

## The Citizen Group Value-Creation Process (as a true manufacture d'horlogerie)

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### Citizen the Manufacturer: Consistently Handling All Processes from Planning to Development and Production

“Manufacturer” is an aspirational word that describes consistent internal production. In this sense, Citizen is a true “manufacturer” of watches.

One example of this concept is the “Eco-Drive SATELLITE WAVE F100,” which we launched in 2014. Here we introduce the process.

As a company that handles all processes from manufacturing to sales in-house, we pursue possibilities at the forefront of customers’ needs and seek to turn this potential into reality.

## Research & Development

### The Role of R&D at the Origin of Value Creation

Since the time of its establishment, the history of Citizen has been one of consistently creating new technologies to match the changing needs of the times throughout the world, progressing from mechanical watches to quartz watches, and then on to solar-powered and radio-controlled watches.

Citizen Watch introduced the world’s first analog solar-powered watch in 1976. In 1993, we launched the first global radio-controlled watch capable of multistation reception. Our ongoing development of leading-edge technologies led in 2011 to the world’s first solar-powered watches controlled by satellite waves, with the launch of the “Eco-Drive SATELLITE WAVE.”

In 2007, we launched a full-fledged effort to develop the concept of using time information from artificial satellites. This effort led to the realization of the solar-powered “Eco-Drive” using our proprietary technology. The Citizen Group’s R&D department led the charge in this innovation.



### The Ultimate in Speed, the “F100”

The “Eco-Drive SATELLITE WAVE” set a new standard for watches controlled by satellite waves. Whereas such watches previously received time signals every few seconds, the “F100” achieves the world’s fastest speed\* in this category, checking signals as frequently as every three seconds.

The developers of this watch’s movement dedicated four years to the task, and the resulting product is testimony to the value of a ceaselessly inquisitive mind.

The people in charge of development held in their mind the desire to “turn a strong sense of the future into physical form.” They continue their development efforts in a bid to create additional new value.

\* For analog solar-powered satellite-wave-controlled watches. According to a study by Citizen as of June 2014.





Eco-Drive SATELLITE WAVE F100 ▲

## Design

### Design That Communicates the Citizen Brand

With the “F100,” we wanted to make satellite-wave-controlled watches a part of daily life. To achieve this aim, we conceptualized a design suited to everyday use that expressed a sense of speed befitting a satellite-wave-controlled watch.

Because the “F100” was designed to interact quickly with satellites, its design is inspired by artificial satellites. Appearing simple at first glance, the “F100” design concept encapsulates a sense of the world.

When using the watch, the wearer becomes aware of the various attractions it offers from a design perspective. This watch conveys the spirit behind Citizen’s design and embodies the ideals of its designers.



### Machining Technology Highlights the Design

We utilized a number of machining technologies to realize the design concept. The edges of the watch’s titanium case catch the light as it moves, creating a sense of flowing light. Citizen’s world-class titanium machining technology made this processing possible.

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### Production Technologies Bringing Ideas to Reality with Painstaking Dedication to Detail in All Parts and Processes

Watches comprise numerous components. Citizen makes each of these parts itself and insists on perfection down to the tiniest detail. The ability to develop and produce the equipment used to make these components is one of our corporate values, as it allows for high-quality watch production.

We believe that the deep roots of Citizen as a manufacturer is one reason for being the company of choice among its customers.

## Manufacture

### The Ultimate in Mold Production

Main plates are the bases that are essential to watch assembly; watches are completed by mounting a host of products onto these plates. Creating the molds used to make these essential main plates requires precision. For example, molds that have been produced through mechanical processing cannot be used as is. Rather, deft technicians adjust these molds down to the  $\mu\text{m}$  level, shaving away slivers of the molds with fingertip precision.

No effort is spared, even on parts that will never be seen unless a watch is disassembled. The expertise of artisans who have been making molds for watch base plates for 40 years is at the origin of these processes and constitutes one of Citizen's strengths.



### Producing Components with Machines Made In-House

Watches contain a host of gear wheels and components. The gear wheels that transmit motion to the hands require metal processing ranging from pressing, machining, gear milling, heat treatment, surface processing, and assembly. The Citizen Watch Group achieves the high-quality levels required with precision machining technology employing automatic lathes.

The Company's lathe technology dates back to 1937, when an employee in charge of making the parts required for watch production established a machine tool department. In 1961, we began producing machines for sale to outside customers.

Our machine tools are used to make parts for automobiles, medical equipment, communications equipment, and other industrial products. Citizen Machinery Co., Ltd. has become known as a world leader today.





## World-Leading Production Capabilities

Numerous watches are developed each year, and production lines must be tailored to each watch variety.

Once a schematic plan for a new watch is complete, we design a production line based on the plan. Equipment to supply the necessary materials and thus reduce labor requirements is also an important consideration. Automated assembly is not possible unless each of the small, complex-shaped parts is delivered to the next process in the proper orientation. In addition to assembly, supplying products in parallel is difficult yet important. Citizen has developed proprietary technologies for the component supply equipment used in this process.

These technologies are at the heart of our production capabilities for supplying parts to the world.



## The “Meister” Charged with Finishing

Assembling a high-end watch is an extremely precise process requiring consummate skill. For this reason, highly skilled and experienced engineers who we call “meister” take charge of the last process in watch production: final product assembly. These professionals handle the most delicate assembly process of attaching the hands. This is finely tuned work, as tiny watch hands can bend with the slightest pressure. Concentrating intently on the deft movements of their fingertips, meisters perform their task with skill, while keeping in mind the customers who will ultimately wear their products.

This combination of automated assembly and skilled manual operations lies behind Citizen’s ability to create high-performance, highly sophisticated, highly functional watches.



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### Closeness with the Customer: The Trust Test of Value for Our Brand Strategy

The salespeople on the sales floor, our point of direct contact with customers, are Citizen brand ambassadors. In keeping with Citizen Watch's brand statement, that "Better starts now," we consistently communicate our design concept to sales locations around the world, ensuring that employees have a shared awareness of the Citizen brand.

We also consider listening to customer feedback after the sale to be part of the Citizen brand.

## Sales and Follow-up Services

### Opening Our First U.S. Flagship Store in New York's Times Square

In November 2014, Citizen Watch opened its first U.S. flagship store, located in New York's Times Square.

Times Square attracts tens of millions of people each year from all corners of the world. Launching a store in this location is therefore significant in terms of communicating the Citizen brand to numerous customers. The store is also a source of brand pride in the eyes of our employees.

The store conveys a sense of Japanese style through its construction materials and interior, and staff conversant in eight languages are on hand to welcome customers. Using tablet computers for interactive communication, we display our products and demonstrate Citizen's overall brand appeal. These approaches expose more customers than ever to the excellence of Citizen's products.

Consistent with the global brand strategy we have pursued since 2008, we now have nearly 100 flagship stores in operation throughout the world. These flagship stores play an important role as points for disseminating vital information about the Citizen brand's worldview. By communicating directly with customers, whether online, in stores, or through other means, we aim to convey Citizen's sense of presence.





## Each Employee a Brand-Bearer

The salespeople who interact with customers play a key role in Citizen's branding. By offering the high-quality service to which Citizen aspires, they develop a sense of closeness with customers as they introduce products' functions and provide information about post-sales maintenance. Through this process, we aim to stimulate customers at the sales stage. Citizen Watch Company of America, Inc. (COA), fosters this level of service quality by conducting twice-annual training for its salespeople. Smaller meetings in each department and region are also held to provide more detailed, in-depth explanations about branding, new products, and sales methods. We provide this information in digital campaign books that salespeople can browse using specialized tablet computers.



## Role of the Service Center

COA's after-sales service center fields more than 1,500 inquiries each day. The center has created a robust internal control system with close ties to related divisions so it can provide swift customer feedback and respond to needs for repairs. We believe that this structure for providing customer-satisfying service is unequalled among our competitors. We consider providing a high level of service that encourages repeat customers one of our most important missions. In addition to strong expertise, the employees who work in this center must be keenly in tune with customers' inclinations and possess a global perspective, as they embody Citizen's global brand.

