

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 CO<sub>2</sub> 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-

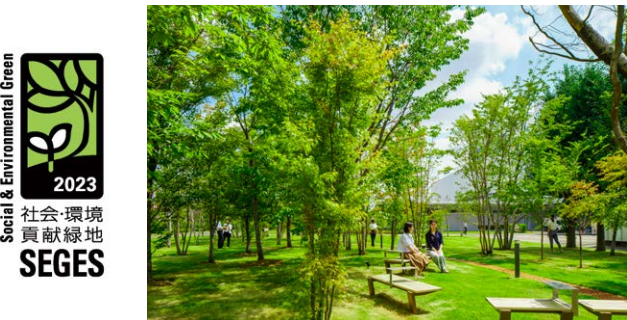
able in nine languages, and this effort has resulted in an annual reduction of 20 tones of CO<sub>2</sub> emissions (equivalent to the yearly carbon absorption of 1,400 cedar trees) and the conservation of 37 tones of paper (equivalent to the volume of 3.7 buses).

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>