

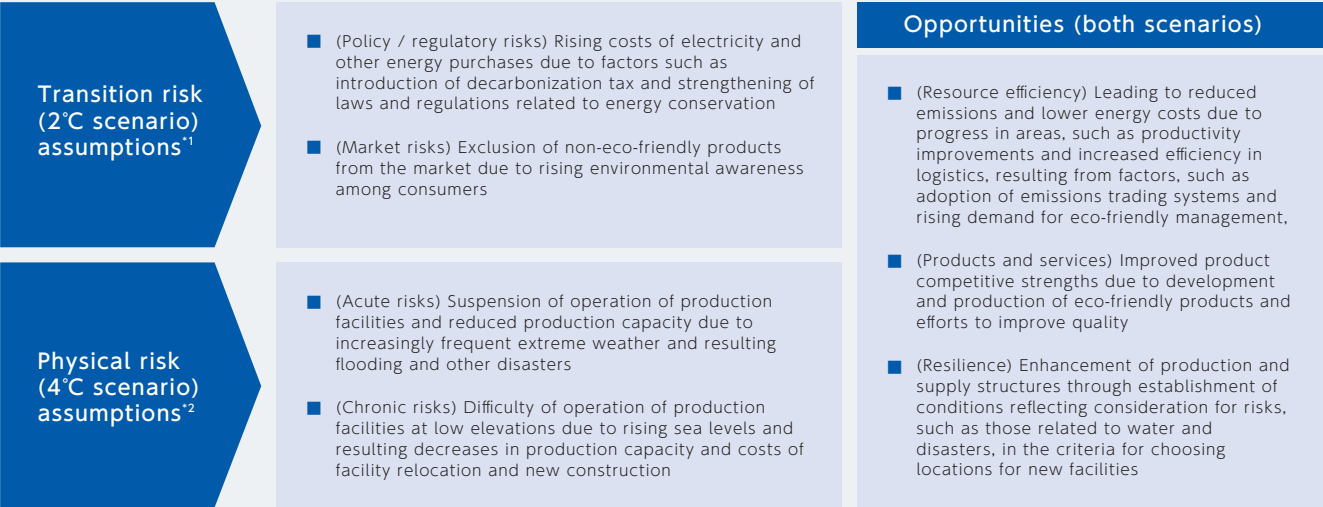
Basic concept

Since its founding, the CITIZEN Group has worked consistently to carry out manufacturing with consideration for people and the environment while remaining grounded in our corporate philosophy “Loved by citizens, working for citizens.” In FY 2019, we revised the CITIZEN Group Environmental Policy that serves as the basis for the Group environmental initiatives and the Environmental Vision 2050 based on that policy by clarifying our goals of decarbonization, resource recycling, and contributing to safe, comfortable living. In order to increase the effectiveness of our medium- to long-term environmental initiatives, we revised our Environmental Goals 2030, establishing five goals reflecting consideration for contributing to achievement of the SDGs. Through achieving these goals, we will promote the practice of sustainable management aiming to expand the creation of “Sustainable products” produced in “Sustainable factory” .

Responding to climate change risks and opportunities

The CITIZEN Group promotes global environmental management throughout the value chain. With regard to the impact of climate change, a subject of concern on a global scale, we are proceeding with an analysis of the scenarios for assessing and identifying risks and opportunities that could have major impacts on Group businesses and finances in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In response to the identified risks, we are advancing efforts to reduce the greenhouse-gas emissions said to cause global warming, aiming to realize a 2°C scenario. As part of such efforts, in addition to energy-conservation activities and the adoption of LED lighting and other energy-saving equipment at Group business facilities, we are also making progress on preparations for eco-friendly capital investment to establish “Sustainable factory.” In addition, to reduce emissions throughout the entire supply chain, we calculate the scope of these emissions for the entire CITIZEN Group. As an opportunity, we envision growth in ethical consumption in the future. In the watch business, we are advancing efforts to create new “Sustainable products” such as Eco-Drive. In the future, we will announce our support for the TCFD’s recommendations and make progress on the enhancement of climate-related disclosure from the perspectives of governance, strategy, risk management, metrics and targets.

Climate-change-related risks and opportunities that bring financial impact on the CITIZEN Group



*1 Only the impacts of transition risks are considered with assumption that there would be no major physical risks.
*2 Only the impacts of physical risks are considered with assumption that the physical risks of climate change would be severe.

Reduction of restricted chemical substances

As the international trend toward restricting use of harmful chemical substances strengthens from year to year, the CITIZEN Group is proactively restricting the chemical substances that it uses. In Japan, to reduce volumes of substances subject to the PRTR, we are promoting the use of substitute substances. While our target for FY 2019 was to keep the volumes used to roughly the same level as in FY 2018, we were able to reduce them by 6.8% instead. In the Group as a whole, after fully abolishing use of ferric chloride, which accounted for a large percentage of subject substances used, in FY 2018, this year we made progress on the replacement of 1-bromopropane. We will continue making progress on the reduction of subject substances, aiming to achieve by FY 2030 a reduction of 45% vs. FY 2018. We will also continue to respond to restrictions on chemical substances contained in products as we make progress, together with our suppliers, on investigating the content of high-risk parts and materials in response to the addition of four phthalates to the substances restricted under the RoHS Directive, which was amended in July 2019. As we aim to establish “Sustainable factory” in the future, we will continue to make progress on strengthening our responses to the chemical substances contained in products on a global scale. In addition, we also will enhance implementation of life-cycle assessments as we strive to expand our lineup of “Sustainable products.” In addition to internal efforts, we will move forward with further cooperation with suppliers and customers and proactively disclose information in the future, as we strive to reduce the use of restricted substances even more.

Responding to water risks

As in the case of climate change, we are integrating group wide risk-management systems regarding assessment of water-related risks and opportunities. While we have confirmed that once again in FY 2019 the production facilities of the CITIZEN Group were not exposed to pronounced water risks, we are basing our activities on the latest information in cooperation with the managers or local industrial parks and administrative agencies. Our Group Environmental Goals 2030 call for a major reduction of 35% vs. FY 2018 in water used group wide, including major production subsidiaries, by FY 2030. In FY 2019, we reduced water use through the promotion of more advanced water circulation system and the adoption of high-efficiency equipment at production facilities. As a result, we were able to reduce overall water use by 10.4% vs. FY 2018. We will continue initiatives to protect sustainable water resources while paying close attention to the circumstances of water risks in the future as well.

Effective use of resources and waste reduction

In the area of effective use of resources, in addition to digitalization of factories and offices and thorough segregation of plastic waste, we continue the verification of resources for which consumption can be reduced and efforts to reduce such consumption in the various aspects of our business activities, including a review of the materials and forms of product packaging and shipping containers, digitalization of user’s manuals and catalogs, and a reduction in raw material use through improved productivity and yields. In the area of waste management, we continue on-site monitoring at the processors in Japan to confirm that facility waste is processed properly. As a result, our recycling rate, including thermal recycling, in Japan is 99.4% as we have continued since 2013 to generate almost no waste, while the recycling rate overseas is approximately 60%. Although it is more difficult to implement related measures overseas due to differences from Japan in terms of waste processing and management, we are advancing initiatives that include thorough reductions in raw materials and other supplies used. Based on a review of these initiatives and concepts, in April 2020, we established the CITIZEN Group Resource Circulating Vision. In the future, we will further strengthen these initiatives to practice sustainable management based on these approaches.