

CSR Report 2017

—— Digest Version ——



Corporate Philosophy

Loved by citizens, working for citizens

CITIZEN's philosophy, "Loved by citizens, working for citizens" is to deeply contribute to the lives of people around the world through the manufacturing of products that are loved and trusted by citizens.

CITIZEN GROUP CSR REPORT CONTENTS

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Cover : Assembling Eco-Drive One

We have returned to our beginnings where we started by "creating watches loved by citizens," and we are taking up the challenge of expressing the uniqueness of CITIZEN by very simply conveying the value of the "Eco-Drive" technology that utilize any light sources such as artificial, natural, or dim light. We created 2.98 mm thick (in design) Eco-Drive watches – the world's thinnest watches.* With an essential function of watch to keep accurate time, they are made most aesthetic and sophisticated as wristwatches.

*According to research conducted by CITIZEN on analog light-powered watches as of July 2016.

Participation in the United Nations Global Compact

In April 2005, the CITIZEN Group declared its participation in the United Nations Global Compact, which advocates universal principles regarding human rights, labor, environment, and anti-corruption.



Contributing to Sustainable Development Goals

Until recently, the CITIZEN Group had organized CSR activities centered on ISO 26000, the international standard for social responsibility in organizations. However, in conjunction with the enactment of the Sustainable Development Goals (SDGs), the CITIZEN Group has clarified the relationship between its CSR activities and the globally common issues and goals put forth by the SDGs.

SDGs were launched in 2016 with the aim of resolving social issues including poverty, hunger, energy, climate change, and peace by 2030. Accomplishing the 17 goals and 169 targets of the SDGs requires every member states in the United Nations and people who live in to do their part and take actions while cooperating with one another. As a member of international society and a "solid global company," the CITIZEN Group will actively tackle universal social issues through the realization of manufacturing of products that are loved and trusted by citizens in order to help create a sustainable society. (*Please see p.8 regarding the relationship between the CITIZEN Group's materiality and SDGs.)



Editorial Policy

The CITIZEN Group provides information on the CSR activities so that all stakeholders can gain an understanding of CSR activities. This digest version focuses on the selection of the CITIZEN Group's materiality and the status of activities for each one. The CITIZEN Group CSR website (<http://www.citizen.co.jp/global/csr/>) shares CSR activities in greater detail, including introducing examples of activities and data on the environment and society.

Summary of This Digest Version

Reporting Period: FY2016 (April 1, 2016–March 31, 2017);
 Digest Version Publication Period: August 2017;
 Organizations Included in the Economic Reporting Data: 24 companies in Japan, 81 companies overseas (total: 105);
 Organizations Included in the Environmental Reporting Data: 21 companies in Japan, 16 companies overseas (total: 37)
 Reference Guidelines: GRI "Sustainability Reporting Standards";
 Disclaimer: This digest version includes forecasts based on information available at the time of reporting. Actual activity outcomes may differ from the forecasts.



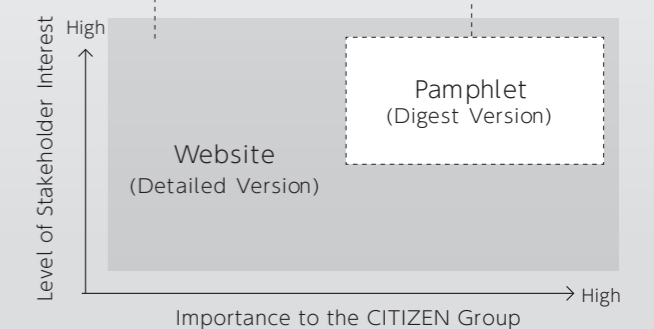
Website (Detailed Version)

The CITIZEN Group CSR website shares CSR initiatives in greater detail.
<http://www.citizen.co.jp/global/csr/>



Pamphlet (Digest Version)

The CITIZEN Group's CSR activities are communicated in an easy-to-understand manner with a focus on the status of materiality initiatives.



Message from the President

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

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

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

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

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

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

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

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

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

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

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

June 2017

戸倉敏夫
Toshio Tokura
President & CEO
CITIZEN WATCH CO., LTD.

The CITIZEN Group's Medium-Term Management Plan and Business Foundation

Striving to be a "Solid Global Company"

Embarking on the Latter Half of "CITIZEN Global Plan 2018"

Aspiring to be a successful global company, in 2013 the CITIZEN Group launched "CITIZEN Global Plan 2018," the first six-year medium-term management plan drawn up by the CITIZEN Group. "CITIZEN Global Plan 2018" focuses on the watch business and areas that leverage the strengths cultivated through watch manufacturing. It promotes innovation in manufacturing and targets boosting earning power with an eye toward becoming an aggregate entity that possesses global competitiveness in the top class and

a high profit structure.

In the former three years, we placed effort in carrying out thorough structural reform and improvement centered on business selection and concentration; however, changes in the external environment made it difficult to achieve some goals. In the latter three years, we will continue to push forward reinforcement of the manufacturing capacity to achieve further structural strengthening.

"CITIZEN Global Plan 2018" Key Issues and Actions

Key Issues 2016-2018	Actions
Complete structural improvement/ reinforcing manufacturing capacity	Boosting endeavors to increase earning power to reduce costs and improve asset efficiency through manufacture reform
Active investment and strengthened marketing power for business growth	Active investment for growth based on capital produced in the first three years of the medium-term management plan
Selection and concentration of product and business	Promoting selection and concentration of products and business developed by each group company, and clarifying businesses and products to focus on
Individual productivity improvement and greater human resource capacity	Cultivating human resources capable of responding to various changes in the global environment and strengthening organizational capacity as a highly efficient group

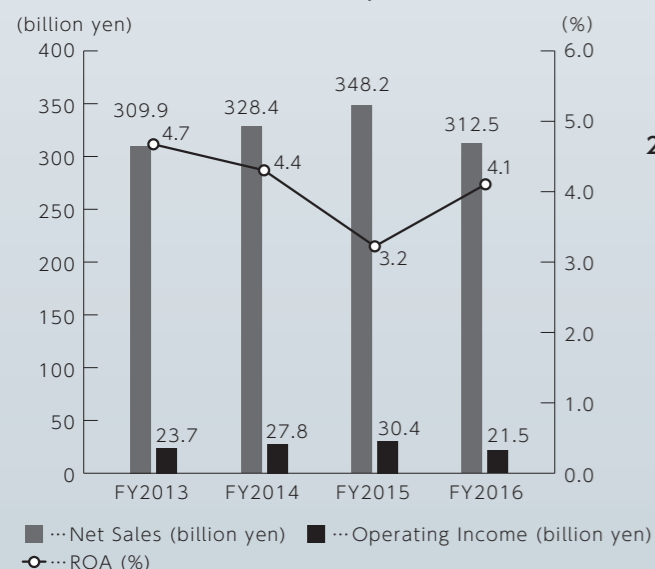
The CITIZEN Group's Financial Performance

In FY2016, income and profit decreased for net sales and operating income due to the impact of a strong yen and global market stagnation, producing a tough outcome with operating income topping off at 21.5 billion yen. On the other hand, as a result of promoting asset efficiency, the tax burden rate

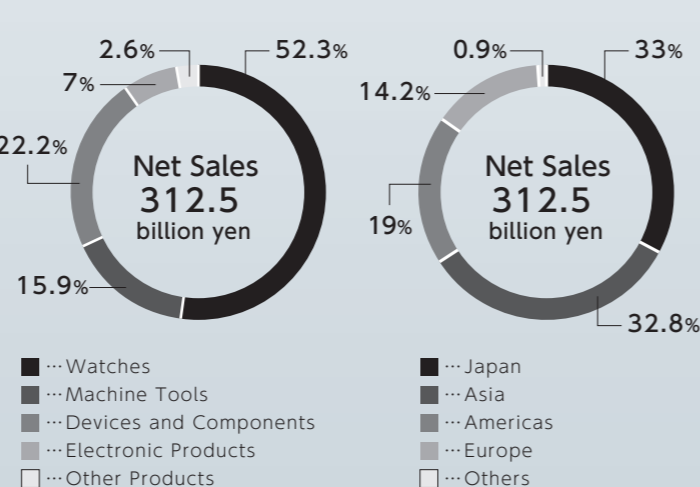
dropped due to such reports as gains from the sale of fixed assets and profits on the sale of securities investments. The current net income reverting to the stockholders of the parent company was 16.5 billion yen, and ROA was improved to 4.1%.

*Please see our website for details on financial performance (<http://www.citizen.co.jp/global/ir/financial/>).

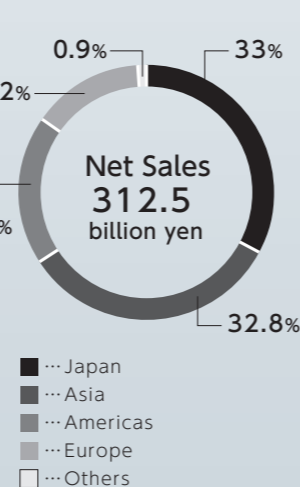
Information on Profitability



Net Sales by Business Category



Net Sales by Region



As of March 31, 2017

The CITIZEN Group's Value-Producing Business Foundation

Since our foundation, the CITIZEN Group has utilized its unique and advanced technologies that have been cultivated through the watch business. These include the technology to make products even smaller and more

precise, and the creation of products that consume little electricity. We also offer new value in other core businesses.

*Please see our website for details on our businesses (<http://www.citizen.co.jp/global/aboutus/task.html>).



Watches

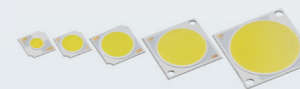
The CITIZEN Group has striven to manufacture watches that are loved throughout the world. Watches are where our story began.

Even today, we continue to produce models featuring new functions, including innovative products that are the global firsts, such as Eco-Drive light-powered watches that have gained great popularity among many watch owners.



Machine Tools

Machine tools create components essential to a wide array of industries, including the medical, automotive, and IT industries, and underpin modern technical advancement and the development of societies. Sophisticated technologies that meet diversifying needs in this dynamic age support manufacturing in a variety of settings in society.



Devices and Components

The precision technologies exclusive to CITIZEN that have been developed through the watch business are utilized in manufacturing of devices, components built into familiar electronic equipment, such as LED lights, smartphone switches, and liquid crystal. We have made low-power consumption and long life possible for products, and in addition to making people's lives more convenient and pleasant, we reduce the burden placed on the environment.



Electronic Products

The POS bar code printers and the high-resolution digital photo printers are created using the precision processing and assembly technology passed down from our watch business, they are playing a role in different scenes, such as in the stores and at factories. In addition, healthcare products centered on electronic blood pressure monitors and electronic thermometers help people manage their health and support healthy lifestyle.



Other Products

High-quality jewelry crafted by leveraging precision technologies exclusive to the CITIZEN Group is loved by many who wear them for a lifetime to add joy to their everyday lives. The technologies also contribute to the creation of places for people to relax, such as in the operation of ice skating rinks.

Corporate Data (as of March 31, 2017)

Name : CITIZEN WATCH CO., LTD.
 Establishment : May 28, 1930 (business founded in 1918)
 Location of Head Office : 6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511

Capitalization : 32,648 million yen
 Number of Employees : 16,170 (5,109)

*The above is the consolidated number of employees; the number in parenthesis refers to the number of temporary workers as outside the aforementioned.

The CITIZEN Group's CSR

Our Approach to CSR

We have established the "Citizen Group Code of Conduct" based on the corporate philosophy, "Loved by citizens, working for citizens." We believe that CSR activities contribute to the resolution of social issues, through disseminating this Code of Conduct to each and every employee and ensuring that it is practiced.

The concept of broadly contributing to the lives of

people throughout the world, through 'manufacturing of products that are loved and trusted by citizens,' has been a part of our company since its foundation. In addition to offering good products, the CITIZEN Group also aims to meet the demands of society through its corporate activities and to be a corporation that continues to be indispensable.

Features of Our CSR Activities

While referring international social standards such as the United Nations Global Compact, in FY2016 we revised the "Citizen Group Code of Conduct," which embodies our corporate philosophy and solidifies the foundation of our CSR activities going forward. In addition, we reassessed the directionality of our CSR initiatives to date, based on factors such as the social landscape and demands from stakeholders including our customers and clients, and defined materiality

*Please see the relevant pages of this digest and our CSR website for details on materiality.

(material issues). We began "Workshop for Employees Raising Children" to create a pleasant work environment, published the group-wide "CSR Procurement Guideline" to advance responsible procurement, and encouraged environmental innovation to produce new, environmentally friendly products. Since April 2017, we have cooperated in temporary employee transfers to the Global Compact Network Japan.

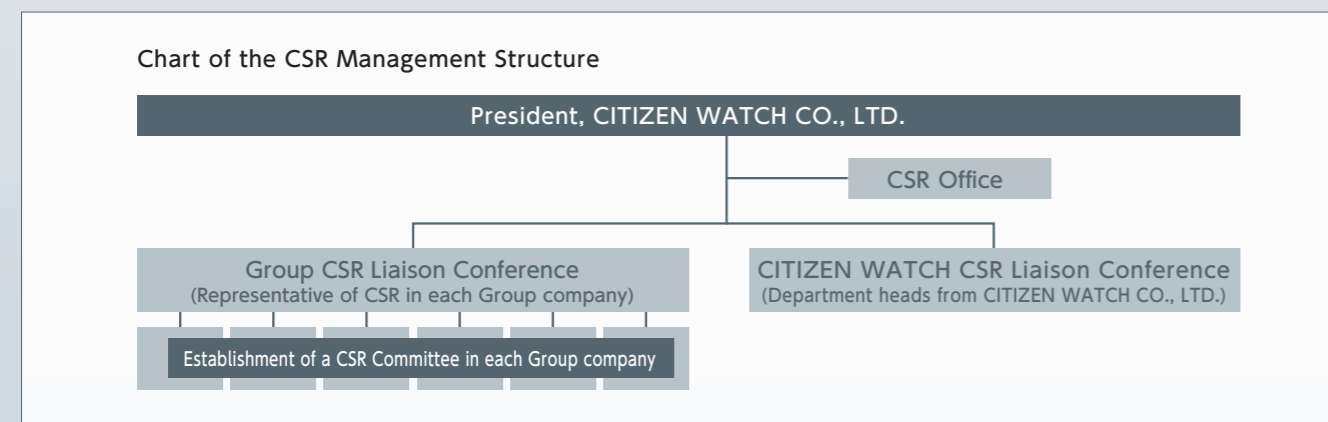
CSR Management Structure

In October 2016, the three companies of CITIZEN HOLDINGS CO., LTD., CITIZEN WATCH CO., LTD., and CITIZEN BUSINESS EXPERT CO., LTD. merged to begin corporate activities as the newly formed CITIZEN WATCH CO., LTD. Coinciding with this merger, we reassessed and reinforced the CSR activities implemented as the CITIZEN Group up to that point.

Centering on the CSR Department of CITIZEN WATCH, the CSR committee and CSR department in each Group company collaborate and share information. The CSR departments in each group

company periodically meet and hold a Group CSR Liaison Conference in which they discuss directions and measures regarding group-wide activities, and share best practices within the Group, such as confirming the status of activities in each company.

In addition, the CITIZEN Group has linked its CSR objectives to the "Citizen Group Code of Conduct," and practices CSR activities in which everyone participates so that each employee contributes what they can to society on a daily basis without ever forgetting the origins.



Relationship with Stakeholders

The CITIZEN Group conducts corporate activities with the support of various stakeholders. We also communicate daily with our stakeholders to achieve our corporate philosophy, "Loved by citizens, working

for citizens." We endeavor to gain the trust of society and appreciate our relationship with our stakeholders as we aim to be a corporation capable of continuing to provide value.



The CITIZEN Group's Materiality and Sustainable Development Goals (SDGs)

To establish materiality, the CITIZEN Group contemplated social issues important to society and our stakeholders, and examined them against our corporate philosophy, Code of Conduct, and business strategies from our medium-term management plan and other schemes in order to determine which are of the utmost importance to the CITIZEN Group. Moreover, linking the topics considered material to the CITIZEN Group to the

United Nations Sustainable Development Goals (SDGs) serves to reaffirm the importance of a sustainable society and clarifies anew what the CITIZEN Group can do to that end through its business activities.

The CITIZEN Group is taking long-term action and working earnestly to realize a sustainable society to take responsibility as a member of international society and become a "solid global company."



3.GOOD HEALTH AND WELL-BEING 5.GENDER EQUALITY 7.AFFORDABLE AND CLEAN ENERGY 8.DECENT WORK AND ECONOMIC GROWTH 10.REDUCED INEQUALITIES 12.RESPONSIBLE CONSUMPTION AND PRODUCTION 13.CLIMATE ACTION 14.LIFE BELOW WATER 15. LIFE ON LAND 16.PEACE, JUSTICE AND STRONG INSTITUTIONS 17.PARTNERSHIPS FOR THE GOALS

Our Material Issues

Establishing the “Citizen Group Code of Conduct”

Strengthening Corporate Governance

Comprehensive Risk Management

Thorough Compliance

CITIZEN GROUP

Citizen Group Code of Conduct

1. Act responsibly towards society and strive to raise the corporate value of the Citizen Group.
2. Create and promote products and services that demonstrate our commitment to safety, quality, and the environment.
3. Engage in business practices that are fair, transparent, open to competition, and responsible.
4. Respect human rights and diversity, and provide a safe and pleasant working environment.
5. Recognize the importance of environmental conservation, and take voluntary and proactive measures.
6. Manage and protect company assets in an appropriate manner.
7. Abstain from actions that would harm the company's long-lasting values.
8. Strive to contribute to regional communities in which we operate.

Since our foundation in 1918, the CITIZEN Group has always carried out business with esteem for society and the people who live in society as signified by the word “citizen” that appears in our corporate name. Such thoughts have shaped our corporate philosophy of “Loved by citizens, working for citizens.” The bedrock of our business activities is our desire to contribute to people’s lives in a wide range with the aim of being loved and known by society and the people who live in the society.

From the time the CITIZEN Group began global business development during the period of high economic growth in the 1960s, we have expanded various businesses worldwide with the watch business at our core. Today, we have greater sales and more employees overseas than in Japan, and the Group as a whole is facing rapidly changing global circumstances and the economic environment.

In 2013, we aimed for greater global economic growth and launched “CITIZEN Global Plan 2018” to coincide with the establishment of a new management

system. This six-year global plan sets forth the goal that is to become a “solid global company” and affirms what we must do to gain the capability to be able to continuously offer “value” sought in the global market. We also once again confirmed the areas requiring reinforcement to boost the effectiveness of each endeavor. The year 2016 marked the start of the latter three years of “CITIZEN Global Plan 2018,” and we reviewed our Code of Conduct and established a new “Citizen Group Code of Conduct” to consolidate the management foundation to confront challenges and stay competitive in the global economy.

The “Citizen Group Code of Conduct” indicates the rules and principles of behavior that employees should observe daily as a member of the CITIZEN Group, and it is the criteria for actions and decisions to realize the CITIZEN Group corporate philosophy.

Based on the concept that the Code of Conduct also serves as a foundation in CSR activities, each group company sets goals that link to the provisions and guidelines of the Code of Conduct. (<http://www.citizen.co.jp/global/csr/approach/csr/target.html>)

To disseminate the “Citizen Group Code of Conduct” to all CITIZEN Group employees in Japan, in FY2016 booklets of the Code of Conduct were distributed, and all employees were required to sign a pledge to comply with the Code of Conduct. A video message from the president was also presented to all employees. These measures communicated the importance of having a unified concept among the CITIZEN Group employees as we globally develop business, despite the growth and diversification of the organization, and incorporated the idea of utilizing the

Code of Conduct as criteria for behavior.

In addition, an English version of the Code of Conduct was prepared for overseas offices and translated later into nine different languages, including Chinese. In FY 2017, a video message from the president will be distributed just as it was in Japan to spread the Code of Conduct to overseas offices. Furthermore, a person in charge of disseminating the Code of Conduct will be selected in each office to work to embed the Code of Conduct through initiatives, such as establishment of action plans, taking circumstances of each country and region into consideration. Also, understanding of the Code of Conduct will be further deepened by training through such means as e-learning.

By implementing CSR activities based on the Code of Conduct that embodies the corporate philosophy, the CITIZEN Group will achieve growth while contributing to the development of a sustainable society as we set our sights on becoming a corporation that follows the philosophy of “Loved by citizens, working for citizens.”

Our Material Issues

Creating a Pleasant Work Environment

Energizing both the Organization and the Human Resources to Realize a “Solid Global Company”

The CITIZEN Group has launched initiatives to further strengthen its organizational framework and human resource cultivation to become a “solid global company,” the goal stated in the medium-term management plan called “CITIZEN Global Plan 2018.”

In 2013, the CITIZEN Group embarked on the new medium-term management plan. This led to the “Survey on Organizational Activity” implemented in January 2016 to measure employee satisfaction, based on the idea that it is important to have a deeper understanding of what kind of work environment employees want and what they need from the company. This survey was given to the 974 employees (as of FY2016) of CITIZEN WATCH, CITIZEN HOLDINGS, and CITIZEN BUSINESS EXPERT (all companies are now merged into CITIZEN WATCH), and has been extremely helpful in increasing understanding of what employees believe is a “pleasant work environment” and what “makes work meaningful.” It has also validated the direction of the measures to improve organizational capacity and human resource development. As a result, we promote open

communication that encourages mutual understanding in the workplace with the intention to further enhance our organizational structure. Over ten years ago in 2004, the CITIZEN Group began implementing stress checks, which are now mandatory after the revision of Industrial Safety and Health Act in 2015. We also endeavor to understand the correlation between the work environment and employee stress level. In departments seen to have high stress due to vague directions and unsatisfactory communication between supervisors and subordinates, measures are taken that include reassessing the organizational structure and employee placement. At the same time, we carry out initiatives to prevent stress, such as implementing lectures on mental health care by industrial physicians targeting management and e-learning for employees to study self-care. As a result, our comprehensive approach to energizing the organization and human resources has improved the overall stress levels and been proved fruitful.

“Group Rotation,” Aiming to Nurture Future Leaders for Group-Wide Growth

The CITIZEN Group began a new endeavor in FY2016 called “Group Rotation,” which focuses on nurturing the next generation of human resources that will lead the CITIZEN Group in the future and work on the global stage. We achieve this by accumulating knowledge of, and experience in, the wide array of the CITIZEN Group businesses that include not only the watches and clock

business, but also the machine tool and the device and component businesses. In FY2016, six employees participated in Global Rotation, and stated that they gained experience enabling them to contribute to the growth of the Group through the tasks they had never been assigned. The Group Rotation program will be continued and take around five participants each year.

Responding to the Need for Diverse Work Styles

Amid diversifying life plans and lifestyles, the CITIZEN Group believes that the company must respond to the employees’ need for varying work styles. As a part of the endeavor to give form to this idea, we have newly incorporated “Workshop for Employees Raising Children” for both male and female employees who are at parenting period.

These workshops do not simply explain the corporation’s efforts and systems, but rather aim for participating employees to learn the importance of active communication in the workplace and the effort to heighten career awareness, through the demonstration of skills even under work hours limitations. The workshops also go beyond the workplace, serving as opportunities for employees trying to balance work and parenting to share experiences with one another. The workshops are also a chance for employees who choose not to reduce working hours while raising children to understand the merits of fulfilling a work-life balance, reassess work styles, and consider making work more efficient. The “Workshop for Employees Raising Children” are held once a year, and to date 81 employees have participated.

Other workshops are also held for the supervisors of employees raising children with the goal of producing active interaction with subordinates’ career development and improving awareness of various kinds of human resource utilization and cultivation. There were 51 participants in the first workshop held in FY2016. The CITIZEN Group continues to promote the creation of a work environment that can meet the need

for different work styles for employees, including those who are at parenting period. Not only do we implement “Workshops for Employees Raising Children,” but we also encourage utilization of childcare leave. Moreover, besides parenting systems, we set family care leave for employees needing to provide caregiving to family members so that those employees can adjust their work styles to match their different stages of life.

Utilization of the Childcare Leave System (Nine Major Group Companies)

As of at the end of March 2017

	FY2013	FY2014	FY2015	FY2016
Men	0	0	3	4
Women	35	51	50	54
Total	35	51	53	58

Utilization of the Family Care Leave System (Nine Major Group Companies)

As of at the end of March 2017

	FY2013	FY2014	FY2015	FY2016
Men	0	0	1	2
Women	2	2	3	0
Total	2	2	4	2

Advancing Responsible Procurement



Citizen Group's Procurement Basic Policy

Citizen group provides various kinds of products/services under its corporate philosophy "Loved by citizens, working for citizens." For the procurement of articles and services necessary for this, we have decided the following procurement basic policy in order to carry out fair, transparent, and free trading.

1. Fair and transparent trading

For the procurement of articles and services, we select our partners based on ethical standard measuring their compliance with laws and regulations, and social norms besides quality, price, and delivery date.

2. Compliance with laws and regulations, and social norms

We will comply with laws and regulations, and social norms of each country.

3. Respect for human rights and considerations for work environments

We respect internationally declared human rights standards and promote procurement activities with considerations for work environments.

4. Promotion of Green Procurements with considerations for the environment

To promote environmentally-friendly manufacturing, we adopt components with less environmental loads in a preferential manner, to contribute to the reduction of loads on the global environment.

5. Co-existence and co-prosperity with partners

We will build a better partnership with all the partners with whom we can share the goal, either in Japan or overseas.

Advancing Responsible Procurement

As part of the CITIZEN Group's corporate activities oriented towards becoming a "solid global company," one initiative we are pursuing is CSR procurement. Supply chain-related corporate procurement activities connected with social issues such as effects on the environment and problems with work environments are subject to increasing attention from consumers and society.

Within the CITIZEN Group, CITIZEN ELECTRONICS has led the way by inaugurating serious CSR procurement initiatives in June 2010. CITIZEN ELECTRONICS' corporate activities conforming to its adoption of international certifications such as ISO 9001 and ISO 14001 are the basis of its CSR procurement system.

Most of CITIZEN ELECTRONICS' clients are repeat customers. The company will build positive relations with its clients, work to grow together with them, discuss CSR procurement initiatives via daily communication, distribute "CSR procurement guidelines" to all clients, and request declarations of agreement with said guidelines.

At CITIZEN ELECTRONICS, once each year, we

conduct a "renewal examination" that checks areas such as ISO 9001, ISO 14001, human rights, and corruption prevention in order to grasp the status of our CSR procurement initiatives. When corrections or improvements are necessary, we request reports on corrective measures. Such procurement activity initiatives are not just a response to social issues — they create a variety of added values such as effective use of resources and corrections in manufacturing process management that enable lead time reduction; we wish to evaluate and share such examples in order to achieve further results.

In March 2016, coinciding with the publication of the "Citizen watch CSR Procurement Guidelines," we promoted CSR procurement initiatives even more proactively throughout the CITIZEN Group by conducting briefings at each Group company, sequentially distributing guidelines to clients from each company overseeing operations, and requesting the provision of declarations. In April 2017, we succeeded in publishing the Group-wide "Citizen Group CSR Procurement Guidelines." All of CITIZEN Group will continue to reinforce this initiative.

A Vision for "Ethical Product Making"

At CITIZEN WATCH, we are engaging in manufacturing that places responsible procurement activities at the forefront. "CITIZEN L" line, which features the realization of the "ethical product making" and light-powered "Eco-Drive," is created. Its individuality is expressed with approaches that assist in solving social problems related to the environment and human

rights, such as disclosure of the watch materials, a DRC conflict-free declaration rejecting the use of minerals from conflict zones, and disclosure of the amount of CO₂ emitted from the creation to the disposal of the product. "CITIZEN L" brand is now available in nearly 50 countries around the world, and it has received accolades such as the Good Design Award 2016.

What is the "CITIZEN L" ?

Not only does "CITIZEN L" feature an environmentally friendly core technology that CITIZEN has developed for many years — "Eco-Drive" that does not require regular replacement of batteries — on every model, but it is also a watch brand that realizes ethical product making that takes account of the planet, the environment, people, and society throughout material procurement and the manufacturing process. This is evidenced with features such as disclosure of materials used in the watches, a DRC conflict-free minerals audit, and disclosure of CO₂ emissions. We are offering it around the world with this commitment: "CITIZEN will do what we can for the earth, for society, and for people."



Features of CITIZEN L

CITIZEN L's Ethical Commitment

* CFP program recognition from the (General Incorporated Association) Japan Environmental Management Association for Industry

** Usage of minerals not connected to strife in conflict mineral exporting countries



Disclosure of materials

Disclosure of primary components comprising the watch as well as the amounts included



CO₂ Emissions Disclosure

A first in the world of watches: recognition from a third party organization*



DRC conflict-free** minerals audit

A strong will to eradicate usage of "conflict minerals"



Reduced-size user manual

Reduction of paper usage through digitalization



Sustainable packaging

Production of a "recyclable" watch package

Promoting Environmental Innovation

The CITIZEN Group's Approach to Environmental Initiatives

By utilizing our small precision/ low power technologies cultivated over many years, the CITIZEN Group has always conscientiously created products that take people and the environment into consideration based on our corporate philosophy, "Loved by citizens, working for citizens."

CITIZEN's "Eco-Drive" is a sterling example. Its origins go back to the 1970s when quartz watches began growing in popularity. Early on, CITIZEN grasped the issue of battery waste, which is the fate of quartz, and began selling the world's first analog watch featuring a solar cell in 1976. After numerous improvements, we succeeded in creating a system that would continue to run as long as there is light without periodically changing the battery. We call it "Eco-Drive," and it is installed in many watch products representative of CITIZEN.

In 1996, "Eco-Drive" was the first watch to be recognized as an Eco Mark* product and in 2014 was awarded the Gold Prize, the highest Eco Mark Award. It has been an environmentally friendly product that symbolizes CITIZEN.

In 2016, we created the world's thinnest light-powered analog watch called "Eco-Drive One" and announced "CITIZEN L," which has achieved ethical disclosure of information. These products can be called a culmination of the endeavors of the CITIZEN Group to date.



"Eco-Drive One"

*Eco Mark is a mark given by Japan Environment Association, attached on a product which is available in our daily lives as well as certified as contributing to environmental preservation in terms of less environmental burden.

Key issues in the latter half of the "CITIZEN Group Medium-Term Environmental Plan"

- ① Strengthening the management framework for overseas offices
- ② Strengthening Group environmental governance
- ③ Creating environmentally friendly products and improving our strength as a brand that takes an environmental perspective
- ④ Enhancing control of global greenhouse gas and other emissions
- ⑤ Strengthening biodiversity conservation and regional environmental activities

Strengthening Global Initiatives through the Medium-Term Environmental Plan

Together with the CITIZEN Group's Medium-Term Management Plan, "CITIZEN Global Plan 2018," in 2013 we drew up "the CITIZEN Group Medium-Term Environmental Plan." For the former three-year period starting in 2013, we solidified the basis for Group endeavors that tackle environmental issues through actions such as acquiring ISO 14001 certification throughout the Group and issuing the Green Procurement Guideline. Furthermore, we started Eco Action 100, which advocates activities of different issues based on 100 themes, and have reported on the progress made toward achieving them to the CITIZEN Group Environmental Management Committee, headed by the director responsible for environmental matters. We have promoted the endeavors with a sense of Group unity, and we have already completed 60 themes with steady progress.

During the latter three-year period starting in 2016,

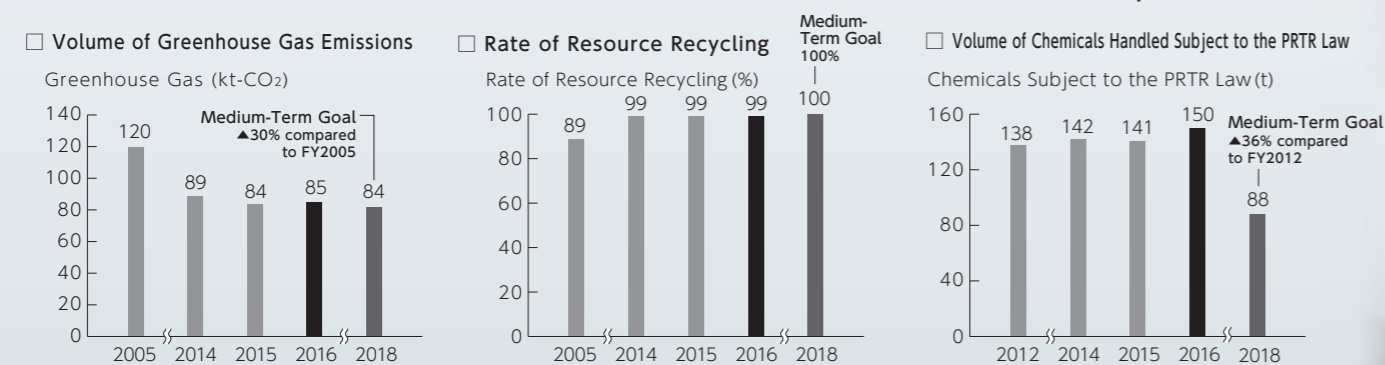
we named five key issues to further focus on environmental activities both in Japan and overseas offices.

With the goal of strengthening environmental management systems in overseas offices, we have drawn up and executed plans to reduce environmental load based on precise and comprehensive environmental performance data, as well as promoting the acquisition of ISO 14001. In addition, we are closely sharing information and swiftly responding to issues in overseas offices through means such as web conference and inspections of overseas offices with persons in charge at supervisory business companies. These efforts have already produced results and contributed to the reduction of environmental load in overseas offices.

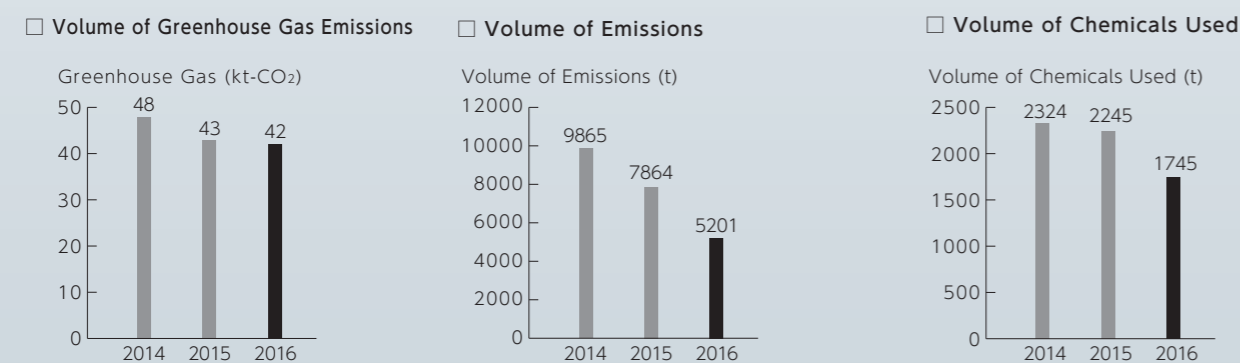
Going forward, the CITIZEN Group will continue its dedicated approach to tackling environmental issues.

*Please see our website for details on environmental initiatives (<http://http://www.citizen.co.jp/global/csr/basic/csr/materiality6/>).

Environmental Performance Trend and Medium-Term Goals (Japan)



Environmental Performance Trend (Overseas)



Achieving a reduction of environmental load in manufacturing through low frequency vibration (LFV) technology

CITIZEN

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COMMUNICATION ON
PROGRESS

This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact and
supporting broader UN goals.

We welcome feedback on its contents.