

Strengthening Corporate Governance, Comprehensive Risk Management, Thorough Compliance

Strengthening Group governance

Since 2013, the CITIZEN Group has been carrying out its medium-term management plan, "CITIZEN Global Plan 2018," and as a globally operating business, it has worked to further strengthen Group governance. As part of this, in 2016 when the first of the last three years of the medium-term management plan started, it has revised the "Citizen Group Code of Conduct," which embodies the CITIZEN Group's Corporate Philosophy, "Loved by citizens, working for citizens" and sets out principles for the ways in each employee should act as a member of the CITIZEN Group. Translated into multiple languages, awareness of the Code of Conduct among all staff of the CITIZEN Group in Japan and around the world has been promoted. Meanwhile, a series of inappropriate activities was discovered at CITIZEN ELECTRONICS in 2017. To prevent this kind of misconduct from ever arising again, the

CITIZEN Group is determined to further strengthen governance and quality compliance across the Group.

Backing this initiative to be more effective, the Group Quality Compliance Committee, comprised of external experts, was established to improve the system of taking on views and advice from a specialist perspective, and the Group is working on the measures to prevent the recurrence of such incidents.

The CITIZEN Group is also making efforts to improve the effectiveness of its internal reporting systems and internal auditing for the prevention and early detection of compliance-violations.

Related information

Notice about independent panel survey report receipts and Citizen Group's response

<http://www.citizen.co.jp/files/20180209to.pdf> (Japanese)

Citizen Group Code of Conduct

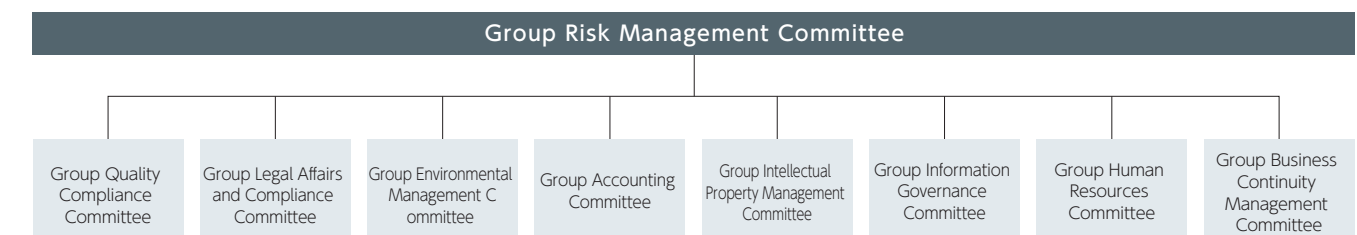
1. Act responsibly towards society and strive to raise the corporate value of the Citizen Group.
2. Create and promote products and services that demonstrate our commitment to safety, quality, and the environment.
3. Engage in business practices that are fair, transparent, open to competition, and responsible.
4. Respect human rights and diversity, and provide a safe and pleasant working environment.
5. Recognize the importance of environmental conservation, and take voluntary and proactive measures.
6. Manage and protect company assets in an appropriate manner.
7. Abstain from actions that would harm the company's long-lasting values.
8. Strive to contribute to regional communities in which we operate.

CITIZEN GROUP

Group Quality Compliance Committee established

In order to review and formulate firmer quality compliance measures across the CITIZEN Group, a new Group Quality Compliance Committee has been established. The committee is intended to set guidelines for the Group as a whole in relation to quality, referencing opinions and advice from external experts and holding discussions with

directors in charge of quality assurance from each Group company. The CITIZEN Group will also periodically provide training and education and carry out audits pertaining to the abovementioned guidelines to ensure a common understanding among all Group employees, and improve awareness of the need for quality compliance across the whole Group.



Ensuring thorough comprehension of the "Citizen Group Code of Conduct"

In October 2016, the "Citizen Group Code of Conduct," the authoritative guide to employee behavior, was revised. In the first year, employees in Japan were thoroughly informed of the revised Code. Following this in 2017, the Code of Conduct was translated into nine languages including English and distributed foreign bases along with a video message from the President of the company about the importance of the Code of Conduct.

A total of 98 briefings were held at 56 bases in Japan and around the world, with participation by 7,357 staff in total. Furthermore, a person in charge of promoting the Code of Conduct was allocated to each base to formulate an action plan appropriate to the respective national and local situation and develop activities to embed the Code of Conduct.

Sometimes, the history of the CITIZEN Group and explanations of products are included in the briefings with the aim of leading staff to enhanced understanding and awareness of the need to comply with the Code of Conduct through deepening their knowledge of the company.

In 2018, the year of our 100th anniversary, the CITIZEN Group is revisiting its roots and working to enhance corporate value towards the next 100 years by steadily observing the Code of Conduct, which allows us to contribute to the development of a sustainable society.

