

Drive forward sustainable management to deliver 'the value that touched the heart' to our diverse customers

Inspired by our centenary in 2018, the CITIZEN Group has advanced a new philosophy on sustainable management since 2019 based on our vision of being a sustainable enterprise throughout the next century. This is an expression of our desire to identify the clear courses of action of taking the initiative in reform and innovation amid rapidly and certainly changing economic and social conditions and the global environment. For this purpose, recognizing that the "Citizens" referred to in our Group philosophy, "Loved by citizens, working for citizens" refer to all members of the world's population of 7.8 billion, we consider it vital in our everyday activities to ensure the promotion of an understanding of the need to provide value to whom in the world by recognizing the importance of a deeper understanding and appreciation of diversity in the areas of gender, local communities, and economic disparities.

For example, in our core watch business, we are able to connect to customers through their purchases of watches and play a role in "delivering value that touches the heart" by enriching customers' lives and feelings. The way we create value through our business activities is vital to "delivering value that touches the heart" We generate value by contributing to solutions to the environmental, social, and governance (ESG)^{*1} issues and achieving the Sustainable Development Goals (SDGs). Customers support our initiatives through the act of purchasing our products and services. This leads to a sustainable cycle.

To enable our employees to consider this value and the meaning of the CITIZEN Group as their own matters, it is essential that their work-based values and objectives are in sync with the value of the company and the business. They must not only understand in their hearts that what we create is valuable for customers but also strive to ensure that consumers can understand accurately the kind of company we are and the kinds of products we produce when they hear the name "CITIZEN." For this reason, we also are

building a structure to strengthen our branding in order to communicate the CITIZEN brand with excellent care on an everyday basis. We believe that doing so will help to increase the quality of the Group's sustainable management in the future.

The importance of building a sequence of cycle linking "Sustainable factory" with "Sustainable products"

Up to now, we have taken pride chiefly in "CITIZEN of Technology" . But now, we believe it is essential that the value of these technologies be backed by sustainable management. Our vision of "Sustainable products" and "Sustainable factory" is intended to help achieve this aim.

"Sustainable factory" initiatives are intended to realize the entire value chain including suppliers as sustainable "factories". In addition to our existing efforts to reflect consideration for the environment, we also will aim to develop production facilities that are sustainable in all aspects, including compliance, human rights, labor practices, productivity improvements, and business continuity planning (BCP).^{*2} Of utmost importance is the creation of a series of processes to incorporate new messages on solutions for issues into the sustainable products produced in these sustainable factories, in addition to the eco-friendly qualities and other properties of the long-lasting products we have produced based on CITIZEN's advanced technologies. We will further these initiatives in order to contribute proactively to a sustainable society through means that include the achievement of the SDGs.

Boldly taking on the challenges of solutions to social issues through management that stresses ROE

Fiscal 2019, my first year in office, was an extremely important phase in which I reviewed our existing approaches in numerous domains. Among the materiality (material issues) identified by the Group, enhancing corporate governance was a very important subject, and rebuilding our approaches to this domain is vital to set a

course of action for sustainable management in the future. As part of these efforts, we established the new Sustainability Committee in April 2020 as a new structure to promote related initiatives. While at present the Sustainability Committee is connected to the Executive Committee, it quickly reports to the Board of Directors on the subjects of its dynamically and actively deliberated agenda. Based on this new structure, we also are strengthening the employee awareness and relations with stakeholders.

Furthermore, in FY 2020, we will advance initiatives based on the three pillars of return on equity (ROE)^{*3}, ESG solutions, and diverse innovation including the areas of technology to assess the assets, capital, revenue efficiency. In our corporate philosophy "Loved by citizens, working for citizens," the phrase "working for citizens" is related to all 17 targets of the SDGs. Returning to this philosophy as our root, we will strive to increase corporate value further by delivering new value to customers.

*1 ESG stands for the initial letters of Environment, Social, and Governance respectively.

*2 Business Continuity Planning (BCP) refers to planning the systems, roles, procedures etc. in normal times that are needed to enable continuation or swift recovery of the supply of products and services, by being prepared for the business impacts of large-scale disasters and emergencies.

*3 Return on Equity (ROE): An indicator used in financial analysis



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