

## Message from the President

The CITIZEN Group strives to contribute to social development through its Code of Conduct carried out by each and every one of its employees, starting with its corporate philosophy, “Loved by citizens, working for citizens.”

Aiming for further growth, in 2013, the CITIZEN Group began taking significant steps to solve issues with its six-year medium-term management plan, “CITIZEN Global Plan 2018.” FY 2016 was an important year that marked the start of the plan’s latter half and put many actions into practice that would serve as the foundation for business in the future.

To promote a multi-brand strategy in the watch business, we acquired Frederique Constant, a Swiss watch brand, and merged distribution channels of CITIZEN and Bulova branded watches in the United States. Carrying out a far-reaching structural reform of the Group, such as strengthening our brand portfolio, has solidified the basis for future growth. Although the M&A outcomes are too early to be seen, we believe that creating multi-brand synergy with these strategic moves as a foundation will be the key to the growth of the CITIZEN Group. We are also working to reduce production cost to gain cost competitiveness and carry out strategic investment that will lead to greater growth.

Moreover, given the launch of the United Nations’ Sustainable Development Goals (SDGs), we have reaffirmed important social issues to the CITIZEN Group and values assigned to our initiatives to date, as well as once again revised materiality (material issues) in the CITIZEN Group. There are six topics considered material to the CITIZEN Group: strengthening corporate governance, comprehensive risk management, thorough compliance, creating a pleasant work environment, advancing of responsible procurement, and promoting environmental innovation.

In FY 2016, we reorganized the governance system and transitioned to an operating holding company structure to strengthen the Headquarters functions and allow further growth for the Group as a whole with our watch business at the core. In addition to this reinforcement of the governance system, thorough implementation of risk management and compliance are important to the CITIZEN Group, which is continuing to expand and grow. We also revised the “Citizen Group Code of Conduct” to promote it in management as well as on the individual employee level. The meaning of “citizen,” the word that appears in our corporate name, includes society and the people who live in the society. To date, we have conducted manufacturing that practices our corporate philosophy of “Loved by citizens, working for citizens.” Precisely because “citizen” is in our name, we will not violate social norms, cause our customers or clients to feel distrust, or be dishonest. Each and every employee must deepen anew their understanding that the value of the CITIZEN Group is produced not only by the merits or demerits of the quality of our products and service, but also by the very actions that we take.

We also aim to actively create a pleasant work environment based on the viewpoint that our company is comprised of our employees. As we move ahead with various endeavors that meet employee needs, we keenly feel the importance of spreading the significance of diversity. To become a company capable of surviving in a competitive society, not only management, but also employees must learn the skill of flexibly responding

societal changes while never forgetting that we live in an age in which we do not know what or when something will happen. It is our belief that this skill can be cultivated through open communication. In FY2016, we implemented “Group Rotation,” which aimed to nurture the next-generation of leaders, and “Workshop for Employees Raising Children,” which aimed to heighten awareness regarding careers regardless of gender. The industry to which we belong is not a large one. For each individual to grow, we must look more to the world outside our company and industry, and become attuned to changes in society and the actions of other companies. We need to recognize how we differ from other companies and continue contemplating how we can leverage those differences we sense. We value a corporate culture that makes such actions possible.

Manufacturing forms the basis of the CITIZEN Group. Based on the idea that, as a manufacturer, we must also take responsibility for procurement of raw materials and contract manufacturing, in April 2017 we began developing a Group-wide “CSR Procurement Guideline” to strengthen ties with procurement clients. In the watch business, we launched the “CITIZEN L” line, which was the first to give form to “ethical product making.”

In regard to reducing environmental load, we continue offering environmentally friendly products, including the “Eco-Drive” watches, the digital “CX-02” photo printer, and the “Cincom R Series” of machines that process precision components. When it comes to manufacturing automatic lathes for small components,

we are also working on innovations in processing technology, such as equipping products for the first time with low frequency vibration (LFV) technology. This technology prevents chips from sticking to or becoming entangled with products and cutting tools, thus, averting trouble on the manufacturing floor and improving productivity. The CITIZEN Group is contributing to the creation of a sustainable society by reducing environmental load through the product lifecycle, from procurement to manufacturing, usage, and disposal.

In March 2018, the CITIZEN Group will celebrate its 100th year since the establishment of its predecessor, the Shokosha Watch Research Institute. A look back on these 100 years fills us with deep emotion at the fact that we as a company has succeeded. At the same time, we wonder if we could not have grown a little more and our thoughts turn to the prospect of how to build the company in the next 100 years, based on the foundation that has been established thus far. In the era of change to come, we must possess the flexibility to adapt changes as a “solid global company,” and consider how we can contribute to the sustainable development of society without focusing exclusively on our own growth in order to fulfill our responsibility once again as the CITIZEN Group.

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