

## 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.