

The Citizen Group's Value Creation Process

The Citizen Group has adopted “Contributing to and striving to be respected by the citizens of the world” as its corporate philosophy. Guided by this philosophy, we are working to significantly contribute to the lifestyles of people around the world through “a manufacturing style that is well-known and respected by the citizens of the world.”

By investing the various capital it possesses, the Citizen Group has been globally expanding diverse businesses that leverage its downsizing, precision, and power efficiency technologies, which it has cultivated in its watch business. Amid this global expansion, we aim for sustainable development by creating new value for our customers and employees as well as for society as a whole.

Accumulated Advantages

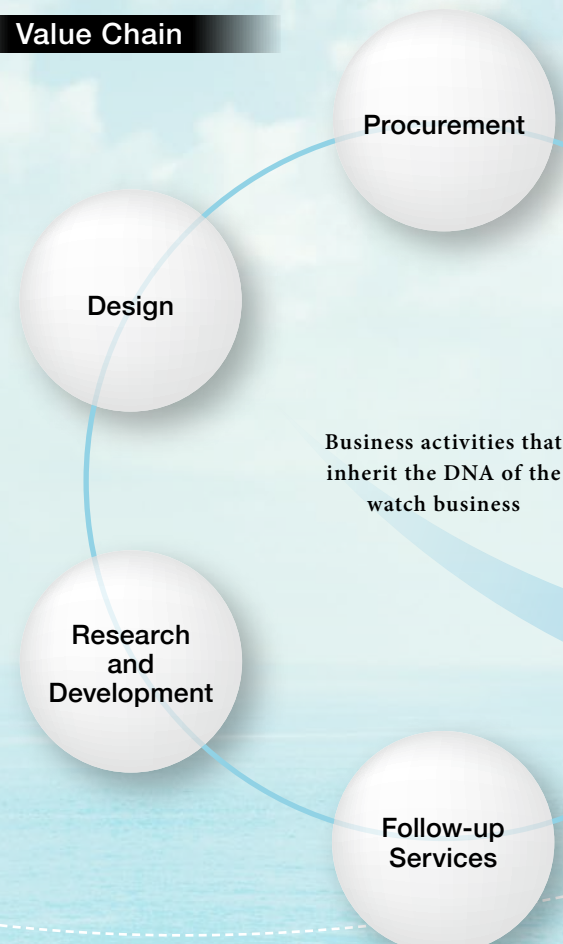
Citizen's Invested Capital

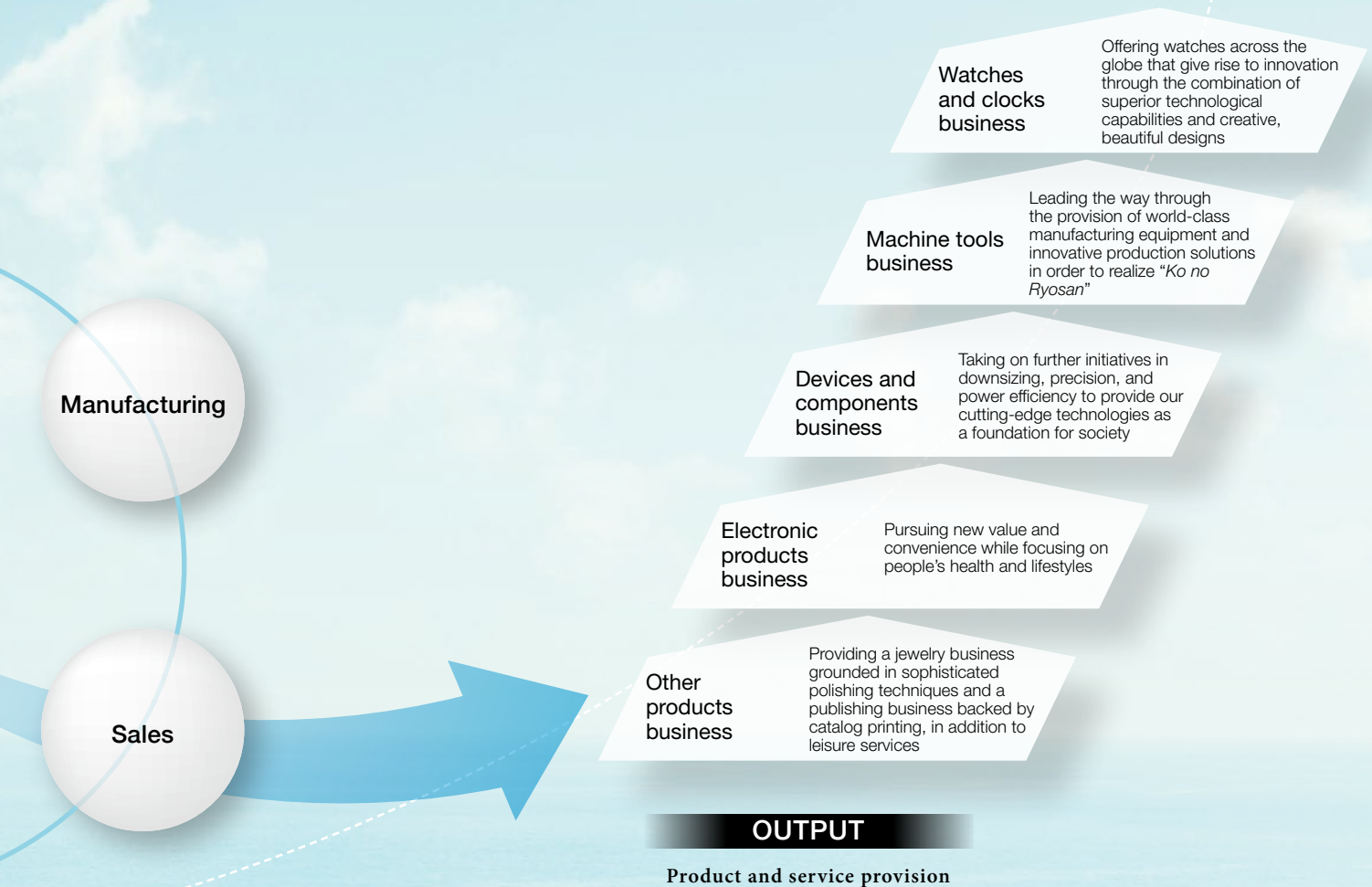
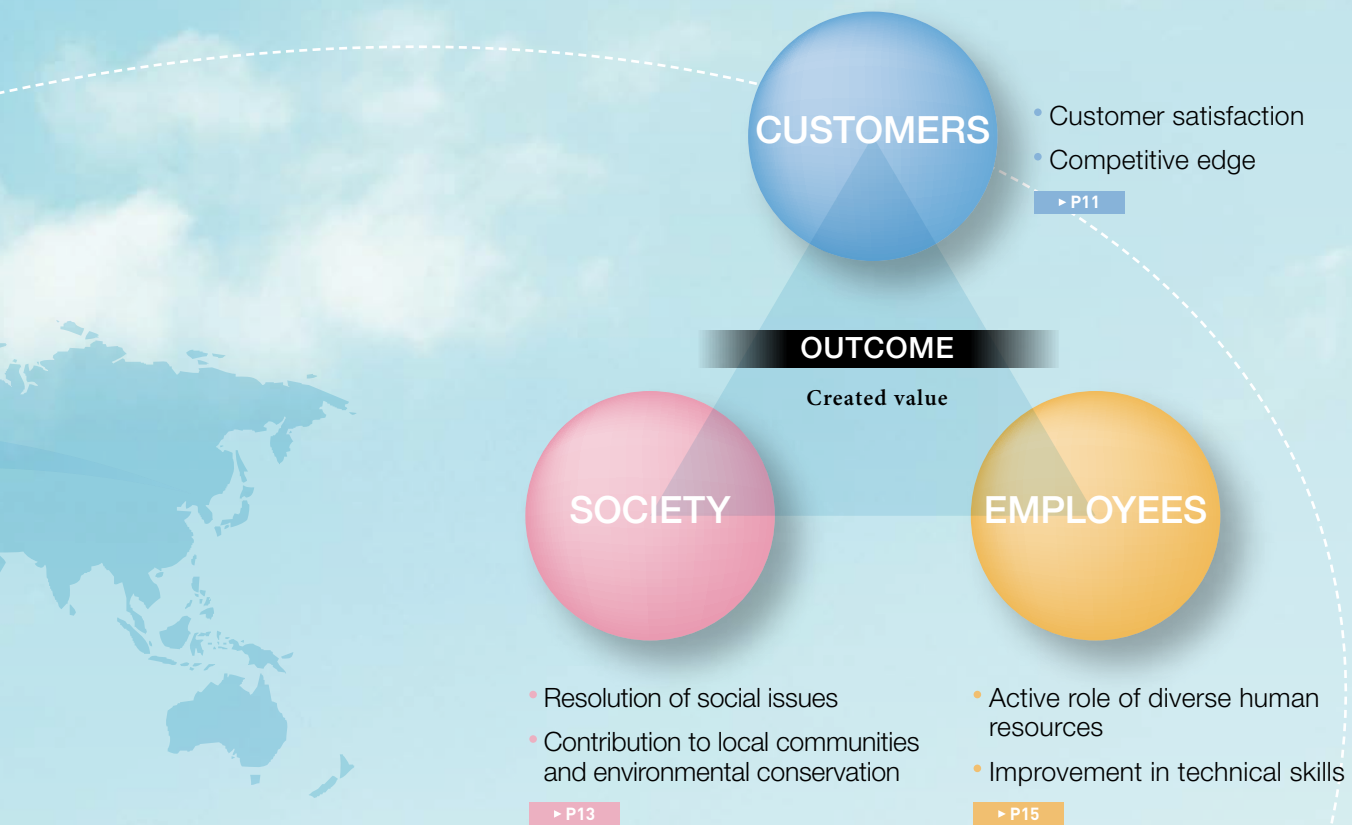


Corporate Philosophy

Citizen Group Code of Conduct

Value Chain







The Citizen Group always lends an ear to the voices of its customers. By not only developing technology-driven products but also creating value together with customers to meet the changing needs of society, we aim to continue to be an enterprise that evolves with its customers as their valued partner. We believe that this aim is embodied in our CSV initiatives.



▶ Providing the Manufacturing Industry with Solutions for New Value

Citizen Machinery Co., Ltd., provides the “alkapplysolution” service, a collection of solutions that meld the functional and technological know-how the company has long accumulated with ICT*1 and IoT*2.

Notwithstanding the trend of automating factories to the greatest extent possible, which was strongly advocated in the 1980s, we pushed for “Human Oriented Factories” (1990, CFA*360). We did so under the belief that people are not tools to raise efficiency but rather represent the foundation for the creation of quality products, and, by virtue of that, the presence of people on the factory floor is indispensable. The “alkapplysolution” service was created out of this support for “Human Oriented Factories.”

As an initiative to advance “Human Oriented Factories,” we began to advocate for “Impressive Value Production” (2000, CFA70), which shares added value with customers in addition to the value provided through manufacturing. Through the promotion of the idea of “Impressive Value Production,” we implemented “*Ko no Ryosan*”—the creation of many different products—at CFA85 in 2015. The “alkapplysolution” service supports this concept. Further, the

service has helped Citizen Machinery evolve its ICT infrastructure and realize the establishment of e-learning programs, the visualization of machine conditions, and cloud-based support for program creation.

By strengthening the partnership it has with its customers and continuing to provide solutions to the issues they face, Citizen Machinery will contribute to the evolution of manufacturing around the world.

*1 ICT: Information & Communication Technology

*2 IoT: Internet of Things

*3 CFA: An abbreviation for Citizen Factory Automation, an event that presents Citizen's vision for metalworking factories with a focus on factory automation



▶ Promoting Product Development That Pursues “Quality of Light”

Citizen Electronics Co., Ltd., has manufactured and sold LEDs for lighting since 2003 and has developed various technologies that enhance brightness and reduce environmental impact of its products.

In recent years, customer needs have been changing, related to not only power consumption, efficiency, and brightness but also the value of the “quality of light.” Customers now desire products that focus on details and tones of objects, such as high color-rendering LEDs, which closely reproduce natural colors, and high coloring LEDs, which vividly illuminate objects. Citizen Electronics properly

responds to the changing needs of its customers and further pursues the value of the “quality of light.”



Kitaguchi Hongu Fuji Sengen Shrine's Fujisan Ootori

▶ Taking on the Challenge of Developing New Hybrid Machines to Respond to Customer Needs

Citizen Machinery has been responding to needs for medical parts centered primarily on its “Cincom” sliding headstock type automatic lathes. However, the company faced challenges in regard to micromachining for stents that dilate blood vessels.

To overcome these challenges, we developed a hybrid machine equipped with a laser device suitable for micro-machining, the first machine of its kind.

When cutting and laser machining is carried out with one machine, extremely precise machining is able to be performed with stents and endoscopy forceps. Medical parts made with this hybrid machine help reduce the physical burden on patients.

Even when processing costs are high, using one machine is less expensive than introducing multiple machines for separate processes. In addition, this hybrid machine conserves space and contributes to reductions in equipment costs and increases in productivity.

Through collaboration with a third party that possesses technology featuring system integrator functions, we will continue to cooperate with our customers and develop technology that meets their potential needs. In doing so, we aim to create further value together with our customers.



Customers

Society

Employees

The Value We Offer to Society

The Citizen Group bears in mind the impact its products have on society. As such, we promote R&D with a constant awareness toward contributing to environmental conservation and the resolution of other social issues. Not only do we make efforts to reduce our environmental impact, we provide value to society through new branding in our advertising and sales activities. In these ways, we aspire to further improve our corporate value.

by
the Community members, in partnership with Plan Pakistan
for the girls of District Diamer, with a generous donation from
Citizen Watch Co. Ltd
Date 2015



▶ Endorsing the “Because I am a Girl” Campaign

Citizen Watch Co., Ltd., has endorsed the “Because I am a Girl” Campaign. Promoted by the NGO Plan International, the campaign supports girls and women in developing countries. Citizen Watch is providing support for the campaign in such ways as donating a portion of the proceeds from sales of its “Citizen xC” watches.

By lending its support in this way, Citizen Watch helps raise awareness of social issues among a great number of people through product advertising and sales. In addition, the purchase of “Citizen xC” watches allows customers to personally get involved with activities to resolve social issues.

Donations in 2015 were put to meaningful use in an educational program for girls in Pakistan as well as a project to improve the livelihood of women in Mali. Citizen Watch will

continue to promote participation in activities to resolve social issues through its support of the “Because I am a Girl” Campaign.

At the same time, the company will move forward with a variety of initiatives under the aim of establishing brands that provide social value.



Because I am a Girl x xC
<http://citizen.jp/product/xc/girl/index.html> (Japanese only)

▶ Promoting CSR Development and Responding to the Issue of Conflict Minerals

Grounded in the spirit of the Citizen Group Code of Conduct and the U.N. Global Compact, the Citizen Group gives consideration to social issues related to human rights, labor, the environment, and anti-corruption.

Citizen Watch and Citizen Electronics have established CSR procurement guidelines and are working to clarify the guidelines' stance on human rights, the environment, and ethics with their business partners. Specifically, the companies are making efforts to clarify the important items of the guidelines with their suppliers. Furthermore, Citizen Watch and Citizen Electronics conduct inspections in response to customer requests to determine whether or not their products contain conflict minerals—namely, tantalum, tin, tungsten, and gold—mined in the Democratic Republic of Congo and adjoining countries and disclose the results of these

inspections. In addition, these companies request that their business partners do not use conflict minerals. In these ways, Citizen Watch and Citizen Electronics aim to eventually eradicate the source of funds for armed groups in these countries. More information on the initiatives these companies are taking toward conflict minerals is posted on the Citizen Holdings CSR site.



Children selecting minerals at a cobaltite mine in the Democratic Republic of Congo

▶ Building on 40 Years of “Eco-Drive” (Light-powered Technology)

In 1976, 40 years ago this year, Citizen Watch launched the world's first light-powered analog watch. From only a small amount of light, the technology used in this watch can harness enough power to allow the watch to continue to run. The technology's name “Eco-Drive” represents the technology's benefits to people, society, and the environment, as well as the fact that this light-powered technology allows watches to continue to run over a long period of time.

“Eco-Drive” promotes non-polluting clean energy as there is no need to periodically change batteries. Accordingly, “Eco-Drive” has received high praise for its environmentally friendly qualities. In 1996, the “Eco-Drive” watch became the first wrist watch to receive the Eco Mark product certification. Furthermore, in 2014, Citizen Watch became the first watch company to receive a gold prize at the “Eco Mark Award 2014.” This award recognized the company's

contribution to improving consumer awareness about the environment through the widespread use of its “Eco-Drive” series of watches.

The manufacture of products incorporating the environmentally friendly “Eco-Drive” technology has helped change the way employees of the Citizen Group think about the environment and encourage initiatives toward environmental conservation as well as cosponsorship and philanthropy.





The Value We Offer Our Employees

As a basic principle, the Citizen Group maintains the belief that fostering employee growth and development is directly concomitant with improvement in corporate value. Based on this belief, we conduct educational training to encourage employees to improve their careers on their own initiative.

To create a corporate culture that not only allows employees to improve their technical skills but also grow on a personal level, we provide opportunities for employees to actively communicate with each other regardless of whether they are general staff or managers.



▶ Aiming for All Employees to Acquire the QC Certification

Since its establishment in 2013, Citizen Watch Manufacturing Co., Ltd., has worked to improve the professional capabilities of all employees by aiming to achieve a 100% acquisition rate for the Quality Control (QC) Certification.

In addition, through the establishment of an in-house certification system for contract employees, we have sought to improve the level of employee expertise group-wide.

In fiscal 2015, three years after the establishment of Citizen Watch Manufacturing, we were able to reach an 80% acquisition rate for the QC Certification. We also proactively implemented the in-house certification system at such locations as Guangzhou Most Crown Electronics LTD. in China,

achieving a 100% acquisition rate for rank four in April 2016.

How our employees will leverage their acquired certification in their daily work will be a major issue for us going forward.

As such, we will continue to promote initiatives to improve the professional capabilities of our employees. In doing so, we will make group-wide efforts to continue pursuing our goal of "Building the World's Foremost Watch Factory."



▶ Promoting Diversity and the Active Role of Women in the Workplace

Toshio Tokura, President and CEO of Citizen Holdings, has declared that Citizen will promote diversity and vigorously create a work environment that embraces diversity.

By exercising the individual capabilities of diverse human resources, diversity helps maximize the accomplishments the Citizen Group can make as an organization. The Group will be able to develop superior personnel and achieve its management targets by having all employees utilize their individual strengths and work in an outgoing manner.

In order to raise employee awareness toward diversity, Citizen Holdings invited an external instructor to come to its offices to hold a seminar. At the seminar, the instructor gave lectures on the importance to realizing one's own unconscious bias and prejudice as well as on the kind of merits the active role of women in the workplace can bring to

a company. Participants in the seminar made such comments as, "I became aware that some of my views were narrow-minded, making it difficult to accept diversity" and "Diversity is an important, long-term theme that I hope we can make well-known throughout the Company." These lectures provided employees with an opportunity to recognize the importance of diversity on an individual level.

Going forward, the Citizen Group will engage in specific initiatives toward enhancing diversity, including efforts in response to the Act to Advance Women's Success in Their Working Life.



VOICE

A Message from Citizen's First Female CEO

I feel that the Citizen Group has in place a welcoming work environment for female employees. However, for the future promotion of diversity, I believe it is important to take a broader approach that establishes a comfortable work environment from the perspective of not only female employees but also employees of different nationalities, mid-career employees, and employees who are providing nursing care. In addition, I feel there is a need to put in place a structure that allows all employees, not only female employees, to fully comprehend what kind of abilities they possess and how they should develop their careers going forward.

I believe that if all employees of the Group continue to maintain their own personal vision when confronted with various difficulties, opportunities to grow on a personal level will present themselves. I also believe that constantly being respectful to others and expressing gratitude can lead to future career opportunities.

The level of responsibility for me as the representative director and chairperson of Citizen Watches Australia is higher than ever before. While I of course feel some pressure, I am excited to tackle the challenges I will face in this position.

Shiori Takahashi

Chief Executive Officer, Citizen Watches Australia Pty Ltd.

