

Basic concept

Reflecting the origins of its name, the CITIZEN Group's corporate philosophy is "Loved by citizens, working for citizens." Based on this philosophy, we strive to contribute to society and increase corporate value by consistently continuing corporate activities in harmony with our local communities and

the global environment. Recognizing the importance of management transparency and of supervisory functions to multifaceted management in order to increase corporate value continually, we implement measures aiming to enhance our corporate governance.

Enhancement of the governance structure

Aiming to practice sustainable management and enhance our governance structure, the CITIZEN Group has established the Sustainability Committee to review existing promotion structures and enable more dynamic deliberation and swift decision-making. (See p.9. "Sustainable management structure" ) By doing so, we aim not only to facilitate smooth communication between the management and operational levels but also to increase the effectiveness of the Board of Directors' supervisory functions regarding important sustainability-related topics, initiatives, and risks.

The main sustainability-related topics deliberated by the Board of Directors in FY 2019, other than renovation of the structure were as follows

- Summary report on monitoring related to measures to prevent recurrence of quality compliance violations at Group companies
- Revision of the "CITIZEN Group CSR Procurement Guidelines"
- Review of the roadmap for each materiality through 2030

Anti-Corruption initiatives

The CITIZEN Group formulated the CITIZEN Group Anti-corruption Policy to further enhance its anti-corruption initiatives. To thoroughly put into practice Article 3 of the CITIZEN Group Code of Conduct, which calls for the Group to 'engage in business practices that are fair, transparent, open to competition, and responsible,' we established clear accountability practices based on the responsibilities of the Board of Directors and management and on appropriate disclosure of information. We also established rules concerning the maintenance of an internal whistleblowing

program to quickly detect corruption in business activities and the importance of responding to unforeseen circumstances and preventing their reoccurrence. We are requesting the understanding and cooperation of the entire supply chain regarding related matters. In FY 2020 as well, we will continue education and training activities and collect various proposals and comments through means that include the use of the internal whistleblowing program in order to implement thorough anti-corruption initiatives.

Thorough risk and crisis management

Through a comprehensive review of the form of the existing committee structure, we further enhanced risk and crisis management. The CSR section of CITIZEN WATCH plays a central role in the timely and appropriate implementation of risk and crisis management group wide under a

revised structure in which each Group company cooperates in related initiatives constantly. Through a periodic risk assessment process, we identify as Group priorities new risks that the CITIZEN Group will face or will need to give important consideration in the future.

Basic concept

Aiming to continually deliver products and services that reflect thorough consideration for safety, security, quality, and the environment, the CITIZEN Group established the Quality Compliance Committee in FY 2018.

With membership consisting of the officer responsible for quality at each company, this Committee strives not only to ensure the permeation of quality-related compliance throughout the Group but also to improve the effectiveness of the internal whistleblowing program.

Permeation of the Group Quality Code of Conduct

In FY 2019, we implemented thorough training and education intended to achieve further permeation of the Group Quality Code of Conduct as established in FY 2018 by the Quality Compliance Committee. We are building a Group-wide compliance training program for which priority trainees are clearly identified, including the establishment of new quality compliance training programs for newly appointed officers and new employees. We are also making continual improvements intended to

progress in the effectiveness of the internal whistleblowing program. In FY 2018, together with revising the internal whistleblowing program into the Compliance Hotline, which is intended to prevent and swiftly identify any quality-related improprieties, we also formulated the Compliance Hotline Rules and established guidelines for users and Hotline staff as we aim to continually improve both the transparency of the program and the awareness of it throughout the organization.



Compliance training

The CITIZEN Group's risk assessment structure

