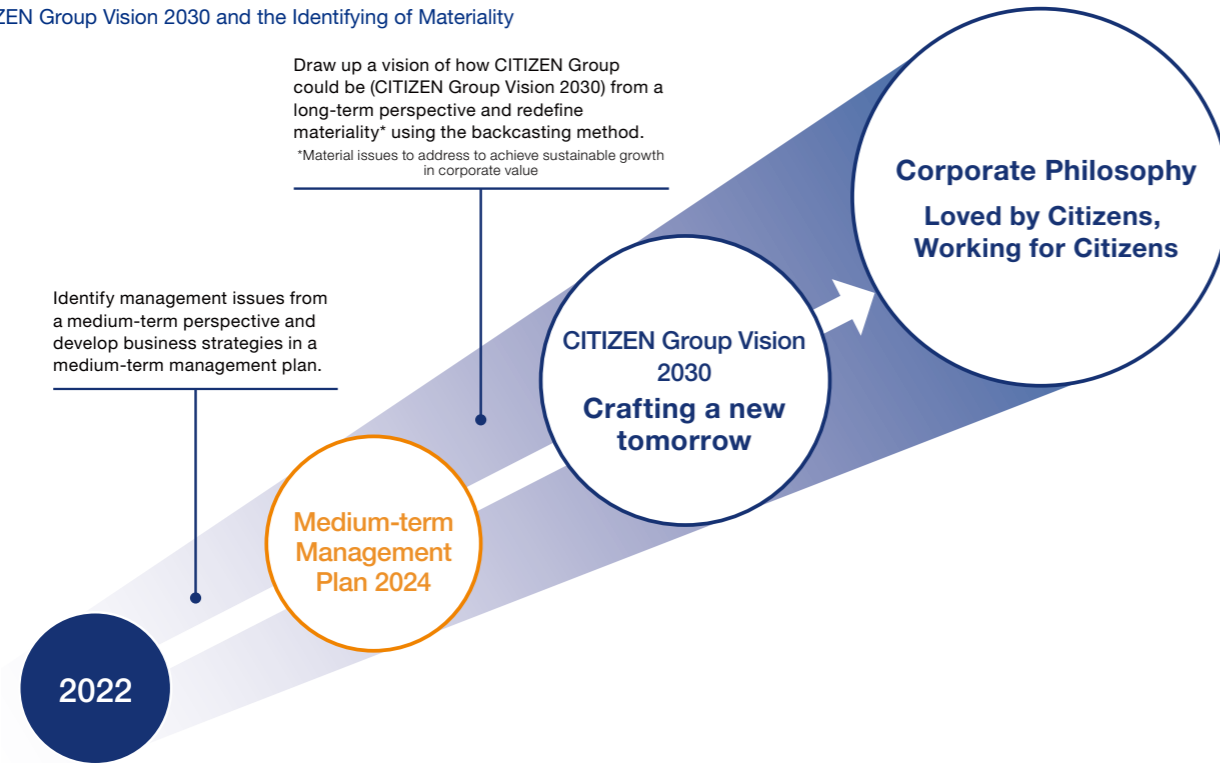


Materiality

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

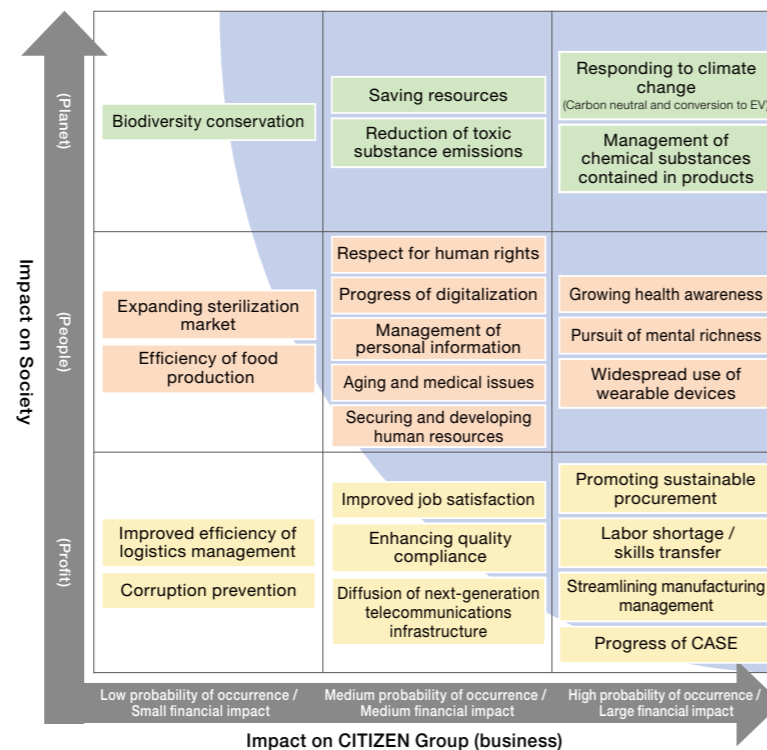
Assess the impact on society and the importance of the materiality to the company, and make assumptions about the proposed materiality.

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

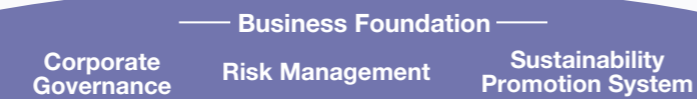
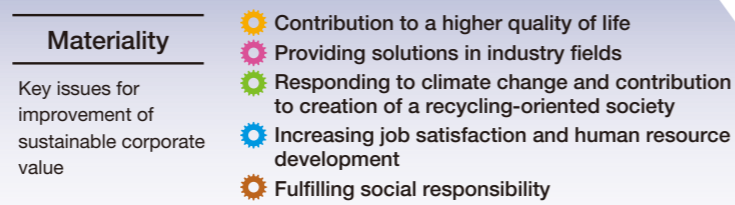
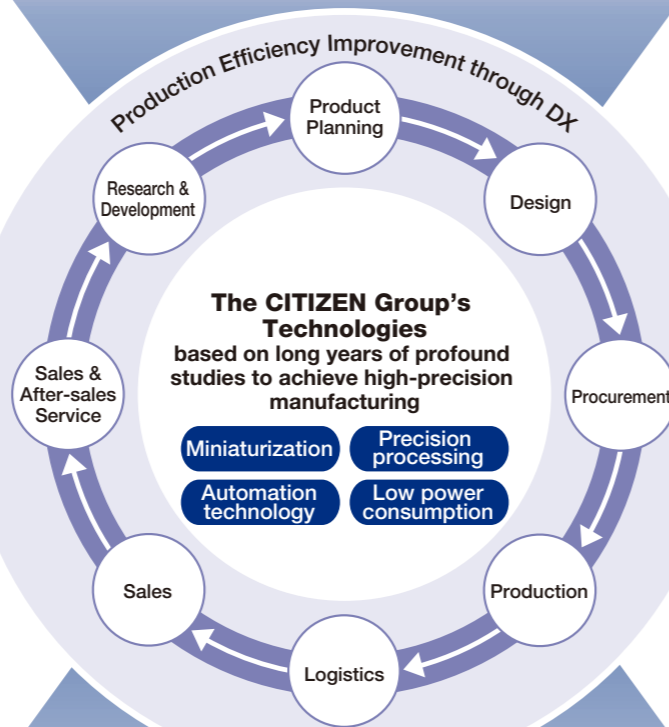
Globally expanded supply chain network

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

