

CITIZEN

CITIZEN GROUP  
CSR REPORT 2019

Digest Version



**CITIZEN WATCH CO., LTD.**

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 <p>UN GLOBAL COMPACT COMMUNICATION ON PROGRESS</p>	<p>This is our <b>Communication on Progress</b> in implementing the principles of the <b>United Nations Global Compact</b> and supporting broader UN goals.</p> <p>We welcome feedback on its contents.</p>
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Published: August 2019



# Loved by citizens, working for citizens

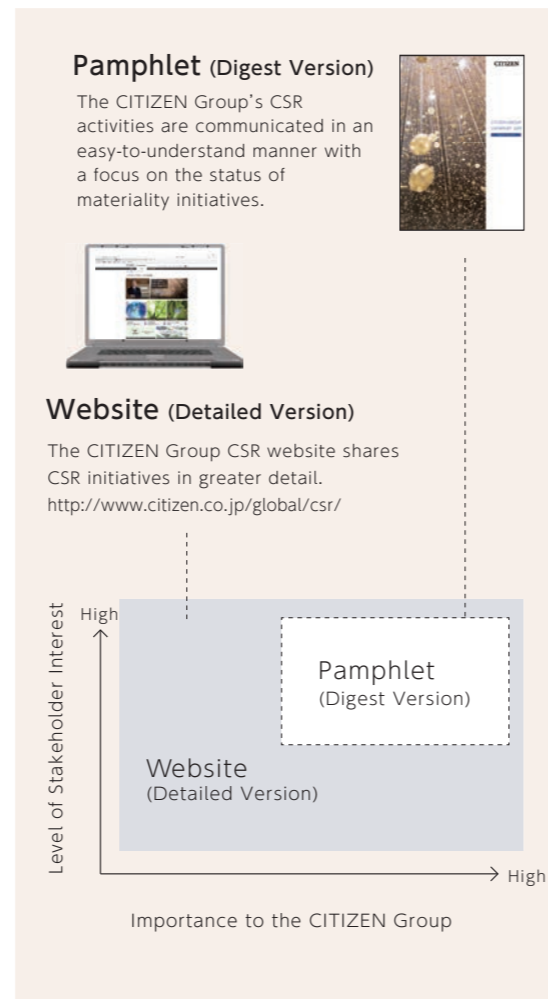
CITIZEN's philosophy, "Loved by citizens, working for citizens" is to deeply contribute to the lives of people around the world through the manufacturing of products that are loved and trusted by citizens. In 2018, the CITIZEN Group celebrates its 100th anniversary. This year, the CITIZEN Group takes a fresh step towards further growth over the next 100 years, aspiring to contribute to the sustainable development of society.

## Summary of This Digest Version

The CITIZEN Group reports on the status of its CSR activities in order to provide all stakeholders with a better understanding of these initiatives. This digest version describes the direction of our Sustainable Management introduced under the new Medium-term Management Plan 2021 toward the continuous enhancement of the CITIZEN Group's corporate value. This digest version also reports on our endeavors to help solve social issues through our products and businesses, and efforts for our material issues. It further outlines the Group's CSR management in an easy-to-understand manner.

## Editorial Policy

Details of our CSR activities are posted on the CITIZEN Group CSR website, including the content of this digest version, case studies, and environmental and social data.  
 Reporting Period: FY2018 (April 1, 2018 - March 31, 2019)  
 Note: This report includes up-to-date information on activities that took place after the reporting period.  
 Digest Version Publication Period: August 2019  
 Organizations Included in the Economic Reporting Data: 20 companies in Japan, 72 companies overseas (total: 92)  
 Organizations Included in the Environmental Reporting Data: 14 companies in Japan, 15 companies overseas (total: 29)  
 Disclaimer: This report includes forecasts based on the best information available at the time of reporting. Actual activity outcomes may differ from the forecasts.  
 Reference Guidelines: GRI Sustainability Reporting Standards and Environmental Reporting Guidelines 2018  
 Third-party Assurance: The report has not received third-party assurance since the information disclosed only deals with part of our activities.



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To realize business growth with eyes on the next 100 years, we will challenge to create new values through contributing to SDGs achievement.

The CITIZEN Group has taken a fresh step as it marked the 101st anniversary from its founding this year. The Medium-term Management Plan 2021, which was launched in this milestone year, sets forth the Group's Medium-term Management Vision, with the slogan of "Innovation for the next—Sense the Time and Create an Impression for the Future." Guided by the Vision, we will endeavor to create new value in the Group's respective businesses.

Under the previous Medium-term Management Plan, CITIZEN Global Plan 2018, in an effort to evolve into a "solid global company," we promoted the multi-brand strategy for our core Watches business. Meanwhile, in our second core segment, the Machine Tools business, we focused on the development of products and the proposal of solutions by incorporating new technologies and managed to achieve numerical targets earlier than planned. However, the Watches business slowed down due to a drop in the inbound demand and changes in the market, compelling us to begin the new Medium-term Management Plan under conditions of uncertainty.

The Medium-term Management Plan 2021, which we launched this year, aims at the group-wide promotion of Sustainable Management as one of the Group's priority initiatives. To enable the growth of our business into the future, we strive

to contribute to the achievement of the Sustainable Development Goals (SDGs) by address global issues leading into 2030.

The name of our Company is derived from the concept of "citizens," and our Corporate Philosophy guides us to be "Loved by citizens, working for citizens." We believe it is our mission to practice this philosophy through our business activities.

We are offering new value-added products developed using clean energy technology. Moreover, we have developed a "Sustainable Factory" concept for the production processes used to produce such products. Under this concept, we will promote manufacturing practices that comprehensively address compliance, human rights, and labor practices across the supply chain, in addition to our ongoing consideration for the environment. Consequently, we are able to provide customers with the option to choose ethical products. In addition to conventional benefits delivered with CITIZEN products, we will create new value in which ownership makes a difference.

Watches are products that consumers view as indispensable to their lives. We regard the offering of products that cater to different lifestyles as constituting our value creation through business. In the rapidly growing smart

watch market, we will create a unique platform for smart watches through our alliance with Fossil Group, Inc. and our joint development with VELDT Inc., which offers the Riiiver IoT platform. Meanwhile, in the Machine Tools business, we will create value in terms of providing environmentally-friendly products made using our unique technology. Through the development of technology to reduce offcuts in the cutting process, we help our corporate customers to mitigate the environmental impact of their operations and improve their production efficiency.

In FY2018, the CITIZEN Group reviewed its materiality (material issues), and added "commitment to quality" and "respecting human rights" to the list of the group's materiality. As we develop as a globally operating entity, we place priority on human rights issues as a fundamental issue, and as we are committed to working for citizens, we regard respect for human rights as an essential policy. Based on this recognition, we have formulated a human rights policy and a plan to promote diversity initiatives more proactively. Last year, the CITIZEN Group initiated the Citizen Social Contribution Dispatch System, where employees are dispatched to various regions in and outside Japan to take part in assistance efforts to address social issues in respective

communities.

I expect that, through participating in this activity, employees will be able to broaden their perspective and foster new awareness, leading to their own growth and positive effects on their business performance.

I believe it is important to keep questioning ourselves about what CITIZEN should do in order to remain a beloved brand and what "working for citizens" means. At the time the company was first established, watches were imported from abroad and perhaps CITIZEN's watches became so popular because they were made domestically but The citizens of today are different from people living a century ago. The CITIZEN Group aims to grow into a company that can sustain itself over the next 100 years. To this end, we stand at the side of people all over the world and contribute to the achievement of the SDGs, which are relevant to all citizens.

佐藤敏彦

Toshihiko Sato  
President & CEO  
CITIZEN WATCH CO., LTD.



## Launch of Sustainable Management

The CITIZEN Group commenced its new Medium-term Management Plan 2021 in the milestone year of the 101st anniversary of its founding. We will take on the challenge of creating new value through our business in line with the CITIZEN Group Medium-term Management Vision 2021, "Innovation for the next—Sense the Time and Create an Impression for the Future." One of the priority measures for the challenge is to promote Sustainable Management across the group. The CITIZEN Group has been operating for over 100 years based on its Corporate Philosophy of "Loved by citizens, working for citizens." In order for the group to remain a company that is needed and loved by people all over the world well into the future, we need to create

products and services that cater to changes in society and to exercise due care and diligence in procurement and production processes. In addition, principles underpinning our business must be accepted by society. Simply supplying good products and services is not enough for Sustainable Management. Sustainable Management, as the CITIZEN Group defines it, means to increase corporate value through expanding business operations while winning stakeholder trust by respecting human rights and considering the global environment and other social issues when conducting business. In order to become a company close to and loved by citizens, we will contribute to solving social issues and achieving the SDGs through our business in order to remain viable over the next 100 years.

## Solving Social Issues Through Sustainable Products

The CITIZEN Group's Sustainable Management is based on the belief that it is indispensable for our future business growth to contribute to the achievement of the SDGs, which is a challenge for the entire global community, by 2030. Through Sustainable Management, the CITIZEN Group, by 2030, will come up with Sustainable Products\*1 designed to help address key global challenges in

each business segment of the group. Starting with the Watches and Machine Tools businesses, which represent the CITIZEN Group's two biggest core segments, we will release Sustainable Products and gradually expand the effort to the rest of our businesses.

\*1 Sustainable Products: Products manufactured at Sustainable Factories

### Examples of Sustainable Products

Watches business		Machine Tools business	
<b>Background</b>	In the modern world with its high level of uncertainty, we are expected to agilely respond to the changing times and offer new technologies and products in a timely manner. To this end, it is important to create innovation from the completely new perspectives that have been acquired through entering into partnerships with other entities. Furthermore, the current requirements for manufacturing are not limited to those related to product value. Sustainability is required in manufacturing processes, which must comprehensively deal with issues associated with human rights, labor practices and environmental conservation.	<b>Background</b>	A shortage of new skilled workers due to the decline and aging of the general population against the background of a decreasing birthrate poses a risk to business continuation, which has become a serious problem. Therefore, new approaches for passing on sophisticated manufacturing skills to the next generation of workers are now required. We believe that manufacturers have a responsibility to ensure the conservation of the environment through the effective use of limited resources and reduction of waste while at the same time developing innovative products.
<b>Business Vision</b>	Create new value and experience over time	<b>Business Vision</b>	Create the world's most advanced production innovation solution to establish a position as a new manufacturing (monozukuri) company
<b>Initiatives at CITIZEN</b>	The Watches business is engaged in the development of smart watches that can be customized to incorporate diversifying functions required by users. Riiiver, an IoT platform developed jointly with VELDT, enables watches to be connected to various other devices including an AI speaker and electrical appliances thus making life more convenient, comfortable and fun-filled for users. CITIZEN has consistently worked on adding value to products and has offered products that deliver benefits to the environment and society through products such as the Eco-Drive and CITIZEN L. Going forward, we will expand the lineup of products driven by next-generation power derived from highly efficient and cleaner energy sources. Through its ethical watches, the CITIZEN Group will change people's awareness of production and resource consumption, and offer them opportunities to be involved in the resolution of social issues.	<b>Initiatives at CITIZEN</b>	The Machine Tools business is taking on the challenge of automating the manufacturing processes that require specialized human skills. By mechanizing the advanced techniques believed to be difficult to replicate with conventional machines, we can ensure stable quality and enhance productivity. This initiative is expected to help address the issue of labor shortages in the next generation of skilled workers. We also strive to expand the lineup of products featuring CITIZEN's environmental technologies, develop a technology to reduce cutoffs in the cutting process, and another technology to enable the implementation of cutting work concurrently with shredding cutoffs. Through these technologies, we will contribute to reducing resource consumption and improving production efficiency.



## Column CITIZEN L, an ethical wristwatch made with consideration for the environment and human rights

CITIZEN L, one of CITIZEN's signature ladies watch brands, has been offered in approximately 50 countries worldwide since 2016 as the world's first wristwatch based on ethical considerations. CITIZEN L is equipped with Eco-Drive, a technology that draws power from light, requires no periodic battery replacement and thus produces no waste batteries. In addition, CITIZEN has made five ethical commitments\* for the brand to signify our considerations regarding the manufacturing processes. For example, the used materials are disclosed to indicate that the watches contain no materials that are harmful to the human body when the watch is used or when it was manufactured. Additionally, the watches CO<sub>2</sub>-equivalent greenhouse gas emissions or carbon footprint throughout the product life cycle, from procurement of materials and manufacture to disposal and recycling is disclosed.

CITIZEN L is made using a strictly controlled production system in line with the DRC Conflict-free minerals declaration and other relevant statements, meaning that CITIZEN does not use conflict minerals illegally sourced from the Democratic Republic of Congo and adjoining countries, the proceeds of which are used to finance armed groups in the area. The initiatives for CITIZEN L have been highly acclaimed, including winning of the Encouragement Award at the first Eco-Pro Awards (former Eco Products Awards) in 2018, which recognize products and services designed to reduce impacts on the environment.

As a manufacturer, the CITIZEN Group believes that it has an important responsibility to raise the awareness of consumers through supplying ethical products and by paying consideration to ethical issues. By proactively providing information on our sustainable manufacturing, we aim to raise consumer awareness and ultimately encourage consumers to choose CITIZEN's sustainable and ethical products.

- Disclosure of materials
- Reduced-size user manual
- CO<sub>2</sub> emissions Disclosure
- Sustainable packaging
- DRC conflict-free minerals audit



Note: For details of the CITIZEN L's ethical commitment, visit the CITIZEN L brand webpage. <https://www.citizenwatch-global.com/l/special/story/>

In April 2019, a social campaign called "New TiMe, New Me" was launched to coincide with the release of a limited-edition model under the CITIZEN L brand. In line with the message "Even small choices can change the world, even if only in small ways," an event was held calling for consumers to think about social and environmental issues and to start doing what they can. The event offered visitors an opportunity to "touch and try" CITIZEN L watches to help familiarize more people with ethical products. Maintenance services were also provided to encourage users to keep using their wristwatches for longer, while workshops were held to help visitors find their own ways to tackle the SDGs. The two-day event drew a

large number of visitors. Moreover, through the display of exhibits describing CITIZEN's efforts for the SDGs and ethical products, visitors were able to learn about CITIZEN's efforts for sustainability while enjoying the programs.





### Sustainable Factory concept

The CITIZEN Group has devised a concept it dubbed the "Sustainable Factory" which gives consideration to the manufacturing process for creating future Sustainable Products. We are committed to establishing sustainable production facilities that comprehensively address such issues as compliance, human rights, labor practices, BCP\* and productivity improvement in the value chain, which also encompasses our suppliers, in addition to our ongoing consideration for the environment. The concept is promoted as an effort to proactively contribute to the achievement of the SDGs and to the realization of a sustainable society.

\* BCP: Business continuity plan/planning. A business continuity plan is formulated during normal times of operation to prepare for 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.



Overview of Sustainable Management

### Group-wide initiatives for SDGs

The CITIZEN Group has established the Sustainability Committee to promote Sustainable Management across the group and will implement activities aimed at contributing to the achievement of the SDGs.

#### Lecture meetings

Upon the kickoff of the Sustainable Management initiative envisioned in the Medium-term Management Plan 2021, awareness-raising lecture meetings were held for employees in positions responsible for the promotion of the SDGs. At three such meetings, experts were invited to deliver lectures on the themes of the "SDGs," "business and human rights," and "sustainable development." The

#### Provision of information through in-house newsletters

In an effort to promote understanding of the SDGs by our employees, a regular column titled "Let's learn about the SDGs" is featured in the CITIZEN Group's monthly in-house newsletter, CITIZEN FUTURE. This is intended firstly to provide an opportunity for our employees to learn about the 17 goals, and to think about what each of them can do to realize a world that "leaves no one behind," and to encourage them to utilize the knowledge gained in our operations.

We also implement awareness-raising activities through study sessions and in-house newsletters to help all employees better understand the SDGs and to add momentum to initiatives for Sustainable Management.

participants learned about solving social issues through business and ethical initiatives from a global viewpoint. Moreover, study sessions on such topics as human rights and CSR procurement were organized for personnel in human resources, procurement and other relevant departments to enable them to utilize what they learned to formulate specific measures for Group companies.



### The CITIZEN Group's initiatives for respecting human rights

Since its founding, the CITIZEN Group has upheld the statement "Loved by the citizens, working for citizens" as its Corporate Philosophy and has aspired to contribute broadly to the lives of people around the world through its business operations. In 2005, as a globally operating company, we joined the United Nations Global Compact comprising 10 principles in the areas of human rights, labor, the environment and anti-corruption as advocated by the UN. The Citizen Group Code of Conduct, the standard for employee behavior, stipulates that in conducting business we need to respect the human rights of other employees of the Group as well as those of our suppliers, and we have proactively worked to raise

awareness of the policy. Upon the start of the Medium-term Management Plan 2021, and based on the policy to pursue group-wide Sustainable Management and to make more proactive contributions to achieving the SDGs through our business operations, we formulated the Citizen Group Human Rights Policy in April 2019 thereby demonstrating the Group's stance for the respect for human rights. In April 2019, we also published the Citizen Group Modern Slavery and Human Trafficking Statement and the Citizen Group Conflict Minerals Policy. Based on the recognition of problems associated with human rights, we are determined to practice Sustainable Management to fulfill our responsibilities as a global company.

### Formulation of Citizen Group Human Rights Policy

The CITIZEN Group endorses the UN Guiding Principles on Business and Human Rights and, in April 2019, formulated a Human Rights Policy accordingly. The Human Rights Policy pledges respect for the dignity and rights of all stakeholders in the business

of the CITIZEN Group and affirms that the Group does not take part in human rights abuses, and that in the event its business operations do negatively affect a person's human rights, the Group will offer remedy to the affected parties and take a corrective response.

### Initiatives for Respecting Human Rights

To conduct business in a manner that respects the human rights of all stakeholders, the CITIZEN Group proactively conducts a range of communication activities and holds seminars to disseminate and instill policies and rules advocating respect for

human rights. To identify human rights-related risks, we conduct periodic supplier questionnaires and an employee awareness survey. To provide access points for remedy, we have established consultation and reporting desks.

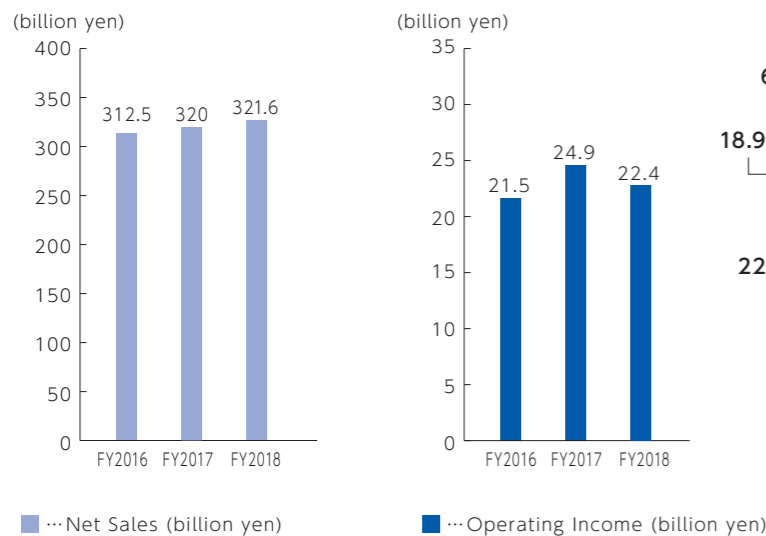
The CITIZEN Group's value chain and stakeholders	Supplier	CITIZEN Group (Employees, temporary employees, technical interns)	Local community (Consumers)
Disseminate and instill policies and rules	Citizen Group Human Rights Policy/Citizen Group Modern Slavery and Human Trafficking Statement		
Identifying risks	<ul style="list-style-type: none"> <li>*Citizen Group CSR Procurement Guideline</li> <li>*Citizen Group Conflict Minerals Policy</li> </ul>	<ul style="list-style-type: none"> <li>*Activities to disseminate the Citizen Group Code of Conduct across the group</li> <li>*Seminars on business and human rights</li> </ul>	<ul style="list-style-type: none"> <li>*Customer service</li> </ul>
	<ul style="list-style-type: none"> <li>*Supplier questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>*CSR awareness survey</li> <li>*Stress check (web-based)</li> <li>*Installing suggestion boxes to collect opinions and proposals at work sites</li> <li>*Group compliance hotline</li> <li>*Harassment consultation desk</li> <li>*Mental health counseling office (CITIZEN WATCH)</li> <li>*Health consultation</li> </ul>	

## The CITIZEN Group's financial performance

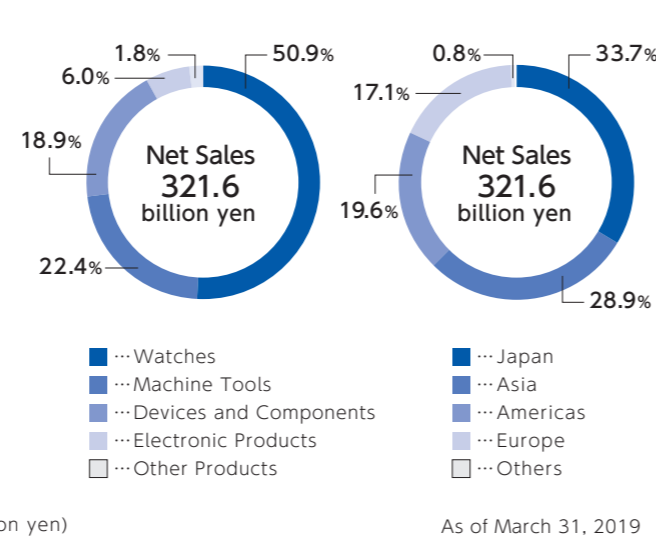
In 2018, amid a variety of global economic situations such as the Japanese economy entering into gradual recovery, the United States showing continuing signs of improvement due to an improving employment picture, Europe with uncertain prospects due to Brexit, and China and other Asian countries showing signs of recovery, CITIZEN sought to enhance its profitability through manufacturing

innovations based on our Medium-term Management Plan as well as advancing a new growth strategy focusing on the watches business to become a "solid global company." As a result, sales rose while profits fell, with net sales reaching 321.6 billion yen and operating profit of 22.4 billion yen. Moreover, CITIZEN recorded ordinary profit of 26.6 billion yen and net income of 13.3 billion yen.

### Information on Profitability



### Net Sales by Business Category and Net Sales by Region



## The CITIZEN Group's non-financial performance

- Number of languages into which the Citizen Group Code of Conduct has been translated **10 languages**
- The 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program, large enterprise category **Named as a "White" 500**
- Percentage of suppliers to which the Citizen Group CSR Procurement Guideline has been distributed **30.3%**
- Number of overseas environmental laws and regulations monitored **756**
- Number of employees who participated in the Citizen Social Contribution Dispatch System **Total of 210**

\* CITIZEN WATCH, CITIZEN MACHINERY, CITIZEN ELECTRONICS, CITIZEN FINEDEVICE, CITIZEN SYSTEMS JAPAN, CITIZEN WATCH MANUFACTURING, CITIZEN T.I.C.

For detailed CSR data, visit the following: <https://www.citizen.co.jp/global/csr/data/index.html>

## The CITIZEN Group's CSR

We have established the Citizen Group Code of Conduct based on our corporate philosophy, "Loved by citizens, working for citizens." We believe that CSR activities contribute to the resolution of social issues. And through disseminating the Code of Conduct to each and every employee in the Group and conducting business and social contribution activities we contribute to such activities. The concept of broadly contributing to the lives of people throughout the world, through "manufacturing of products that are loved and trusted by citizens," has been a standing-point of our company since its foundation. The CITIZEN Group has always aspired to supply quality products, to meet the needs of society through business activities, and to continue to be a company needed by the society. The new Medium-term Management Plan 2021, which started in FY2019, upholds the promotion of group-wide

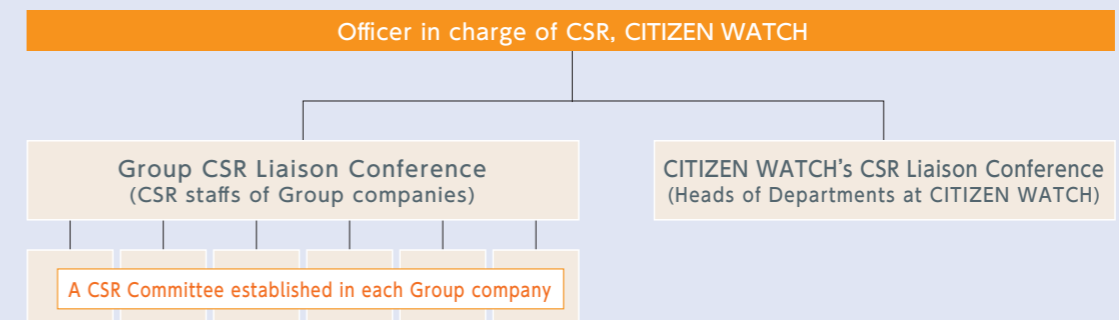
Sustainable Management as one of our priority measures. As well as creating products and services that respond to changes in society, we exercise due diligence in procurement and production processes. Through such management and by exercising of due care and diligence in regards to compliance, human rights and the global environment—all of which underpin the foundation of all of our corporate activities—we will strive to win stakeholder trust, expand our business and increase our corporate value, and thereby contribute to the resolution of social issues and the promotion of the SDGs. Going forward, the social issues the Group will deal with will be identified in reference to the Corporate Philosophy, the Code of Conduct, Sustainable Strategies, the CITIZEN Environmental Vision 2050, and relevance to our business domains. Specific actions will be taken and the progress made will be disclosed to external parties.

## CSR Management Structure

With an initiative of CITIZEN WATCH, an operating holding company of the CITIZEN Group, we have linked its CSR objectives to the Citizen Group Code of Conduct, and practice CSR activities in which everyone participates so that each employee contributes according to their capabilities to society on a daily basis without ever forgetting the origins. The CSR Department of CITIZEN WATCH plays a central role in promoting information sharing in coordination with CSR departments of the Group companies. The CSR departments in each Group company periodically meet and hold a Group CSR Liaison Conference in which they discuss directions and measures regarding group-wide activities, and share best practices within the Group, such as confirming the status of activities in each

company. While these efforts represent CSR activities based on the Code of Conduct, our efforts to promote the new Sustainable Management initiative aim to promote activities for the SDGs by leveraging our products and services to help solve social issues and by implementing measures set forth for each aspect of our materiality. To this end, we will establish the Sustainability Committee, which makes decisions on important matters related to group-wide initiatives for SDGs. The Corporate Planning and CSR Departments of CITIZEN WATCH, which serve as the secretariat of the Sustainability Committee, are responsible for promoting the CITIZEN Group's initiatives for SDGs. The departments operate the Committee, monitor the progress of activities, and disclose information to outside parties.

### Chart of the CSR Management Structure



## Process to identify and review materiality

In 2017, the CITIZEN Group, in fulfilling its responsibility as a member of the international community, and as a Solid Global Company, has started identifying materiality for its sustainable growth. The CITIZEN Group referred to principles and guidelines related to CSR in addition to sustainability guidelines such as the United Nations Sustainable Development Goals (SDGs), the United Nations Global Compact, ISO26000, the RBA (Responsible Business Alliance), and GRI standards while gaining a thorough understanding of the social issues that are important to the community and stakeholders. The CITIZEN Group also identified the challenges of greatest importance in light of the Group's Corporate Philosophy, Code of Conduct and business strategies outlined in the Medium-term Management Plan, and compiled them into a list of materiality. In FY2018, as

part of the initiatives for the 100th anniversary, a Round Table Relay was held, mainly among CITIZEN Group employees, to deepen the discussion on the ideal future of CITIZEN over the next 100 years. Through this dialogue, a new topic, "pursuing social contribution activities," was added to our list of materiality. Furthermore, in FY2019, "commitment to quality" was added to our materiality, given the incident of inappropriate activities in the previous year, while the previous issues of "thorough compliance" and "comprehensive risk management" have been consolidated into "strengthening corporate governance" as we recognize the importance of governance by the top management. "respecting human rights" is also included to create six new materiality to be worked on by the entire group. In the future, to maximize the viability of initiatives, specific objectives will be set for each materiality.

### A New Set of Material Issues for FY2019

Materiality	Relevant SDGs
<b>Strengthening Corporate Governance</b> We aim to continually enhance the CITIZEN Group's corporate value through improving the internal control system to ensure transparent and sound management, ensuring efficient operational processes across the Group and administering appropriate supervision.	10 REFORMED INFRASTRUCTURE, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
<b>Commitment to Quality</b> Defining the maintenance and improvement of reliability and safety as the core of our corporate philosophy of "Loved by citizens, working for citizens" we strive to maintain and improve effective quality assurance systems in all manufacturing processes.	4 QUALITY EDUCATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
<b>Respecting Human Rights and Labor Practices</b> As a globally operating corporate group, we are committed to fulfilling our responsibility for respecting human rights throughout our value chain. We will reinforce a corporate culture that embraces diversity and helps one another to hone our abilities. We will create a safe and supportive work environment for all employees.	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
<b>Advancing Responsible Procurement</b> With the aim of optimizing procurement activities throughout the Group, we are working to resolve social issues in the value chain.	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 6 CLEAN WATER AND SANITATION, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
<b>Promoting Environmental Innovation</b> We endeavor to reduce environmental load of/by the CITIZEN Group's products and in the value chain business process.	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
<b>Pursuing Social Contribution Activities</b> CITIZEN Group staff, coming face to face with social issues in communities around Japan and across the world, and engaging in social contribution activities in the fields of learning and education, environment, and disaster relief, aim to live in harmony with local communities.	1 NO POVERTY, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS

## Relationship with Stakeholders

The CITIZEN Group conducts corporate activities with the support of various stakeholders. We also communicate daily with our stakeholders to achieve our corporate philosophy, "Loved by citizens,

working for citizens." We endeavor to gain the trust of the society and appreciate our relationship with our stakeholders as we aim to be a corporation capable of continuing to provide value.



## Stakeholder Engagement

The Citizen Group places great importance on incorporating diverse requests and expectations from stakeholders in its management to accurately reflect on them in order to maximize the value we provide to society. Based on this principle, we communicate with stakeholders and strive to materialize our Corporate Philosophy. In FY 2018, which welcomed the centenary anniversary of

the Group, we have newly begun Social Contribution Dispatch System, to make the year a foothold for further growth of the Group. We will vitalize the entire organization with new values, which were brought by our employees who broadened the views and came to know social problems through activities in tandem with NGO / NPO and regional communities.

Stakeholder	Method/details of engagement	Results/evaluation	Response/plan
Customers	Handling of the opinions and requests submitted to CITIZEN WATCH Customer Watch Service	A total of 8,312 views submitted to the Customer Watch Service	Consideration of products and improvement in response to customer views; future challenges and plans
	Company and business information to be posted on the official company website, product website and various social media sites	Around 1.6 million followers on Facebook (CITIZEN WATCH global account)	Provision of useful information to customers and communication via the official social media sites.
Shareholders	General Meeting of Shareholders; opinion exchange with investors; information disclosure through various reports; results briefings; release of information to investors through the company website	31,240 shareholders; 127 individual meetings held with investors	Improved shareholder value as a result of ESG-related information disclosure
Suppliers	Implementation of briefings on CSR Procurement Guideline	Briefings held as planned; briefing sessions held within the Group on a supplier questionnaire that is scheduled to start in FY2019	Supplier briefings planned; implementation of Human Rights Due Diligence on a trial basis
	Provision of product information to retailers at business meetings	The information tools for exhibitions were well received by retailers and are used in their stores	Information sharing and building of relationships for mutual development
Employees	Gathering events for Group employees; employee satisfaction survey; interviews with senior staff; meetings between management and staff; intranet	Approx. 6,000 participated in the gathering events (100th anniversary event)	Increased employee satisfaction; expanded and enhanced work-life balance system; development of more pleasant and supportive work environment; development of an environment that maximizes the potential of all employees
NGO/NPO	Collaboration on social contribution activities	A total of 210 employees participated in a total of 16 social contribution dispatch projects in collaboration with NGOs/NPOs	Debriefing sessions held to report outcomes of social contribution dispatch projects
Regional Community	Community contribution activities (including watch assembly workshops, donation and sponsorship activities); participation in local events; hosting of plant visits	Participation of a total of 3,600 employees in 175 clean-up activities; hosting of 214 plant visits; holding of 61 watch assembly workshops; a total of 43.8 million yen donated as social contribution activities	Holding of events within the company by inviting locals; contribution to mutual understanding and the formation of stable local communities; enhancement of community contribution activities through the Group's business



### Initiatives for strengthening Group governance

To ensure the achievement of business targets and sustainable growth at the Group level, we have established the Group Risk Management Committee as a body in charge of collectively controlling and swiftly responding to risks in the Group. The Group Risk Management Committee is tasked with monitoring the progress of activities to strengthen Group governance and quality compliance, which the Committee took over from the Quality Compliance Monitoring Committee. It is also responsible for confirming the implementation status of measures to combat the Group's critical risks and for responding to emerging risks. The Group Risk Management Committee is chaired by the President of CITIZEN WATCH, and it has subordinate risk-themed Committees with appropriate Officers and departments specializing in key risk areas assigned to them, allowing the top management to identify and deal with critical risks related to financial performance as well as ESG risks such as those related to compliance, BCP, intellectual property, information security, labor practices and environmental problems.

In FY2018, the Committee led investigations on the actual status of hosting overseas technical interns and their labor conditions. This risk management system has facilitated the sharing of risk management know-how among the Group companies through sharing information on risks common to the group and specific to each company. The system has enabled consistent, uniform management of risks across the Group. In FY2018, the Group Quality Compliance Committee was newly established. Headed by a Director in charge of Group risk management, the Committee consists of Quality Officers of each Group company. It developed the Citizen Group Quality Assurance Code of Conduct as the Group's universal guideline. The Committee has also been engaged in the establishment of a system to reduce quality-related risks through implementing an organizational change to secure the independence of quality control departments, hosting quality control seminars, and establishing the Group's uniform standards for contract forms and quality inspection. Going forward, the Committee will further reinforce a quality audit function, and conduct monitoring and audits on a regular basis. The CITIZEN Group will continue to implement improvement plans to establish and operate group-wide risk management systems.



#### ■ Main Activities by the Group Quality Compliance Committee in FY2018

To share information on quality within the Group, a task force consisting of representatives of quality departments was formed to deliberate on compliance from the quality control perspective. The task force will submit a report to the Group Quality Compliance Committee.

To prevent the recurrence of a quality fraud, like that which occurred previously within the Group and with reference also to incidents at other companies, the Committee is considering a mechanism to regularly conduct audits on the following elements with the potential to trigger improper activities.

#### 1 Inspection process

- \* Mechanism related to the reliability of inspection data Mechanism that focuses on the motivation and opportunity for falsification of inspection data
- \* Mechanism that enables prevention and detection of falsification
- \* Mechanism to secure inspection accuracy

#### 2 Handling of irregular products

- \* Confirmation of rules related to irregular products; mechanism to ensure compliance with quality requirements imposed by customers
- \* Management of records at the time of occurrence of irregular products; management of records on communication with customers

#### 3 Concluding and fulfilling contracts

- \* Confirmation of contract-related operations to ensure quality compliance; examination of contracts
- \* Rules on management
- \* Mechanism to ensure the fulfillment of processes and contract details; recording and managing contract terms and conditions

### Formulating and Disseminating the Citizen Group Quality Assurance Code of Conduct

The CITIZEN Group ensured thorough compliance by conducting business operations in accordance with the Citizen Group Code of Conduct, which sets forth stricter standards than those required by law. In 2017, however, improper activities were found at a Group company, which forced us to recognize the need to improve our awareness of compliance. To instill a thorough commitment to compliance in each employee, the Citizen Group Quality Assurance Code of Conduct was formulated in FY2018. The Code specifies the principle and value of manufacturing based on the Corporate Philosophy "Loved by citizens, working for citizens." This new Code also sets forth expectations regarding the observance of quality-related laws and contract terms, sharing of information in cooperation with stakeholders, and clarifying functions of each department in terms of quality. We will share the Code of Conduct across the entire Group to fulfill our responsibility as a manufacturing company.

With regard to awareness-raising activities for the Citizen Group Quality Assurance Code of Conduct, seminars were provided to a total of 301 department managers at the Group companies acting as the business headquarter companies on quality compliance status surveys and related topics. In addition, we ensure that the Code of Conduct is widely disseminated and embraced by all group employees through putting up posters, disclosure on the intranet, and carrying feature articles in in-house newsletters. At overseas sites, we held sessions to read the Citizen Group Quality Assurance Code of Conduct together. In FY2019, as awareness-raising activities for new employees, systematic explanations were provided on the Corporate Philosophy, the Citizen Group Code of Conduct, and the Citizen Group Quality Assurance Code of Conduct. Moreover, seminars on such topics as the Quality Policy were held for each business headquarters company.



### Improvement of whistleblower system and internal audit

The CITIZEN Group has worked tirelessly to improve its whistleblower system and enhance its effectiveness. In FY2018, the Group Audit & CSR Liaison Conference was held, where personnel in charge of a whistleblower system at the Group companies met to identify problems in operating the system. Moreover, we formulated new Group Compliance Hotline Rules with reference to the whistleblower guidelines of the Consumer Affairs Agency and the Corporate Governance Code, while providing guidelines for both users of the whistleblower system and personnel operating it in a bid to make this system widely known and increase transparency. In addition, in order to boost recognition of the system throughout the Group, seminars on the compliance hotline were

held for managers of the business headquarter companies. In an effort to make the system more accessible, we make it clear that anonymity is assured and whistleblowers will be protected. In FY2019, we plan to conduct a questionnaire survey on the level of recognition of the compliance hotline. In FY2018, we also reviewed the internal audit system and functions. We interviewed internal audit personnel at each Group company to identify and summarize the current operation status and issues. In reference to international standards of external organizations, we created a roadmap toward improved effectiveness of the Group's internal audit, and we will further reinforce risk management efforts of the Group.



### The CITIZEN Group's initiatives to empower human resources

The CITIZEN Group's management has long focused on providing an employee-friendly workplace. Not content with our low staff turnover rate and employees' long years of service, we have made steady progress in creating a more pleasant work environment. For example, in line with the proposals for work style reform by the Japanese government, we implemented continuous measures to raise the rate of paid leave taken and to reduce overtime work. In recent years, CITIZEN WATCH's efforts through stress checks and the health declaration were evaluated highly as facilitating the advancement of Health and Productivity management, where employees' health management is promoted from the management perspective. The company has been recognized as a "White 500"<sup>1</sup> company under the Certified Health & Productivity Management Outstanding Organizations Recognition Program. Regarding the work environment for women, we endeavor to provide a supportive environment to facilitate female employees to continue working regardless of their current stage of life. We have offered, for decades, "accompaniment leave" that allows staff to take leave to accompany their spouses working within the company in the case of a job transfer, and other programs that enable flexible workstyles. Our performance is highly evaluated by the society. For example, in recognition of these efforts, we have been included in the MSCI Japan Empowering Women Index<sup>2</sup> (WIN), a stock index made up of companies demonstrating excellent gender diversity practices, for two consecutive years since 2017. From the viewpoint of promoting diversity, we will create a work environment that is pleasant and supportive for all regardless of their attributes.

Despite our advanced approach towards realizing a work environment that allows employees to stay in the workforce for an extended period of time, we recognize challenges in terms of developing human resources that boost the competitiveness of our organization. An employee satisfaction survey conducted for all employees showed that some of the employees expect more rewarding frameworks and performance-linked systems. To meet

these requests, measures are being formulated at the Personnel Department. Productivity improvement and empowering human resources were set as one of the priority issues in the previous Medium-term Management Plan, CITIZEN Global Plan 2018. To promote the priority issues, in addition to the previous department-level system, a target management system at an individual level was introduced and reporting by employees of targets, their progress, and results for each year as well as interviews with their superior was started. The introduction of the target management system is expected to give rise to a lot of challenges at its early stage, such as problems associated with target setting by employees and judgment by superiors on the appropriateness of targets set by the employees. Going forward, in order for the system to be implemented effectively on a routine basis, we will devise measures to deal with possible problems on-site, including training to enable managers to give advice and guidance on appropriate target setting. CITIZEN WATCH is also considering the introduction of a talent management system in FY2019 to realize a more rewarding working environment.

As to efforts to create synergies among the Group companies, we carry on Group-wide recruitment activities with common training being provided to the new recruits across the Group. We also adopt a group-wide job rotation system for personnel relocation.

In FY2018, we organized group-wide recruiting events aimed at hiring human resources that match well to the needs of each company through collaboration among companies operating in different business domains. In addition, we incorporated the Citizen Social Contribution Dispatch System, a new system in which employees of the CITIZEN Group are dispatched to places inside and outside Japan to engage in social contribution activities to help solve social problems, into new employee training programs. This system offered all of the 120 new employees an opportunity to embody the Corporate Philosophy of

"working for citizens." At the same time, the social contribution activities are expected to serve as a foundation for closer collaboration among the Group companies beyond corporate or departmental boundaries.

\*1 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500): A program to certify a corporation as a leading company that implements especially outstanding health and productivity management among the companies listed on the Tokyo Stock Exchange

\*2 MSCI Japan Empowering Woman Index (WIN): Companies included in this index put together by Morgan Stanley Capital International (MSCI) are evaluated as excellent in terms of their gender diversity



### Collaboration with suppliers to promote Sustainable Management

In an effort to achieve the objective of becoming a "Solid Global Company" set forth in the previous Medium-term Management Plan, CITIZEN Global Plan 2018, the Group released the Citizen Group CSR Procurement Guideline in 2017, following the publication of the Citizen Watch CSR Procurement Guideline in 2016. With the release of the Group guideline, the CITIZEN Group started promoting group-wide CSR procurement activities and has tried to strengthen cooperation with our suppliers based on the recognition of our corporate responsibility for both products and procurement activities.

The organization for promoting the CITIZEN Group's CSR procurement is led by Officers of CITIZEN WATCH in charge of CSR, while the CSR Department and the Environmental Management Department fulfill the function of secretariat in promoting CSR procurement at Group companies.

At the Group company level, a CSR department and a purchasing department jointly collect information on the supply chain and report it to the secretariat.

As part of initiatives to promote CSR procurement in FY2018, we held a CSR Procurement Liaison Conference among Group companies to share the progress of each company's efforts, and hosted lecture meetings and workshops on the significance of CSR procurement with the goal of deepening the understanding about and to encourage widespread implementation of CSR procurement. A total of 21 employees in charge of CSR and procurement at operating companies attended the Liaison Conference and learned about the significance of CSR procurement and the latest trends.

In FY2019, to drive our efforts for CSR procurement even further, supplier questionnaires will be conducted by business headquarter companies. The CITIZEN Group takes part in the Supply Chain subcommittee of the UN Global Compact Network Japan (GCNJ) and cooperated in the production of books about supply chain management and CSR procurement, which include such topics as "An Introduction to Sustainable Procurement—Promoting CSR in the Supply Chain -" and "CSR/Sustainable Procurement Self-Assessment Tool Set," that were published by the subcommittee. We will use GCNJ's CSR Procurement Self-Assessment Tool Set for our own supplier questionnaires. Prior to the survey, seminars took place at seven companies, consisting mainly of business headquarter companies. A total of 108 participants reconfirmed the importance of CSR procurement and received guidance on the questionnaire. There was also a seminar given by experts, to which a total of 99 members of the group participated, including personnel in charge of purchasing and procurement, Presidents and Officers of the business headquarter companies and those from the Corporate



Planning Department. By raising awareness of CSR procurement at the senior management level, we will pursue and rigorously implement CSR procurement activities group-wide with due consideration paid to the environment and society via a top-down approach.

CITIZEN ELECTRONICS was the first CITIZEN Group company to introduce the CSR procurement concept on a full scale. In 2010, the company distributed the Citizen Electronics Group CSR Procurement Guideline to its suppliers and requested their understanding of CSR procurement. The same procedure is conducted also at the time of opening a new account. In annual supplier evaluations, the company confirms suppliers' compliance with such items as employee health management, prohibition of corruption and bribery, and responsible minerals procurement in line with the CSR Procurement Guideline. CITIZEN ELECTRONICS also supplies mainstay products, such as compact chip LEDs and tactile switches for mobile devices, to electronic companies. As a supplier, it has cooperated in CSR procurement activities by its corporate customers. Requirements set by its customers, for which CITIZEN ELECTRONICS undergoes 25 to 30 self-checks and audits annually, are becoming increasingly stringent in line with the code of conduct of each company. As for its own supply chain, the company continues to focus on disseminating and introducing the Citizen Group CSR Procurement Guideline in order to reinforce related efforts together with its supply chain. The company receives about 130 inquiries annually regarding the use of conflict minerals\* in its products.

CITIZEN ELECTRONICS also responds as needed to customer inquiries regarding the use of conflict minerals by its suppliers based on the results of the previously conducted surveys. In view of this operational environment surrounding the Group companies, the CITIZEN Group developed a Conflict Minerals Policy in April 2019 to clarify the Group's stance against the use of conflict minerals.

\* Conflict minerals: Minerals originated in conflict-affected areas, such as the Democratic Republic of the Congo and any adjoining country, including tantalum, tin, gold, and tungsten, which are associated with human rights abuses and environmental destruction by armed groups



### Formulating a new Medium-term Environmental Plan and Long-term Environmental Vision

The CITIZEN Group has promoted environmental activities from a global viewpoint since 2013, in accordance with the Citizen Group Medium-term Environmental Plan, which was announced at the time of the formulation of the previous Medium-term Management Plan, "CITIZEN Global Plan 2018". In FY2014, we acquired an integrated group certification based on the ISO14001 for environmental management systems, thereby establishing an integrated environmental management system for the entire group. Since then, we have focused on the provision of environmentally-friendly products and services, response to global environmental laws and regulations, reinforce of audits, contribution to the creation of a low-carbon society and recycling-oriented society, preservation of the natural environment, and conduct community activities.

Based on the Medium-term Management Plan 2021, the Medium-term Environmental Plan 2024 upholds the practice of Sustainable Management and pledges that the entire Group will be engaged in sustainable manufacturing through the Sustainable Factories concept, which addresses issues of the environment, human rights, compliance, and BCPs. Starting with the Watches business, the Group will endeavor to realize and operate Sustainable Factories and to create Sustainable Products throughout the Group and its supply chain. The light-powered "Eco-Drive" and all the other watch products of CITIZEN WATCH represent environmentally sound products according to our definition. From the production stage to use by customers, they consistently have smaller impact on the environment, a feature

derived from CITIZEN's manufacturing expertise based on its unique miniaturization and power-saving technologies and know-how.

For our ethical wristwatch, "CITIZEN L", we have declared ourselves to be DRC Conflict-free\*, pledging that we will not use conflict minerals, for which environmental destruction and human rights abuse at extraction are at issue. The "CITIZEN L" range boasts the mitigation of environmental and societal impact. As well as being energy saving, "CITIZEN L" features reduced-size user manuals and sustainable packaging. While continuing our focus on expanding the lineup of ethical products, CITIZEN WATCH intends to collaborate with NPOs in tackling common challenges in order to create a broader impact on society and making products with a greater appeal through Sustainable Management.

In April 2019, the CITIZEN Group established the Long-term Environmental Goals 2030 and the Environmental Vision 2050, both articulating the direction of the Group's long-term environmental activities. The Long-term Environmental Goals 2030 aspires to contribute to the achievement of the SDGs and aims to achieve five goals, while the Environmental Vision 2050 pursues the realization a decarbonized, recycling-oriented, safe, secure, and affluent society. In embracing these long-term goals and vision, the CITIZEN Group is committed to evolve to create Sustainable Products with the aim of "working for citizens" through implementing Sustainable Management.

\* DRC Conflict-free: Declaration that materials used in the product contain no conflict minerals illegally extracted in the Democratic Republic of the Congo and any adjoining country

Conceptual diagram of Environmental Vision 2050, Long-term Environmental Goals 2030 and Medium-term Environmental Plan 2024



### Contribution to solving social issues through products

The CITIZEN Group has long endeavored to develop environmentally-friendly products that meet our rigorous environmental standards satisfy energy and resource-saving requirements in the manufacturing processes of the Group and its suppliers. The light-powered mechanism "Eco-Drive" has helped reduce energy consumption and waste as it eliminates the need for battery replacement by consumers over the product's lifetime. Our compact processing technology and energy-saving know-how cultivated through the manufacture of watches reduce the product's impact on the environment throughout the value chain. Leveraging this expertise, we will contribute to the resolution of environmental problems not only in the B to C business but also in the B to B business.

For example, CITIZEN MACHINERY, which produces machine tools indispensable for making parts in a wide range of manufacturing industries, develops and supplies machine tools for processing parts for use in a broad range of industries, including automobiles, medical care, IT, electrical appliances, construction machinery, and housing equipment. Low Frequency

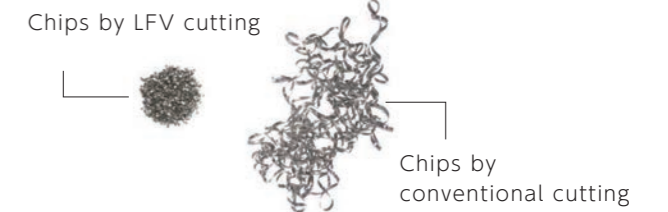
Vibration (LFV) Cutting is CITIZEN's unique control technology that breaks up chips by vibrating the servo axis\*1 in the thread cutting direction and provides "air cutting" time where the tool does not touch the workpiece. In conventional parts processing, where chips were long and had a risk of entangling, there were many reports of occurrence of defects and breakage of cutting tools. Machine tools with the LFV technology have less downtime due to the entangled of chips, and, therefore, consume less power, and produce a smaller volume of chip waste by shredding, thereby, mitigating environmental impacts at manufacturing sites. Moreover, the technology contributes to environmental innovation in the manufacturing process of customers, including to the reduction in processing costs through the reduction of machinery failures and the mitigation of workload through decreasing the cleaning frequency. In FY2018, a new LFV technology applicable for threading was developed to provide solutions to even more customers.

\*1 Servo axis: A feed unit consisting of motor, guide and other parts

#### Difference in the shape of chips

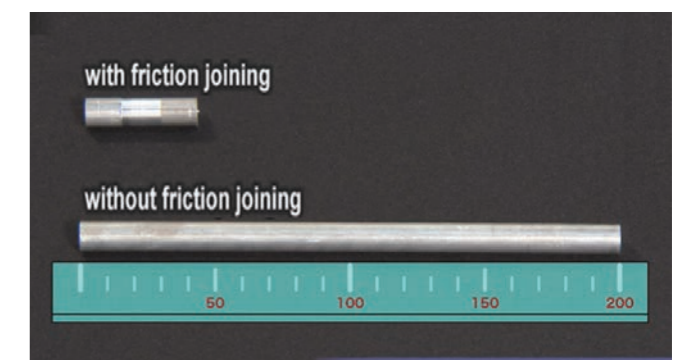
In low frequency vibration cutting, chips are shredded and discharged during "air cutting" time in cutting. Compared with the previous method, the volume of chips produced is approximately 50 to 90% less per process.

#### Difference in shape of chips with same weight



#### Development of Friction Joining Technology

While the LFV technology reduces the volume of chips produced in the processing of parts, new Friction Joining Technology substantially reduces cutoffs after processing. It is expected that the technology can reduce material costs through the reduction of cutoff waste and more efficient processing of materials. A problem with a sliding headstock-type automatic lathe, one of CITIZEN MACHINERY's mainstay products, is that the part of material held between the main spindle chuck (capturing a workpiece) and the guide bush (holding a cutting point) is left as cutoffs that cannot be machined. With the Friction Joining Technology the cutoff is chucked with the back spindle without ejecting it from the machine and joined with the tip of the next material to be fed in. This will reduce cutoffs and enable the effective use of materials to the maximum extent.



Comparison of cutoffs by Friction Joining Technology  
Using Friction Joining Technology reduces the cutoff of a material by up to 25% (data by CITIZEN)



## Formulating the Citizen Group Social Contribution Policy

The CITIZEN Group upholds its Corporate Philosophy "Loved by citizens, working for citizens" and aspires to contribute to the development of a sustainable society through business. The Group also believes that in order to continue operating its business it is essential to establish a relationship of trust with local communities, and to make contributions to their economic and societal development and to conservation of the environment. Article 8 of the

Citizen Group Code of Conduct stipulates that we will "strive to contribute to regional communities in which we operate" and we have worked to ensure that the significance of the social contribution activities is shared among the group employees. In April 2019, we established the Citizen Group Social Contribution Policy, clarifying the significance of our previous activities and the direction of the Group's social contribution activities.

### The Citizen Group Social Contribution Policy

#### Basic policy

The CITIZEN Group upholds its Corporate Philosophy of "Loved by citizens, working for citizens" and embraces the Citizen Group Code of Conduct's Article 8 which states to "Strive to contribute to regional communities in which we operate" as the basic policy for our social contribution activities.

#### Guidelines

In promoting social contribution, we have set the following three guidelines.

- (1) We shall contribute to the development of regional communities through our business activities based on consultations with the regions and mutual trust.
- (2) We shall make an effort to foster a flexible and creative corporate culture through further deepening of relations with regional communities by establishing friendships with local residents and by cooperating with regional vitalization efforts.
- (3) We shall carry out social contribution activities in collaboration with NPOs, NGOs, volunteer organizations, regional communities, and so on.

#### Priority areas

Based on the social contribution guidelines, we will focus on the following areas.

A: Learning and education B: Environment C: Sports D: Disaster relief

#### Active support for social contribution activities

The Group provides employees with opportunities to confront social issues, encourages their voluntary participation and supports their activities.



A welcome board made by children in Thailand

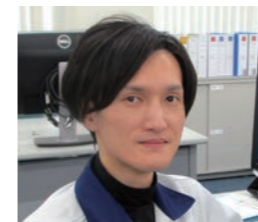
## The Citizen Social Contribution Dispatch System

In the centenary year of 2018, a new initiative called the Citizen Social Contribution Dispatch System was launched for the further evolution and development of the group. In this program, the CITIZEN Group employees are dispatched to various places both within Japan and overseas to address social challenges in the respective communities and carry out assistance activities accordingly. This dispatch system is designed to provide participants with opportunities to be released from work obligations so that they can broaden their horizons and incorporate new values, with the idea that they will bring back an

infusion of fresh ideas and energy for creating products and services that will be loved by citizens and society to the manufacturing sites of the CITIZEN Group.

In FY2018, the first year of the system, a total of 210 employees were dispatched to seven areas, including Miyagi Prefecture, an area afflicted by the Great East Japan Earthquake, and Thailand, where CITIZEN has a business site. In May 2019, a debriefing session was held at which representatives of the participants reported their activities. Social contribution activities are scheduled also for FY2019 at seven locations.

### Voices of participants

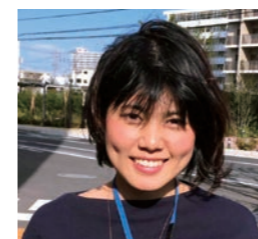


Project name:  
Reconstruction support in disaster areas  
(Ishinomaki City, Miyagi Prefecture)

Satoshi Susuga, CITIZEN MACHINERY

I chose the "Reconstruction support in disaster areas" project because I regret that I had not offered a helping hand to disaster areas despite the fact that my hometown is in Akita, a prefecture that is part of the Tohoku region. In addition, as I get older, I feel the need to take an interest in social situations. People are still forced to live in temporary housing in disaster-afflicted areas seven years after the disaster. Residents have been flowing out to inland and urban regions, leaving the affected areas suffering from serious depopulation and population aging. For this project, I was mainly involved in the improvement of a rose garden that is something of an oasis for the local people and has a special place in their hearts. Through cooperation with people from different communities and age groups throughout the activity and

through the communal living, I reaffirmed the importance of teamwork. I had a really good experience as I was able to interact with local residents. When I visited Okawa Elementary School, many students of which died in the disaster, I got a hint of how powerful the tsunami had been from the sight of collapsed walls and pillars and the fact that there were no houses around the school, all of which evoked mixed feelings. If you are working at a company, the time that can be spared for this kind of activity is limited. But you can have a meaningful experience through volunteer activities as you will be able to build relationships with fellow employees of the CITIZEN Group as well as with the local residents. I would definitely urge my colleagues to participate in this activity.



Project name:  
Child support project  
(Nakhon Ratchasima Province, Thailand)

Ai Oyamori, CITIZEN WATCH

I participated in this activity because I had been interested in social contribution by companies and CSR activities since my school days. I also wanted to interact with the local people. We visited a rural village in the Thai province of Nakhon Ratchasima (Korat), where many people follow traditional lifestyles. The circumstances there including opportunities for education are greatly different from those in urban areas undergoing rapid economic development. Objectives for the activity were to assemble and give away original watches for children in the village and encourage them to think about the importance of time. It was also aimed at making this international

cultural exchange an opportunity to broaden their perspective. There are few people in the village who are wealthy enough to possess wristwatches because they are a luxury item. School teachers told us that students very much looked forward to this project. I was so impressed by the students trying to create designs for the wristwatches, draw pictures, and by the smiles that appeared on their faces when they wore the finished wristwatches. I would like to continue pursuing the kind of social contribution that only the CITIZEN Group can make. I would like to apply this experience and new the perspective to my work.





## Participation in the United Nations Global Compact

In April 2005, the CITIZEN Group signed up to the United Nations Global Compact (UNGC) consisting of 10 principles in the areas of human rights, labor, the environment and anti-corruption. When revising our Citizen Group Code of Conduct, the UNGC principles are referred to, and they serve as the basis of the CITIZEN Group CSR activities. In addition, CITIZEN Group participates in the Supply Chain and SDGs subcommittees of the Global Compact Network Japan (GCNJ), which is made up of participants in the UNGC. In the subcommittees, the latest CSR trends are shared

via seminars given by experts and examples from participating companies. At the same time, each participating company, based on their broad experience in their respective industries, works to create outputs to support the promotion of CSR in a wide range of firms. The knowledge and findings from the subcommittees are also reflected in CITIZEN Group's CSR activities.



## Evaluation by Society

As the CITIZEN Group, we have continued business that practices our corporate philosophy of "Loved by citizens, working for citizens." We are engaged in CSR activities in order to contribute to the sustainable development of society through tackling social issues, based on

the thoughts of not violating social norms, not causing our customers or clients to feel distrust, and not being dishonest. These ways of thinking and activities have been rated well by ESG institutions, and we have been included in sustainability indices.



### SNAM Sustainability Index\*

CITIZEN WATCH has been included in constituents of the SNAM Sustainability Index from 2017.

\*SNAM Sustainability Index is a stock index measured by combination of ESG rating and stock value, originally developed by Sampo Japan Nipponkoa Asset Management Co.,Ltd. (SNAM).



### MSCI Japan Empowering Women Index (WIN)

CITIZEN WATCH has been included in constituents of WIN since June, 2017.

\*MSCI Japan Empowering Women Index (WIN) is a stock index that consists of primary gender diverse companies selected by Morgan Stanley Capital International (MSCI).



### 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program, Large enterprise category

In February 2019, CITIZEN WATCH was certified as a "White 500 company" under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program.

### Encouragement Award at the first EcoPro Awards

In 2018, CITIZEN's ladies wristwatch brand CITIZEN L won the Encouragement Award at the first EcoPro Awards (former Eco-Products Awards) for products and services with reduced environmental impacts. The brand was recognized as giving the general consumer the ability to choose eco-friendly products that also have design appeal.



### JSPE Takagi Award

A research article titled "Chip control in turning with synchronization of spindle rotation and feed motion vibration," published in Precision Engineering, won the Japan Society for Precision Engineering's JSPE Takagi Award in March 2019. The paper describes the outcome of research and development jointly conducted by the Tokyo University of Agriculture and Technology, CITIZEN MACHINERY and CITIZEN WATCH on low frequency vibration cutting technology that is applicable to machine tools. The award is presented to highly original papers having industrial value.



## The CITIZEN Group's Value-Producing Business Foundation

Since our foundation, the CITIZEN Group has utilized its unique and advanced technologies that have been cultivated through the watch business. These include the technology to make products even smaller and more precise, and the creation of products that consume little electricity. We also offer new value in other core businesses.

### Other Products

High-quality jewelry crafted by leveraging precision technologies exclusive to the CITIZEN Group is loved by many who wear them for a lifetime to add joy to their everyday lives. The technologies also contribute to the creation of places for people to relax, such as in the operation of ice skating rinks.

### Electronic Products

The POS bar code printers and the high-resolution digital photo printers are created using the precision processing and assembly technology passed down from our watch business, they are playing a role in different scenes, such as in the stores and at factories. In addition, healthcare products centered on electronic blood pressure monitors and electronic thermometers help people manage their health and support healthy lifestyle.

### Devices and Components

Applying the miniaturization and precision processing technologies that have been developed through the watch business, we offer automotive components used in braking and engine units, LED lights that achieve low power consumption and longer life, smartphone switches and liquid crystal. Through the manufacture of devices such as these that are built into familiar electronic products, we make everyday life more convenient and comfortable, and reduce the burden placed on the global environment.

### Watches

The CITIZEN Group has striven to manufacture watches that are loved throughout the world. Watches are where our story began. Even today, we continue to produce models featuring new functions, including innovative products that are the global firsts, such as Eco-Drive light-powered watches that have gained great popularity among many watch owners.

### Machine Tools

Machine tools create components essential to a wide array of industries, including the medical, automotive, and IT industries, and underpin modern technical advancement and the development of societies. Sophisticated technologies that meet diversifying needs in this dynamic age support manufacturing in a variety of settings in society.



## Corporate Data (as of March 2019)

Name: CITIZEN WATCH CO., LTD.  
 Establishment: May 28, 1930 (business founded in 1918)  
 Location of Head Office: 6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511

Capitalization: 32,648 million yen  
 Number of Employees: 14,909 (5,330)

\*The above is the consolidated number of employees; the number in parenthesis refers to the number of temporary workers as outside the aforementioned.

## Citizen Group list of companies

