

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>