

The CITIZEN Group's Sustainable Management

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

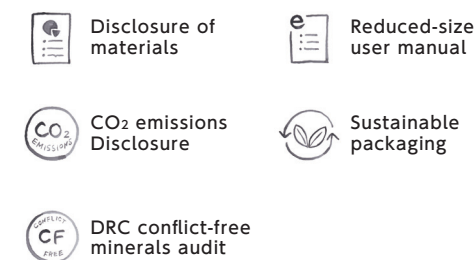
Watches business		Machine Tools business	
Background	In the modern world with its high level of uncertainty, we are expected to agilely respond to the changing times and offer new technologies and products in a timely manner. To this end, it is important to create innovation from the completely new perspectives 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.	Background	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.
Business Vision	Create new value and experience over time	Business Vision	Create the world's most advanced production innovation solution to establish a position as a new manufacturing (monozukuri) company
Initiatives at CITIZEN	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.	Initiatives at CITIZEN	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 CO2-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.



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

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.

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.

