

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

## Progress on the Roadmap on Respect for Human Rights

### Fostering Awareness of and Respect for Human Rights

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

## Efforts to Build Human Rights Due Diligence

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"> <li>Establish a group-wide system to develop human capital necessary for the transformation and growth of the Group and individual companies.</li> </ul>			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"> <li>More than 100 participants in the Group Transformation Promotion Training (33% of CITIZEN WATCH managers participated in the reskilling training)</li> <li>More than 30 participants in the Basic Management Training</li> </ul>	<ul style="list-style-type: none"> <li>More than 200 participants in the Group Transformation Promotion Training (70% of CITIZEN WATCH managers participated in the reskilling training)</li> <li>More than 30 participants in the Basic Management Training</li> </ul>	<ul style="list-style-type: none"> <li>More than 200 participants in the Group Transformation Promotion Training (100% of CITIZEN WATCH managers participated in the reskilling training)</li> <li>More than 30 participants in the Basic Management Training</li> </ul>	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"> <li>Group Transformation Promotion Training</li> <li>Basic Management Training</li> </ul>			<ul style="list-style-type: none"> <li>Group Transformation Promotion Training</li> <li>Basic Management Training</li> <li>Implementation of the Group succession plan</li> </ul>

### 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"> <li>Selected from department heads of major operating companies</li> <li>Jointly held with CITIZEN WATCH’s management reskilling training</li> </ul>
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"> <li>Selected from the member class of major operating companies</li> </ul>
Data Scientist Training	More advanced data analysis training and practice in projects	<ul style="list-style-type: none"> <li>Participants in the Customer Data Utilization Project (Prior implementation at CITIZEN WATCH)</li> </ul>
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"> <li>Selected from department heads of major operating companies and their candidates</li> </ul>

## 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

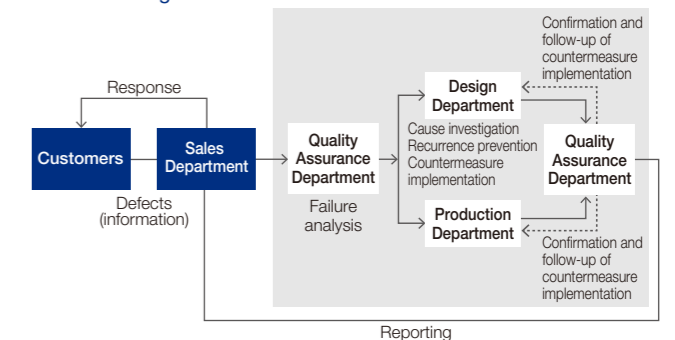
Upon receiving a customer inquiry concerning a product defect, CITIZEN MACHINERY takes appropriate measures tailored to the situation. These measures can include dispatching replacement parts and organizing repair arrangements. In cases where the inquiry demands it, an emergency response meeting convenes, 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"> <li>Identification of human rights risks in the business controlling company</li> <li>Determination of corrective measures for human rights risks in the watch business</li> </ul>	<ul style="list-style-type: none"> <li>Decide on corrective measures for human rights risks at the business controlling company</li> </ul>	70% of the Group adheres 100% to CSR procurement guidelines	100% of the Group and 70% of major suppliers comply with 100% of the CSR Procurement Guidelines
KPI	<ul style="list-style-type: none"> <li>Reduce the number of high-risk suppliers to 0%</li> <li>75% of major suppliers participate in the briefing</li> <li>SAQs distributed to 75% of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>100% of major suppliers respond to the SAQ</li> </ul>	<ul style="list-style-type: none"> <li>Start SAQs to all major clients from 2024</li> <li>100% of major suppliers participate in supplier briefings</li> </ul>	<ul style="list-style-type: none"> <li>100% of major suppliers responded to SAQs</li> <li>70% of major suppliers have 100% SAQs overall score rate</li> </ul>
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"> <li>100% of major suppliers comply with green procurement standards</li> <li>Disclosure of information on group business and responsible mineral procurement</li> <li>Ongoing communication and action for remediation</li> </ul>	<ul style="list-style-type: none"> <li>100% of major suppliers comply with green procurement standards</li> <li>Ongoing communication and action for remediation</li> </ul>

## Survey Using the Supplier Questionnaire (SAQ)

As part of our efforts to understand CSR procurement risks, since FY2019 The CITIZEN Group has begun conducting surveys of domestic suppliers using the SAQ\*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	<ul style="list-style-type: none"> <li>Improving efficiency and sophistication of operations</li> <li>Sophistication of decision making through data utilization</li> <li>Evolution of manufacturing through utilization of digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of existing business processes through utilization of digital technology</li> <li>Integration and updating of business systems for data utilization</li> <li>Improving operational efficiency and sophistication of decision making through data utilization</li> <li>Promoting efficiency and automation of processes in factories</li> <li>Reducing the burden of management by digitizing design/parts information</li> <li>Product and service development based on user data</li> </ul>
	Creation of new user value through product and service reform	<ul style="list-style-type: none"> <li>Providing new user experiences</li> <li>Creating a new business model</li> <li>Measures to support the above</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening customer contacts</li> <li>Improving customer satisfaction and expanding sales</li> <li>Enhancing user experience</li> <li>Evolution of IoT services</li> <li>Development of business models that connect with users</li> </ul>
	Reform of corporate culture	<ul style="list-style-type: none"> <li>Development of human resources to promote reforms</li> <li>Corporate environment improvement</li> </ul>	<ul style="list-style-type: none"> <li>Development of human resources to promote reforms</li> <li>Reform of corporate culture</li> </ul>

## 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.