

Third-Party Comments

Below, I offer my professional opinion on the content of *the Citizen Group CSR Report 2016* as well as on matters deemed to be of high importance in the report. As a reference for future policies and information disclosure, I hope that my opinions can help the Citizen Group (hereinafter, Citizen) implement its CSR activities on an even higher level going forward.

The beginning of this CSR report introduces the CITIZEN L brand ethical watches. As a concrete example of Citizen's CSV initiatives, I believe that CITIZEN L represents an excellent line of products that can appeal to both consumers and the watch industry in a symbolic manner. CITIZEN L reflects Citizen's efforts in fusing the casual qualities that customers seek in a watch with new sustainable and ethical value, and it is my hope that Citizen continues these efforts as a guiding principle of its manufacturing practices. Moreover, in addition to displaying the carbon footprint of these watches in their list of components, CITIZEN L brand watches have been certified as "DRC conflict-free." I believe that to be another noteworthy accomplishment. At the same time, the fact that the plan for CITIZEN L was created by female employees makes the brand a prime example of diversity management.

In addition to developing products with superior specifications, as Citizen has done with CITIZEN L, I would like to see the Group make efforts to incorporate a high-level of ethics in other parts of its operations through such means as making its supply chain even more transparent and further emphasizing respect for human rights and fair labor practices in its manufacturing processes.

The section on the value Citizen provides to its customers and employees as well as to society as a whole in the first half of the report communicates the Group's approach to CSV more clearly than last year's report. Furthermore, while no citation is given, Citizen's value creation process described in the report incorporates the basic ideas of the IIRC Framework. As such, I feel that Citizen has made progress in improving its response to international disclosure initiatives, which I had mentioned in my opinion piece on last year's CSR report. For future reports, in addition to providing examples of the value Citizen creates, I would like to see the

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Group delve deeper into how it realizes value creation, what the driving force of that unique value creation is, how it approaches the formulation of business models, and how the results of its value creation efforts tie into the creation of social value.

The section "CSR at the Citizen Group," in the second half of the report, adopts ISO 26000 as its main theme. While the progress of Citizen's efforts related to this theme is listed in a somewhat comprehensive manner, this section is limited to examples of Citizen's initiatives and brief explanations of their results. In contrast, in the "Message from the Management" section, President Toshio Tokura describes in detail the targets and results of Citizen's efforts to improve diversity and frankly alludes to the issues the Company faces. In each of the sections on ISO 26000, I would have liked the report to proactively disclose information related to the kinds of issues and risks the Company is dealing with in a similar manner. At the same time, as clearly defining policies, KPIs, and targets on a global level and expanding on numerical information related to performance helps arouse the interest of such stakeholders as ESG investors, I hope Citizen can leverage its website and other means to improve the quality of its information disclosure going forward.

Through the structural reforms planned to take place this year, I am expecting the Company to further deepen the participation of its directors and management in CSR activities as it continues to make progress in becoming an enterprise worthy of its name, Citizen.

Response to Third-Party Comments

Thank you for your helpful and constructive comments.

In addition to continuing to ensure compliance management, there are many issues we must tackle in order to realize the goal of becoming a "Truly Global Company," which was adopted in the "Citizen Global Plan 2018," such as resolving social issues and further contributing to society, building trust-based relationships with our stakeholders, relating to ESG, and engaging in proactive disclosure.

While our efforts have just begun, the promotion of CSV initiatives is gradually taking hold in each Group business. Going forward, we will promote CSV initiatives in a more vigorous manner.

Guided by our corporate philosophy of "Contributing to and striving to be respected by the citizens of the world," we would like to continue efforts to ensure that our CSR reports deepen stakeholder understanding of our business activities based on the opinions you have provided. We deeply appreciate your thoughtful suggestions.



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