

CITIZEN

CITIZEN GROUP SUSTAINABILITY AND CSR REPORT

CITIZEN GROUP
SUSTAINABILITY AND
CSR REPORT 2024

Digest



CITIZEN Group's Corporate Philosophy

Loved by Citizens, Working for Citizens

CITIZEN Group's corporate philosophy "Loved by Citizens, Working for Citizens" calls for contributing broadly to people's lives worldwide through manufacturing products loved and being appreciated by the public.

Taking advantage of the establishment of the Sustainability Committee in April 2020, CITIZEN Group will further promote sustainable management, which has started in earnest, and contribute to the realization of a sustainable society while fulfilling the Group's responsibility as a member of society.

Digest Overview

CITIZEN Group reports on its related activities in the CITIZEN Group Sustainability and CSR Report so that all stakeholders can understand our CSR and sustainability efforts. This digest reports specifically on our sustainable management promoted in the Medium-Term Management

Editorial Policy

CITIZEN Group's Sustainability Website discloses detailed information on our sustainability initiatives, including case studies and environmental and social data, as well as the content of this digest.

Period subject to reporting: April 1, 2023 to March 31, 2024

* Including some information from after the above subject period

Date of publication of this Digest: July 2024

Organizations subject to reporting of economic data: 13 domestic companies*, 60 overseas companies (73 companies in all)

Organizations subject to reporting of environmental data:

11 domestic companies*, 13 overseas companies (24 companies in all)

* Domestic companies include Citizen Watch Co.

Plan 2024. It also reports CITIZEN Group's FY2023 efforts in maintaining relations with stakeholders in business activities, as well as the issues and materiality concerning sustainability. Our committees and systems promoting efforts concerning materiality are available on our website.

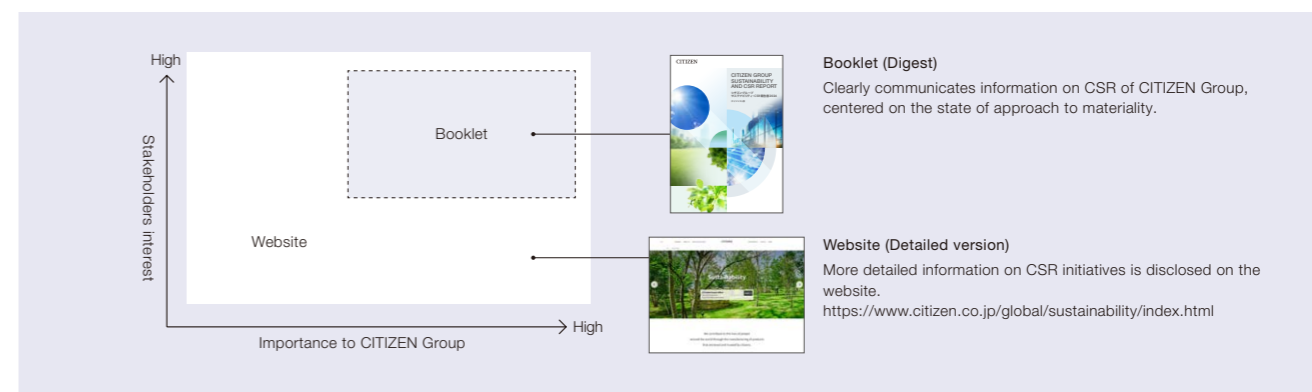
Disclaimer: This Digest contains forward-looking statements. Such statements are based on information available at the time of preparation of the Digest and may differ from the actual results of activities.

Guidelines referenced: GRI Sustainability Reporting Standards, Environmental Reporting Guidelines 2018

External guarantee: Third-party verification is conducted for some environmental data.

For details, visit our website:

▶ <https://www.citizen.co.jp/global/sustainability/data/index.html>



CITIZEN GROUP SUSTAINABILITY AND CSR REPORT

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Concept of Sustainable Management

The CITIZEN Group has been operating for over 100 years based on its corporate philosophy of “Loved by Citizens, Working for Citizens.” Starting in FY2019, our 101st year in business, we are promoting “Sustainable Management” to solve social issues through our business. Sustainable management means not only providing good products and services, but also expanding our business while earning the trust of our stakeholders and continuously improving our corporate value through management that takes into consideration social issues such as human rights and the global environment throughout the value chain.

CITIZEN Group's Value Creation Story

Inputs

(As of March 2024)

Financial capital

Total assets JPY **415.4** billion

Net assets JPY **256.1** billion

Intellectual capital

Number of patents owned by the Group Over **5,000**

Number of trademarks owned by the Group Over **5,000**

Manufacturing capital

Capital expenditure JPY **22.0** billion

Production structures mainly in Japan, China and Thailand

Social capital

Globally expanded supply chain network

Human capital

Number of employees **14,817**

Natural capital

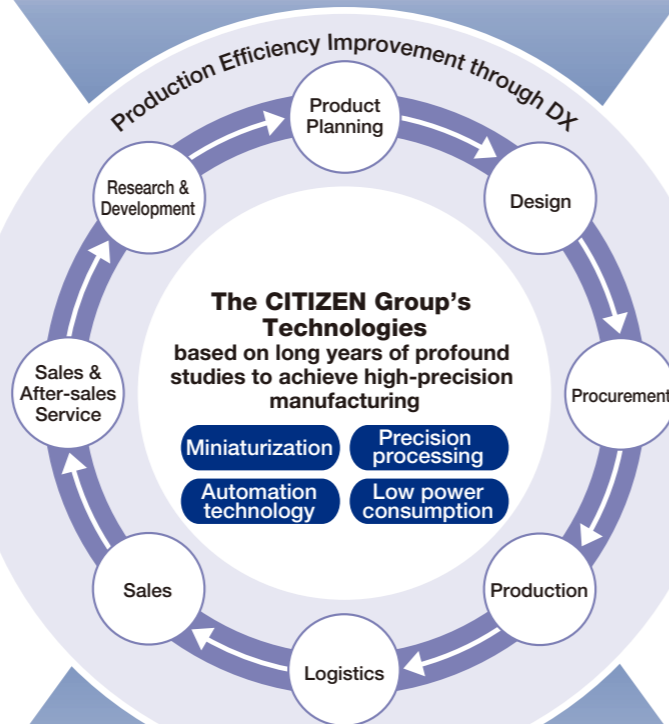
Total energy consumption **1,111** thousand GJ

Water intake **1,674** thousand m³

Recycling rate **92%**

- External Environment Changes
- Shifting people's values
 - Digitalization
 - Mobility transformation
 - Aging society

Sustainable Management



Materiality

Key issues for improvement of sustainable corporate value

- Contributing to better quality of life
- Providing solutions in industry fields
- Responding to climate change and contribution to creation of a recycling-oriented society
- Increasing job satisfaction and human resource development
- Fulfilling social responsibility

Business Foundation

Corporate Governance Risk Management Sustainability Promotion System

In light of the medium and long-term changes in the environment, The CITIZEN Group will leverage the Group's strengths and capital to address materiality (key issues for the sustainable enhancement of corporate value) in both its business activities and business infrastructure. By creating social, environmental, and economic value that contributes to solving social issues, we aim to be loved by and work for citizens, as well as contribute to the achievement of the SDGs (Sustainable Development Goals).

Outputs

Providing sustainable products

Products and Services

Watches, machine tools, devices, electronics and others

Outcomes



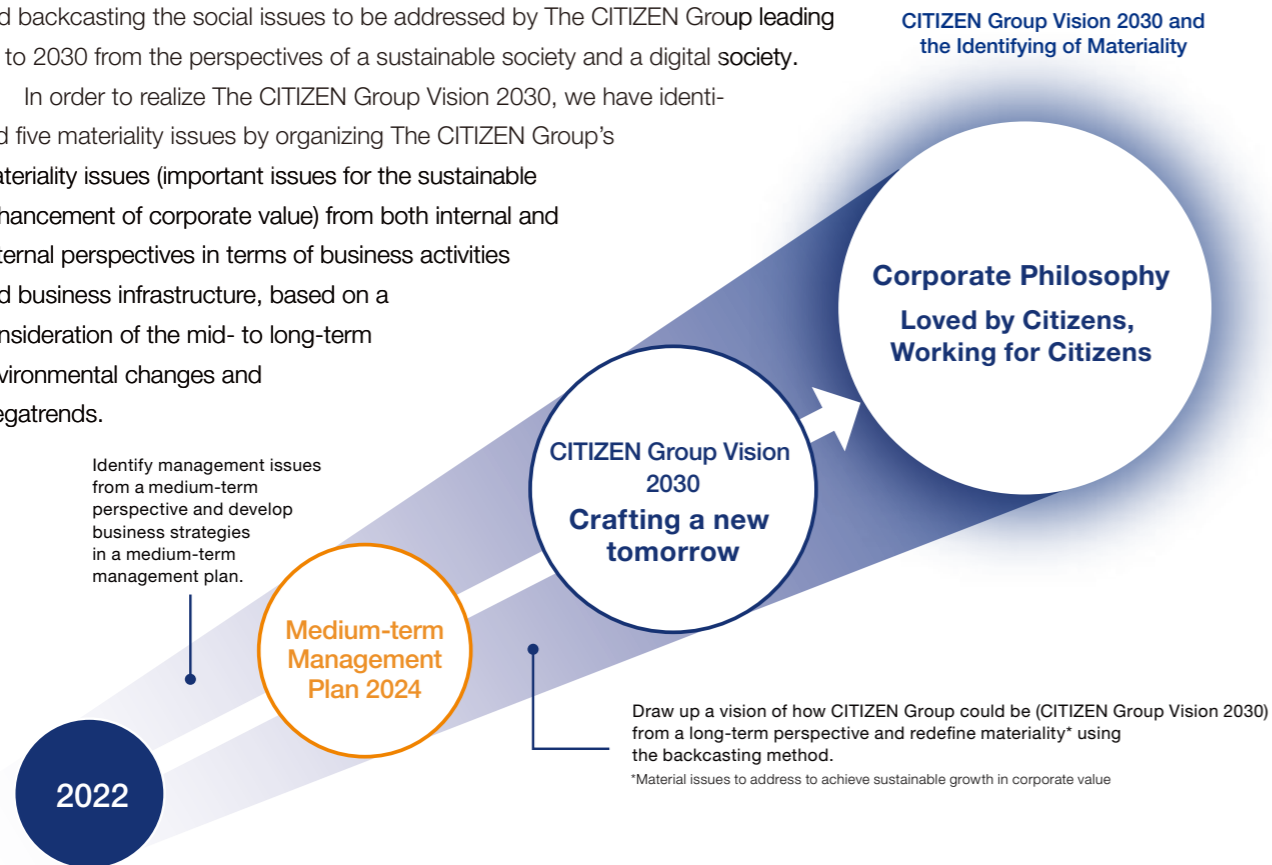
The CITIZEN Group's Long-term Vision

Crafting a new tomorrow

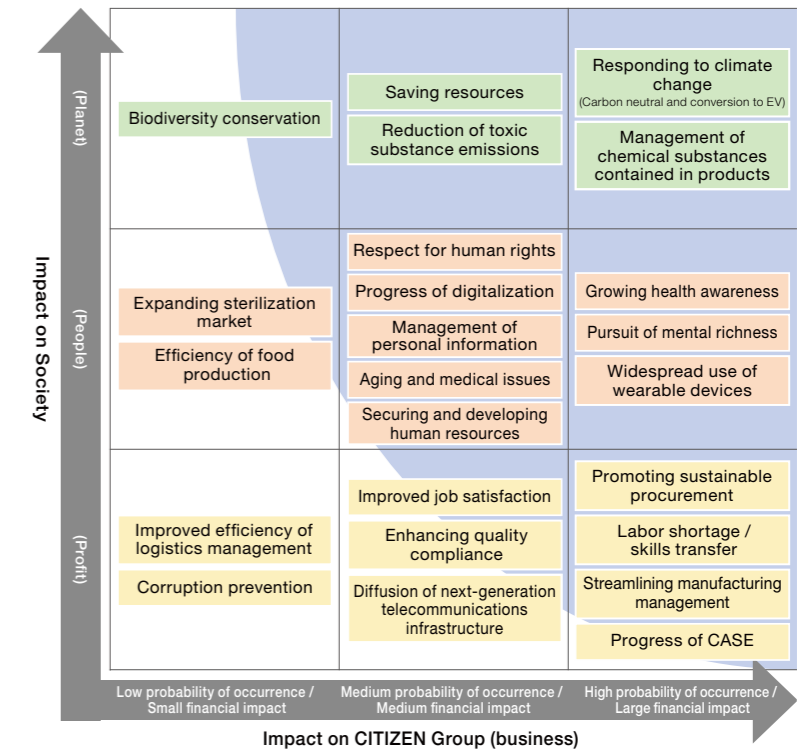
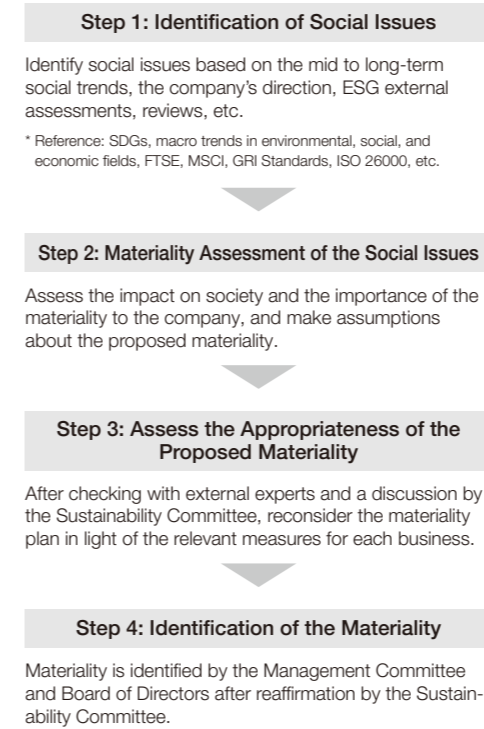
Materiality

In April 2022, we formulated the "The CITIZEN Group Vision 2030" by organizing and backcasting the social issues to be addressed by The CITIZEN Group leading up to 2030 from the perspectives of a sustainable society and a digital society.

In order to realize The CITIZEN Group Vision 2030, we have identified five materiality issues by organizing The CITIZEN Group's materiality issues (important issues for the sustainable enhancement of corporate value) from both internal and external perspectives in terms of business activities and business infrastructure, based on a consideration of the mid- to long-term environmental changes and megatrends.



Materiality Identification Process



Materiality, Opportunities, Risks and Measures

ESG	Materiality	Opportunity	Risk	Classification	Main measures to be taken in terms of business activities / business infrastructure	Applicable businesses
E	Responding to Climate Change and Contributing to a Recycling-oriented Society 	<ul style="list-style-type: none"> Expanding demand for products and services that contribute to energy and resource conservation and productivity improvement Progress of CASE 	<ul style="list-style-type: none"> Wind and flood damage at business sites Increased energy costs Dependence on specific industries and customers Violation of laws and regulations concerning the chemical substances contained in products 	<ul style="list-style-type: none"> Response to Climate Change Contribution to a Recycling-oriented Society 	<ul style="list-style-type: none"> Business activities <ul style="list-style-type: none"> Sales of parts for eco-cars (EVs and HVs), etc. Sales of LEDs for lighting Business foundation <ul style="list-style-type: none"> Reduction of CO₂ emissions, expansion of introduction of renewable energy, etc. Business activities <ul style="list-style-type: none"> Sales of photovoltaic and mechanical watches Sales of products using low-frequency vibration (LFV) technology, etc. Business foundation <ul style="list-style-type: none"> Reduction of water consumption, promotion of recycling, management of hazardous chemicals, reduction of packaging materials, etc. 	Watches and Clocks, Machine Tools, Devices, Electronics, and others
	Contributing to Better Quality of Life 	<ul style="list-style-type: none"> Shift from mechanical to emotional value Shift from treatment to preventive care 	<ul style="list-style-type: none"> Widespread use of smartwatches Increased competition in the healthcare market Regulatory changes for medical devices Leakage of personal information 	<ul style="list-style-type: none"> Contribution to Diverse Lifestyles Contribution to Medical and Healthcare 	<ul style="list-style-type: none"> Business activities <ul style="list-style-type: none"> Sales of wristwatches for the visually impaired persons Business activities <ul style="list-style-type: none"> Sales of specimen-holding plates for bacterial analysis Sales of thermometers and blood pressure monitors that are easy for anyone to use Sales of digital health care services [Heath Scan], etc. 	Watches and Clocks, Devices, Electronics, and others
S	Providing Solutions in the Industrial Sector 	<ul style="list-style-type: none"> Factory automation / labor saving / automation / digitalization Expanding demand for products/services that contribute to manufacturing management efficiency Advancement of CASE Diffusion of next-generation telecommunication infrastructure 	<ul style="list-style-type: none"> Loss of business opportunities Decline in competitiveness Entry of competitors from other industries using digital technology as a weapon 	<ul style="list-style-type: none"> Provision of Labor-saving and Automation Solutions Contribution to Next-generation Communication Technology Contribution to Mobility 	<ul style="list-style-type: none"> Business activities <ul style="list-style-type: none"> Sales of products using low-frequency vibration (LFV) technology "alkappliesolution" supports digital transformation of the manufacturing industry Business activities <ul style="list-style-type: none"> Development and sales of sensing devices (teleoperated robots, etc.) Business activities <ul style="list-style-type: none"> Sales of components for advanced braking systems, communication systems, sensors, etc. 	Machine Tools, Devices, Electronics, and others
	Enhancing of Job Satisfaction and Developing Human Resources 	<ul style="list-style-type: none"> Increasing employee engagement Driving DX / innovation 	<ul style="list-style-type: none"> Outflow of human resources Deterioration of business performance 	<ul style="list-style-type: none"> Enhancement of Job Satisfaction Development of Human Resources Diversity and Inclusion 	<ul style="list-style-type: none"> Business foundation <ul style="list-style-type: none"> Implement measures to improve employee engagement, provide training opportunities, etc. Business foundation <ul style="list-style-type: none"> Developing human resources to promote changes within the Group, strengthening group collaboration in the development of management human resources, etc. Business foundation <ul style="list-style-type: none"> Systematic training and promotion of female management candidates, encouraging male employees to take childcare leave, etc. 	Watches and Clocks, Machine Tools, Devices, Electronics, and others
	Fulfilling Social Responsibility 	<ul style="list-style-type: none"> Realization of the sustainable factory concept Compliance with major customers' terms and conditions 	<ul style="list-style-type: none"> Damage to corporate value Reputation Weakening of the management base 	<ul style="list-style-type: none"> Strength of Risk Management Quality Compliance Respect for Human Rights and Labor Practices Enhancement of (or Promotion of) Sustainable Procurement 	<ul style="list-style-type: none"> Business foundation <ul style="list-style-type: none"> Update and operation of the Group's material risks, etc. Business foundation <ul style="list-style-type: none"> Activities to disseminate the Group Quality Code of Conduct, etc. Business foundation <ul style="list-style-type: none"> Implementation of human rights due diligence, etc. Business foundation <ul style="list-style-type: none"> CSR procurement, green procurement, responsible mineral procurement, etc. 	Watches and Clocks, Machine Tools, Devices, Electronics, and others

CEO Message



CITIZEN WATCH CO., LTD.
President and Representative Director

佐藤敏彦

We will leverage sustainable manufacturing with a century-long lifespan to make a far-reaching contribution to the environment and global society.

The CITIZEN Group has been promoting “Sustainable Management” since FY2019 to solve social issues through its business. The CITIZEN Group’s sustainable management means not only providing good products and services, but also expanding its business while earning the trust of stakeholders and continuously improving corporate value through management that takes into consideration social issues such as human rights and the global environment throughout the value chain.

We have been providing environmentally friendly products for many years, including the world’s first analog photovoltaic watch in 1976, which converts sunlight or a small amount of indoor light into electricity to power itself. With an eye to the future, we have also launched the concepts of Sustainable Factories and Sustainable Products. Sustainable Factories are sustainable production facilities and offices that comprehensively consider compliance, human rights, labor practices, business continuity plan (BCP), and productivity improvement, in addition to reducing environmental impact. Sustainable Products are products and services that contribute to business growth by helping solve major social issues linked to materiality, as an advanced form of conventional environmentally friendly products. These concepts embody the CITIZEN Group’s sustainable management.

We believe that delivering such sustainable products to the world will provide excitement and satisfaction to our customers, and bring a sense of fulfillment and fair compensation to the people who produce them, thereby improving the environmental, social, and economic value of all stakeholders. For the CITIZEN Group to become an entity that can contribute to solving social issues and create sustainable value from both its business base and business activities, namely Sustainable Factories and Sustainable Products, will enhance the brand image and corporate value of the entire Group and help to avoid future management risks.

The CITIZEN Group’s corporate philosophy of “Loved by Citizens, Working for Citizens” is consistent with the Sustainable Development Goals (SDGs) and the philosophy of sustainability. We will contribute to the achievement of the SDGs by creating social, environmental, and economic value that contributes to solving social issues in each of our business areas.

The CITIZEN Group Vision 2030

The CITIZEN Group has formulated the CITIZEN Group Vision 2030 as the Group’s long-term vision to realize its future aspirations by leveraging the Group’s strengths and capital, in consideration of various possible future changes in the environment.

The CITIZEN Group Vision 2030 sets forth a new vision of “Crafting a new tomorrow” that will lead people to a prosperous future. This Vision indicates that CITIZEN’s mission in 2030 is to enrich not only the lives of people around the world, but also their hearts and minds, and to pass this enriched quality of life on to future generations.

The CITIZEN Group will strive to be an entity that delivers security, trust, and inspiration to society.

Sustainability Management

Establishment of the Sustainability Committee

In April 2020, CITIZEN Group established the Sustainability Committee, which is chaired by the president and representative director of CITIZEN WATCH and includes full-time directors of CITIZEN WATCH and the presidents of business management companies as members. The committee meets once a quarter, mainly to discuss materiality, check the progress of activities, and hold study sessions with external lecturers. The CSR Department, Corporate Planning Department, and Environmental Department of CITIZEN WATCH, which serve as the committee secretariat, also operate the Sustainability Secretariat Meeting together with each committee secretariat related to materiality and the CSR departments, environmental depart-

ments, corporate planning departments of each Group company. The committee also regularly verifies the sustainability issues and progress of activities at each company. Proposals and reports from each committee and each company are discussed at the Sustainability Committee.

Objectives and Functions	To promote sustainable management in The CITIZEN Group 1. Identification and periodic review of materiality 2. Promoting efforts in existing businesses to improve their sustainability and contribute to resolving social issues 3. Formulating policies for addressing ESG issues and monitoring activities based on those policies
Holding the Sustainability Committee	Held once a quarter (every three months)

Sustainability Promotion Structure

The following subcommittees of the Sustainability Committee have been established: the Group Quality Compliance Committee, which deliberates on quality compliance in the Group; the Group HR Committee, which deliberates on hiring and human resource development and addresses discrimination by nationality, LGBT status, and other properties, as well as human rights; and the Group Environmental Committee, which deliberates on such subjects as Group-wide opportunities, risks, and measures related to environmental issues in general. The Group Sustainable Procurement Committee deliberates on revisions of the supplier management structure across the Group in order to be more sustainable and responsible.

In addition, the Sustainability Committee Secretariat and the Sustainability Committee Meeting, consisting of the

corporate planning department and the CSR departments of each Group company, ensure that the content of the deliberations by the Sustainability Committee is shared with the organizations promoting each business.

We also established CITIZEN-SIRT, the Group Information Governance Committee, the Group Legal/Compliance Committee, and the Group Business Continuity Management Committee to address matters related to the handling of management-related risks and making the Group's management base more resilient. These committees addressing risks related to the management base have been established under the Management Committee, which meets monthly, as a structure that enables the swift detection of and deliberation on problems as well as immediate responses to them.



Sustainable Factories

CITIZEN Group is developing its business based on the concept of “sustainable factories,” which also takes into consideration the manufacturing process of products and services. A sustainable factory is a sustainable production facility or office (or business process) that comprehensively considers compliance, human rights, labor practices, BCP*, and productivity improvement, in addition to environmental considerations. CITIZEN Group as a whole aims to realize the “sustainable factory” concept by 2030.

Since the cooperation of our suppliers and the entire value chain is essential to achieving this goal, we are also

promoting activities to seek the understanding and cooperation of our stakeholders. Specifically, we have formulated a roadmap and a vision of what we aim to achieve in 2030 in the areas of “addressing climate change and contributing to a recycling-oriented society,” “adherence to quality compliance,” “respect for human rights and labor practices,” and “the promotion of sustainable procurement” in FY2019. Please refer to the relevant page on Materiality (link in the table below) for progress.

* BCP (Business Continuity Plan): A business continuity plan is formulated during normal times of operation to prepare for the possible effects of large-scale disasters on business activities. Such a plan stipulates the systems, functions, and procedures necessary to continue supplying products and services, and to enable early recovery.

Sustainable Products

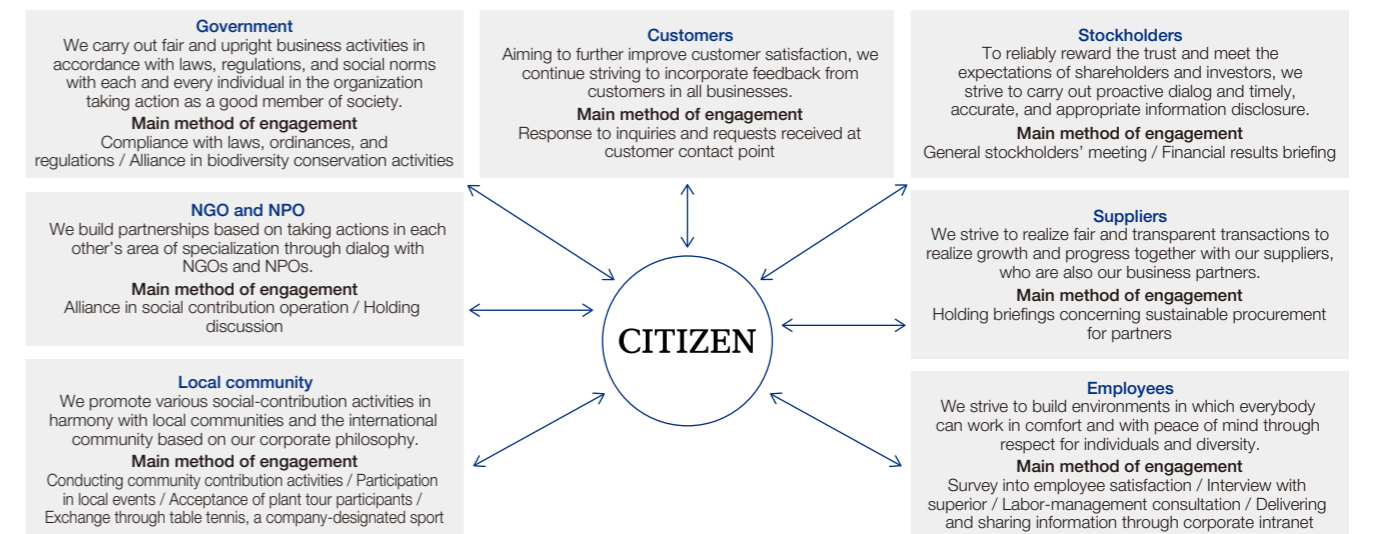
The CITIZEN Group has set its sights on developing sustainable products by 2030, tailored to address critical global challenges within each business segment of the Group. Sustainable products are products and services that contribute to business growth while helping solve social issues linked to the CITIZEN Group's materiality.

Out of the five materiality issues identified, the following three need to be addressed through its products and services: “responding to climate change and contributing to a recycling-oriented society,” “contributing to better quality of life” and “providing solutions in the industrial sector. The Group has set its criteria for certification as an essential

requirement for all Group companies to meet one or more of these materiality issues, taking into consideration the uniqueness and superiority of business strategies, products, and services in each business.

The Sustainable Products Certification System and the certification criteria for each business were approved by the Group Management Committee in 2023 after discussions at the Sustainability Committee, based on the opinions of external experts. In the future, the certification criteria will be reviewed as necessary in response to changes in social conditions, and any changes to the criteria shall be discussed and approved by the Sustainability Committee.

The CITIZEN Group's Stakeholders



Scenario Analysis

Scenario Analysis

Recognizing that the risks and opportunities associated with climate change will have a significant impact on its business strategy, CITIZEN Group has identified the risks and opportunities associated with climate change through the following process, and the Sustainability Committee Secretariat took the lead in analyzing and assessing the significance of the 1.5°C and 4°C scenarios.

Process for identifying the risks and opportunities associated with climate change

Process 1	We comprehensively identified the risks and opportunities associated with climate change.
Process 2	We organized the identified risks and opportunities in relation to the four business segments of Watches and Clocks, Machine Tools, Devices, and Electronic Devices and Others, as well as in 3 time frames: short, medium, and long term.
Process 3	For each risk and opportunity identified, we used a 5-point scale to evaluate its "impact on the company" and "likelihood of occurrence". As an overall evaluation, items with a high "impact on the company" and "likelihood of occurrence" were extracted, and important risks and opportunities were identified.

Scenario Analysis Results and Strategy (Measures and Policies of the Company)

We have formulated the "CITIZEN Group Environmental Vision 2050" to achieve carbon neutrality in 2050. CITIZEN Group aims to achieve virtually zero CO₂ emissions from its factories and offices by 2050. We are also working to understand the risks related to climate change throughout our supply chain.

The Group sees the transition to a low-carbon economy as an opportunity to invest in renewable energy and energy-saving equipment, and it is also working to improve product competitiveness through the development and production of environmentally friendly products.

Under the 1.5°C scenario, we anticipate increased costs due to stricter regulations, including the introduction of a carbon tax, and the risk of higher prices for raw materials and

other resources. In addition to promoting decarbonization initiatives to achieve the CITIZEN Group Environmental Target 2030 and the CITIZEN Group Environmental Vision 2050, the Group is considering the introduction of an internal carbon price system to promote investment in GHG emissions reduction.

Under the 4°C scenario, in order to stably secure raw materials, we will promote diversified procurement sources and appropriate parts and materials procurement management. In addition, we are promoting BCP measures including weather-related disasters and investment related to disaster countermeasures.

Scenario Analysis Results

Classification	Significant Risk / Opportunity	Impact on CITIZEN		Time Horizon		
		1.5°C	4°C	-2024	2025-2030	2031-
Transition Risk	Policy and Regulations	Large	Small	• Cost increase due to the introduction and strengthening of new regulations (carbon pricing system)	●	●
	Technology and Markets	Small	Large	• Increase in the cost of raw materials, etc., supply shortages and supply disruptions	●	●
	Reputation	Medium	Small	• Decline in reputation due to a delayed response to climate change, etc., and the consequent decline in stock price and sales	●	●
Physical Risk	Acute Risk	Small	Large	• Increasing severity and frequency of natural disasters	●	●
	Chronic Risk	Medium	Large	• Increased business spending on addressing extreme weather effects and countermeasures	●	●
		Small	Medium	• Stagnation of production activities due to supply chain disruptions	●	●
Opportunity	Energy and Resource Efficiency	Large	Small	• Cost reduction through the promotion of energy conservation	●	●
		Medium	Medium	• Cost reduction through resource conservation, 3Rs, zero waste emissions, and the conservation of water resources	●	●
	Medium	Small	• Differentiation and competitiveness through product development with alternative materials • Realization of life cycle decarbonization through substance substitution and weight reduction	●	●	
	Products, Services & Markets	Medium	Small	• Revenue growth due to increased demand for environmentally friendly products/services	●	●
	Resilience	Medium	Medium	• Increased customer trust through the promotion of natural disaster preparedness	●	●
Medium		Large	• Minimized the risk of physical damage through the systematic implementation of countermeasures	●	●	

* The results of the risk assessment for both the 1.5°C and 4°C scenarios for which the significance level was determined to be "minor" are not listed.

Financial Impact Analysis

Based on the results of the scenario analysis, we have identified financial impacts for the following two items that could significantly affect CITIZEN Group's finance.

Transition Risk	Cost increase due to the introduction and strengthening of new regulations
	Increase in the cost of raw materials, etc., supply shortages and supply disruptions

Indicators and Targets

CITIZEN Group has set the targets related to climate change as shown on the right.

The Group has also set cost reductions through the promotion of energy conservation as an indicator related to "climate-related opportunities" and the amount of capital investment in energy conservation and renewable energy as an indicator related to "capital allocation," and will continue to monitor these indicators.

Greenhouse Gas Emissions

Indicators	Targets
Scopes 1 and 2	50.4% Reduction FY2018 baseline
Scope 3	30% reduction in Category 1 + Category 11 by FY2030

Obtaining SBT Certification

CITIZEN WATCH received certification from the Science Based Targets (SBT) Initiative* for CITIZEN Group Environmental Goals 2030, the Company's greenhouse gas emissions reduction target for 2030, which is recognized as a scientifically based level to achieve the Paris Agreement.

Greenhouse Gas Emission Reduction Targets under CITIZEN Group Environmental Goals 2030

- Scope 1, 2: 50.4% reduction (FY2018 basis)
- Scope 3: 30% reduction in Category 1 + Category 11 (FY 2018 basis)

* SBT Initiative: A joint initiative of WWF, CDP, World Resources Institute (WRI), and the UN Global Compact. It encourages companies to set reduction targets consistent with scientific findings toward the goal of limiting the increase in global average temperature due to climate change to 1.5°C above pre-industrial levels.



Science Based Targets
<https://sciencebasedtargets.org/>

Joined Japan Climate Leaders' Partnership

CITIZEN WATCH has joined the Japan Climate Leaders' Partnership (JCLP), a group of companies committed to realizing a sustainable decarbonized society, as a supporting member.

In CITIZEN Group Environmental Vision 2050, revised in April 2020, CITIZEN Group is committed to decarbonization to achieve virtually zero GHG emissions and sustainable use of resources. Particularly, to achieve one of the materiality issues identified in the Medium-Term Management Plan 2024, "responding to climate change and con-

tributing to a recycling-oriented society," we are strengthening our climate change initiatives, including obtaining SBT certification in January 2023.



Japan Climate Leaders' Partnership
<https://japan-clp.jp/en>

Environmental Vision and Environmental Goals

CITIZEN Group's Basic Approach to the Environment

Since its establishment, CITIZEN Group has been consistently committed to manufacturing in consideration of people and the environment, rooted in its corporate philosophy of "Loved by Citizens, Working for Citizens." In December 2019, we revised the CITIZEN Group Environmental Policy, which forms the basis of the Group's environmental measures, to promote global environmental management aimed at realizing a sustainable civil society. In April 2020, we also revised the CITIZEN Group Environmental Vision 2050, which commits to decarbonization and

sustainable resource use with virtually zero CO₂ emissions, and newly formulated the CITIZEN Group Resource Recycling Vision. In February 2022, we also revised the CITIZEN Group Environmental Goals 2030, referring to our five targets for achieving the SDGs, in line with changes in the external environment; we will implement sustainable management through production activities at sustainable factories that consider the environment throughout the value chain, including suppliers.

The CITIZEN Group Environmental Goals 2030 (Revised in April 2023)

We will contribute to the realization of a carbon-free society, a resource-circulating society, and a safe, comfortable, and enriched society through the promotion of global environmental management aimed at achieving the SDGs.

1. Promoting countermeasure against global warming (resource conservation, shifting to renewable energy, adaption to climate change)

Greenhouse gas emissions: Scopes 1 and 2:	50.4% reduction (FY2018 baseline)
Scope 3:	30% reduction in Category 1 + Category 11 by FY2030 (FY2018 baseline)
Renewable energy ratio:	62% Japan

2. Promoting the sustainable use of resources (resource conservation, 3Rs, preservation of water resources)

Resource recycling rate:	90%
Water intake:	35% reduction (2018 baseline)

Improve the quality of wastewater

3. Enhancing environmental risk management, continuing to maintain zero environmental incidents

Chemical substances subject to the PRTR Act:	45% reduction (FY2018 baseline)
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4. Implementing nature conservation activities and community environmental activities at all business sites

5. Providing sustainable products and enhancing the control of chemical substances in products

Building a Global Environmental Management System

The CITIZEN Group is working towards strengthening and unifying a global Environmental Management System (EMS), as outlined in our roadmap, by developing EMS that meet the international standard ISO 14001, at both its domestic and overseas production bases. In Japan, CITIZEN WATCH is leading the effort by setting overall EMS policies and goals, and all manufacturing sites, which account for the majority of the Group's environmental impact, have obtained unified ISO 14001 certification. Internationally, while each site is individually working to

obtain ISO 14001 certification, we are progressing towards building EMS based on the same principles and policies as those implemented in Japan.

In FY2023, a re-certification audit was conducted for all sites, and conformity with the maintenance of certification was determined. We are also promoting thorough environmental activities at sales sites and other non-manufacturing sites based on the same principles. These group-wide efforts contribute to the development of a more effective EMS.

Reduction of Hazardous Chemical Substances Towards Establishing a "Sustainable Factory"

To establish a "Sustainable Factory," we are promoting the reduction of hazardous chemicals subject to the PRTR Law across the entire group. Specifically, we are working to replace high-use substances with alternatives, with a particular focus on replacing 1-bromopropane, the most widely used chemical in our manufacturing processes. Efforts are also being made at each site to find alternatives

or reduce other substances, with progress being shared within the group.

For the products we produce, we are committed to reducing and eliminating chemicals from the design and manufacturing stages, ensuring that products do not include substances regulated under global environmental regulations.

Initiatives for Biodiversity Conservation

Promoting Activities to Preserve Biodiversity

Based on the Group's Biodiversity Vision, CITIZEN Group continues to resolve issues related to biodiversity and conduct conservation activities in the regions where it operates.

In 2020, CITIZEN WATCH initiated the Eco Tree ACTION program, wherein customers opting out of receiving a box for their purchased CITIZEN brand watch have a mangrove seeding donated through the international NGO, NICE. Additionally, since the same year, CITIZEN WATCH has been transitioning to digital instruction manuals avail-

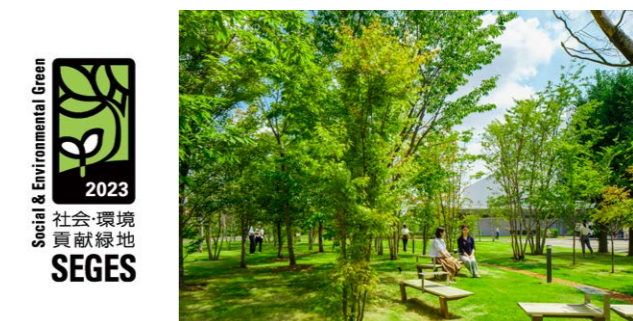
able in nine languages, and this effort has resulted in an annual reduction of 20 tones of CO₂ emissions (equivalent to the yearly carbon absorption of 1,400 cedar trees) and the conservation of 37 tones of paper (equivalent to the volume of 3.7 buses).

CITIZEN WATCH also endorses the Ministry of Environment's "30 by 30" alliance, which aims to conserve at least 30% of Japan's land area as a natural environmental area by 2030. CITIZEN WATCH joined this alliance in FY2023.

"Growing Green" Certification of the Social and Environmental Green Evaluation System (SEGES) for the CITIZEN Forest (CITIZEN WATCH)

In 2019, as a local disaster prevention measure, aging plants were removed, and the site was greened to meet the ratio of greening stipulated by the Factory Location Act. This is the beginning of the "CITIZEN Forest." In 2021, it received the first Good Design Award as a Works, and in 2023, it also received the SEGES (Social and Environmental Green Evaluation System) "Growing Green Excellent Stage 1" certification.

From the perspective of improving the wellness of employees and the local environment, greenery is composed of native species that form the miscellaneous trees in the Musashino area. We provide comfortable places for birds and insects to fly in and out considering the ecological network. We will continue our efforts to maintain the greenery and coexist with nature and living creatures based on the planting management plan.



News Release: The Tokyo Works, CITIZEN WATCH headquarters received the "Growing Green" certification of the Social and Environmental Green Evaluation System (SEGES)
<https://www.citizen.co.jp/release/news/detail/710>

Respect for Human Rights

Message from the Director

Contribute to creating a comfortable workplace and ensuring health and safety in the workplace by preventing human rights risks through detailed identification of current conditions and early remediation

The CITIZEN Group, whose corporate philosophy is “Loved by Citizens, Working for Citizens,” has always had respect for people’s dignity and rights at the core of its corporate stance, and has aimed to contribute broadly to the lives of people around the world through our business activities.

Since human rights issues can harm the dignity of individuals and damage the value of a company’s brand, we always maintain a sense of tension and crisis, and conduct strict risk management, including suppliers. Under the leadership of the Group Human Resources Committee, we conduct human rights due diligence at Group companies in Japan and utilize a reporting system to prevent risks.

In FY2023, we conducted a survey on the working environment at manufacturing sites that handle chemical substances and worked to raise awareness of human rights risks by encouraging reports from manufacturing sites, including requests for facility modifications. For suppliers, the Group Sustainable Procurement Committee takes the lead in identifying risks and ensuring compliance with human rights through explanatory meetings and responses to SAQ (Self-Assessment Questionnaire) surveys.

The labor environment at our overseas manufacturing bases is where human rights risks are a particular concern for the CITIZEN Group. Since we have numerous manufacturing bases in Asian countries, we have been working to prevent poor working environments and long working hours, and to ensure health and safety in the workplace. Specifically, in addition to conducting online briefings and SAQs, we are striving to ensure a proper working environment by actually going overseas to conduct on-site surveys, listening to the real opinions of employees working there to understand the situation in detail and striving for early improvement.

With regard to compliance with local laws and regulations, we also announced the Statement on the CITIZEN Group Human Rights Policy and the CITIZEN Group Responsible Mineral Procurement Policy to share awareness of human rights issues and clarify our proactive stance as a global company in addressing these issues.

By taking appropriate responses on human rights issues, the CITIZEN Group will ensure a stable supply chain and fulfill The CITIZEN Group Vision 2030, which aims to build trust with employees and local communities.

Director
Yoshiaki Miyamoto

Respect for Human Rights / Human Rights Due Diligence Initiatives

CITIZEN Group is developing communication activities and training measures to inform and disseminate various policies and regulations to employees and suppliers to ensure respect for the human rights of all stakeholders related to our business activities.

Regarding human rights due diligence, we conduct awareness surveys of employees of domestic group companies to identify human rights risks. We also utilize an internal reporting system (including a “Speak Up” system) to receive reports, consultations, opinions, and suggestions regarding human rights issues from employees, and we use this system to address risks and prevent them from occurring. For suppliers, we ensure that they are aware of

risk identification and human rights compliance through responses to the SAQ (Self-Assessment Questionnaire) based on the Group CSR Procurement Guidelines.

CITIZEN Group, as a member of the international community, fulfills its responsibility to resolve human rights issues by disclosing the “Statement Regarding Modern Slavery and Human Trafficking” at the beginning of each year, since it has a company covered by the UK Modern Slavery Act. For foreign employees, we implement CSR human rights survey checklists translated into their native languages and conduct interviews, etc., to investigate human rights risks in the workplace environment at each Group company.

The CITIZEN Group’s Value Chain and Stakeholders

Value Chain	Suppliers	CITIZEN Group (employees, temporary workers, technical trainees)	Consumers	Local communities
	The CITIZEN Group Human Rights Policy / Statement on the UK Modern Slavery Act			
Understanding and permeation of policies, rules, etc.	<ul style="list-style-type: none"> Group CSR Procurement Guidelines Responsible Minerals Procurement Policy Supplier Briefing 	<ul style="list-style-type: none"> Activities toward permeation of the CITIZEN Group Code of Conduct Business and human rights training Safety management of chemical substances based on the Environmental Policy 	<ul style="list-style-type: none"> Privacy Policy 	<ul style="list-style-type: none"> Privacy Policy Safety management of chemical substances based on the Environmental Policy and engagement
Identification of risks	<ul style="list-style-type: none"> Surveying suppliers Sending SAQ Conducting on-site fact-finding (which were equivalent to auditing) Supplier Hotline 	<ul style="list-style-type: none"> Conducting CSR attitude surveys Stress check (Web) Setting up suggestion boxes at business sites Group Compliance Hotline Harassment Hotline Personal consultation center (CITIZEN WATCH) Health consultation Human Rights Due Diligence Survey 	<ul style="list-style-type: none"> Customer contact center Requests for products and services 	<ul style="list-style-type: none"> Surveying participants in plant tours and other events Voices to community business facilities Engagement with NGOs and others

Progress on the Roadmap on Respect for Human Rights

Fostering Awareness of and Respect for Human Rights

In FY2023, we continued to promote awareness of human rights through e-learning training for Group employees. The participation rate was 99.6% (average of 11 Group companies), maintaining the same high rate as the previous year. We also designated December as “CITIZEN Group Human Rights Month” and deepened the understanding towards

diversity by posting an article in the company newsletter. In this manner, we will expand awareness-raising of human rights through internal training and newsletters. In FY2024, we will implement measures related to “respect for diversity.”

Human Rights Roadmap

	FY2022	FY2023	FY2024	FY2030
Target	<ul style="list-style-type: none"> Establishment of human rights due diligence (identification of negatives – formulation of goals and plans), compliance with labor-related laws and regulations, and dissemination of the Basic Health and Safety Policy. 		<ul style="list-style-type: none"> Establishment of human rights due diligence (goals, plans, operation, and monitoring), compliance with labor-related laws and regulations and dissemination of the Basic Health and Safety Policy. 	<ul style="list-style-type: none"> Compliance with the Group’s human rights policy (monitoring and redress process), compliance with labor-related laws and regulations, and establishment of the Basic Health and Safety Policy.
KPI	<ul style="list-style-type: none"> 100% participation rate in human rights e-learning Compliance with laws and regulations regarding overtime and annual paid leave 	<ul style="list-style-type: none"> 100% participation rate in human rights e-learning Compliance with laws and regulations regarding overtime and annual paid leave 	<ul style="list-style-type: none"> Compliance with laws and regulations regarding overtime work and acquisition of annual paid leave Compliance with laws and regulations regarding the treatment of regular/non-regular employees 	<ul style="list-style-type: none"> Establishment of human rights due diligence at overseas sites Zero lost-time injuries from work
Measures	<ul style="list-style-type: none"> Promotion of “The CITIZEN Group Human Rights Month” and “Human Rights Panel Exhibition” Implementation of a human rights e-learning program Plan to follow human rights due diligence process at domestic sites Legal compliance monitoring Promoting awareness of the Basic Health and Safety Policy (Japan) 	<ul style="list-style-type: none"> Implementation of a human rights e-learning program Plan to follow human rights due diligence process at domestic sites Plan to follow human rights due diligence process at domestic sites Promoting awareness of the Basic Health and Safety Policy (Japan) 	<ul style="list-style-type: none"> Continuation of activities to disseminate the Basic Health and Safety Policy at domestic and overseas bases Monitoring and legal compliance Promoting awareness of the Basic Health and Safety Policy 	<ul style="list-style-type: none"> Establishment of consultation services for employees at all locations Improving the human rights due diligence process Monitoring and legal compliance Continuation of activities based on the Basic Health and Safety Policy

Human Capital Management

Basic Concept for Human Resource Management

The CITIZEN Group regards its employees as human capital and have set a group vision that “each employee contributes to the realization of long-term vision and is proud of working for Citizen.” Each Group company takes the initiative in developing human capitals capable of driving the growth of company in line with the management

strategy and business environment of each company.

In addition to acquiring and developing human capital, we focus on creating an inclusive and diverse workplace and aim to craft a new tomorrow for each and every employee.

To Enhance Decent Work

In The CITIZEN Group, engagement surveys have been regularly conducted across CITIZEN WATCH, CITIZEN MACHINERY, and CITIZEN FINEDEVICE. Based on the result, CITIZEN WATCH, as company-wide measures,

measures to support career autonomy, expansion of the management staff reskilling menu, are implemented to improve “provision of career opportunities,” “relationship with superiors.”

Supporting Autonomous Career Development

At CITIZEN WATCH, we aim to be a company where individual growth and self-fulfillment contribute to corporate growth and value enhancement, supporting autonomous career development. We have introduced an ‘in-house side job system’ that allows employees to spend up to 20% of their total working hours on internal duties unrelated to their primary job role. This initiative has expanded opportunities

for participants to develop their skills and brought diverse perspectives to existing departments. In FY2023, in-house side job project was underway in four divisions, involved in examining the circular economy and updating fine tuning services. Additionally, through our ‘internal job posting system,’ employee-driven transfers have been successfully implemented to better meet individual preferences.

Diversity & Inclusion

It is The CITIZEN Group’s duty as a company to respect each employee, respect diversity, and create an environment in which employees can thrive. CITIZEN WATCH is taking the lead in setting a goal of increasing the percentage of female management staff in the Company to 20% or more by 2030, and is promoting the activities of diverse human resources and the development and promotion of female management staff throughout the Group. CITIZEN WATCH has established a system to support the balancing

of work with childcare, nursing care, specified illnesses, and infertility treatment in order to help diverse human resources play an active role in the company. We also have been promoting the creation of an environment where employees can utilize their diverse values and experiences to demonstrate their abilities, such as by setting up a LGBTQ-related training and verifying our current initiatives based on external indicators.

Recognized as one of the “Certified Health & Productivity Management Organizations Recognition Program—White 500”

CITIZEN WATCH was recognized as one of the “Certified Health & Productivity Management Organizations Recognition Program 2024” (Large Corporation Category, White 500) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. To promote the health of our employees, we have continued to implement various measures, including the promotion of a non-smoking

campaign, expansion of health checkup items, implementation of health seminars for women, offering healthy menus at the company cafeterias, etc. To enable each and every one of our employees to demonstrate his or her maximum performance in good mental and physical health, we will promote to create safe and comfortable working environments.

Human Capital Development Roadmap

As per its management strategy, The CITIZEN Group aims to develop the human capitals required to manage and transform the Group and its companies and to achieve growth for Group companies and their employees. Since FY2022, in addition to providing training at each operating company, we have strengthened group-wide collaboration

regarding training starting with Group Transformation Promotion Training and Basic Management Training.

Part of the Group Transformation Promotion Training is held jointly with the management staff reskilling at CITIZEN Watch.

Classification	FY2023 Results	FY2024	FY2030 Goal
Target	Establish a group-wide system to develop human capital necessary for the transformation and growth of the Group and individual companies.		Based on the management strategy, develop human capitals necessary for the management and transformation of the Group and its individual companies, and achieve the growth for both the companies and their individual employees.
KPI	More than 200 participants in the Group Transformation Promotion Training (70% of CITIZEN WATCH management staff participated in the reskilling training) Result: More than 500 participants (87% participated in the reskilling training) More than 30 participants in the Basic Management Training Result:45 participants	More than 200 participants in the Group Transformation Promotion Training (100% of CITIZEN WATCH management staff participated in the reskilling training) More than 30 participants in the Basic Management Training	Accumulated total of more than 1,000 participants in the Group Transformation Promotion Training and the Management human capital Development Training programs
Measures	<ul style="list-style-type: none"> Group Transformation Promotion Training Basic Management Training Implementation of the Group succession plan 		

Enhancing Quality Compliance

Basic Concept for Quality Compliance

The CITIZEN Group has been conducting awareness campaigns for the dissemination of The CITIZEN Group Quality Code of Conduct, which was formulated based on Article 2 of The CITIZEN Group Code of Conduct through the leadership of the “Group Quality Compliance Committee,” established in FY2018. These efforts aim to ensure a shared understanding of quality compliance, including at overseas bases, by considering the situation of each business.

This Committee comprises executives responsible for quality at various group companies and is dedicated to promoting the permeation of compliance with quality standards from the perspective of The CITIZEN Group as a whole, transcending individual business units. The Commit-

tee also focuses on enhancing the effectiveness of the internal reporting system and incorporates ESG/SDGs perspectives. Additionally, it drives activities to respond to requests from stakeholders in various business domains.

In FY2022, the Committee included the heads of quality assurance departments from various group companies as observers. By engaging in discussions that incorporate viewpoints from both the group perspective and the operational perspective of each business unit, we are addressing the issue of quality compliance, which is at the core of quality management. These discussions are intended to establish an organizational culture that prevents “quality scandals.”

Progress on the Quality Compliance Roadmap

In FY2023, efforts to strengthen quality compliance were successful in achieving the target of “two activities to disseminate The CITIZEN Group Quality Code of Conduct.” We continue to implement activities to promote awareness by training both domestic and overseas employees, displaying posters featuring the Group Quality Code of Con-

duct at overseas sites and disseminating the information through the company intranet.

As FY2024 is the final year of the mid-term management plan, the Quality and Compliance Committee plans to summarize and review the FY2030 roadmap, which will be discussed by the Quality and Compliance Committee.

	FY2022	FY2023	FY2024	FY2030
Target	<ul style="list-style-type: none"> Ensuring the independence of the quality assurance department of the business controlling company and development of an effective monitoring system 	<ul style="list-style-type: none"> Ensuring the independence of the quality assurance department of the business controlling company and development of an effective monitoring system 	<ul style="list-style-type: none"> Effective risk identification and correcting the status of compliance with the Group Quality Code of Conduct at all sites 	<ul style="list-style-type: none"> Compliance with the Group Quality Code of Conduct by all Group executives and employees
KPI	<ul style="list-style-type: none"> Two activities to disseminate the Group Quality Code of Conduct E-learning participation rate: 98% (result:99.3%) 	<ul style="list-style-type: none"> Two activities to disseminate the Group Quality Code of Conduct E-learning participation rate: 98.4% 	<ul style="list-style-type: none"> Implementing multilingual e-learning programs Introduction of an anti-fraud system 	<ul style="list-style-type: none"> Zero violations of the Group Quality Code of Conduct 90% awareness of the Compliance Hotline
Measures	<ul style="list-style-type: none"> Activities to disseminate the Group Quality Code of Conduct (+ training programs about the Group Quality Code of Conduct) Expansion of the Group Quality Code of Conduct to overseas sites Creation of a quality compliance audit checklist 	<ul style="list-style-type: none"> Activities to disseminate the Group Quality Code of Conduct Conducting audits from a quality compliance perspective 	<ul style="list-style-type: none"> Activities to disseminate the Group Quality Code of Conduct Introduction of a quality data tampering prevention system into the Group 	<ul style="list-style-type: none"> Deployment of the Group Quality Code of Conduct to all Group sites

Efforts to Improve Customer Satisfaction

At CITIZEN WATCH, which handles a wide range of products for general customers, we have established a dedicated inquiry desk that promptly and sincerely addresses customer inquiries, consultations, and complaints to enhance customer satisfaction. Valuable information and issues raised by customers are reported in a timely manner

to top management and shared across business divisions, leading to product improvements and service enhancements. In the event of a serious incident requiring prompt repair or replacement of a product, we make announcements on our website. Citizen Watch received a total of 50,804 inquiries in FY2023.

Formulation of Audit Checklist Common to the Group from Quality Compliance Perspective

The CITIZEN Group has been actively devising quality enhancement strategies tailored to the distinct circumstances of each constituent company within the Group and is conducting audit based on the Audit Checklist created in FY2022 to be used across the Group. To date, no serious problems have been found.

However, there have been some issues found regarding storage and handling of quality data. As the progress of the audit differs among each Group companies, they are reported to management (management review) as a FY2023 interim report. We will continue to conduct group-wide quality compliance audits in FY2024.

Items of Audit Checklist from Quality Compliance Perspective

	Major Items	Audit Items
1	Promoting awareness/understanding of The CITIZEN Group Quality Code of Conduct	1 Item
2	Quality assurance departments	3 Items
3	Quality-related data	2 Items
4	Communication and information sharing with customers / suppliers / related departments	4 Items
5	Handling of substandard products	3 Items
6	4M change management	2 Items
7	Internal reporting system	1 Item
8	Triangle of quality fraud (KDS)	3 Items
9	Auditing and checking functions	1 Item
	Total 9 Items	Total 20 Items

Handling of Defects and Complaints

Both CITIZEN WATCH and CITIZEN WATCH MANUFACTURING have devised individual quality manuals and implemented Quality Management System (QMS) initiatives aligned with ISO 9001 stipulations. The primary objective of these manuals is to establish a robust framework for quality management across the watch business. They serve to uphold the quality policy, adhering to the standards set forth by The CITIZEN Group Quality Code of Conduct. Additionally, these companies engage in an annual internal audit to validate the efficacy of their QMS activities.

Customer complaints are managed in strict accordance with the Market Complaint Handling Standard and the Product Incident Response Standard. When complaints are received that carry the potential to drive product and

service enhancements, the companies duly address them and integrate the insights into the Quality Standards. This integration involves additions to or revisions of the Standards. Swift action is taken when confronted with complaints relating to product quality. For significant cases, a comprehensive array of measures is deployed, including notifications to the Consumer Affairs Agency and the National Institute of Technology and Evaluation (NITE), as well as communication to senior leadership, including the president, during Management Meetings and other pertinent forums. Furthermore, pertinent information is disseminated on the company website through prominently displayed notices, signifying their importance.

Investigation and Corrective Action for Defective Products

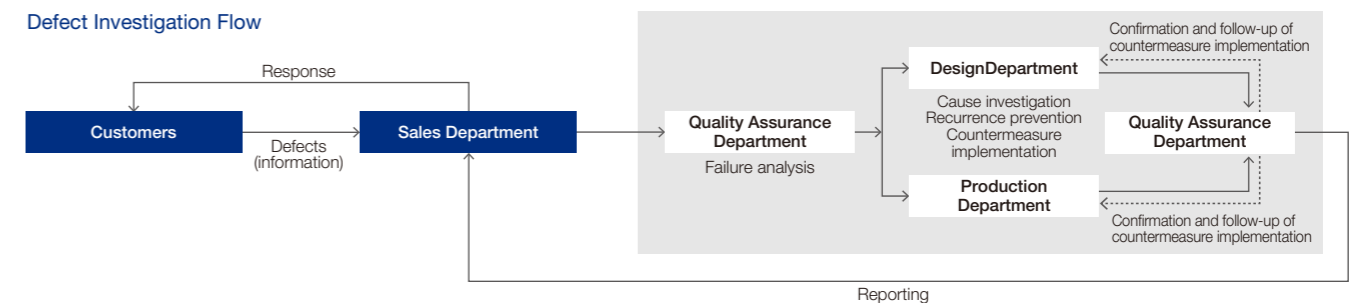
Upon receiving a customer inquiry concerning a product defect, CITIZEN MACHINERY takes appropriate measures tailored to the situation. These measures can include dispatching replacement parts and organizing repair arrangements. In cases where the inquiry demands it, an emergency response meeting convenes, involving pertinent personnel to exchange information and probe the root cause of the issue. Following this, a recurrence prevention meeting is conducted, findings are reported to upper management, and corrective actions, encompassing product enhancements, are executed.

Furthermore, the company has established a quantitative confirmation system to tally the number of inquiries and

complaints received. This system acts as a basis for making enhancements and streamlining processes.

In response to internally identified process defects, the company initiates strategies to avert future occurrences and ensure that flawed products do not reach the market. Vigilant monitoring of process defects is conducted, leading to updates of standard documents and work manuals and the execution of process enhancements. This concerted effort aims to curtail the incidence of defects. Swift dissemination of defect-related information to overseas bases ensures the swift implementation of countermeasures. Consequently, a uniform quality standard is upheld across all global sites.

Defect Investigation Flow



Promoting Sustainable Procurement

Basic Concept for Sustainable Procurement

CITIZEN Group aims to contribute to a sustainable society through the realization of “sustainable factories” that take into consideration not only its own factories but also their manufacturing processes. A “sustainable factory” is a concept in which the entire value chain, including suppliers, is a sustainable factory.

Collaboration with suppliers, who play a key role

upstream in the value chain, is essential for the realization of the sustainable factory, and we practice sustainable procurement (CSR procurement, responsible mineral procurement, and green procurement) as well as production system development that comprehensively considers compliance, human rights, labor practices, BCP, and productivity improvement.

Progress on the Roadmap

In adherence to The CITIZEN Group CSR Procurement Guidelines, The CITIZEN Group has charted a roadmap extending to 2030. This trajectory aims at achieving “100% of The CITIZEN Group and 70% of its pivotal suppliers.” In FY2023, we will accomplish instituting a supplier hotline and initiating a web-based SAQ collection in both

English and Chinese languages. Moving forward to FY2024, we will continue to promote the reinforcement of actual situation investigation, correction, etc. to reveal the risk of suppliers through SAQ (Supplier Assessment Questionnaire) surveys and creating analytical tools.

Roadmap to 2030

	FY2022	FY2023	FY2024	FY2030
Target	<ul style="list-style-type: none"> Identification of human rights in the business controlling company Determination of corrective measures for human rights in the watch business 	<ul style="list-style-type: none"> Decide on corrective measures for human rights risks at the business controlling company 	70% of the Group adheres 100% to CSR procurement guidelines	100% of the Group and 70% of major suppliers comply with 100% of the CSR Procurement Guidelines
KPI	<ul style="list-style-type: none"> Reduce the number of high-risk suppliers to 0% 75% of major suppliers participate in the briefing SAQ distributed to 75% of suppliers 	<ul style="list-style-type: none"> Distribution of SAQ to all key clients, totaling 100% 100% participation of all key clients in the briefing sessions 	<ul style="list-style-type: none"> Distribution of SAQ to 100% of key clients 100% participation of all key clients in the briefing sessions 	<ul style="list-style-type: none"> 100% of major suppliers responded to SAQ 70% of major suppliers have 100% SAQ overall score rate
Measures	Due diligence conducted by each company's procurement department in major business / CSR procurement study sessions conducted for all Group employees (including overseas employees)	<ul style="list-style-type: none"> Watch Business, Responsible Mineral Sourcing Disclosure Launch of supplier survey for SBT-based decarbonization 	<ul style="list-style-type: none"> 100% of major suppliers comply with green procurement standards Disclosure of information on group business Ongoing communication and action for remediation 	<ul style="list-style-type: none"> 100% of major suppliers comply with green procurement standards Ongoing communication and action for remediation

Survey Using the Supplier Questionnaire (SAQ)

As part of our efforts to understand CSR procurement risks, since FY2019 The CITIZEN Group has begun conducting surveys of domestic suppliers using the SAQ*1 and a supplier fact-finding survey*2 using the Fact-Finding Survey Check Sheet, which was created independently by the Group.

In FY2022, we conducted a comprehensive video briefing session for our suppliers across Japan and overseas, centered around The CITIZEN Group CSR Procurement Guidelines and related content. This initiative was undertaken to provide a profound understanding of the Group's approach to CSR procurement. Additionally, a Supplier Assessment Questionnaire (SAQ) survey was conducted.

Furthermore, we have implemented a risk classification system, ranking suppliers based on the comprehensive score rate derived from the SAQ radar chart analysis. This system enables us to identify suppliers with heightened procurement risks, as demonstrated by the survey results

and responses from the previous year (2021).

In FY2022, we commenced web-based SAQ data collection for domestic operational entities. Additionally, a novel analytical tool was developed to process the collected data, aiding in the identification of suppliers with potential risks.

In FY2023, our plans encompass the rollout of a web-based SAQ collection in English and Chinese versions. The overarching objective is to achieve a cumulative response rate of 100% for SAQs from key suppliers.

Recognizing that supplier risk assessments can fluctuate in response to external circumstances, we are committed to refining our risk evaluation processes. This includes conducting supplementary surveys utilizing the “Actual Status Survey Check Sheet” for select high-risk companies, thereby ensuring more accurate risk assessments and fostering improvement endeavors.

*1 The common SAQ of the Global Compact Network Japan (GCNJ) is adopted.
*2 CITIZEN Group's term for on-site supplier audits and monitoring

Promoting Digital Transformation (DX)

Basic Concept for DX Promotion

In the “Citizen Value Creation Story,” which models sustainable management, The CITIZEN Group positions digital transformation (DX) as closely related to all business activities, from product development to manufacturing, distribution, and sales.

In The CITIZEN Group Vision 2030, we outlined our DX vision “To be a corporate group that can continuously create and improve value from the user's perspective.” In

line with this vision, our basic policy is to promote digital technology and data use. To realize this objective, we will promote DX in a wide range of areas, from business reform to human resource development. Our efforts in this context will be based on the three pillars of “transformation to a highly profitable structure by transforming business processes,” “creation of new user value through product and service reform,” and “reform of corporate culture.”

DX Vision of The CITIZEN Group

To be a corporate group that can continuously create and improve value from the users' perspective

Three pillars to realize the vision: **Transformation to a highly profitable structure, Creation of new user value, Reform of corporate culture**

Vision	Three pillars	Specific measures	
To be a corporate group that can continuously create and improve value from the users' perspective	Transformation to a highly profitable structure through reform of business processes	Improving efficiency and sophistication of operations	<ul style="list-style-type: none"> Optimization of existing business processes through utilization of digital technology Integration and updating of business systems for data utilization Improving operational efficiency and sophistication of decision making through data utilization
		Sophistication of decision making through data utilization	
		Evolution of manufacturing through utilization of digital technology	<ul style="list-style-type: none"> Promoting efficiency and automation of processes in factories Reducing the burden of management by digitizing design/parts information Product and service development based on user data
	Creation of new user value through product and service reform	Providing new user experiences	<ul style="list-style-type: none"> Strengthening customer contacts Improving customer satisfaction and expanding sales Enhancing user experience Evolution of IoT services Development of business models that connect with users
		Creating a new business model	
		Measures to support the above	
	Reform of corporate culture	Development of human resources to promote reforms	<ul style="list-style-type: none"> Development of human resources to promote reforms Reform of corporate culture
		Corporate environment improvement	

Securing and developing human resources to promote transformation

Within The CITIZEN Group, individuals accountable for becoming the pillar of realizing the DX vision and the transformation of corporate culture are categorized as “transformation-promoting human resources.” As part of this approach, we undertake comprehensive DX-oriented training tailored to specific job levels and roles across the organization. In the inaugural phase of our medium-term management strategy (FY2022-FY2024), our primary emphasis was/is on cultivating data scientists equipped to contribute effectively in practical operational contexts. Our training endeavors extend beyond the basics of data analysis, encompassing programming and database skills. We also

provide specialized training to acquire advanced competencies in data analysis, encompassing areas such as machine learning.

In FY2023, we also conducted a DX assessment of approximately 400 CITIZEN WATCH employees and about 10 employees of group companies to understand the human resource requirements of each department, their scale, and the anticipated contours of the forthcoming business landscape. In addition, we are also working to improve the DX skills of management staff and general employees by providing basic training in data analysis for department heads and other management staffs at group companies.

Enhancing Corporate Governance

CITIZEN Group's Corporate Governance

CITIZEN Group endeavors to improve corporate value and contribute to society through sustained activities that are in harmony with the local community and the global environment. This is part of its corporate philosophy, after which the company was named: "Loved by Citizens, Working for Citizens." To continuously further this goal, we strive to reinforce corporate governance in recognition of the importance of ensuring management transparency and supervis-

ing management from various angles.

CITIZEN Group is striving to further enhance its corporate governance to ensure sustainable growth through the achievement of the Group's overall business goals. With the global economy and society changing at an unprecedented rate, CITIZEN WATCH is playing a central role in managing and supervising the entire Group to respond to the various social issues we face.

Corporate Governance Structure

CITIZEN WATCH has a Board of Directors comprising five directors knowledgeable about its business content and three highly independent outside directors. The Board of Directors makes decisions on the execution of business and oversees the execution of business.

In addition, we have adopted the Board of Corporate Auditors system; the Board of Corporate Auditors consists of three members, including two outside corporate auditors.

We have established the Nominating Committee and the Compensation Committee as voluntary bodies to enhance management transparency.

The main duties of the Nominating Committee are to deliberate and propose to the Board of Directors matters concerning the selection or dismissal of the representative director, the president and CEO, and the chairman of the Board of Directors; to deliberate and report in consultation with the Board of Directors or the president and CEO or other directors concerning the selection or dismissal of officers; and to deliberate and report in consultation with the Board of Directors or the president and CEO or other directors concerning succession planning for the president and CEO and directors.

The Compensation Committee discusses matters

related to the policy and the standards for and compensation received by the directors, and its main duty is also to provide advice and counsel to the Board of Directors.

Each committee is composed of three or more directors, who are appointed by a resolution of the Board of Directors. The majority of committee members are outside directors and at least one of them is a representative director. The chairperson of each of the committees is an outside director and is elected by the members of the respective committee.

In accordance with the audit policy and audit plans prescribed by the Audit & Supervisory Board, in carrying out initiatives for the further enhancement of corporate governance, each auditor attends the Board of Directors meetings, Group management meetings, and management meetings, inspects important documents such as authorization documents and reports from the Board of Directors, etc. concerning the execution of duties, and implements rigorous audits on the conduct of affairs by directors through means such as examining business operations and assets. We also receive reports on accounting audits from the accounting auditor, Nihonbashi Audit Corporation, and cooperate with the accounting auditor to efficiently perform audit work and other tasks for CITIZEN WATCH and its subsidiaries.



The frame is an institution under the provisions of the Companies Act.

* 8 Directors (including 3 Outside Directors) / 3 Corporate Auditors (including 2 Outside Corporate Auditors)

Board Composition and Diversity

CITIZEN WATCH is committed to ensuring that the Board of Directors effectively fulfills its roles and responsibilities in achieving management strategies, taking into consideration diversity, including gender and internationality. To this end, we have identified essential knowledge, experience, and abilities in areas such as "corporate management/management strategy," "sales/marketing/DX," "R&D/Technology," "finance/accounting," as well as "global business," "HR

development/diversity," and "ESG/sustainability," and these are the roles we expect from directors.

The appointment of directors and officers is based on the Companies Act and other laws and regulations, and the individuals selected must possess the requisite character and insight as well as the qualifications for directors and officers.

Assessment of Board Effectiveness

CITIZEN WATCH conducted an evaluation and analysis of the effectiveness of the Board of Directors to further strengthen its functions. The evaluation results indicated

that the Board of Directors is effectively functioning, with a focus on operations, agenda, and structure, and that its effectiveness is ensured.

1. Evaluation method	<p>To analyze and evaluate the effectiveness of the Board of Directors, we conducted a questionnaire regarding the Board of Directors for all directors and corporate auditors annually, using an effectiveness evaluation tool developed by an external organization. The questionnaire was administered using questions developed by an external organization, and the results of the analysis and evaluation were reviewed by the Board of Directors.</p> <ul style="list-style-type: none"> • Target: All directors and corporate auditors (11 persons) • Time: February 27 – March 9, 2024 • Questions: 15 questions in total <ul style="list-style-type: none"> 1st set of questions: Questions related to the operation of the Board of Directors (2 questions) 2nd set of questions: Questions about the agenda of the Board of Directors (8 questions) 3rd set of questions: Questions about the structure supporting the Board of Directors (2 questions) 4th set of questions: Questions about self-assessment (3 questions)
2. Summary of the results	<p>Regarding the results of the questionnaire evaluating the effectiveness of the Board of Directors, each director and each auditor generally gave a high evaluation, confirming that the Board of Directors is functioning effectively, and its effectiveness has been ensured. The ratings for each question were as follows.</p> <p>The operation of the Board of Directors meetings The materials are sufficient for questions and opinions to be formed, and if there is a shortage, information is provided separately. The response was that the prior provision of information can be considered sufficient, as a certain period of time is ensured to confirm the contents of the information.</p> <p>The agenda for the Board of Directors meetings Important agenda items are explained in advance through discussions, etc., and sufficient time is used for discussion and decision-making without restrictions by the Board of Directors. KPIs, including capital costs, are set for each business, and are managed, evaluated, and supervised appropriately and in a timely manner through progress reports on plans. The respondents also stated that the committee reports regularly on sustainability, a dedicated department has been established for DX, and that the entire group is promoting DX-oriented business improvement and human resource development.</p> <p>System to support the Board of Directors The business environment is reported monthly, and market trends and competitive information are reported as appropriate. Shareholder and investor opinions are also shared with directors during IR activities. Regarding training, respondents indicated that they are provided with opportunities such as attending executive training sessions, and that they have opportunities to acquire knowledge and raise awareness through online learning and study sessions with invited lecturers.</p>

CITIZEN WATCH strives to appoint outside directors or outside corporate auditors who are free from any possibility of conflict of interest with general shareholders, emphasizing their abundant experience and broad insight as managers or their advanced knowledge and insight in corporate

finance, corporate legal affairs, and other areas.

In addition, the knowledge, experience, and abilities required to effectively fulfill the roles and responsibilities of the Board of Directors in achieving management strategies are defined and disclosed in the skills matrix.

Strengthen Risk Management

Basic Concept for Risk Management

CITIZEN Group assesses, analyzes, and evaluates risk and engages in activities to appropriately manage risk based on the results of its efforts in order to achieve Group-wide business targets and ensure sound and sustainable development.

CITIZEN Group considers risk management to be a management concept that combines two processes: risk management to prevent crises from occurring and “crisis management” to minimize risks when crises do occur.

Key Initiatives for Significant Risks

In FY2024, we reviewed significant risks that may affect the business of the entire CITIZEN Group and society, and formulated 11 risks (accounting/finance, information systems, human resources, general affairs, fair trade, safety assurance trade, intellectual property, environment, information management, CSR, and quality). Top management will now address the issue while incorporating the opinions of third-party experts. In addition, we aim for uniform risk management across the Group by sharing information on important risks common to the Group and risks specific to each company across the Group and sharing knowledge and know-how, for example, by incorporating into Group-wide risks (human resources) the violation of the duty of care for safety related to the working environment.

In addition, in FY2024, among the significant risks, we regard the two items of “environment” and “information management” as the most important risks, and work to expose these risks and strengthen countermeasures. Regarding the environment, we will strengthen measures such as introducing a process safety management system to thoroughly prevent unexpected leaks and large-scale disasters in the handling of hazardous chemical substances. Regarding information management, in response to the increasing risk of violations of the EU General Data Protection Regulation (GDPR) and personal data protection regulations in each country and region, we will review the event-specific criteria for information security incidents, focusing mainly on leaks of personal information.

FY2024 Group Significant Risks

Field	Group Significant Risks
Accounting / Finance	<ul style="list-style-type: none"> • Errors and Fraud Risks of Disclosed Information (1) Accounting Standards for Overseas Subsidiaries • Errors and Fraud Risks of Disclosed Information (2) Development of Internal Controls • BEPS Compliance / Taxation Risk due to Transfer Pricing
Information Systems	<ul style="list-style-type: none"> • Software License Violation • Damage Caused by Business Email Fraud • Information Leakage due to Internal Fraud • Suspension of Operations due to Information System Outage • Information Leakage due to Cyber-attacks
Human Resources	<ul style="list-style-type: none"> • Violation of Laws and Regulations Concerning Foreign Technical Internship Programs and Specified Skilled Workers • Discriminatory Treatment regarding nationality, LGBTQ, etc. • Violation of safety consideration obligation
General Affairs	<ul style="list-style-type: none"> • Response to Business Suspension Risk (BCM System)
Fair Trade	<ul style="list-style-type: none"> • Violation of Bribery Regulations • Violation of Antitrust Laws • False Contracting
Safety Assurance Trade	<ul style="list-style-type: none"> • Violation of the U.S. Economic sanctions Act • Violation of Import/Export related Regulations
Intellectual Property	<ul style="list-style-type: none"> • Infringement of Intellectual Property Rights by the Company
Environment	<ul style="list-style-type: none"> • Delayed Response to Climate Change • Leakage or Spillage of Hazardous Substances from Plant Facilities, and Environmental Violations • Violation of Control of Chemical Substances contained in Products (RoHS, REACH, etc.)
Information Management	<ul style="list-style-type: none"> • Violation of privacy regulations including EU General Data Protection Regulation (GDPR), and data breaches
CSR	<ul style="list-style-type: none"> • Violation of the Modern Slavery Act • Violation of the California Transparency in Supply Chain Act • Failure to Fulfill Social Responsibilities
Quality	<ul style="list-style-type: none"> • Quality Compliance Violations

Through Compliance

Basic Concept for Compliance

CITIZEN Group has been a participant in the United Nations Global Compact since April 2005, and in addition to endorsing the ten principles in four areas and continuing efforts to realize them, we have also established our corporate philosophy of “Loved by Citizens, Working for Citizens,” with the CITIZEN Group Code of Conduct as specific action guidelines for this philosophy, and we always consider what we should do as a good corporate citizen. Article 3 of the CITIZEN Group Code of Conduct calls for the Group to “engage in business practices that are fair, transparent, open to competition, and responsible.” Through these and other means, we strive to act not only

in compliance with laws and regulations but also in line with a high level of ethics overall. In addition, as our businesses are growing increasingly complex from day to day amid growing globalization, in April 2020, we formulated the CITIZEN Group Anti-Corruption Policy, which systematically describes the Group’s thinking and position toward the elimination of corruption in its various forms, including improper acts and bribery. Based on these policies, we strive to build sound relationships of trust with customers, suppliers, and other stakeholders, with each and every employee in the Group maintaining a high level of compliance consciousness.

The Compliance Hotline, an Internal Whistleblowing System

To comply with laws and regulations and to prevent, quickly identify, and eliminate improper acts,*1 including bribery and corruption, CITIZEN Group has established internal whistleblowing systems, incorporating the Speak Up system, to enable and Group employees to submit reports, request consultation, and make suggestions anonymously to CITIZEN WATCH, other Group companies, and external agencies.

Furthermore, we have established the new Group Compliance Hotline Rules in reference to the internal whistleblowing guidelines established by the Consumer Affairs Agency and to the Corporate Governance Code covering matters such as the protection of user confidentiality and the prohibition of disadvantageous treatment. We have also formed guidelines for users and managers as part of continual efforts to make the system easier to use through the standardization of the responses of those receiving calls, including for those who left the company less than a year ago.

This system is also compatible with the revised Whistleblower Protection Act that came into effect on June 1, 2022. In addition, to enhance the effectiveness of the system, it is essential that whistleblowers, including the prohibition of any prejudicial treatment of whistleblowers.

84.0% of employees were aware of the hotline in the FY2022 survey. In 2023, in addition to the traditional training for managers and announcements on the intranet page, we implemented measures such as placing QR code-based reporting window guides in break rooms and other locations throughout the company. As a result, awareness increased to 87.0%, marking the fifth consecutive year of improving awareness of the system.

The number of whistleblowing reports in FY2023 was 30, consisting of 24 received internally, 5 received by external contact points and 1 from auditors*2. As a result of investigations and corrective actions taken on all reports, there were no cases of serious human rights violations of violations or the Anti-Corruption Policy.

As the Group will continue to promote awareness of the hotline, we plan efforts to create working environments to enable even more thorough compliance through means such as reflecting opinions received and developing rules concerning the new work style of remote work.

*1 Our approach to the prevention of improper acts is established in Article 3 of the CITIZEN Group Code of Conduct, which calls for the Group to “engage in business practices that are fair, transparent, open to competition, and responsible” (fairness, transparency, openness to competition, responding to government agencies etc., export/import controls, prohibition of contact with antisocial forces, prevention of money laundering, responsible and sustainable procurement).

*2 As a result of investigations and corrective actions taken on all reports, there were no cases of serious human rights violations or violations of the anti-corruption policy.

Performance Highlight

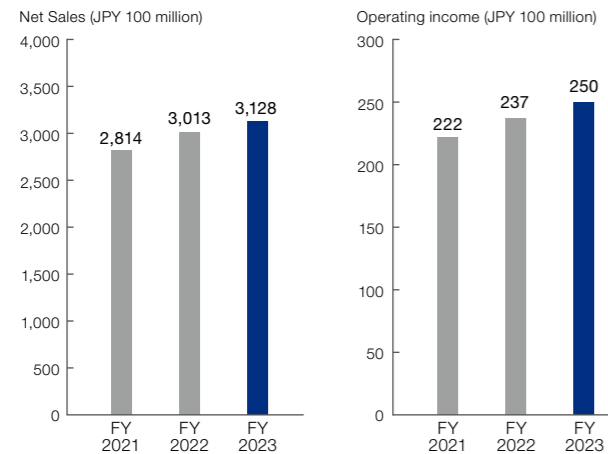
Financial Performance of CITIZEN Group

In FY2023, domestic economic activity saw a gradual recovery, with personal consumption maintaining an upward trend in line with the normalization of economic activities. In North America and Europe, despite growing concerns about an economic downturn due to inflation and rising interest rates, personal consumption remained robust, supported by wage increases and employment growth. In Asia, economic recovery was sluggish following

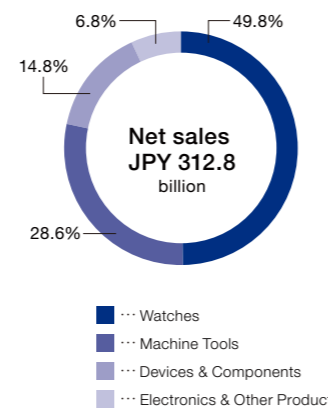
the resumption of economic activities in China, and in other parts of Asia, the recovery remained modest due to a lack of momentum in export and capital investment demand.

As a result, net sales totaled JPY 312.8 billion and operating income was JPY25 billion, achieving an increase in both sales and income. Ordinary income was JPY 30.8 billion and net income attributable to owners of the parent was JPY 22.9 billion.

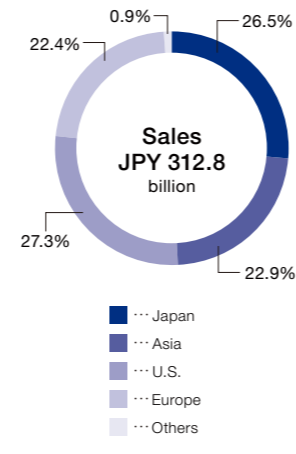
Profitability



Net sales ratio by business segment



Sales ratio by region



As of end of March 2024

CITIZEN Group's Nonfinancial Performance

- The CITIZEN Group Code of Conduct translated into **10** languages
- CDP supplier engagement evaluation Leader board **Selection**
- Percentage of Group employees in Japan completing e-learning on human rights: **99.6%**
- Number of cases of monitoring under international environmental laws and regulations: **1,629**
- Number of "sustainable procurement" supplier surveys About **25** companies

For further information about CSR data, visit this website
<https://www.citizen.co.jp/global/csr/data/index.html>

Current Position of CITIZEN Group

CITIZEN Group has developed a wide range of businesses for over 100 years since its foundation in 1918, with the desire to create domestically produced watches. The

following is an overview of our four businesses that contribute broadly to the lives of people around the world.

Watches

Top class middle-range market share in the U.S.
World's top class in movement sales

"Better Starts Now" -- as long as we consider 'now' as the time to start and take action at any time, we can constantly make something better. Based on this belief, we have pioneered the development of the world's first photovoltaic technology "Eco-Drive" and the most advanced GPS satellite radio wave watches, opening the way to the future of watchmaking. We are one of the few watch manufacturers in the world that can carry out in-house integrated production from parts to finished watches.

Main operating companies
 CITIZEN WATCH CO., LTD., CITIZEN WATCH MANUFACTURING CO., LTD., CITIZEN RETAIL PLANNING CO., LTD., CITIZEN T.I.C. CO., LTD.

Machine Tools

Medium and small CNC automatic lathes
Top-class global market share

Utilizing our technology and know-how cultivated in the manufacture of small watch parts which requires high precision, we began the production of machine tools in 1936. Machine tools are used for producing necessary parts in a wide range of fields, including automotive, medical, and IT-related industries, and contribute to the development of manufacturing industries around the world.

Main operating companies
 CITIZEN MACHINERY CO., LTD.

FY2023 Sales Composition Ratio by Business

- Watches **53%**
- Machine Tools **26%**
- Devices & Components **14%**
- Electronics & Other Products **7%**

Devices & Components

Applying proprietary core technologies to high value-added products

Applying the core technologies of "miniaturization," "precision processing," and "low power consumption" cultivated in our watch manufacturing, we provide products for various electronic devices that support society. By enabling lower power consumption and longer service life of such devices, we not only make people's lives more convenient and comfortable but also contribute to reduction of the burden on the global environment.

Main operating companies
 CITIZEN FINEDEVICE CO., LTD., CITIZEN ELECTRONICS CO., LTD., CITIZEN MICRO CO., LTD., CITIZEN CHIBA PRECISION CO., LTD., FUJIMI CO., LTD., CITIZEN ELECTRONICS TIMEL CO., LTD.

Electronics & Other Products

Application and development of the technology of small precision instruments

Our POS systems, barcode printers, and high-resolution digital photo printers are produced by applying the technologies of "miniaturization," "precision processing" and "low power consumption" which have been cultivated in our watch manufacturing, and utilized in various situations in society. Furthermore, our electronic blood pressure monitors, electronic thermometers, and pedometers, which are based on further development of our core technologies, help people maintain healthy lifestyles.

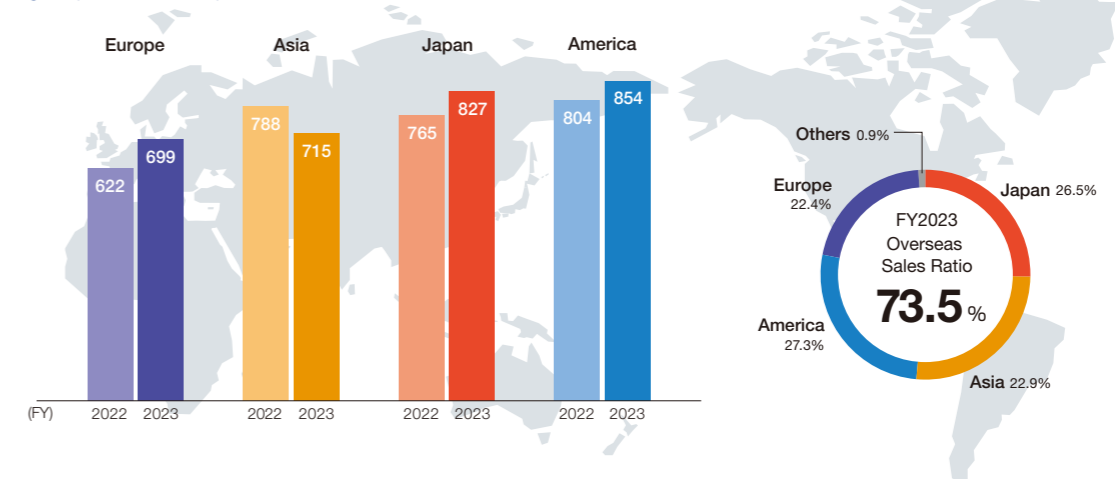
Main operating companies
 CITIZEN SYSTEMS CO., LTD., TOKYO BJUTSU CO., LTD.

Overseas Operations of CITIZEN Group

CITIZEN WATCH Co., Ltd., which started with the founder's desire to create domestically produced watches, has been enthusiastically expanding overseas operations, taking advantage of its technological strengths in miniaturization, automation technology, precision processing, and

low power consumption. Today, with 60 overseas subsidiaries and overseas sales ratio of 73.5%, CITIZEN Group contributes to the lives of people around the world through providing products and services that meet their needs with reliable technologies.

Sales by Region (JPY100 million)



CITIZEN

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