



CITIZEN GROUP
SUSTAINABILITY
AND CSR REPORT

CITIZEN GROUP
SUSTAINABILITY AND CSR REPORT 2023
Digest

CITIZEN Group's Corporate Philosophy

Loved by Citizens, Working for Citizens

CITIZEN Group's corporate philosophy "Loved by Citizens, Working for Citizens" calls for contributing broadly to people's lives worldwide through manufacturing products loved and being appreciated by the public.

Taking advantage of the establishment of the Sustainability Committee in April 2020, 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

CITIZEN Group reports on its related activities in the CITIZEN Group Sustainability and CSR Report so that all stakeholders can understand our CSR and sustainability efforts. This digest reports specifically on our sustainable management promoted in the Medium-Term Management

Editorial Policy

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

Period subject to reporting: April 1, 2022 to March 31, 2023

* Including some information from after the above subject period

Date of publication of this Digest: July 2023

Organizations subject to reporting of economic data: 13 domestic companies*, 62 overseas companies (75 companies in all)

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

* Domestic companies include Citizen Watch Co.

Plan 2024. It also reports CITIZEN Group's FY2022 efforts in maintaining relations with stakeholders in business activities, as well as the issues and materiality concerning sustainability. Our committees and systems promoting efforts concerning materiality are available on our website.

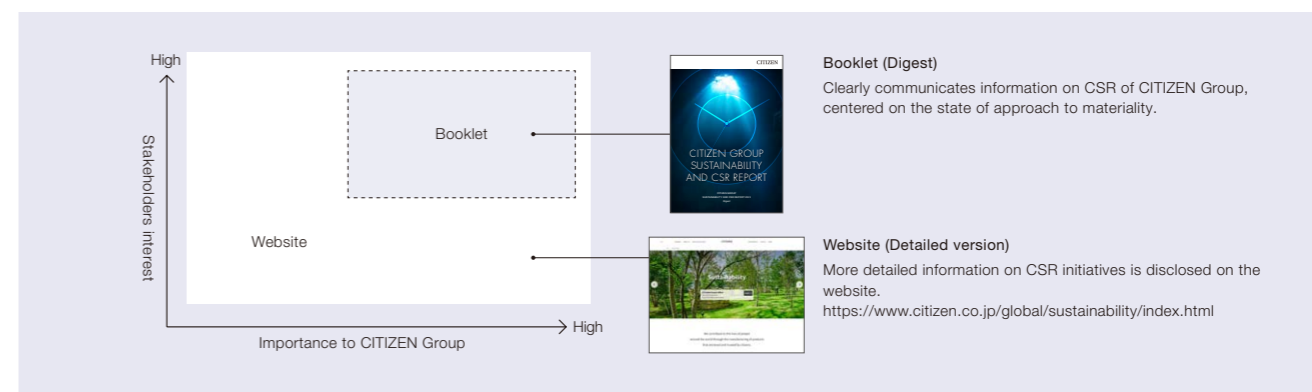
Disclaimer: This Digest contains forward-looking statements. Such statements are based on information available at the time of preparation of the Digest and may differ from the actual results of activities.

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

External guarantee: Third-party verification is conducted for some environmental data.

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 will leverage sustainable manufacturing with a century-long lifespan to make a far-reaching contribution to the environment and global society.

Recent years have seen a growing impetus among companies to enhance their social contribution and further their environmental, social, and governance (ESG) activities. ESG is a key agenda for The CITIZEN Group as a means to realize sustainable management. We believe that by putting sustainable management at the heart of our business, we will achieve our corporate philosophy of “Loved by Citizens, Working for Citizens.”

As a core component of our corporate social responsibility and sustainable management, our ESG activities will concentrate on addressing climate change and the circular economy, respecting human rights across the globe, and promoting diversity and inclusion. Our governance efforts will center on meeting our social responsibilities as a business by, for example, enhancing our risk management efforts.

The CITIZEN Group Vision 2030

Against the backdrop of significant medium and long-term changes in our environment, we have established initiatives that fully exploit the Group’s strengths and capital to achieve our vision for the future.

Moreover, we are endeavoring to realize sustainable factories and develop sustainable products. By leveraging our business infrastructure and activities to help resolve social issues, we will be able to generate value in a constantly evolving society and, in this way, grow our corporate value.

CITIZEN WATCH CO., LTD.
President and Representative Director

佐藤敏彦

We are committed to making a substantial societal contribution through the adoption of cutting-edge sustainable manufacturing practices.

President Sato, Director Miyamoto, and Director Yoshida, who was appointed as outside director in FY2022, discussed The CITIZEN Group's sustainable management and ESG initiatives.



President & CEO
Toshihiko Sato

Outside Director
Katsuhiko Yoshida

Director
Yoshiaki Miyamoto

Drawing from an existing foundation in sustainability, I aspire for all individuals to confidently embrace and fulfill their social responsibilities.

President Sato (hereafter Sato): In recent times, there's been a noticeable surge in the emphasis placed by numerous companies on social contribution and ESG (Environmental, Social, and Governance) matters. We recognized that without anchoring sustainable management at the heart of our operations and dedicating sincere endeavors, manifesting our Group's fundamental corporate philosophy of "Loved by Citizens, Working for Citizens" would be challenging. Therefore, we've crafted a long-term vision and embarked on the journey to actualize this vision, proactively anticipating forthcoming shifts in our business environment, which we are addressing for the first time in the extensive history of our Group.

Outside Director of Citizen (referred to as Yoshida): To begin with, I'd like to share my fundamental perspective. Citizen is a company with a legacy of over a century, and undoubtedly, the enduring existence of such companies is rooted in societal recognition and resilience. This endurance is a result of possessing philosophies, products, and technologies that contribute to

the world. We've already established considerable ESG capabilities. While new terms like sustainability continue to emerge, I believe it's crucial to champion these concepts with unwavering determination, fearlessly leading the industry forward.

Sato: Thank you for your impactful words. The message encapsulated in our long-term vision, "Crafting a new tomorrow Towards sustainable value creation," encapsulates our aspiration to contribute to society through products that endure over time, as a manufacturing company rooted in watchmaking. Anchored in the notion of a "sustainable factory," our approach to manufacturing takes into account the entire lifecycle of products and services.

Director Miyamoto (hereafter Miyamoto): Regarding the redefined materiality derived from backcasting our long-term vision, our approach encompasses both proactive and defensive strategies. While maintaining defensive measures, including robust risk management concerning quality and human rights, the collaborative efforts of the Corporate Planning Department and

the CSR & Environment Division will be directed towards identifying business challenges along the dual dimensions of business significance and societal influence. By prioritizing sectors that hold substantial societal impact, such as combating climate change and fostering a circular economy, we aim to expedite business expansion and enhance overall corporate value.

Yoshida: Promoting corporate endeavors relies significantly on garnering external credibility and fostering internal satisfaction. From this standpoint, the notion of a "Sustainable Factory" resonates profoundly, encapsulating The CITIZEN Group's dedication to ensuring sustainability across its manufacturing spectrum. This message embodies a timeless universality,



relevant for enduring commitment. The structured materiality framework resonates as persuasive and compelling to stakeholders, reinforcing a sense of conviction.

Citizen's mission is to contribute to the reduction of environmental impact by utilizing advanced technologies.

Sato: Illustrating through concrete examples of our product-related endeavors, the "eco-driving" technology serves as a distinctive innovation that enables watches to function with minimal light exposure in daily life, thereby significantly mitigating environmental impact. This pioneering technology boasts a legacy spanning nearly five decades, dating back to the inception of the world's inaugural analog photovoltaic power generation clock in 1976, emerging in response to the 1970s oil crisis. As global environmental consciousness intensifies, we are on the brink of launching a novel initiative this year. This initiative will involve a comprehensive reassessment of the design phase, encompassing the selection of environmentally friendlier components, aimed at propelling further advancements.

Additionally, CITIZEN MACHINERY's proprietary low-frequency vibration cutting technology merits attention. This innovative technique curtails metal fragments generated during the metal cutting process, rendering them into fine chips that facilitate streamlined recycling. With more than 5,000 units of machining equipment equipped with this technology distributed globally, its impact is tangible.



It's worth noting that there appears to be an underlying challenge in terms of marketing, potentially exacerbated by a latent lack of recognition internally and externally. This underscores the importance of enhancing awareness and highlighting the intrinsic value among both engineers and the wider audience.

Yoshida: Even when societal demands initially lagged behind, our steadfast commitment to propelling manufacturing with global benefits persevered. Eventually, societal needs have aligned, with an uptick in consumer awareness. Within the realm of The CITIZEN Group, numerous products of this nature may still reside. By assimilating these products and technologies into the repertoire of both consumers and businesses, the depletion of watch batteries can be curbed, consequently yielding substantial environmental impact reduction for adopting entities.

Recognizing that proactively showcasing and advocating for our products and technologies stands as a pivotal mission and duty of The CITIZEN Group, it is foreseeable that our company will play an active role in addressing climate change concerns and materializing a recycling-centric society.

Miyamoto: Previously, we classified products emerging from our sustainable factory as sustainable products. However, we have refined this classification by employing a scoring system that encompasses diverse factors, including environmental impact reduction and alignment with materiality considerations. Products that satisfy a specified standard will be labeled as "sustainable products." This

strategic shift aims to enhance our competitive edge by substantiating our claims with tangible evidence.

In the domain of the watch business, we are spearheading initiatives that harmonize our business strategy with sustainable management. This encompasses setting quantifiable benchmarks for the sales proportion of sustainable products. By doing so, we proactively steer our business trajectory towards sustainability, fostering a symbiotic relationship between our business strategy and our commitment to environmental well-being.

Yoshida: More than four decades have elapsed since the inception of Eco-Drive technology, and while it might be perceived internally as a technology that has traversed its zenith, such an assumption is far from accurate. In truth, a fresh surge of innovation is on the horizon. Genuine excellence is not ephemeral; it endures the test of time, adapting to evolving circumstances and consistently garnering appeal. Furthermore, the narrative extends beyond transient trends;

If a company fails to garner the approval of its employees and society, the cultivation of diverse human resources will inevitably falter.

Sato: I convey welcome messages to new employees, emphasizing that the collective efforts of our team shape the future value of our company and that individuals constitute our company's most valuable assets. During interactions with mid-level employees, I consistently reiterate the overarching purpose of our business: delivering value to society and redistributing the gains obtained from our products to our stakeholders. Human resources serve as the cornerstone of sustainable management. Reflecting on the impactful message I received from top management as a new employee, I am confident that my words will resonate with our workforce, leaving an enduring imprint and contributing to the company's trajectory.



it encompasses the ability to adapt, renew, and endure.

It is crucial to recognize that the vitality of our offerings is not contingent upon fleeting trends but rather their resilience to the evolving demands of the era. The sustained relevance of our products and technologies is predicated upon their alignment with contemporary aspirations and their enduring utility. Additionally, even in the face of heightened costs, addressing the imperative of minimizing environmental impact remains an integral corporate responsibility. The energy-efficient and labor-saving technologies that The CITIZEN Group has cultivated possess the potential to yield extensive business prospects that reverberate globally.

In this pursuit, it becomes paramount to accurately assess the intrinsic value of our products and technologies and ardently champion their merits. By doing so, we can not only substantiate our commitment to sustainability but also propel the far-reaching influence of our contributions throughout the world.

Yoshida: To cultivate a diverse pool of talent poised to guide the company's future, it is crucial to establish a conducive environment and furnish avenues for their active participation. Creating an atmosphere where expressing opinions is unhindered is paramount, fostering a symbiotic relationship where employees can contribute to the company's growth while the company aids in their development. Effective communication from top management, articulated with unwavering commitment, holds immense importance in bridging the gap between leadership and employees.

Miyamoto: Through a recent engagement survey among CITIZEN WATCH employees, we conducted a comprehensive gap analysis and discovered that our overall average score aligns closely with benchmarked companies of similar size. This realization brings a sense of relief, affirming that our business progress has garnered a certain level of acknowledgment among our workforce. Moving forward, our focus lies in addressing areas marked by negative feedback, with the objective of evolving into a company favored by both employees and the labor market. We intend to bridge business and personnel strategies, fostering a symbiotic relationship that propels individual growth, corporate advancement, and enhanced value.

Yoshida: The absence of a gap between our business operations and employee perceptions is a positive aspect, as it enables us to pursue proactive measures to minimize our environmental footprint with the backing of our workforce. Their support is crucial for the success of our efforts to reduce environmental impact. Moreover, the integration of diverse work styles, influenced by the adjustments brought about by the Covid-19 pandemic, has the potential

Reduce risk across the supply chain through dialogue and shared visions

Miyamoto: The CITIZEN Group's products and technologies have a global presence, and as a result, we prioritize sustainable procurement by effectively communicating The CITIZEN Group's human rights policy using internationally recognized standards. Seeking insights from external experts, we've implemented measures such as establishing a supplier hotline. Additionally, we've set up a system that can efficiently collect information through web-based fact-finding survey questionnaires. This approach aids us in identifying potential risks without adding undue pressure on our operating entities, reinforcing our governance across the entire supply chain.

Sato: As our collaborations with various companies, including joint efforts in environmental initiatives, continue to expand, we are committed to conveying our vision to our suppliers. This helps to foster mutual understanding and collaborative efforts to mitigate human rights and

Fulfilling our role as a third party for the future of The CITIZEN Group

Yoshida: Now that ESG performance and risks are being scored, it is very important to raise this score and disclose it globally. The score is the same for all industries, and while a significant lag in comparison to other companies can result in a loss of corporate value, it can also be a business opportunity to help other companies improve their scores by offering products and technology. It is important to create a place for stakeholders to understand The CITIZEN Group by proactively disclosing information. We believe that taking the initiative to create opportunities for dialogue will become even more important in the future. As outside director, I sometimes make bold comments, but I would like to play my role so that The CITIZEN Group can become a company with an even greater presence.

to enhance work performance and significantly boost productivity. The contemporary emphasis on the diversification of values is evident, particularly among the younger generation, who prioritize timely performance. Recognizing and accommodating diverse work styles is essential to attract a varied pool of talent. As we strive to increase the representation of women in our workforce, a flexible and open-minded approach from our executives is imperative.

procurement risks. Moreover, we encourage our employees to proactively engage in marketing activities. This enables us to discern the societal demands for products, the technological capabilities CITIZEN can offer to address those demands, and the types of technologies required to fulfill those needs.

Yoshida: Sharing our vision with suppliers holds significant importance. Equally vital is maintaining a comprehensive perspective of the world, encompassing industry trends beyond our daily interactions. Actively seeking information about companies we may not engage with daily enables us to grasp global trends. This understanding extends to identifying potential sources of alternative parts and discerning the customer base that our technologies and products can positively impact. Such foresight empowers us to sustain our business operations even in emergency situations.

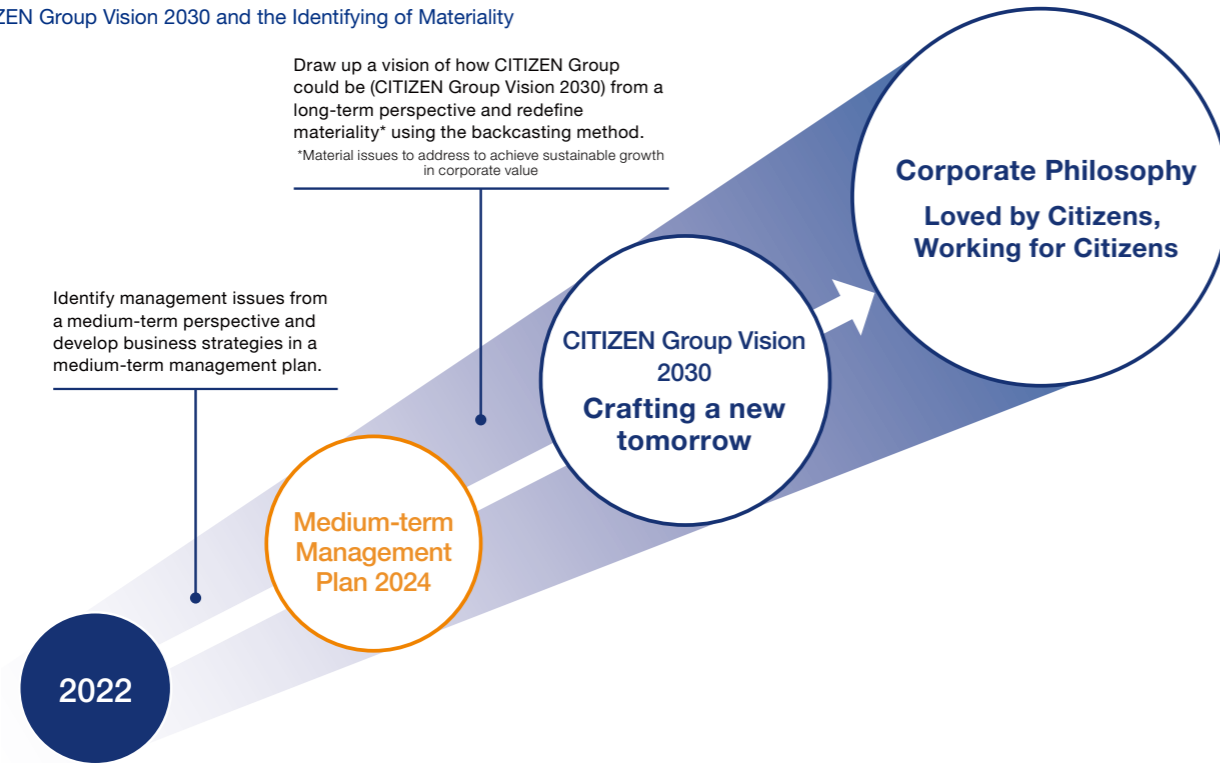
Sato: Within the business advancement strategy of The CITIZEN Group, apart from evaluations furnished by external entities, the presence of a robust third-party standpoint assumes great significance. We anticipate that Director Yoshida will persist in offering us his unreserved insights. Just as you highlighted, our aspiration is to evolve into an enterprise that not only better society but also shapes a promising future for our employees. This entails a diversification of our human resources, an augmentation of avenues for engagement with stakeholders, an incorporation of numerous perspectives into our business operations, and an enthusiastic propagation of our company's initiatives.

Materiality

In April 2022, we formulated the "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 materiality issues by organizing The

CITIZEN Group Vision 2030 and the Identifying of Materiality



CITIZEN Group's materiality issues (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

Step 1: Identification of Social Issues

Identify social issues based on the mid to long-term social trends, the company's direction, ESG external assessments, reviews, etc.

* Reference: SDGs, macro trends in environmental, social, and economic fields, FTSE, MSCI, GRI Standards, ISO 26000, etc.

Step 2: Materiality Assessment of the Social Issues

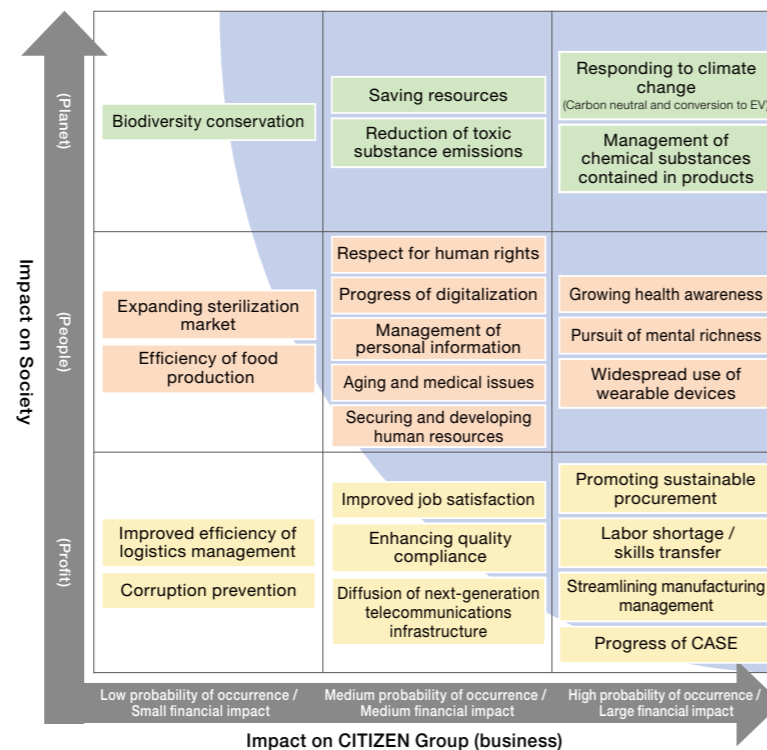
Assess the impact on society and the importance of the materiality to the company, and make assumptions about the proposed materiality.

Step 3: Assess the Appropriateness of the Proposed Materiality

After checking with external experts and a discussion by the Sustainability Committee, reconsider the materiality plan in light of the relevant measures for each business.

Step 4: Identification of the Materiality

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



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 	Opportunity • Expanding demand for products and services that contribute to energy and resource conservation and productivity improvement • Progress of CASE Risk • 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	Responding to Climate Change Contributing to a Recycling-oriented Society	Business activities • Supply of parts for eco-cars (EVs and HVs), sale of LEDs for lighting, etc. Business foundation • Reduction of CO ₂ emissions, expansion of introduction of renewable energy, etc.	Watches and Clocks, Machine Tools, Devices, Electronics, and others
	Contribution to Quality of Life 	Opportunity • Shift from functional value to emotional value • Shift from treatment to preventive care Risk • Smartwatch proliferation • Increased competition in the healthcare market • Regulatory changes for medical devices • Leakage of personal information	Contribution to Diverse Lifestyles Contribution to Medical and Healthcare	Business activities • Providing customized watches and services • Providing personalized experience, IoT platforms, etc. Business activities • Providing LCD devices for digital cameras, head-mounted displays, etc. Business activities • 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.	Watches and Clocks, Devices, Electronics, and others
	Providing Solutions in the Industrial Sector 	Opportunity • Factory automation / labor saving / automation / digitalization • Expanding demand for products/services that contribute to manufacturing management efficiency • Advancement of CASE • Diffusion of next-generation telecommunication infrastructure Risk • Loss of business opportunities • Decline in competitiveness • Entry of competitors from other industries using digital technology as a weapon	Providing Labor-saving and Automation Solutions Contribution to Next-generation Communication Technology	Business activities • Use and provision of "Machines, digital technology, and technology to use," etc. Column • "alkaplysolution" supports digital transformation of the manufacturing industry Business activities • Providing time reference information to institutions requiring accurate time information, etc. • Development and sales of sensing devices (teleoperated robots, etc.) Business activities • Development and sales of lasers for EV vehicle signal lights, etc. • Supply of components for advanced braking systems, communication systems, sensors, etc.	Machine Tools, Devices, Electronics, and others
S	Improving Job Satisfaction and Developing Human Resources 	Opportunity • Increasing employee engagement • Driving DX / innovation Risk • Outflow of human resources • Deterioration of business performance	Improvement of Job Satisfaction Human Resource Development Diversity and Inclusion	Business foundation • Implement measures to improve employee engagement, provide training opportunities, etc. Business foundation • Developing human resources to promote change within the Group, strengthening group collaboration in the development of management human resources, etc. Business foundation • Systematic training and promotion of female management candidates, encouraging male employees to take childcare leave, etc.	Watches and Clocks, Machine Tools, Devices, Electronics, and others
	Fulfillment of Social Responsibility 	Opportunity • Realization of the sustainable factory concept • Compliance with major customers' terms and conditions Risk • Damage to corporate value • Reputation • Weakening of the management base	Strengthening Risk Management Quality Compliance Respect for Human Rights and Labor Practices Promoting Sustainable Procurement	Business foundation • Update and operation of the Group's material risks, etc. Business foundation • Activities to disseminate the Group Quality Code of Conduct, etc. Business foundation • Implementation of human rights due diligence, etc. Business foundation • CSR procurement, green procurement, responsible mineral procurement, etc.	Watches and Clocks, Machine Tools, Devices, Electronics, and others

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.

CITIZEN Group's Value Creation Story

Inputs

(As of March 2023)

Financial capital

Total assets JPY **389.9** billion
 Net assets JPY **232.7** 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 **17.4** billion
 Production structures mainly in Japan, China and Thailand

Social capital

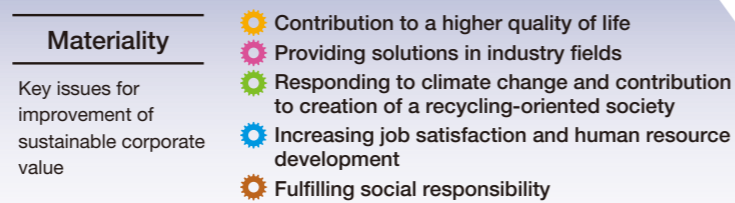
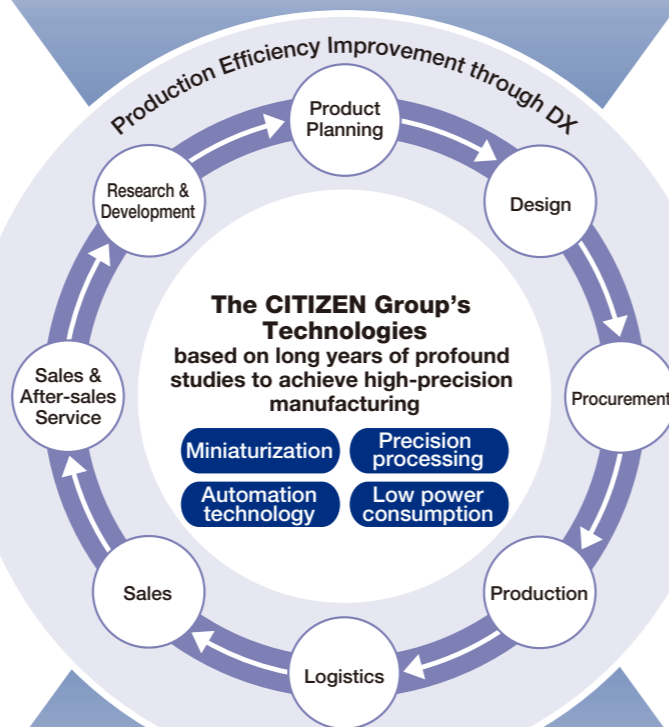
Globally expanded supply chain network

Human capital

Number of employees **15,402**

Natural capital

Total energy consumption **1,208** thousand GJ
 Water intake **1,782** thousand m³
 Recycling rate **89%**



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, 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
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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

corporate planning department and the CSR departments 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

Sustainable Products Certification Criteria (Watches Business)

Of the five materiality issues identified by CITIZEN Group, the two issues that must be resolved through the products and services of the watches business are "responding to climate change and contributing to a recycling-oriented society" and "contributing to a high quality of life." The elements that contribute to addressing these materiality issues are extracted by dividing them into environmental contribution elements and social contribution elements, and then ranked and combined to certify sustainable

products. Among such contribution elements, "long life and resource recycling" and "contribution to a lifestyle of using good products carefully for a long time" are closely related. Since these elements contribute to addressing the said two materiality issues and are considered the most basic and important, we make them essential requirements.

In this manner, we will certify products and services that are linked to the materiality issues to be addressed in the watches business and that have both environmental and social contribution elements as sustainable products.

Sustainable Factories

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. 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

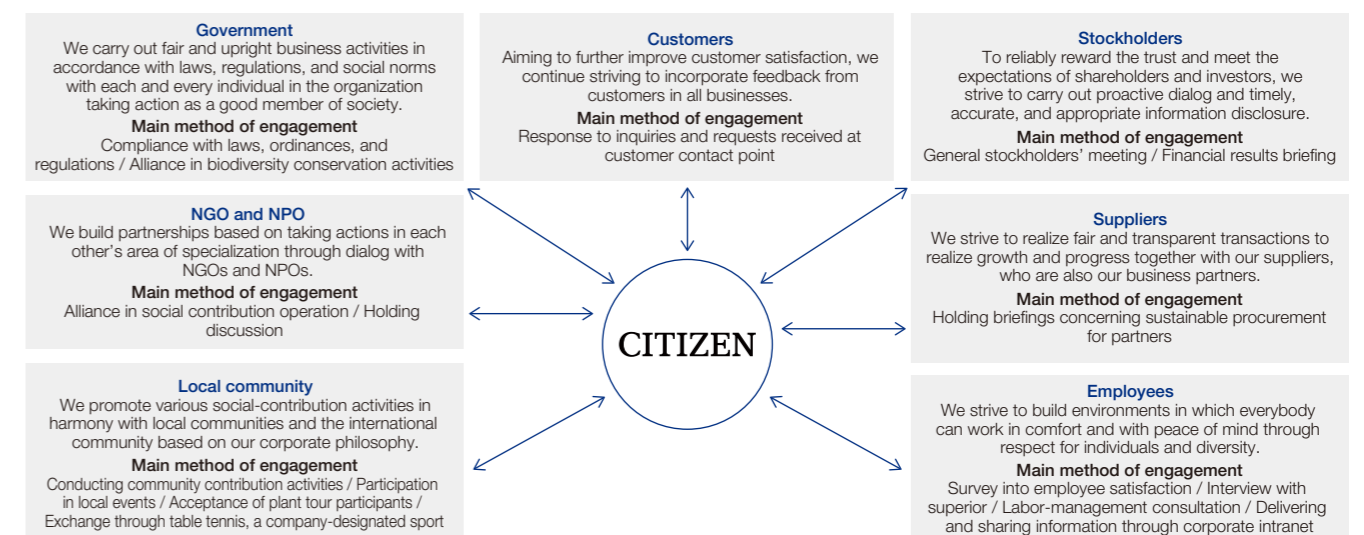
our stakeholders. Specifically, we have formulated a roadmap and a vision of what we aim to achieve in 2030 in the areas of "addressing climate change and contributing to a recycling-oriented society," "adherence to quality compliance," "respect for human rights and labor practices," and "the promotion 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 • Promote 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 ₂ emissions (Scopes 1 and 2) 50.4% reduction (compared to FY2018) CO ₂ emissions (Scope 3: Categories 1+11) 30% reduction (compared to FY2018) • Water intake: 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% reduction
Fulfillment of Social Responsibility	Quality Compliance • Compliance with the Group 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 Promoting Sustainable Procurement • 100% of the Group and 70% of direct major suppliers* will fully comply the CSR Procurement Guidelines *Top 90% suppliers in procurement transactions + suppliers handling important items that cannot be substituted	• Zero violation of the Group Quality Code of Conduct • Establishment of human rights due diligence • Zero work-related lost-time injuries • 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



Responding to Climate Change

Scenario Analysis

Recognizing that the risks and opportunities associated with climate change will have a significant impact on its business strategy, 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 3 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.

Scenario Analysis Results and Strategy (Measures and Policies of the Company)

We have formulated the "CITIZEN Group Environmental Vision 2050" to achieve carbon neutrality in 2050. CITIZEN Group aims to achieve virtually zero CO₂ 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		
		Small	Medium	• Stagnation of production activities due to supply chain disruptions		
Opportunity	Energy and Resource Efficiency	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 • 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.

Financial Impact Analysis

Based on the results of the scenario analysis, we have identified financial impacts for the following two items that could significantly affect CITIZEN Group's finance.

Transition Risk	Cost increase due to the introduction and strengthening of new regulations
	Increase in the cost of raw materials, etc., supply shortages and supply disruptions

Indicators and Targets

CITIZEN Group has set the targets related to climate change as shown on the right.

The Group has also set cost reductions through the promotion of energy conservation as an indicator related to "climate-related opportunities" and the amount of capital investment in energy conservation and renewable energy as an indicator related to "capital allocation," and will continue to monitor these indicators.

Greenhouse Gas Emissions

Indicators	Targets
Scopes 1 and 2	50.4% reduction by FY2030 (FY2018 baseline): corresponding to 1.5 °C level target
Scope 3	30% reduction in Category 1 + Category 11 by FY2030 (FY2018 baseline)

Obtaining SBT Certification

CITIZEN WATCH received certification from the Science Based Targets (SBT) Initiative* for CITIZEN Group Environmental Goals 2030, the Company's greenhouse gas emissions reduction target for 2030, which is recognized as a scientifically based level to achieve the Paris Agreement.

Greenhouse Gas Emission Reduction Targets under CITIZEN Group Environmental Goals 2030

- Scope 1, 2: 50.4% reduction (FY2018 basis)
- Scope 3: 30% reduction in Category 1 + Category 11 (FY 2018 basis)

* SBT Initiative: A joint initiative of WWF, CDP, World Resources Institute (WRI), and the UN Global Compact. It encourages companies to set reduction targets consistent with scientific findings toward the goal of limiting the increase in global average temperature due to climate change to 1.5°C above pre-industrial levels.



Science Based Targets
<https://sciencebasedtargets.org/>

Joined Japan Climate Leaders' Partnership

CITIZEN WATCH has joined the Japan Climate Leaders' Partnership (JCLP), a group of companies committed to realizing a sustainable decarbonized society, as a supporting member.

In CITIZEN Group Environmental Vision 2050, revised in April 2020, CITIZEN Group is committed to decarbonization to achieve virtually zero GHG emissions and sustainable use of resources. Particularly, to achieve one of the materiality issues identified in the Medium-Term Management Plan 2024, "responding to climate change and con-

tributing to a recycling-oriented society," we are strengthening our climate change initiatives, including obtaining SBT certification in January 2023.



Japan Climate Leaders' Partnership
<https://japan-clp.jp/en>

Environmental Vision and Environmental Goals

CITIZEN Group's Basic Approach to the Environment

Since its establishment, 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 CO₂ 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.

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

We will contribute to the realization of a carbon-free society, a resource-circulating society, and a safe, comfortable, and enriched society through the promotion of global environmental management aimed at achieving the SDGs.

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 for 1.5°C level target by FY2030 (FY2018 baseline)
Scope 3:	30% reduction in Category 1 + Category 11 by FY2030 (FY2018 baseline)
Renewable energy ratio:	62% (Japan)

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

Resource recycling rate:	90%
Water intake:	35% reduction (FY2018 baseline)

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

Chemical substances subject to the PRTR Act:	45% reduction (FY2018 baseline)
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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

Circular Economy

Toward the Realization of a Circular Economy

The Sustainability Committee not only discusses the Group's sustainability, but also holds lectures on sustainability topics by outside experts. In May 2021, a lecture was held for group executives and division heads on the theme of "Circular Economy: Global Frontiers and Corporate Growth Strategies." The gist of the lecture was that "the ultimate goal of companies in the circular economy is to realize human well-being, and resource recycling is the foundation of business as a means to achieve a sustainable social economy." This is also the impetus for accelerating the promotion of the SDGs and sustainability.

Based on the 3R initiatives undertaken to date, CITIZEN Group will promote the development of products that make the best use of limited resources, on the premise of recycling and reusing resources from the raw material procurement and design stages, while ensuring durability and safety as a major prerequisite. By doing so, we aim to contribute to solving global problems caused by economic activities, such as climate change, biodiversity issues, and environmental pollution.

Initiatives for Biodiversity Conservation

Promoting Activities to Preserve Biodiversity

Based on the Group's Biodiversity Vision, CITIZEN Group continues to resolve issues related to biodiversity and conduct conservation activities in the regions where it operates.

In 2020, CITIZEN WATCH initiated the Eco Tree ACTION program, wherein customers opting out of receiving a box for their purchased CITIZEN brand watch have a mangrove seedling donated through the international NGO, NICE. The boxes, primarily composed of paper, contribute to approximately 1.3 tons of CO₂ emissions for every 10,000 boxes. Additionally, since the same year, CITIZEN WATCH

has been transitioning to digital instruction manuals available in nine languages, replacing the previously printed paper manuals. This effort has resulted in an annual reduction of 20 tons of CO₂ emissions (equivalent to the yearly carbon absorption of 1,400 cedar trees) and the conservation of 37 tons of paper (equivalent to the volume of 3.7 buses).

CITIZEN Watch also endorses the Ministry of the Environment's "30 by 30" alliance, which aims to conserve at least 30% of Japan's land area as a natural environmental area by 2030. CITIZEN plans to join this alliance in FY2023.

Participation in the TNFD Forum

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* TNFD: An international initiative established in 2021 as the non-financial disclosure framework following the Task Force on Climate-related Financial Disclosures (TCFD). The TNFD aims to restore biodiversity by creating a framework that encourages companies to disclose information on risks and opportunities related to the natural environment and biodiversity, and by reversing the flow of funds that cause losses to natural capital.



TNFD → <https://tnfd.global/>
 TNFD Forum → <https://tnfd.global/about/the-tnfd-forum/>

Participation in the 30 by 30 Alliance for Biodiversity

On April 26, 2023, CITIZEN Group joined the 30 by 30 Alliance for Biodiversity, an initiative to preserve biodiversity, which is an important issue for global environmental conservation.

The Alliance is a collaborative coalition comprising companies, local governments, organizations, and more, with a shared objective to enhance the existing protected areas in Japan (constituting about 20% of the land area and 13% of the marine area). The primary aim is to certify and oversee regions designated for biodiversity preservation efforts, known as Other Effective Conservation Measures (OECM*). These areas encompass private corporate forests and other spaces actively engaged in biodiversity conservation. The overarching goal is to contribute to the international 30x30 commitment, which seeks to safeguard 30% of the world's land and ocean territories by the year 2030.

Grounded in the CITIZEN Group Biodiversity Vision, the Group has been consistently engaged in conservation efforts

for gossamer-winged butterflies, specifically the Large Shijimi Blue and Reverdin's Blue species, which inhabit its operational sites. Through active participation in the Alliance, we are committed to sustaining collaboration with local communities to advance biodiversity preservation. This commitment is driven by an understanding of the inherent significance of biodiversity's advantages, notably ecosystem services, and an awareness of the influence our business operations wield on biodiversity.

* OECM (Other Effective area-based Conservation Measures): Areas that are being conserved through the efforts of the private sector and others, and areas where management not for conservation purposes contributes to the preservation of the natural environment as a result



Ministry of the Environment Government of Japan: 30 by 30 Alliance for Biodiversity
 → <https://policies.env.go.jp/nature/biodiversity/30by30alliance/documents/3030emap.pdf>

Respect for Human Rights

Basic Ideas about Human Rights

Since its founding, 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.

Respect for Human Rights / Human Rights Due Diligence Initiatives

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.

CITIZEN Group, as a member of the international community, fulfills its responsibility to resolve human rights issues by disclosing the “Statement Regarding 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, we implement CSR human rights survey checklists translated into their native languages and conduct interviews, etc., to investigate human rights risks in the workplace environment at each Group company.

The CITIZEN Group's Value Chain and Stakeholders

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

Progress on the Roadmap on Respect for Human Rights

Fostering Awareness of and Respect for Human Rights

In FY2022, 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 99.6% (average of 11 Group companies), up 0.6 percentage points from the previous year. In FY2023, we plan to conduct an e-learning program on the basics of human rights and the Guiding Principles on Business and Human Rights. 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 FY2023, we will expand awareness-raising activities to other overseas Group companies.

Human Rights Roadmap

	FY2022	FY2023	FY2024	FY2030
Target	<ul style="list-style-type: none"> Establishment of human rights due diligence (identification of negatives - formulation of goals and plans), compliance with labor-related laws and regulations, and dissemination of the Basic Health and Safety Policy. 		<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
KPI	<ul style="list-style-type: none"> 100% participation rate in human rights e-learning Compliance with laws and regulations regarding overtime and annual paid leave 	<ul style="list-style-type: none"> 100% participation rate in human rights e-learning Compliance with laws and regulations regarding overtime and annual paid leave 	<ul style="list-style-type: none"> Reduce the rate of work-related lost-time injuries by at least 50% of the FY2019 actual rate Compliance with laws and regulations regarding the treatment of regular/non-regular employees 	<ul style="list-style-type: none"> Establishment of human rights due diligence at overseas sites Zero lost-time injuries from work
Measures	<ul style="list-style-type: none"> Promotion of “CITIZEN Group Human Rights Month” and “Human Rights Panel Exhibition” Implementation of a human rights e-learning program Plan to follow human rights due diligence process at domestic sites Legal compliance monitoring Promoting awareness of the Basic Health and Safety Policy (Japan) 	<ul style="list-style-type: none"> Implementation of a human rights e-learning program Plan to follow human rights due diligence process at domestic sites Legal compliance monitoring Promoting awareness of the Basic Health and Safety Policy (Japan) 	<ul style="list-style-type: none"> Continuation of activities to disseminate the Basic Health and Safety Policy at domestic and overseas bases Monitoring and legal compliance Promoting awareness of the Basic Health and Safety Policy 	<ul style="list-style-type: none"> Establishment of consultation services for employees at all locations Improving the human rights due diligence process Monitoring and legal compliance Continuation of activities based on the Basic Health and Safety Policy

Efforts to Build Human Rights Due Diligence

In the fiscal year 2021, we embarked on operationalizing human rights due diligence, primarily centered on identifying potential adverse impacts on human rights. This encompassed the comprehensive process of data collection and risk analysis.

Guided by the Human Rights Due Diligence Questionnaire, comprising 22 key components, and meticulously aligned with the ILO Declaration and UN Global Compact standards, we successfully executed human rights risk assessments across our operational spectrum. This initiative encompassed 14 domestic companies, including Group affiliates, as well as 41 overseas entities—comprising 12 production sites within Group overseas affiliates and 29 sales companies.

While the survey results yielded no significant human rights issues either in Japan or overseas, they were instrumental in highlighting potential forthcoming risks. These encompassed areas such as harassment, disparities in treatment based on gender and age, potential overworking risks, employment stability, occupational health and safety, and collective bargaining. These emergent concerns were duly reported to the Sustainability Committee for further evaluation.

FY2022 witnessed the application of the PRIDE Index—an evaluative gauge for assessing LGBTQ*2 and other sexual minority inclusive workplace practices. This involved conducting a field survey to identify challenges and evaluate the status of relevant initiatives at CITIZEN WATCH.

Looking forward to FY2023, our resolve to enhance the working environment remains unwavering. We are slated to execute human rights seminars and foster one-on-one dialogues with managers. These measures are devised to proactively alleviate potential risks and foster a more inclusive and equitable working atmosphere.

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

Continuing our commitment to risk identification through employee reporting, we have maintained a centralized approach through the CITIZEN Group Compliance Hotline, similar to the preceding fiscal year. This platform facilitates the internal reporting of concerns by employees, ensuring a streamlined and consistent mechanism.

Furthermore, CITIZEN WATCH has proactively taken steps to enhance the work environment. This includes the establishment of a dedicated consultation desk within the Human Resources Department, specifically tailored to address issues related to harassment. This initiative aims to foster an environment where employees feel comfortable and at ease when seeking advice or reporting concerns, thereby promoting a supportive workplace culture.

During the fiscal year 2022, an instance of overwork was identified within a subsidiary of the Group. In response, we have initiated a comprehensive set of corrective actions to prevent any recurrence. These measures include augmenting the workforce to ensure adequate staffing levels and the equitable distribution of responsibilities.

As we look ahead to FY2023, our commitment to preventing overwork and enhancing the work environment remains resolute. Our focus is steadfastly set on ensuring strict adherence to laws and regulations, bolstering our endeavors to foster a workplace environment that is compliant, equitable, and conducive to the well-being of our employees.

Human Capital Management

Basic Concept for Human Resource Management

The CITIZEN Group regards its employees as human capital and have set a group vision that “each employee contributes to the realization of long-term vision and is proud of working for Citizen.” Each Group company takes the initiative in developing human capitals capable of driving the growth of company in line with the management

strategy and business environment of each company.

In addition to acquiring and developing human capital, we focus on creating an inclusive and diverse workplace and aim to craft a new tomorrow for each and every employee.

Human Resource Development

Human Resource Development Roadmap

As per its management strategy, The CITIZEN Group aims to develop the human capitals required to manage and transform the Group and its companies and to achieve growth for Group companies and their employees. Since FY2022, in addition to providing training at each operating company, we have strengthened group-wide collaboration

regarding training starting with Group Transformation Promotion Training and Basic Management Training.

Elements of the Group Transformation Promotion Training are held jointly with CITIZEN WATCH as part of its management reskilling training.

	FY2022 Results	FY2023	FY2024	FY2030 Goal
Target	<ul style="list-style-type: none"> Establish a group-wide system to develop human capital necessary for the transformation and growth of the Group and individual companies. 			Based on the management strategy, develop human capital necessary for the management and transformation of the Group and its individual companies, and achieve the growth for both the companies and their individual employees.
KPI	<ul style="list-style-type: none"> More than 100 participants in the Group Transformation Promotion Training (33% of CITIZEN WATCH managers participated in the reskilling training) More than 30 participants in the Basic Management Training 	<ul style="list-style-type: none"> More than 200 participants in the Group Transformation Promotion Training (70% of CITIZEN WATCH managers participated in the reskilling training) More than 30 participants in the Basic Management Training 	<ul style="list-style-type: none"> More than 200 participants in the Group Transformation Promotion Training (100% of CITIZEN WATCH managers participated in the reskilling training) More than 30 participants in the Basic Management Training 	Accumulated total of more than 1,000 participants in the Group Transformation Promotion Training and the Management human capital Development Training programs
Measures	<ul style="list-style-type: none"> Group Transformation Promotion Training Basic Management Training 			<ul style="list-style-type: none"> Group Transformation Promotion Training Basic Management Training Implementation of the Group succession plan

Group Transformation Promotion Training & Management Human Resource Development Training

As technology continues to evolve, it is vital to update the Group’s strategic thinking. With this in mind, in FY2022, The CITIZEN Group launched common training programs

to promote the Group’s transformation and develop management. Over 100 people participated in the training. In FY2023, we aim to welcome over 200 participants to the Group Transformation Promotion Training program.

Training	Contents	Target persons
Technovate Training	Understand the nature of dramatic changes in the environment and enhance strategic thinking skills that differ from the conventional formula of corporate strategy	<ul style="list-style-type: none"> Selected from department heads of major operating companies Jointly held with CITIZEN WATCH’s management reskilling training
DX Assessment and Training	Understand the current level of skills through assessment, and upgrade skills in a 6-month e-learning program	<ul style="list-style-type: none"> Selected from the member class of major operating companies
Data Scientist Training	More advanced data analysis training and practice in projects	<ul style="list-style-type: none"> Participants in the Customer Data Utilization Project (Prior implementation at CITIZEN WATCH)
Basic Management Training	Learn the importance of strategy, planning skills and problem-solving/strategic thinking (mindset) from a business management perspective	<ul style="list-style-type: none"> Selected from department heads of major operating companies and their candidates

Training System

CITIZEN WATCH aims to develop professional talent at an early stage through a dual approach of company-led and self-directed career development of each employee, which contributes to both employee and company growth. To enable self-reliant career development, career seminars are held for those who are interested, and voluntary and option training programs have been expanded to allow all applicants to select the courses they need from a system of education and training organized by rank and theme. In FY2022, we introduced new online English conversation training and self-development programs, and more than 80

employees took the courses to improve their English communication skills, which are fundamental for success in a global company.

Rank-specific Training	Training for new employees, newly appointed senior position personnel, and newly appointed managers, etc.
Purpose and theme-specific training	Voluntary and option training, online English conversation training, career seminars, training for employees in childcare, and training prior to overseas assignment, etc.
Self-development	Self-development e-learning (school) and Watch School, etc. * A business license award system is available to honor those who acquire company-designated qualifications.

Acquisition of Human Resources

Recruitment Activities

The CITIZEN Group companies hire graduates and career recruits for immediate starts with the intention of engaging them in the medium to long term. Approximately 20% of our management positions are filled by mid-career employees. We intend to continue to hire mid-career workers to accelerate our business development and maintain our current proportion of mid-career workers in management positions. Mid-career hires bring with them a wealth of knowledge and skills from diverse industries and bring vitality and a diversity of values to the Group. In FY2021, over 50% of recruits were mid-career hires. In FY2022, we

began roundtable discussions between the President and mid-career hires to increase the awareness of our corporate philosophy, boost employee engagement, and refresh communication among mid-career hires.

We have also launched a system to promote the transition of suitably motivated and skilled contract employees to permanent employees. Our focus when hiring permanent employees is individual ability, aptitude, and motivation and we always endeavor to achieve a diverse and equal-opportunity workplace.

Creating a Workplace Environment in Which Human Resources Can Thrive

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. From FY2022, telework is allowed for up to half the number of working days in a month. 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 intro-

duction 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 management staff 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.

Enhancing Quality Compliance

Basic Concept for Quality Compliance

The CITIZEN Group has been conducting awareness campaigns for the dissemination of The CITIZEN Group Quality Code of Conduct, which was formulated based on Article 2 of The CITIZEN Group Code of Conduct through the leadership of the “Group Quality Compliance Committee,” established in FY2018. These efforts aim to ensure a shared understanding of quality compliance, including at overseas bases, by considering the situation of each business.

This Committee comprises executives responsible for quality at various group companies and is dedicated to promoting the permeation of compliance with quality standards from the perspective of The CITIZEN Group as a whole, transcending individual business units. The Commit-

tee also focuses on enhancing the effectiveness of the internal reporting system and incorporates ESG/SDGs perspectives. Additionally, it drives activities to respond to requests from stakeholders in various business domains.

In FY2022, the Committee included the heads of quality assurance departments from various group companies as observers. By engaging in discussions that incorporate viewpoints from both the group perspective and the operational perspective of each business unit, we are addressing the issue of quality compliance, which is at the core of quality management. These discussions are intended to establish an organizational culture that prevents “quality scandals.”

Progress on the Quality Compliance Roadmap

In FY2022, efforts to strengthen quality compliance were successful in achieving the target of “two activities to disseminate The CITIZEN Group Quality Code of Conduct.” Additionally, a remarkable participation rate of 99.3% was attained in e-learning training targeting all domestic employees and Japanese expatriates overseas, utilizing the “Quality Compliance Training Materials” developed by the Group Quality Compliance Committee. Moreover, quality compli-

ance training is also conducted using unique materials prepared by each operating company.

Furthermore, despite the challenges posed by the COVID-19 pandemic, efforts to promote awareness of the Group Quality Code of Conduct have persistently continued. This includes activities such as displaying posters featuring the Group Quality Code of Conduct at overseas sites and disseminating the information through the company intranet.

	FY2022	FY2023	FY2024	FY2030
Target	• Ensuring the independence of the quality assurance department of the business controlling company and development of an effective monitoring system	• Ensuring the independence of the quality assurance department of the business controlling company and development of an effective monitoring system	• Effective risk identification and correcting the status of compliance with the Group Quality Code of Conduct at all sites	• Compliance with the Group Quality Code of Conduct by all Group executives and employees
KPI	• Two activities to disseminate the Group Quality Code of Conduct • E-learning participation rate: 98% (result: 99.3%)	• Two activities to disseminate the Group Quality Code of Conduct • E-learning participation rate: 100%	• Implementing multilingual e-learning programs • Introduction of an anti-fraud system	• Zero violations of the Group Quality Code of Conduct • 90% awareness of the Compliance Hotline
Measures	• Activities to disseminate the Group Quality Code of Conduct (+ training programs about the Group Quality Code of Conduct) • Expansion of the Group Quality Code of Conduct to overseas sites • Creation of a quality compliance audit checklist	• Activities to disseminate the Group Quality Code of Conduct • Conducting audits from a quality compliance perspective	• Activities to disseminate the Group Quality Code of Conduct • Introduction of a quality data tampering prevention system into the Group	• Deployment of the Group Quality Code of Conduct to all Group sites

Formulation of Audit Checklist Common to the Group from Quality Compliance Perspective

The CITIZEN Group has been actively devising quality enhancement strategies tailored to the distinct circumstances of each constituent company within the Group. In FY2022, an Audit Checklist from the standpoint of Quality Compliance was introduced as a standardized measure

across the Group. This checklist, assembled by CITIZEN WATCH, encompasses audit parameters derived from the evaluation of product quality by each Group company from a compliance viewpoint. It includes both shared criteria applicable to all Group entities and criteria specific to indi-

vidual companies. Subsequent to its formulation, an execution strategy has been crafted. Commencing from FY2023, quality compliance audits will be executed throughout the Group, utilizing the unified checklist, as outlined in the established plan.

Items of Audit Checklist from Quality Compliance Perspective

Major items	
1	Promoting awareness/understanding of the CITIZEN Group Quality Code of Conduct
2	Quality assurance departments
3	Quality-related data
4	Communication and information sharing with customers / suppliers / related departments
5	Handling of substandard products
6	4M change management
7	Internal reporting system
8	Triangle of quality fraud (KDS)
9	Auditing and checking functions
Total 9 items	

Handling of Defects and Complaints

Both CITIZEN WATCH and CITIZEN WATCH MANUFACTURING have devised individual quality manuals and implemented Quality Management System (QMS) initiatives aligned with ISO 9001 stipulations. The primary objective of these manuals is to establish a robust framework for quality management across the watch business. They serve to uphold the quality policy, adhering to the standards set forth by The CITIZEN Group Quality Code of Conduct. Additionally, these companies engage in an annual internal audit to validate the efficacy of their QMS activities.

Customer complaints are managed in strict accordance with the Market Complaint Handling Standard and the Product Incident Response Standard. When complaints are received that carry the potential to drive product and

service enhancements, the companies duly address them and integrate the insights into the Quality Standards. This integration involves additions to or revisions of the Standards. Swift action is taken when confronted with complaints relating to product quality. For significant cases, a comprehensive array of measures is deployed, including notifications to the Consumer Affairs Agency and the National Institute of Technology and Evaluation (NITE), as well as communication to senior leadership, including the president, during Management Meetings and other pertinent forums. Furthermore, pertinent information is disseminated on the company website through prominently displayed notices, signifying their importance.

Investigation and Corrective Action for Defective Products

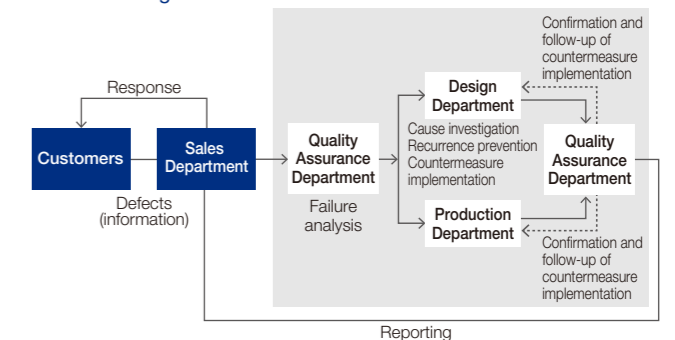
Upon receiving a customer inquiry concerning a product defect, CITIZEN MACHINERY takes appropriate measures tailored to the situation. These measures can include dispatching replacement parts and organizing repair arrangements. In cases where the inquiry demands it, an emergency response meeting convenes, involving pertinent personnel to exchange information and probe the root cause of the issue. Following this, a recurrence prevention meeting is conducted, findings are reported to upper management, and corrective actions, encompassing product enhancements, are executed.

Furthermore, the company has established a quantitative confirmation system to tally the number of inquiries and complaints received. This system acts as a basis for making enhancements and streamlining processes.

In response to internally identified process defects, the company initiates strategies to avert future occurrences and ensure that flawed products do not reach the market.

Vigilant monitoring of process defects is conducted, leading to updates of standard documents and work manuals and the execution of process enhancements. This concerted effort aims to curtail the incidence of defects. Swift dissemination of defect-related information to overseas bases ensures the swift implementation of countermeasures. Consequently, a uniform quality standard is upheld across all global sites.

Defect Investigation Flow



Promoting Sustainable Procurement

Basic Concept for Sustainable Procurement

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.

Progress on the Roadmap

In adherence to The CITIZEN Group CSR Procurement Guidelines, The CITIZEN Group has charted a roadmap extending to 2030. This trajectory aims at achieving “100% adherence to the CSR Procurement Guidelines by 100% of The CITIZEN Group and 70% of its pivotal suppliers.” In FY2022, our focus was on unveiling supplier risks, realized through web-based

SAQ (Supplier Assessment Questionnaire) collection and the creation of analytical tools. Moving forward into FY2023, we are committed to bolstering the efficacy of factual status evaluations and remedial measures. This will be accomplished by instituting a supplier hotline and initiating a web-based SAQ collection in both English and Chinese languages.

Roadmap to 2030

	FY2022	FY2023	FY2024	FY2030
Target	<ul style="list-style-type: none"> Identification of human rights risks in the business controlling company Determination of corrective measures for human rights risks in the watch business 	<ul style="list-style-type: none"> Decide on corrective measures for human rights risks at the business controlling company 	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"> Reduce the number of high-risk suppliers to 0% 75% of major suppliers participate in the briefing SAQs distributed to 75% of suppliers 	<ul style="list-style-type: none"> 100% of major suppliers respond to the SAQ 	<ul style="list-style-type: none"> Start SAQs to all major clients from 2024 100% of major suppliers participate in supplier briefings 	<ul style="list-style-type: none"> 100% of major suppliers responded to SAQs 70% of major suppliers have 100% SAQs overall score rate
Measures	Due diligence conducted by each company's procurement department in major businesses / CSR procurement study sessions conducted for all Group employees (including overseas employees)	Watch Business, Information disclosure on responsible mineral procurement	<ul style="list-style-type: none"> 100% of major suppliers comply with green procurement standards Disclosure of information on group business and responsible mineral procurement Ongoing communication and action for remediation 	<ul style="list-style-type: none"> 100% of major suppliers comply with green procurement standards Ongoing communication and action for remediation

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*1 and a supplier fact-finding survey*2 using the Fact-Finding Survey Check Sheet, which was created independently by the Group.

In FY2022, we conducted a comprehensive video briefing session for our suppliers across Japan and overseas, centered around The CITIZEN Group CSR Procurement Guidelines and related content. This initiative was undertaken to provide a profound understanding of the Group's approach to CSR procurement. Additionally, a Supplier Assessment Questionnaire (SAQ) survey was conducted.

Furthermore, we have implemented a risk classification system, ranking suppliers based on the comprehensive score rate derived from the SAQ radar chart analysis. This system enables us to identify suppliers with heightened procurement risks, as demonstrated by the survey results

and responses from the previous year (2021).

In FY2022, we commenced web-based SAQ data collection for domestic operational entities. Additionally, a novel analytical tool was developed to process the collected data, aiding in the identification of suppliers with potential risks.

In FY2023, our plans encompass the rollout of a web-based SAQ collection in English and Chinese versions. The overarching objective is to achieve a cumulative response rate of 100% for SAQs from key suppliers.

Recognizing that supplier risk assessments can fluctuate in response to external circumstances, we are committed to refining our risk evaluation processes. This includes conducting supplementary surveys utilizing the “Actual Status Survey Check Sheet” for select high-risk companies, thereby ensuring more accurate risk assessments and fostering improvement endeavors.

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

Promoting Digital Transformation (DX)

Basic Concept for DX Promotion

In the “Citizen Value Creation Story,” which models sustainable management, The CITIZEN Group positions digital transformation (DX) as closely related to all business activities, from product development to manufacturing, distribution, and sales.

In The CITIZEN Group Vision 2030, we outlined our DX vision “To be a corporate group that can continuously create and improve value from the user's perspective.” In

line with this vision, our basic policy is to promote digital technology and data use. To realize this objective, we will promote DX in a wide range of areas, from business reform to human resource development. Our efforts in this context will be based on the three pillars of “transformation to a highly profitable structure by transforming business processes,” “creation of new user value through product and service reform,” and “reform of corporate culture.”

DX Vision of The CITIZEN Group

To be a corporate group that can continuously create and improve value from the users' perspective

Three pillars to realize the vision: **Transformation to a highly profitable structure, Creation of new user value, Reform of corporate culture**

Vision	Three pillars	Specific measures	
To be a corporate group that can continuously create and improve value from the users' perspective	Transformation to a highly profitable structure through reform of business processes	Improving efficiency and sophistication of operations	<ul style="list-style-type: none"> Optimization of existing business processes through utilization of digital technology Integration and updating of business systems for data utilization Improving operational efficiency and sophistication of decision making through data utilization
		Sophistication of decision making through data utilization	<ul style="list-style-type: none"> Promoting efficiency and automation of processes in factories Reducing the burden of management by digitizing design/parts information Product and service development based on user data
	Creation of new user value through product and service reform	Evolution of manufacturing through utilization of digital technology	<ul style="list-style-type: none"> Strengthening customer contacts Improving customer satisfaction and expanding sales Enhancing user experience Evolution of IoT services Development of business models that connect with users
		Providing new user experiences	
	Reform of corporate culture	Creating a new business model	
		Measures to support the above	
		<ul style="list-style-type: none"> Development of human resources to promote reforms Reform of corporate culture 	

Main Initiatives for DX Promotion

CITIZEN WATCH has implemented Product Lifecycle Management (PLM) tools to manage information pertaining to the diverse components constituting the watch movement, which serves as the core of the timepiece. This shift entails moving away from conventional forms-based approaches and transitioning towards a centralized approach that integrates design, development, manufacturing, and information management.

By adopting this approach, we are fostering seamless information exchange between our manufacturing and sales departments. This is facilitated through real-time data connectivity among our affiliated companies, ultimately enhancing productivity in movement design and manufacturing operations. This transformation involves a parallel review of our business processes to achieve improved efficiency and effectiveness.

Enhancing Corporate Governance

CITIZEN Group's Corporate Governance

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 supervis-

ing management from various angles.

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 five 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.

* 8 Directors (including 3 Outside 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 essential knowledge, experience, and abilities in areas such as "corporate management/management strategy," "sales/marketing/DX," "R&D/Technology," "finance/accounting," as well as "global business," "HR

development/diversity," and "ESG/sustainability," and these are the roles we expect from directors.

The appointment of directors and officers is based on the Companies Act and other laws and regulations, and the individuals selected must possess the requisite character and insight as well as the qualifications for directors and officers.

Assessment of Board Effectiveness

CITIZEN WATCH conducted an evaluation and analysis of the effectiveness of the Board of Directors to further strengthen its functions. The evaluation results indicated that the Board of Directors is effectively functioning, with a focus on operations, agenda, and structure, and that its effectiveness is ensured.

To evaluate, we conducted a questionnaire for all directors and corporate auditors using an effectiveness evaluation tool provided by an external organization. The questionnaire was based on questions developed by an external organization, and the results were assessed by the Board of Directors.

1. Evaluation method	<p>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.</p> <ul style="list-style-type: none"> • Target: All directors and corporate auditors (12 persons) • Time: February 24 - March 10, 2023 • Method: Questionnaire • Questions: 17 questions in total <ul style="list-style-type: none"> 1st set of questions: Questions related to the operation of the Board of Directors (2 questions) 2nd set of questions: Questions about the agenda of the Board of Directors (11 questions) 3rd set of questions: Questions about the structure supporting the Board of Directors (4 questions)
2. Summary of the results	<p>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.</p> <p>The operation of the Board of Directors meetings The materials are sufficient and appropriate, and supplementary explanations are provided orally. Materials are distributed electronically, so that directors can view materials earlier than before to conduct sufficient preliminary studies. Opportunities for discussion is provided in which important matters can be confirmed in advance before the board meeting.</p> <p>The agenda for the Board of Directors meetings Each director participates in deliberations from a variety of perspectives based on their diverse management experience and knowledge, contributing to the improvement of the quality of deliberations. Progress and analysis of management plans, priority measures, SDGs, ESGs, and other important management topics are discussed comprehensively, and active discussions are held, including objections and risks. Regarding the promotion of DX, etc., the progress is reported to the members of the Board of Directors as appropriate, and the recognition of issues is shared.</p> <p>System to support the Board of Directors Outside of board meetings, a variety of management information is provided and many opportunities are provided for discussion. There are opportunities for outside directors to interview executives from the management side and executive candidates, and exchange opinions. Trainings have been provided such as factory tours, various exhibitions, and seminars, however, there was an answer that systematic training opportunities should be provided and that it is necessary to increase the trainings in the future.</p>

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.

Strengthen Risk Management

Basic Concept for Risk Management

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.

CITIZEN Group considers risk management to be a management concept that combines two processes: risk management to prevent crises from occurring and “crisis management” to minimize risks when crises do occur.

Key Initiatives for Significant Risks

In FY2023, we reviewed significant risks that may affect the business of the entire CITIZEN Group and society, and formulated 11 risks (accounting/finance, information systems, human resources, general affairs, fair trade, safety assurance trade, intellectual property, environment, information management, CSR, and quality). Top management will now address the issue while incorporating the opinions of third-party experts. In addition, we aim for uniform risk management across the Group by sharing information on important risks common to the Group and risks specific to each company across the Group and sharing knowledge and know-how, for example, by incorporating into Group-wide risks (human resources) the violation of the duty of

care for safety related to the working environment.

In addition, in FY2023, among the significant risks, we regard the two items of “environment” and “quality” as the most important risks, and work to expose these risks and strengthen countermeasures. Regarding the environment, we will strengthen measures such as introducing a process safety management system to thoroughly prevent unexpected leaks and large-scale disasters in the handling of hazardous chemical substances. Regarding quality, we will continue to monitor the status of measures and risks to prevent quality compliance violations by conducting quality compliance audits of all group companies using the audit checklist created in 2022.

Field	Group Significant Risks
Accounting / Finance	<ul style="list-style-type: none"> • Errors and Fraud Risks of Disclosed Information (1) Accounting Standards for Overseas Subsidiaries • Errors and Fraud Risks of Disclosed Information (2) Development of Internal Controls • BEPS Compliance / Taxation Risk due to Transfer Pricing
Information Systems	<ul style="list-style-type: none"> • Software License Violation • Damage Caused by Business Email Fraud • Information Leakage due to Internal Fraud • Suspension of Operations due to Information System Outage • Information Leakage due to Cyber-attacks
Human Resources	<ul style="list-style-type: none"> • Violation of Laws and Regulations Concerning Foreign Technical Internship Programs and Specified Skilled Workers • Discriminatory Treatment regarding Nationality, LGBTQ, etc. • Violation of safety consideration obligation
General Affairs	<ul style="list-style-type: none"> • Response to Business Suspension Risk (BCM System)
Fair Trade	<ul style="list-style-type: none"> • Violation of Bribery Regulations • Violation of Antitrust Laws • False Contracting
Safety Assurance Trade	<ul style="list-style-type: none"> • Violation of the U.S. Economic Sanctions Act • Violation of Import/Export related Regulations
Intellectual Property	<ul style="list-style-type: none"> • Infringement of Intellectual Property Rights by the Company
Environment	<ul style="list-style-type: none"> • Delayed Response to Climate Change • Leakage or Spillage of Hazardous Substances from Plant Facilities, Environmental Violations • Violation of Control of Chemical Substances contained in Products (RoHS, REACH, etc.)
Information Management	<ul style="list-style-type: none"> • Violation of Privacy Regulations and Data Breaches including EU Personal Information and General Data Protection Regulation (GDPR)
CSR	<ul style="list-style-type: none"> • Violation of the Modern Slavery Act • Violation of the California Transparency in Supply Chains Act • Failure to Fulfill Social Responsibilities
Quality	<ul style="list-style-type: none"> • Quality Compliance Violations

Through Compliance

Basic Concept for Compliance

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,*1 including bribery and corruption, 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. This system is also compatible with the revised Whistleblower Protection Act that came into effect on June 1, 2020. 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. 84.0% of employees were aware of the hotline in the FY2022 survey. In FY2023, 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 FY2022 was 23, consisting of 13 received internally, 8 received by external contact points and 2 from auditors*2. 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.

*1 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).

*2 Including 4 cases of duplicate reporting to multiple contact points

Performance Highlight

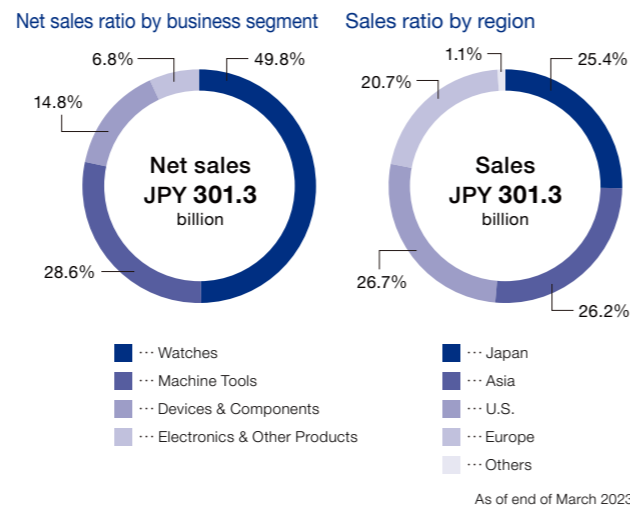
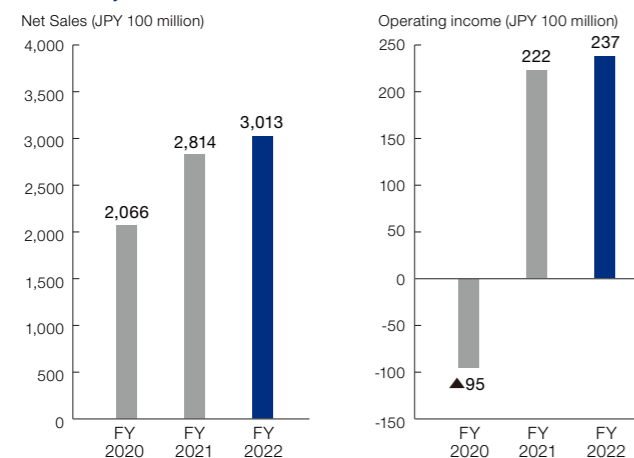
Financial Performance of CITIZEN Group

In FY2022, the domestic economy continued to see a gradual pickup in personal consumption as economic activities normalized, despite the impact of rising prices and other factors. In the North American and European markets, consumer spending remained strong, despite growing concerns about economic recession amid uncertainties such as instability caused by geopolitical factors and inflation caused by soaring resource prices. Of the Asian markets, China showed a strong sense of stagnation

despite a shift from its zero-corona policy. Other Asian regions were also affected by sharp price hikes, and their economic recoveries remained weak.

As a result, net sales totaled JPY301.3 billion and operating income was JPY23.7 billion, achieving an increase in both sales and income. Ordinary income was JPY29.0 billion and net income attributable to owners of the parent was JPY21.8 billion.

Profitability



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: **99.6%**
- Number of cases of monitoring under international environmental laws and regulations: **1,697**
- Number of "sustainable procurement" supplier surveys About **14** companies

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

Current Position of CITIZEN Group

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.

FY2022 Sales Composition Ratio by Business

Watches	50%
Machine Tools	28%
Devices & Components	15%
Electronics & Other Products	7%

Devices & Components

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 & Other Products

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.

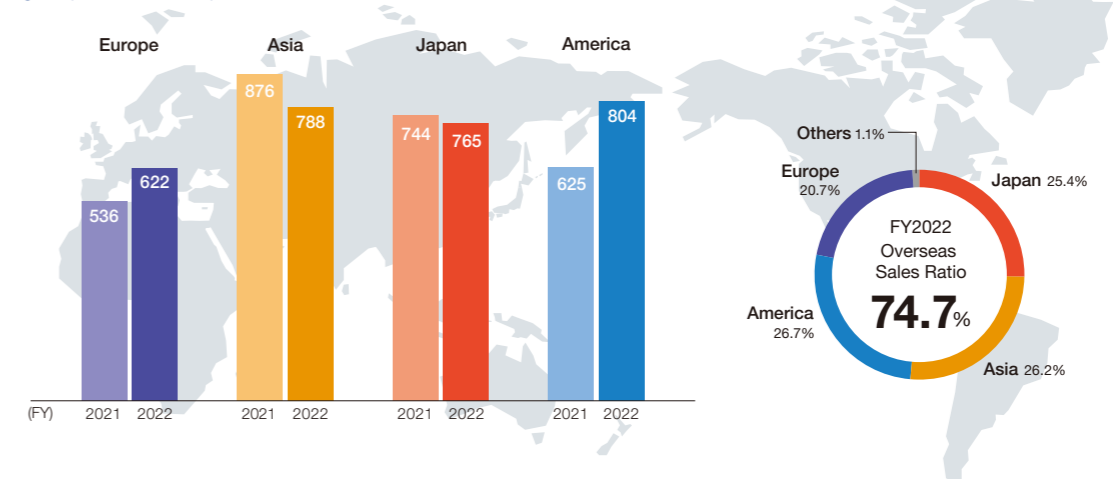
Main operating companies
 CITIZEN SYSTEMS CO., LTD., TOKYO BJUTSU CO., LTD.

Overseas Operations of 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%, CITIZEN Group contributes to the lives of people around the world through providing products and services that meet their needs with reliable technologies.

Sales by Region (JPY100 million)



CITIZEN

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