equipment, and it is also working to improve product competitiveness through the development and production of environmentally friendly products.

Under the 1.5°C scenario, we anticipate increased costs due to stricter regulations, including the introduction of a carbon tax,

and the risk of higher prices for raw materials and other resources. In addition to promoting decarbonization initiatives to achieve the CITIZEN Group Environmental Target 2030 and the CITIZEN Group Environmental Vision 2050, the Group is considering the introduction of an internal carbon price system to promote investment in GHG emissions reduction.

Under the 4°C scenario, in order to stably secure raw materials, we will promote diversified procurement sources and appropriate parts and materials procurement management. In addition, we are promoting BCP measures including weather-related disasters and investment related to disaster countermeasures.

### Scenario Analysis Results

Classification	Significant Risk / Opportunity		Impact on CITIZEN	Time Horizon		
	1.5°C	4°C		-2024	2025-2030	2031-
Transition Risk	Policy and Regulations	Large	Small	• Cost increase due to the introduction and strengthening of new regulations (carbon pricing system)	●	●
	Technology and Markets	Small	Large	• Increase in the cost of raw materials, etc., supply shortages and supply disruptions	●	●
	Reputation	Medium	Small	• Decline in reputation due to a delayed response to climate change, etc., and the consequent decline in stock price and sales	●	●
Physical Risk	Acute Risk	Small	Large	• Increasing severity and frequency of natural disasters	●	●
	Chronic Risk	Medium	Large	• Increased business spending on addressing extreme weather effects and countermeasures	●	●
Opportunity	Energy and Resource Efficiency	Small	Medium	• Stagnation of production activities due to supply chain disruptions	●	●
		Large	Small	• Cost reduction through the promotion of energy conservation	●	●
	Medium	Medium	• Cost reduction through resource conservation, 3Rs, zero waste emissions, and the conservation of water resources	●	●	
	Medium	Small	• Differentiation and competitiveness through product development with alternative materials	●	●	
	Medium	Small	• Realization of life cycle decarbonization through substance substitution and weight reduction	●	●	
	Products, Services & Markets	Medium	Small	• Revenue growth due to increased demand for environmentally friendly products/services	●	●
Resilience	Medium	Medium	• Increased customer trust through the promotion of natural disaster preparedness	●	●	
	Medium	Large	• Minimized the risk of physical damage through the systematic implementation of countermeasures	●	●	

\* The results of the risk assessment for both the 1.5°C and 4°C scenarios for which the significance level was determined to be "minor" are not listed.

## Risk Management

In accordance with ISO 14001, the risks and opportunities related to climate are identified once a year by the environmental manager and the secretariat on a short to long-term timeline, based on the environmental aspects, laws, and regulations to be complied with, issues in the external and internal environment, and needs and expectations of stakeholders.

Climate-related risks are reflected in the Group's strategy as one of the Group's key risks and are addressed under the super-

vision of the Board of Directors.

Specific measures to eliminate risks and opportunities are decided at the management meeting attended by directors, after which each measure is implemented by relevant departments under the control of the director in charge of environmental affairs. For cross-group themes, we utilize the established ISO14001 system and the environmental management system that conforms to it, so that we can develop an efficient PDCA cycle.

## Indicator and Goal

The CITIZEN Group has set the following targets regarding climate change.

The Citizen Group has also set cost reductions through the promotion of energy conservation as an indicator for "climate-related opportunities" and the amount of capital investment in energy conservation and renewable energy as an indicator for

"capital allocation," and will continue to monitor these indicators.

### Greenhouse Gas Emissions

Indicator	Goal
SCOPE 1 and 2	Target for FY2030: 50.4% cut (compared to FY2018)
SCOPE 3	Target for FY2030: 15% cut (compared to FY2018)



# The CITIZEN Group's Environmental Vision and Long-Term Environmental Goals

## The CITIZEN Group's Basic Approach to the Environment

Since its establishment, the CITIZEN 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, we 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, we also revised the CITIZEN Group Environmental Vision 2050, which commits to

decarbonization and sustainable resource use with virtually zero CO<sub>2</sub> emissions, and newly formulated the CITIZEN Group Resource Recycling Vision. In February 2022, we also revised the "CITIZEN Group Environmental Goals 2030," referring to our five targets for achieving the SDGs, in line with changes in the external environment; we will implement "sustainable management" through production activities at "sustainable factories" that consider the environment throughout the value chain, including suppliers.

## Environmental Targets

The CITIZEN Group has established a roadmap based on the CITIZEN Group Environmental Vision 2050 and the CITIZEN Group Environmental Targets 2030 for environmental initiatives, one of its materialities. The environmental initiatives and their targets set forth in the roadmap cover a wide range of areas, including the reduction of CO<sub>2</sub> and hazardous chemical emis-

sions, effective use of water and other resources, prevention of environmental accidents, and preservation of biodiversity. In FY2020, there were some restrictions on business activities due to Covid-19, but despite these circumstances, we continued to promote environmental initiatives and exceeded the targets we had set for most items.

## The CITIZEN Group Environmental Goals 2030 (Revised February 2022)

### 1. Promoting countermeasures against global warming (resource conservation, shifting to renewable energy, adaptation to climate change)

Greenhouse gas emissions: Scopes 1 and 2:	50.4% reduction (vs. 2018)
Scope 3:	15% reduction (vs. 2018)
Renewable energy ratio:	62% (Japan)

### 2. Promoting the sustainable use of resources (resource conservation, 3Rs, preservation of water resources)

Resource recycling rate:	90%
Water use:	35% reduction (vs. 2018)

### 3. Enhancing environmental risk management, continuing to maintain zero environmental incidents

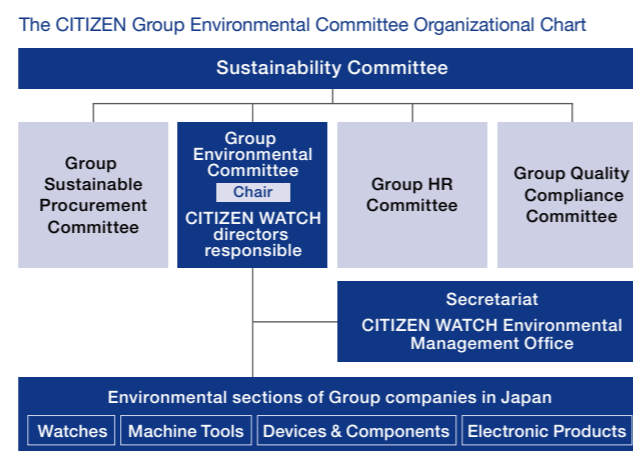
Chemical substances subject to the PRTR Act:	45% reduction (vs. 2018)
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### 4. Implementing nature conservation activities and community environmental activities at all business sites

### 5. Providing sustainable products and enhancing the control of chemical substances in products

## Environmental Management Structure

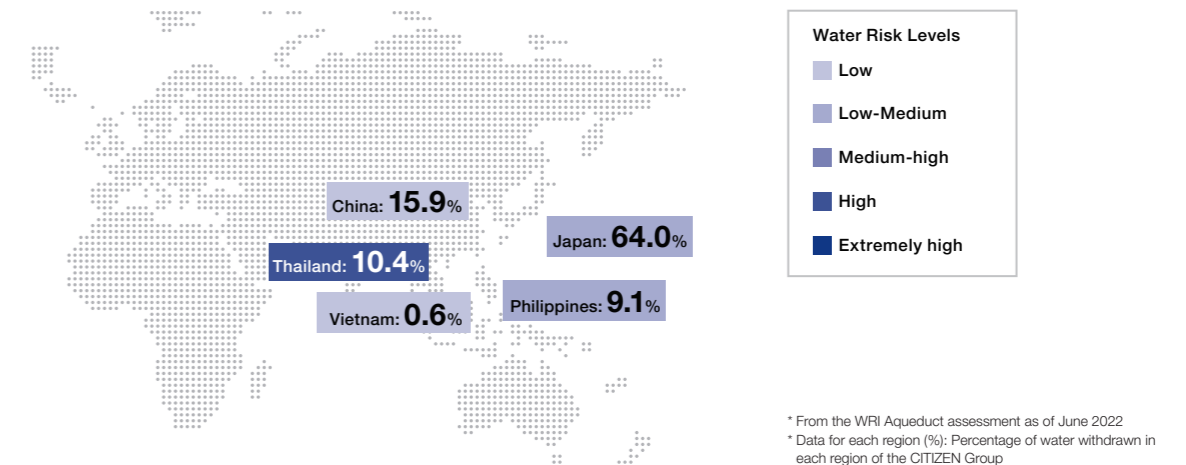
To promote efficient environmental management, the CITIZEN Group has established a Group environmental management system. In FY2020, the Group Environmental Committee, chaired by a director appointed by the president (director in charge of environmental affairs), was established under the Sustainability Committee, chaired by the president of CITIZEN Watch, to examine risks, opportunities, countermeasures, and other matters concerning environmental issues of the Group in general.



# Responding to Water Risks and Opportunities

## Water-Related Risks and Opportunities

Water risk maps for major business locations



## Operating in Areas of High Water Risk

The risks and opportunities related to water, as well as climate change, have been identified and integrated into the company-wide risk management system. They are also included in the agenda of the Sustainability Committee, which identifies risks within the ISO 14001 framework. Using the WRI Aqueduct, we regularly review our annual water-related risks and opportunities for the following three to five years. Based on the results of these assessments and the local information for each site, the CITIZEN Group has no production sites in areas of high water stress, and no drought risks were identified. In addition, water-related risks, such as flooding and water failure due to extreme weather conditions, can significantly affect the value

chain, including direct operations and parts procurement, leading to reduced profitability. The identification of water-related opportunities for the CITIZEN Group revealed no water-related opportunities that could have a direct and substantial impact on the business, and no flood risks were identified.

Water risk information is kept up to date through close communication with local industrial park managers and government agencies. We similarly identify and assess water-related risks and opportunities when developing new projects or building new factories, but no projects were subject to this process in FY2021.

# Initiatives for Biodiversity Conservation

## CITIZEN Forest Office, a Working Space on a Former Factory Site

After CITIZEN WATCH's head office in Tokyo (Nishi-Tokyo City, Tokyo) demolished an old building that was expected to cause damage to the neighborhood in the event of a disaster, it renovated approximately 4,000m<sup>2</sup> on the north side of the office to create the "CITIZEN Forest Office". In a corner named "CITIZEN Forest," 215 trees from the Musashino thicket were planted to create an outdoor meeting space with benches, shelters, and tables. In addition to improving employee engagement through the creation of a place that enhances productivity and health, the Tokyo Office's greening rate under the Factory Location Act was 29.4%, and the amount of CO<sub>2</sub> absorbed was 17 tons per year, contributing to a reduction in CO<sub>2</sub> emissions.

"CITIZEN Forest Office" received the Good Design Award for 2021 from the Japan Institute of Design Promotion. This is the first time that CITIZEN has received such an award for a business office.





# Respect for human rights

## Basic Ideas about Human Rights

Since its founding, the CITIZEN Group has aimed to contribute broadly to the lives of people around the world through our business activities based on our corporate philosophy “Loved by Citizens, Working for Citizens.” As a member of a company that operates both domestically and internationally, we have been supporting, respecting, and implementing the 10 principles proposed by the United Nations regarding human rights, labor, the environment, and anti-corruption since signing

the “United Nations Global Compact” in 2005. Article 4 of the CITIZEN Group Code of Conduct sets forth the basic policy of “respecting human rights and diversity and creating safe and comfortable workplaces.” In accordance with this, we have established guidelines for respecting human rights, creating a good workplace, and ensuring health and safety in the workplace, and we work with our business partners to fulfill our responsibility to respect human rights.

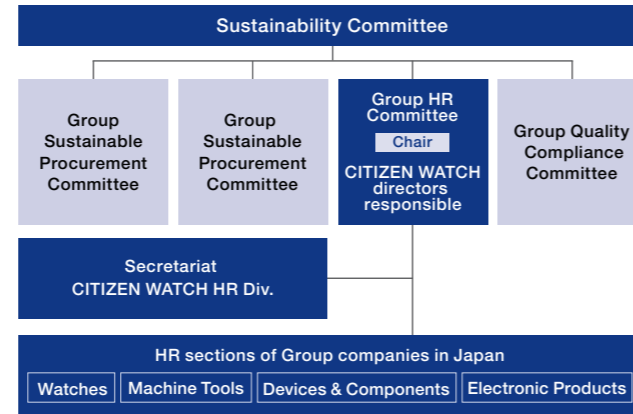
## The CITIZEN Group Human Rights Respect System

In 2019, the Group Human Resources Committee, chaired by the director in charge of human resources at CITIZEN WATCH, was established under the Sustainability Committee as a central organization to ensure respect for human rights. Human resources departments in each domestic group company participate in this committee as committee members, and they share decisions on measures concerning respect for human rights for the entire group as well as the status of initiatives at each company. Committee decisions are reported to the Board of Directors through the Sustainability Committee as part of the Group Materiality Policy.

The Human Resources Department of CITIZEN WATCH serves as the secretariat for Group-wide efforts to respect human rights. Departments in charge of human resources at each Group company in Japan are responsible for the deployment of decisions made by the Group Human Resources Committee and for respecting human rights and responding to risks in the course of business activities.

For deployment to overseas offices, the Human Resources Department and the CSR Department work together to disseminate decisions made by the Human Resources Committee, etc.

Group HR Committee Organizational Chart



## Respect for Human Rights / Human Rights Due Diligence Initiatives

The CITIZEN Group is developing communication activities and training measures to inform and disseminate various policies and regulations to employees and suppliers to ensure respect for the human rights of all stakeholders related to our business activities. Regarding human rights due diligence, we conduct awareness surveys of employees of domestic group companies to identify human rights risks. We also utilize an internal reporting system (including a “Speak Up” system) to receive reports, consultations, opinions, and suggestions regarding human rights issues from employees, and we use this system to address risks and prevent them from occurring.

For suppliers, we ensure that they are aware of risk identification

and human rights compliance through responses to the SAQ (Self-Assessment Questionnaire) based on the Group CSR Procurement Guidelines.

The CITIZEN Group, as a member of the international community, fulfills its responsibility to resolve human rights issues by disclosing the “Statement on Modern Slavery and Human Trafficking” at the beginning of each year, since it has a company covered by the UK Modern Slavery Act. For foreign employees and technical interns, we conduct CSR human rights survey checklists translated into their native languages and interviews, etc., to investigate human rights risks in the workplace environment at each Group company.

The CITIZEN Group's Value Chain and Stakeholders

The CITIZEN Group's value chain and stakeholders	Suppliers	The CITIZEN Group (employees, temporary workers, technical trainees)	Consumers	Local communities
	<b>The CITIZEN Group Human Rights Policy / Statement on the UK Modern Slavery Act</b>			
Understanding and permeation of policies, rules, etc.	<ul style="list-style-type: none"> <li>Group CSR Procurement Guidelines</li> <li>Responsible Minerals Procurement Policy</li> <li>Supplier Briefing</li> </ul>	<ul style="list-style-type: none"> <li>Activities toward permeation of the CITIZEN Group Code of Conduct</li> <li>Business and human rights training</li> <li>Safety management of chemical substances based on the Environmental Policy</li> </ul>	<ul style="list-style-type: none"> <li>Privacy Policy</li> </ul>	<ul style="list-style-type: none"> <li>Privacy Policy</li> <li>Safety management of chemical substances based on the Environmental Policy and engagement</li> </ul>
Identification of risks	<ul style="list-style-type: none"> <li>Surveying suppliers</li> <li>Sending SAQ</li> <li>Conducting on-site fact-finding (which were equivalent to auditing)</li> </ul>	<ul style="list-style-type: none"> <li>Conducting CSR attitude surveys</li> <li>Stress check (Web)</li> <li>Setting up suggestion boxes at business sites</li> <li>Group Compliance Hotline</li> <li>Harassment Hotline</li> <li>Personal consultation center(CITIZEN WATCH)</li> <li>Health consultation</li> <li>Human Rights Due Diligence Survey</li> </ul>	<ul style="list-style-type: none"> <li>Customer contact center</li> <li>Requests for products and services</li> </ul>	<ul style="list-style-type: none"> <li>Surveying participants in plant tours and other events</li> <li>Voices to community business facilities</li> <li>Engagement with NGOs and others</li> </ul>

## Progress on the Roadmap on Respect for Human Rights

### Fostering Awareness of and Respect for Human Rights

In FY2021, we continued to promote awareness of human rights through e-learning training for Group employees in Japan, as in the previous fiscal year. The participation rate was 99.0% (average of 11 Group companies), up 3 percentage points from the previous year. We also designated December as “CITIZEN Group Human Rights Month” and deepened the understanding of human rights by introducing the activities of the Group

Human Resources Committee in the company newsletter and by holding a “Human Rights Panel Exhibition” at domestic group companies and overseas offices in Europe, America, and Australia to introduce our human rights policies and the contents of the full range of the 30 principles of the Universal Declaration of Human Rights. In FY2022, we will expand awareness-raising activities to other overseas Group companies.

Human Rights Roadmap

	FY2020	FY2021	FY2024	FY2030
Target	<ul style="list-style-type: none"> <li>Establishment of human rights due diligence, compliance with labor-related laws and regulations, and activities based on the Basic Health and Safety Policy.</li> </ul>	<ul style="list-style-type: none"> <li>The company will also establish a human rights due diligence system (to identify negative risks), comply with labor-related laws and regulations, and disseminate the Basic Health and Safety Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of human rights due diligence (goals, plans, operation, and monitoring), compliance with labor-related laws and regulations, and dissemination of the Basic Health and Safety Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with the Group's human rights policy (monitoring and redress process), compliance with labor-related laws and regulations, and establishment of the Basic Health and Safety Policy.</li> </ul>
KPI	<ul style="list-style-type: none"> <li>100% participation rate in human rights e-learning</li> <li>Compliance with overtime laws and regulations</li> <li>Preparation for the establishment of human rights due diligence (identification of negative risks, remedial actions, and operations)</li> </ul>	<ul style="list-style-type: none"> <li>100% participation rate in human rights e-learning</li> <li>Compliance with overtime laws and regulations</li> <li>Preparation for the establishment of human rights due diligence</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the rate of work-related lost-time injuries by at least 50% of the FY2019 actual rate</li> <li>Compliance with laws and regulations regarding the treatment of regular/non-regular employees</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of human rights due diligence at overseas sites</li> <li>Zero lost-time injuries from work</li> </ul>
Measures	<ul style="list-style-type: none"> <li>Implementation of human rights e-learning (Japan)</li> <li>Raise awareness of the Basic Health and Safety Policy at domestic and overseas sites</li> <li>Establishment of a monitoring system for overtime work</li> <li>Implement measures to prevent occupational accidents according to the type of accident</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of a human rights e-learning program</li> <li>Monitoring of overtime work</li> <li>Implementation of measures to prevent industrial accidents</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of activities to disseminate the Basic Health and Safety Policy at domestic and overseas bases</li> <li>Monitoring and compliance with laws and regulations</li> <li>Promote awareness of the Basic Health and Safety Policy</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of consultation services for employees at all locations</li> <li>Improve the human rights due diligence process</li> <li>Monitoring and legal compliance</li> <li>Continuation of activities based on the Basic Health and Safety Policy</li> </ul>

## Efforts to Build Human Rights Due Diligence

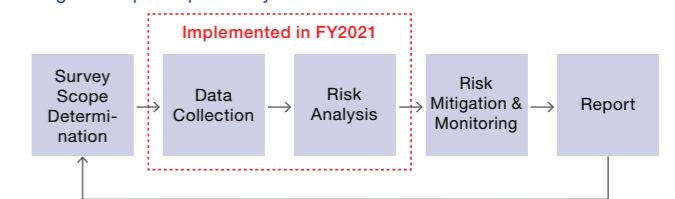
To put human rights due diligence into practice, in FY2021 we worked to identify the negative business impacts on human rights (data collection and risk analysis). Using the Human Rights Due Diligence Questionnaire (22 items in total), prepared with reference to the ILO Declaration\* and UN Global Compact standards, we conducted human rights risk surveys at 14 domestic companies (including Group affiliates) and 41 overseas companies (12 production sites including Group overseas affiliates and 29 sales companies). Although no significant human rights issues were identified in Japan or overseas based on the survey results, the Sustainability Committee identified potential future risks (e.g., harassment, gender and age-related differences in treatment, risk of long working hours, employment stability, health and safety, and collective bargaining) and reported these to the Sustainability Committee. In FY2022, we will further improve the working environment through human rights seminars and individual hearings with managers in order to eliminate risks.

In addition, we regularly conduct supplier questionnaires and employee awareness surveys, and when a risk case falls under a human rights-related item on the 360-degree feedback form, we interview the subject person and make improvements.

With regard to risk identification through employee reporting, as in the previous fiscal year, the CITIZEN Group Compliance Hotline accepts internal reports from employees in a centralized manner, and CITIZEN WATCH has prepared a consultation desk in the Human Resources Department to provide an environment where employees can easily consult.

\* ILO Declaration: Prohibition of child labor, forced labor, discrimination, freedom of association, and collective bargaining

Negative Impact Specific Cycle





# Enhancing quality compliance

## Basic Concept for Quality Compliance

The CITIZEN Group is working to strengthen quality compliance throughout the Group in order to sustainably provide products

and services that are safe, reliable, high-quality, and environmentally sound.

## Quality Compliance Promotion System

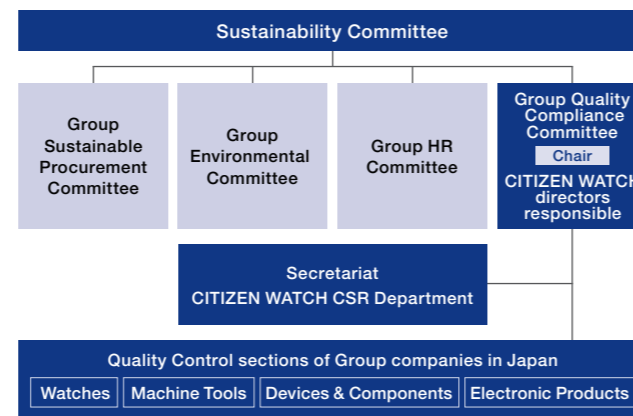
The CITIZEN Group, under the leadership of the Group Quality Compliance Committee established in FY2018, has been conducting activities to disseminate the CITIZEN Group Quality Code of Conduct, which was formulated based on Article 2 of the CITIZEN Group Code of Conduct and in consideration of the situation of each business, to ensure a common recognition of quality compliance, including overseas bases.

This committee is composed of executives in charge of quality at each company and is working to spread compliance with quality-related issues. The committee is also promoting activities to respond to the requests of stakeholders in each business field, while taking into consideration the improvement of the effectiveness of the internal reporting system and ESG/SDGs perspectives.

Since the independence of the Quality Assurance Department is important to ensure product quality, the Quality Assur-

ance Department of CITIZEN WATCH was reorganized as an independent department in April 2022.

The Quality Compliance Committee Organizational Chart



## Progress on the Quality Compliance Roadmap

Regarding the enhancement of quality compliance in FY2021, we achieved the target of "two activities to disseminate the CITIZEN Group Quality Code of Conduct" and the results of an "e-learning participation rate of 98.8%" and a "hotline recognition rate of 82.0%." In addition, under the Covid-19 pandemic, we continued to promote awareness of the Quality Code of Conduct through activities such as the display of posters.

In addition, CITIZEN WATCH is taking the lead in the development of a checklist from the perspective of quality compliance. CITIZEN WATCH will compile the items examined by each group company regarding product quality from the perspective of compliance, and after extracting items common to all group

companies, a common checklist will be created by adding items specific to each company. The Group Quality Compliance Committee plans to conduct a monitoring survey of quality compliance within the Group using this common checklist.

In addition, as committee activities in FY2021, we established opportunities four times a year to share information on quality problems, clarify the causes of their occurrence, and discuss preventive measures. The Committee plays a key role in assuring the quality of the Group, including these activities, and promotes the strengthening and improvement of quality compliance in cooperation with the quality departments and audit departments of each company.

	FY2020	FY2021	FY2024	FY2030
Target	• Expand awareness of the Quality Code of Conduct and monitor compliance and risks.	• Ensure the independence of the quality assurance department of the business controlling company and develop an effective monitoring system.	• Effective risk assessment and correction of compliance with the Quality Code of Conduct at all sites	• All Group executives and employees will comply with the Quality Code of Conduct
KPI	• Number of activities to disseminate the Quality Code of Conduct: 2 • E-learning participation rate: 90%	• Zero violations of the Charter of Quality Conduct • Double the activities to disseminate the Quality Code of Conduct • E-learning participation rate: 98.8%. • Hotline recognition rate: 82.0%.	• Implemented multilingual e-learning • Implemented an anti-fraud system	• Zero violations of the Quality Code of Conduct • 90% awareness of the Compliance Hotline
Measures	• Creation of a Quality Compliance Perspective Audit Checklist • Expansion of the Quality Code of Conduct to overseas sites	• Activities to promote awareness of the Quality Code of Conduct • Expanding the Quality Code of Conduct to overseas bases	• Activities to disseminate the Quality Code of Conduct • Introduction of a quality data tampering prevention system to the Group	• Deployment of the Quality Code of Conduct to all Group sites

# Improving Job Satisfaction and Developing Human Resources

## Basic Concept for Human Resource Development

The Citizen Group believes that securing and developing human resources leads to "sustainable management," and we are promoting support for employees' skill development according to their stage of growth. To this end, each group company is taking the initiative in creating a comfortable work environment

in which diverse human resources can play an active role, while developing human resources capable of driving the growth of each company in line with the policies and business environment of each operating company.

## Training System

Citizen WATCH aims to develop professional human resources as early as possible based on the career autonomy of each employee, both company-led and dual-axis, and to grow the company as the employee grows. In order to enable autonomous career development, career seminars are held for those interested, and a hand-picked training program is being expanded to allow all applicants to select the courses they need from a system of education and training organized by rank and theme.

In addition, we plan to introduce reskilling training for managers in FY2022 so that employees can experience personal growth

and job satisfaction through lifelong learning, which will lead to the growth of the company.

Class Training	New employee training/training for newly appointed Senior Position, training for newly appointed Senior Managers, etc.
Purpose and theme-specific training	Raise-your-hand option training, training for employees in childcare/training prior to overseas assignment, etc.
Self-development	Self-development e-learning (school) / watch school, etc. * A business license award system is available to honor those who acquire company-designated qualifications.

Position / Rank	New Employee	Young Employee	Mid-Career Employee	Senior Position	Senior Managers	Department Managers	Management level
Growth Issues	Basic knowledge required for working duties	Careers Design Skills Leadership	Clarification of career vision Strengthening of professionalism and nurturing skills	Understanding of roles, Acquisition of knowledge	Recognition of own position through interaction with other companies and 360 degree FB. Re-understand the knowledge required for management.		Understanding of roles, Acquisition of knowledge
Class Training	New Employee Training			Senior Position Training	Training for Senior Managers	Training for Department Managers	Training for New Directors
Purpose and theme-specific training		Second year FU Training	Generational Career Training				
			Raised-Hand Selection Training				
		Instructor Training		Training for Trainers			
		Diversity / Childcare / Workplace Reform Seminar					
		Training for Overseas Delegates					
					360-degree feedback training		
Management Personnel Training					Strategic Management Training		
			Group Next-Generation Training				
Self-development			Online English Conversation (Trial)				
			Watch school				
			Self-development e-learning (school)				

\* Conditions vary depending on the content of the training, such as mandatory participation, supervisor recommendation or personal application.

## Workplace Reform and Diverse Work Practices

CITIZEN WATCH has been quick to institutionalize telework and expand the scope of the flextime system to respond to the diversification of work styles, enhance the work-life balance, and realize a work style that is not restricted by location or time. During the pandemic, the company quickly transitioned to a telecommuting structure, preventing the spread of infection and limiting the impact on business. In addition, as part of the reform of the work style, the working hours were reduced to 7 hours and 45 minutes from the previous 8 hours. With the aim of improving productivity and creating an environment in which all employees can work with vigor and enthusiasm, we have

launched employee-led business improvement projects and promoted the introduction of systems that contribute to operational improvements and greater efficiency at each workplace.

At the same time, in order to avoid excessive work, each department strives to monitor employee overtime hours and provides thorough guidance to department managers as needed to avoid excessive overtime and concentration of work from the perspective of compliance with the Labor Standards Act and from the perspective of employee health management. We also work closely with the labor union through information exchange and other means to ensure proper operation.



## Diversity & Inclusion

### Promoting a Work-Life Balance

The CITIZEN Group is working to create an ideal working environment in which all employees can strike a balance between their work and private lives.

In addition, from the perspective of compliance with the labor

standards laws and other laws and regulations of each country, as well as from the perspective of employee health management, we maintain an environment that avoids excessive overtime and long working hours due to the concentration of work.

### Initiatives to Ensure Diversity

CITIZEN WATCH appoints young mid-career employees in their late 20s and early 30s who are experienced in diversity matters to head divisions at the head office and overseas offices to ensure the diversity of the entire organization. We offer assign-

ments and opportunities without regard to gender, nationality, new graduates or mid-career hires, and we actively assign female expatriates and mid-career hires as overseas office managers shortly after they join the company.

### Employment of Persons with Disabilities

The CITIZEN Group is actively working to employ people with disabilities, in line with our basic policy of “working together.” As an example, CITIZEN WATCH has been accepting trainees from special-needs schools every year since FY2018, providing opportunities for trainees to gain work experience and leading to stable employment after recruitment and entry into the company. The current number of such recruits is three.

For more than 40 years, we have also been providing employment support through subcontracted work such as counting and packaging watch parts and after-sales service parts and dismantling watches at Social Welfare Corporation Murayama-en (Higashimurayama City, Tokyo). We will continue to make efforts to further expand employment and job opportunities.

### Empowerment of Female Employees

The CITIZEN Group has formulated and is implementing various action plans to create an employment environment in which women can continue to play an active role, including the enhancement of career training and the introduction of a working style that encourages a work-life balance.

In addition, CITIZEN WATCH supports the “30% by 2030

Challenge” set forth by Keidanren in November 2020. CITIZEN WATCH has hereby set the goal of increasing the percentage of women in management positions to at least 10% by FY2025. In 2016, the Group’s first female director of CITIZEN Watch Australia was appointed, and in April 2022, the Group’s first female human resources manager was appointed.

### Initiatives for Women’s Advancement in CITIZEN WATCH

#### Raising Awareness for Women’s Advancement

At CITIZEN WATCH, the president himself is committed to creating a proactive environment that promotes diversity. We have established a diversity promotion study team, which has been working to understand the current situation by listening to the opinions of our employees and considering the measures necessary for each and every one of our diverse employees to be more active. Specifically, we invite outside lecturers to give diversity lectures to raise the awareness of managers, and we hold training for male and female employees who are raising children as well as their managers. In addition, to ensure that these employees can continue to work effectively despite their circumstances, they learn how to interact with their families, colleagues, and superiors through work and discussion via e-learning.

#### Initiatives to Support the Skills Development and Careers of Female Employees

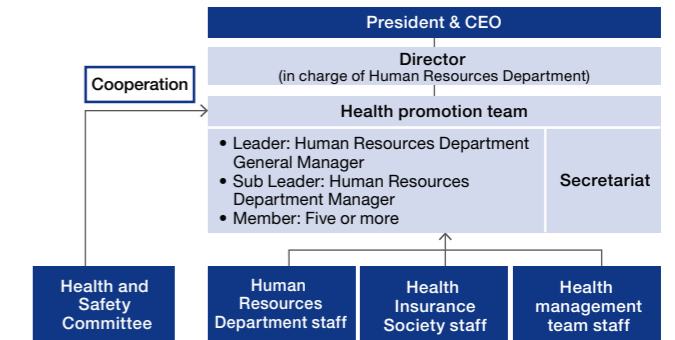
In FY2018, we held a lunch meeting to inform employees of the systems available for childcare and developed measures to encourage stable career development, such as communicating the importance of making early statements about life stage changes and designing a flexible lifestyle. In FY2019, we held the same lunch meeting to promote awareness of the support system and mutual understanding across departments and ages. We will continue to value the opinions of our employees and develop a variety of initiatives, such as career support seminars and job returns, in FY2021.

## Creating Health, Safe and Pleasant Working Environment

### Basic Ideas about Health Management

The CITIZEN Group places great importance on creating a workplace where employees can work comfortably and in a rewarding work environment. As part of this effort, we have published the “Health Declaration” and are promoting “health management”, in which the health management of employees is considered and practiced from a managerial point of view. We also consider the environment surrounding our female employees from the perspective of gender diversity and strive to practice “diversity management.” We aim to create an organization where each and every one of our diverse employees – the source of our organization’s competitiveness – can work with their full potential for a long time.

CITIZEN WATCH Health Management Organizational Chart



### Initiatives for Health Maintenance and Promotion

#### PEP UP Health Information Site

The health insurance society operates the PEP UP health information website. This site’s features include “My Health Status,” which is based on individual health examination results, the healthy age calculated from the health examination results, health-related articles reflecting members’ individual health issues, and information about such subjects as healthcare costs

incurred at hospitals and generic drugs. Furthermore, we are implementing various campaigns, such as the Health Check Results Improvement Challenge, in which members can receive Pep Points for participation in walking rallies or having healthy ages that are younger than their actual ages. These help to improve the health of Health Insurance Society members.

### Basic Approach to Occupational Safety

As Article 4 of the CITIZEN Group Code of Conduct stipulates that “We will respect human rights and diversity and create a safe and comfortable workplace,” the CITIZEN Group places great importance on health and safety in the workplace environment. In June 2022, we revised the CITIZEN Group’s Basic

Health and Safety Policy to ensure that all employees are aware of and comply with the policy. With this revision, we aim to further improve health and safety throughout the supply chain by expanding the scope of application of the safety policy from Group employees to suppliers, including business partners.

#### Health and Safety Management System

The six major CITIZEN Group companies have established health and safety committees as required by law, and some companies are working on health and safety under committees that include directors. The Group Health and Safety Committee meets twice a year to share information on the activities of each company’s health and safety management and the accident investigations and measures taken by each company’s Health

and Safety Committee to improve the occupational health and safety environment and to prevent the occurrence of occupational accidents. In the event of an incident leading to a major accident (crisis), information is immediately shared among the group companies to prevent the recurrence of such an incident. Only one overseas office has ISO 45001 certification.

#### Health and Safety Activities

At the Tokyo Office, the Health and Safety Committee formulates an annual health and safety management action plan to ensure the health and safety of employees and to prevent occupational accidents. The Health and Safety Committee, which meets every month, discusses and discloses information on safety, health, occupational accidents, and countermeasures to reduce the risk to the health and safety of our employees, aiming to achieve 1800 days without accident (the number of days without occupational fatalities or lost-time injuries) (September 6th, 2018 - August 10th, 2023). In FY2021, we continued our efforts from the previous year to share health and safety information via the intranet from the perspective of infection control.

Meanwhile, at the level of disaster prevention, the Disaster Prevention Committee conducts comprehensive disaster drills based on a hypothetical large-scale earthquake or fire, as well as drills on the operation of fire extinguishers and hydrants, and drills on how to respond to oil spills. In FY2021, based on infection control measures, we conducted remote training for legal managers and small-scale training for each floor. We have also established a disaster mitigation system by setting up a safety confirmation system and stockpiles of emergency supplies, and we are working to raise our employees’ disaster awareness. We will continue to ensure the health and safety of our employees through the Health and Safety Committee and the Disaster Prevention Committee.



# Promoting Sustainable Procurement

## Basic Concept for Sustainable Procurement

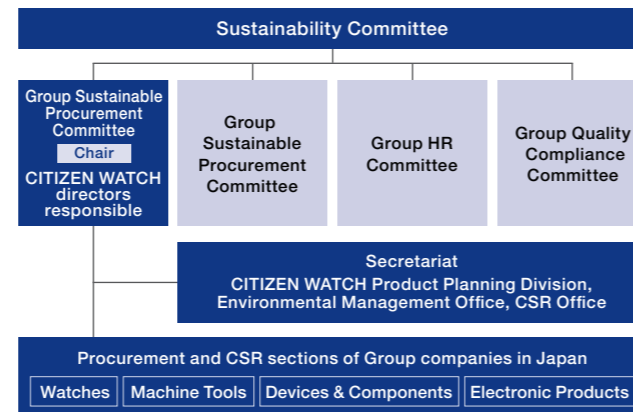
The CITIZEN Group aims to contribute to a sustainable society through the realization of “sustainable factories” that take into consideration not only its own factories but also their manufacturing processes. A “sustainable factory” is a concept in which the entire value chain, including suppliers, is a sustainable factory. Collaboration with suppliers, who play a key role

upstream in the value chain, is essential for the realization of the sustainable factory, and we practice sustainable procurement (CSR procurement, responsible mineral procurement, and green procurement) as well as production system development that comprehensively considers compliance, human rights, labor practices, BCP, and productivity improvement.

## Group Sustainable Procurement Committee Organizational Chart

Under the Sustainability Committee, the CITIZEN Group has established the CITIZEN Group Sustainable Procurement Committee, in which the procurement divisions and CSR divisions of group companies participate as members. The committee meets twice a year to share the CITIZEN Group’s goals and KPIs for responsible mineral procurement. At the end of the fiscal year, the Sustainability Committee reports and reviews the status of initiatives and holds study sessions to implement ongoing efforts and improvements.

The CITIZEN Group Sustainable Procurement Committee takes the lead in implementing Group-wide measures for responsible mineral procurement, and the status of these measures is shared with the Board of Directors through reports to the Sustainability Committee.



## Progress on the Roadmap

To follow the CITIZEN Group CSR Procurement Guidelines, the CITIZEN Group has established a roadmap to 2030, aiming for “100% compliance with the CSR Procurement Guidelines by 100% of the CITIZEN Group and 70% of its key suppliers.” In FY2021, we established risk rankings for suppliers based on human rights risk identification and SAQ for our business. In

FY2022, we will conduct a fact-finding survey of suppliers and key suppliers who fall into the high-risk category and promote improvement measures to increase the participation rate at briefing sessions in order to reduce the number of high-risk suppliers to 0% by 2024.

### Roadmap to 2030

	FY2021	FY2022	FY2024	FY2030
Target	<ul style="list-style-type: none"> <li>Identification of human rights risks in the watch business</li> <li>Risk ranking for SAQ</li> </ul>	<ul style="list-style-type: none"> <li>Identification of human rights risks in the business controlling company</li> <li>Determination of corrective measures for human rights risks in the watch business</li> </ul>	70% of the Group adheres 100% to CSR procurement guidelines	100% of the Group and 70% of major suppliers comply with 100% of the CSR Procurement Guidelines
KPI	<ul style="list-style-type: none"> <li>50% of major suppliers attend the briefing</li> <li>SAQs distributed to 50% of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>75% of major suppliers participate in the briefing</li> <li>SAQs distributed to 75% of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the number of high-risk suppliers to 0%</li> <li>Distribute fact-finding survey sheets to 100% of major suppliers</li> <li>Distribute fact-finding survey sheets to 100% of major suppliers</li> </ul>	<ul style="list-style-type: none"> <li>100% of major suppliers respond to the survey</li> <li>70% of major suppliers respond to the fact-finding survey checklist</li> </ul>
Measures	<ul style="list-style-type: none"> <li>Report on green procurement promotion activities (target: 100% collection rate of documents requesting submission for green procurement)</li> <li>Due diligence conducted by each company's procurement department in major businesses</li> <li>Due diligence conducted by the procurement department of each major business</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence conducted by each company's procurement department in major businesses</li> <li>CSR procurement study sessions conducted for all Group employees (including overseas employees)</li> </ul>	<ul style="list-style-type: none"> <li>100% of major suppliers comply with green procurement standards</li> <li>Ongoing communication and action for remediation</li> </ul>	<ul style="list-style-type: none"> <li>100% of major suppliers comply with green procurement standards</li> <li>Ongoing communication and action for remediation</li> </ul>

## Survey Using the Supplier Questionnaire (SAQ)

As part of our efforts to understand CSR procurement risks, since FY2019, the CITIZEN Group has begun conducting surveys of domestic suppliers using the SAQ<sup>\*1</sup> and a supplier fact-finding survey<sup>\*2</sup> using the Fact-Finding Survey Check Sheet, which was created independently by the Group.

In FY2021, we held online briefings based on the CITIZEN Group CSR Procurement Guidelines and other content for suppliers in Japan and China to gain an understanding of the Group’s approach to CSR procurement, and conducted SAQ surveys of 657 companies, representing approximately 50% of our key suppliers. Implementation is scheduled for 75% of key

suppliers in FY2022 and will be phased in to reach 100% by 2023, four years after the survey begins.

In addition, we have established risk rankings according to the overall score rate of the SAQ radar chart analysis and have developed a mechanism to reveal suppliers with high procurement risk based on the survey results and responses in 2021. We are promoting improvement activities, such as conducting additional surveys using the “Fact-Finding Check Sheet”, for several companies that are considered high-risk.

<sup>\*1</sup> The common SAQ of the Global Compact Japan Network (GCNJ) is adopted.  
<sup>\*2</sup> The CITIZEN Group’s term for on-site supplier audits and monitoring.

### Risk Rank Setting for SAQ

Risk rank	Scoring rate (%)	Description
Low risk	80% or more	Basically, actions are being taken at the level required by the CITIZEN Group CSR Procurement Guidelines. Items requiring improvement can also be voluntarily improved.
Middle risk	50–79%	Items for which action is not taken at the level required by the CITIZEN Group CSR Procurement Guidelines, but voluntary improvements can be made.
High risk	49% or less	Items for which action is not taken at the required level in the CITIZEN Group CSR Procurement Guidelines need to be monitored based on the improvement plan.

\* Risk rank based on the overall percentage of points scored in the SAQ’s radar chart analysis (rounded down to the nearest whole number)

## SAQ Survey for New Suppliers

Efforts to assess the risk status of new suppliers by conducting the SAQ at the time of new contracts began in FY2021. Companies and organizations that have cooperated with us in demonstration experiments and prototype development and

with whom we expect to do business in the future are also eligible. In conjunction with the SAQ, a set of materials including the CITIZEN Group Anti-Corruption Policy is distributed.

## Mineral Procurement Initiatives

The CITIZEN Group also recognizes conflict minerals, which carry the risk of funding armed groups and human rights abuses, as an important procurement risk. Recognizing the application of the EU Conflict Minerals Regulation in 2021, as well as the expansion of target minerals, target regions, and target risks, we revised our existing Conflict Minerals Response Policy into the CITIZEN Group Responsible Minerals Procurement Policy in January of the same year. The revised policy

clarifies the expansion of targeted minerals and sourcing regions, as well as the actions to be taken when risks are identified. In addition to suppliers procuring the subject minerals, the CITIZEN Group itself is working to eliminate conflict minerals as a supplier by complying with the code of conduct of the Responsible Business Alliance (RBA) at the request of suppliers to whom it delivers parts and other items.

## Responsible Mineral Procurement Initiatives

The CITIZEN Group recognizes that 3TG, which originates from conflict zones and high-risk areas (CAHRAs) such as the Democratic Republic of Congo and neighboring countries, is an important international issue because it is a source of funding for armed groups and contributes to conflict, human rights abuses,

and environmental destruction. We also endorse the concept of the OECD “Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict and High-Risk Areas” and are implementing initiatives in line with the framework set forth by the Guidance.



# Enhancing Corporate Governance

## The CITIZEN Group's Corporate Governance

The CITIZEN Group endeavors to improve corporate value and contribute to society through sustained activities that are in harmony with the local community and the global environment. This is part of its corporate philosophy, after which the company was named: "Loved by Citizens, Working for Citizens." To continuously further this goal, we strive to reinforce corporate governance in recognition of the importance of ensuring management

transparency and supervising management from various angles. The CITIZEN Group is striving to further enhance its corporate governance to ensure sustainable growth through the achievement of the Group's overall business goals. With the global economy and society changing at an unprecedented rate, CITIZEN WATCH is playing a central role in managing and supervising the entire Group to respond to the various social issues we face.

## Corporate Governance Structure

CITIZEN WATCH has a Board of Directors comprising seven directors knowledgeable about its business content and three highly independent outside directors. The Board of Directors makes decisions on the execution of business and oversees the execution of business.

In addition, we have adopted the Board of Corporate Auditors system; the Board of Corporate Auditors consists of three members, including two outside corporate auditors.

We have established the Nominating Committee and the Compensation Committee as voluntary bodies to enhance management transparency.

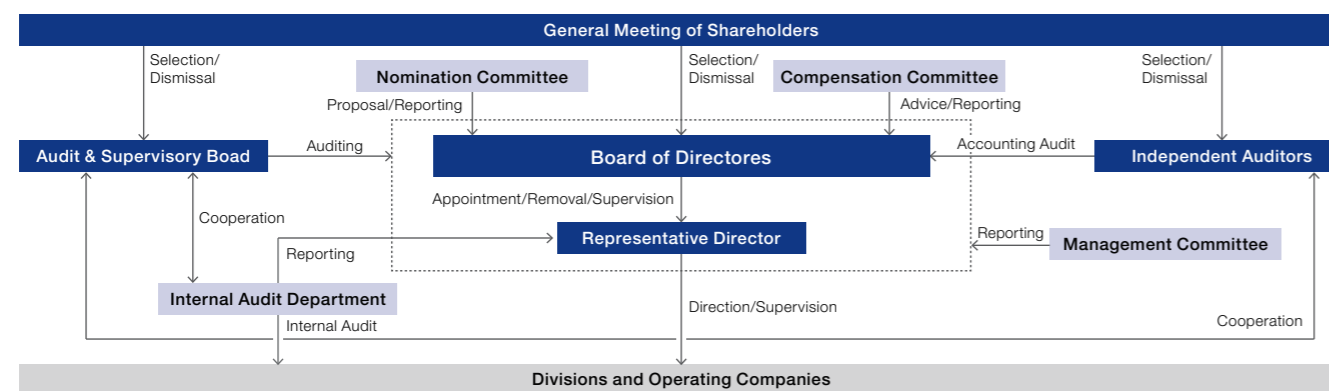
The main duties of the Nominating Committee are to deliberate and propose to the Board of Directors matters concerning the selection or dismissal of the representative director, the president and CEO, and the chairman of the Board of Directors; to deliberate and report in consultation with the Board of Directors or the president and CEO or other directors concerning the selection or dismissal of officers; and to deliberate and report in consultation with the Board of Directors or the president and CEO or other directors concerning succession planning for the president and CEO and directors.

The Compensation Committee discusses matters related to the

policy and the standards for and compensation received by the directors, and its main duty is also to provide advice and counsel to the Board of Directors.

Each committee is composed of three or more directors, who are appointed by a resolution of the Board of Directors. The majority of committee members are outside directors and at least one of them is a representative director. The chairperson of each of the committees is an outside director and is elected by the members of the respective committee.

In accordance with the audit policy and audit plans prescribed by the Audit & Supervisory Board, in carrying out initiatives for the further enhancement of corporate governance, each auditor attends the Board of Directors meetings, Group management meetings, and management meetings, inspects important documents such as authorization documents and reports from the Board of Directors, etc. concerning the execution of duties, and implements rigorous audits on the conduct of affairs by directors through means such as examining business operations and assets. We also receive reports on accounting audits from the accounting auditor, Nihonbashi Audit Corporation, and cooperate with the accounting auditor to efficiently perform audit work and other tasks for CITIZEN Watch and its subsidiaries.



The frame is an institution under the provisions of the Companies Act.  
 \* 9 Directors (including 3 Social Directors) / 3 Corporate Auditors (including 2 Outside Corporate Auditors)

## Board Composition and Diversity

CITIZEN Watch is committed to ensuring that the Board of Directors effectively fulfills its roles and responsibilities in achieving management strategies, taking into consideration diversity, including gender and internationality. To this end, we have identified "corporate management," "sales/marketing," and "R&D" as well as "international business," "human resources development/diversity," and "ESG/sustainability" as necessary knowledge, experience, and

abilities, and these are the roles we expect from directors. The appointment of directors and officers is contingent on the condition that they meet the requirements to become directors and officers stipulated in the Companies Act and other laws and regulations, and that they have the character and insight appropriate for directors and officers and can fulfill their responsibilities.

## Assessment of Board Effectiveness

The CITIZEN Watch conducted an evaluation and analysis of the effectiveness of the Board of Directors with the aim of further strengthening the Board's functions. The results confirmed that the Board of Directors is generally functioning appropriately in

focusing on the framework and organizational management that support the Board of Directors, and that the Board's effectiveness is ensured.

1. Evaluation method	To analyze and evaluate the effectiveness of the Board of Directors, we conducted a questionnaire regarding the Board of Directors for all directors and corporate auditors, using an effectiveness evaluation tool developed by an external organization. The questionnaire was administered using questions developed by an external organization, and the results of the analysis and evaluation were reviewed by the Board of Directors. <ul style="list-style-type: none"> <li>Target: All directors and corporate auditors (12 persons)</li> <li>Time: February 25 - March 11, 2022</li> <li>Method: Questionnaire</li> <li>Questions: 18 questions in total                     <ul style="list-style-type: none"> <li>1st set of questions: Questions related to the operation of the Board of Directors (2 questions)</li> <li>2nd set of questions: Questions about the agenda of the Board of Directors (9 questions)</li> <li>3rd set of questions: Questions about the structure supporting the Board of Directors (7 questions)</li> </ul> </li> </ul>
2. Summary of the results	Regarding the results of the questionnaire evaluating the effectiveness of the Board of Directors, each director and each auditor generally gave a high evaluation, confirming that the Board of Directors is functioning effectively. The ratings for each question were as follows. <ol style="list-style-type: none"> <li>The operation of the Board of Directors meetings Regarding the operation of the meetings, the Board of Directors responded that the volume of materials is appropriate and that the deadlines for prior distribution are generally met, but that more time should be allocated to the discussion of growth strategies and human capital by devising the agenda and materials. In addition to the questions and comments from the outside directors, the internal directors' comments have also increased, indicating that they are now able to engage in lively discussions.</li> <li>The agenda for the Board of Directors meetings With regard to the agenda, the responses indicated that information and discussion opportunities were provided outside of the Board of Directors meetings, and that there were active discussions not only on short-term agenda items, but also on a wide variety of important topics related to strategies, risks, and personnel issues that were addressed in the medium and long term in the formulation of the Medium-Term Management Plan.</li> <li>System to support the Board of Directors The respondents indicated that opportunities are provided outside of Board meetings for the exchange of opinions, briefings are given on individual topics, and important information is provided on a regular basis. Regarding training, the respondents answered that while it is provided, it is not sufficient and needs to be improved.</li> </ol>

## Officer List

CITIZEN Watch strives to appoint outside directors or outside corporate auditors who are free from any possibility of conflict of interest with general shareholders, emphasizing their abundant experience and broad insight as managers or their advanced knowledge and insight in corporate finance, corporate legal affairs, and other areas.

In addition, the knowledge, experience, and abilities required to effectively fulfill the roles and responsibilities of the Board of Directors in achieving management strategies are defined and disclosed in the skills matrix.

Skills Matrix  
[https://www.citizen.co.jp/global/sustainability/governance/corpo\\_governance.html](https://www.citizen.co.jp/global/sustainability/governance/corpo_governance.html)

Candidate No.	Name	Position	Attribution	Attendance at Board of Directors meetings
1	Toshihiko Sato	President & CEO	Re-appointment	17 / 17 (100%)
2	Toshiyuki Furukawa	Managing Director In charge of the Corporate Planning Department, Accounting Department, Public Relations & Investor Relations Office, and Information Systems Department	Re-appointment	17 / 17 (100%)
3	Yoshitaka Oji	Managing Director Senior General Manager of Watch Business Division	Re-appointment	17 / 17 (100%)
4	Keiichi Nakajima	Director	Re-appointment	17 / 17 (100%)
5	Shinji Shirai	Director Senior General Manager of Manufacturing Technology Division	Re-appointment	17 / 17 (100%)
6	Yoshiaki Miyamoto	Director General Manager of General Affairs Division and in charge of Group Risk Management, Personnel Division, CSR Department and Environmental Management Department	Re-appointment	17 / 17 (100%)
7	Toshiko Kuboki	Outside Director	Re-appointment Outside the company Independent	17 / 17 (100%)
8	Yoshio Osawa	Outside Director	Re-appointment Outside the company Independent	17 / 17 (100%)
9	Katsuhiko Yoshida	-	New appointment Outside the company Independent	-



# Strengthen Risk Management

## Basic Concept for Risk Management

The CITIZEN Group assesses, analyzes, and evaluates risk and engages in activities to appropriately manage risk based on the

results of its efforts in order to achieve Group-wide business targets and ensure sound and sustainable development.

## Enhancement of Group Risk Management

To achieve Group-wide business objectives and ensure sustained growth, the CITIZEN Group has developed a structure to enable centralized risk management and swift responses across the Group. This structure includes sub-committees of the Sustainability Committee that address operational risks in normal times and related ESG risks, as well as committees that address legal and compliance, information security, disaster, and other risks.

The CITIZEN WATCH CSR Office, the core of the Group risk-/crisis-management structure, cooperates with individual sections of CITIZEN WATCH and Group companies in Japan and overseas to advance and check on efforts to enhance Group governance and quality compliance, check on the state of responses to priority risks in the Group, and respond to emerging risks.

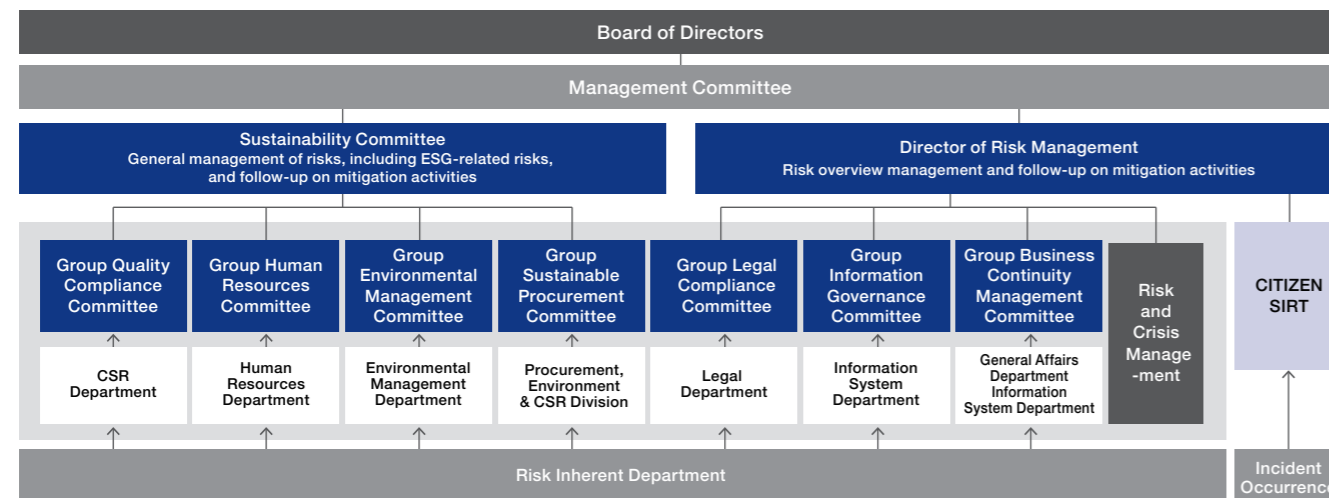
The identification and response to critical risks (financial, compliance, business continuity plan (BCP), intellectual property, information security, human rights issues, labor practices, ESG, etc.) are also addressed by top management in cooperation with each company and with input from third-party experts.

Information security incidents such as cyberattacks are handled under the leadership of CITIZEN-SIRT (CSIRT), which was established within CITIZEN Watch in June 2020.

By sharing information on important risks common to the Group and risks specific to each company across the Group, knowledge and know-how can be shared, and uniform risk management can be achieved across the Group.

With respect to strengthening quality compliance throughout the Group, the CITIZEN Group Quality Code of Conduct, which serves as a guideline for all employees, is disseminated under the management responsibility of CITIZEN Watch's director in charge of Group Risk Management. To this end, we are striving to thoroughly reduce quality risks by changing the organization to ensure the independence of the Quality Control Department, conducting quality control training, and practicing contract drafting and quality inspections based on the Group's unified standards. In FY2022, we will formulate an audit list based on quality compliance perspectives and conduct it in conjunction with quality audits to expose risks and make improvements.

Group Risk Management Organizational Structure



## Key Initiatives for Significant Risks

In FY2021, we are reviewing the Group's material risks, adding new perspectives such as financial risks and reputational risks, and taking the lead in promoting Group-wide awareness and examining countermeasures under the leadership of CITIZEN Watch. ESG and materiality risks, as well as other material risks, must also be addressed to ensure the Group's sustainable existence. The Sustainability Committee has taken the lead in examining the impact on the Group and countermeasures, and

the Boards of Directors of each Group company have also taken steps to deepen the awareness of risks, thereby fostering risk awareness throughout the Group. We are also discussing preventive measures and other measures for emerging risks, such as cyberattacks, information leaks, and changes in laws and regulations overseas, which could have a significant impact on the Group in the medium term.

# Through Compliance

## Basic Concept for Compliance

The CITIZEN Group has been a participant in the United Nations Global Compact since April 2005, and in addition to endorsing the ten principles in four areas and continuing efforts to realize them, we have also established our corporate philosophy of "Loved by Citizens, Working for Citizens," with the CITIZEN Group Code of Conduct as specific action guidelines for this philosophy, and we always consider what we should do as a good corporate citizen.

Article 3 of the CITIZEN Group Code of Conduct calls for the Group to "engage in business practices that are fair, transparent, open to competition, and responsible." Through these and other

means, we strive to act not only in compliance with laws and regulations but also in line with a high level of ethics overall. In addition, as our businesses are growing increasingly complex from day to day amid growing globalization, in April 2020, we formulated the CITIZEN Group Anti-Corruption Policy, which systematically describes the Group's thinking and position toward the elimination of corruption in its various forms, including improper acts and bribery. Based on these policies, we strive to build sound relationships of trust with customers, suppliers, and other stakeholders, with each and every employee in the Group maintaining a high level of compliance consciousness.

## The Compliance Hotline, an Internal Whistleblowing System

To comply with laws and regulations and to prevent, quickly identify, and eliminate improper acts,\* including bribery and corruption, the CITIZEN Group has established internal whistleblowing systems, incorporating the Speak Up system, to enable any Group employees to submit reports, request consultation, and make suggestions anonymously to CITIZEN WATCH, other Group companies, and external agencies.

Furthermore, we have established the new Group Compliance Hotline Rules in reference to the internal whistleblowing guidelines established by the Consumer Affairs Agency and to the Corporate Governance Code covering matters such as the protection of user confidentiality and the prohibition of disadvantageous treatment. We have also formed guidelines for users and managers as part of continual efforts to make the system easier to use through the standardization of the responses of those receiving calls. In addition, to enhance the effectiveness of the system, it is essential that whistleblowers are informed of the protection of whistleblowers, including the prohibition

of any prejudicial treatment of whistleblowers. 82.0% of employees were aware of the hotline in the FY2009 survey. In FY2022, we will continue to promote awareness of the hotline through training for managers, feature articles in the company newsletter, and updates to the intranet page.

The number of whistleblowing reports in FY2021 was 20, consisting of 12 received internally and 8 received by external contact points.

As a result of investigations and corrective actions taken on all reports, there were no cases of serious human rights violations or violations of the Anti-Corruption Policy.

In response to the need for teleworking due to COVID-19, we plan efforts to create working environments to enable even more thorough compliance through means such as reflecting opinions received and developing rules concerning the new work style of remote work.

\* Our approach to the prevention of improper acts is established in Article 3 of the CITIZEN Group Code of Conduct, which calls for the Group to "engage in business practices that are fair, transparent, open to competition, and responsible" (fairness, transparency, openness to competition, responding to government agencies etc., export/import controls, prohibition of contact with antisocial forces, prevention of money laundering, responsible and sustainable procurement).

## Information Security

In recent years, there has been an increasing number of cases of cyberattacks that have a devastating impact on the entire supply chain, such as the shutdown of all domestic bases. The CITIZEN Group recognizes the risks related to information security, such as information leaks and system downtime, as important risks and has strengthened its structure by establishing the Group Information Governance Committee in 2016, chaired by the director in charge of general affairs, to address personal information protection, trade secret management, and information security management.

Specifically, we are working to disseminate the CITIZEN Group Information Security Policy, which was revised in November 2020, throughout the company, and are also working closely with our overseas offices to promote the understanding of the importance of information security. We are also constantly alerting our employees to ransomware and phishing e-mail scams, and we are working to foster information security awareness throughout the Group, for example, by conducting targeted attack e-mail training twice a year in FY2021.

Furthermore, in June 2020 we formed CITIZEN-SIRT as a

computer security incident response team (CSIRT) to serve as a first responder to cyberattacks and other critical incidents. CITIZEN-SIRT monitors risks such as system downtime that deviates from the usual time, and when an incident occurs, it responds promptly – from the initial response to cooperation with the relevant departments and problem resolution. In FY2021, one incident was handled by CITIZEN-SIRT, but it did not lead to a serious situation such as information leakage or system downtime.

In FY2022, CITIZEN-SIRT will play a central role in conducting training sessions in accordance with the latest external trends and the level of information security within the Group, conducting periodic training to improve the response process, and reviewing the internal environment, including the formulation of a business continuity plan and response guidelines in preparation for incidents.

For the information system environment under normal circumstances, we actively use data centers and cloud services to build a safe and stable IT infrastructure that is resistant to accidents and disasters, and also contributes to power savings and CO<sub>2</sub> emissions reduction.

# Performance Highlight

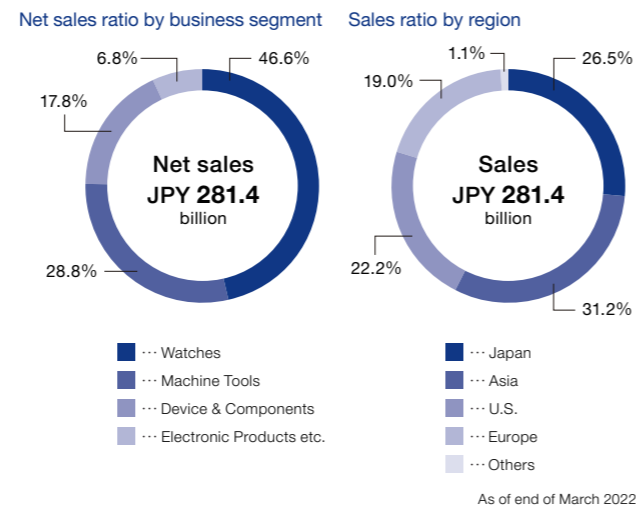
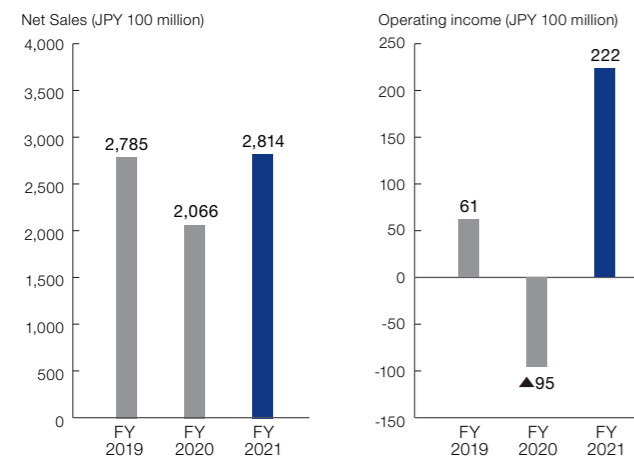
## Financial Performance of the CITIZEN Group

In FY2021, the domestic economy showed signs of gradual recovery from the impact of the new coronavirus pandemic, but its outlook remained uncertain due to the spread of new mutant strains and the shortage of materials, especially semiconductors. Similarly, the North American and European economies generally maintained a recovery trend, despite concerns about the re-expansion of the coronavirus infection and a drop in personal spending caused by overall price hikes. The Asian economy was stagnant amid uncertainty over the future caused

by economic activity restrictions in the Chinese market, and economic activities in other areas of Asia lacked momentum because of the effect of measures to curb the spread of infection.

As a result, net sales totaled JPY281.4 billion and operating income was JPY22.2 billion, achieving an increase in both sales and income. Ordinary income was JPY27.3 billion and net income attributable to owners of the parent was JPY22.1 billion, recording an increase in both.

### Profitability



## The CITIZEN Group's Nonfinancial Performance

- The CITIZEN Group Code of Conduct translated into 10 languages**
- CDP supplier engagement evaluation Leader board Selection**
- Percentage of Group employees in Japan completing e-learning on human rights: 99.0 %**
- Number of cases of monitoring under international environmental laws and regulations: 1,079**
- Number of suppliers to which the sustainable procurement briefing video was distributed (domestic and China) About companies 1,990**

For further information about CSR data, visit this website  
<https://www.citizen.co.jp/global/csr/data/index.html>

# Current Position of the CITIZEN Group

The CITIZEN Group has developed a wide range of businesses for over 100 years since its foundation in 1918, with the desire to create domestically produced watches.

The following is an overview of our four businesses that contribute broadly to the lives of people around the world.

### Watches

**Top class middle-range market share in the U.S.**  
**World's top class in movement sales**

"Better Starts Now" -- as long as we consider 'now' as the time to start and take action at any time, we can constantly make something better. Based on this belief, we have pioneered the development of the world's first photovoltaic technology "Eco-Drive" and the most advanced GPS satellite radio wave watches, opening the way to the future of watchmaking. We are one of the few watch manufacturers in the world that can carry out in-house integrated production from parts to finished watches.

**Main operating companies**  
 CITIZEN WATCH CO., LTD., CITIZEN WATCH MANUFACTURING CO., LTD., CITIZEN RETAIL PLANNING CO., LTD., CITIZEN T.I.C. CO., LTD.

### Machine tools

**Medium and small CNC automatic lathes**  
**Top-class global market share**

Utilizing our technology and know-how cultivated in the manufacture of small watch parts which requires high precision, we began the production of machine tools in 1936. Machine tools are used for producing necessary parts in a wide range of fields, including automotive, medical, and IT-related industries, and contribute to the development of manufacturing industries around the world.

**Main operating companies**  
 CITIZEN MACHINERY CO., LTD.

### FY2021 Sales Composition Ratio by Business

Watches	46%
Machine tools	29%
Devices	18%
Electronics and others	7%

### Devices

**Applying proprietary core technologies to high value-added products**

Applying the core technologies of "miniaturization," "precision processing," and "low power consumption" cultivated in our watch manufacturing, we provide products for various electronic devices that support society. By enabling lower power consumption and longer service life of such devices, we not only make people's lives more convenient and comfortable but also contribute to reduction of the burden on the global environment.

**Main operating companies**  
 CITIZEN FINEDEVICE CO., LTD., CITIZEN ELECTRONICS CO., LTD., CITIZEN MICRO CO., LTD., CITIZEN CHIBA PRECISION CO., LTD., FUJIMI CO., LTD., CITIZEN ELECTRONICS TIMEL CO., LTD.

### Electronics and others

**Application and development of the technology of small precision instruments**

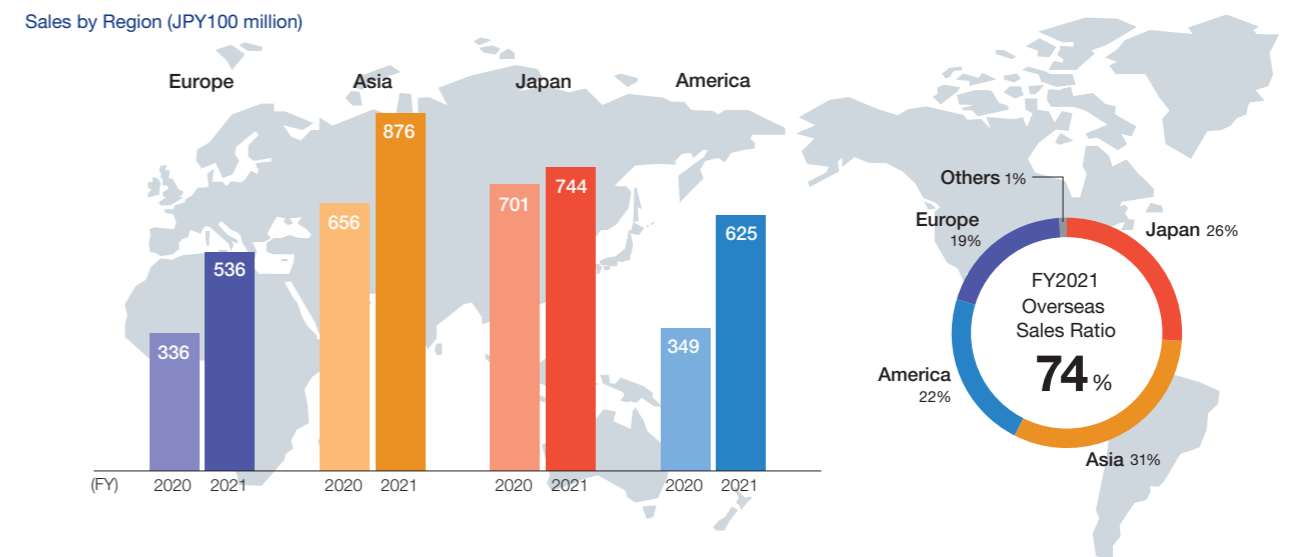
Our POS systems, barcode printers, and high-resolution digital photo printers are produced by applying the technologies of "miniaturization," "precision processing" and "low power consumption" which have been cultivated in our watch manufacturing, and utilized in various situations in society. Furthermore, our electronic blood pressure monitors, electronic thermometers, and pedometers, which are based on further development of our core technologies, help people maintain healthy lifestyles.

**Main operating companies**  
 CITIZEN SYSTEMS CO., LTD., TOKYO BIJUTSU CO., LTD.

## Overseas Operations of the Citizen Group

CITIZEN WATCH Co., Ltd., which started with the founder's desire to create domestically produced watches, has been enthusiastically expanding overseas operations, taking advantage of its technological strengths in miniaturization, automation technology, precision processing, and low power consumption. Today, with 64 overseas subsidiaries and overseas sales ratio of 74%, the Citizen Group contributes to the lives of people around the world through providing products and services that meet their needs with reliable technologies.

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# CITIZEN

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