

Basic Policy and Framework

We endeavor to realize the ideals expressed in the Citizen Group Code of Conduct, which spells out the aims of the Group's common business philosophy of "Contributing to and Striving to be Respected by the Citizens of the World."

Establishing the Citizen Group Code of Conduct

Under its common business philosophy of contributing to and striving to be respected by the citizens of the world, the Group has respected the unique business, geographical, historical and cultural aspects of each of its companies, and has advanced CSR activities under each company's authority. With the transition to a pure holding company system in April 2007, we established the Citizen Group Code of Conduct to further fulfill our CSR obligations by ensuring that the officers and employees

of each Group company carry out their duties with a common consciousness toward stakeholders.
In the spirit of the United Nations Global Compact, we have compiled the Citizen Group Code of Conduct Guidelines for Implementation as specific guidance on following the code, adding provisions concerning respect for basic human rights, prohibition of child labor and forced labor, and prohibition of inappropriate gifts and favors for foreign civil servants.



Citizen Group Code of Conduct Card

CITIZEN GROUP CODE OF CONDUCT

WE WILL OBSERVE ALL LAWS AND COMPANY REGULATIONS AND WILL ACT ACCORDING TO THE CODE OF CONDUCT.

In keeping with a corporate philosophy stating that Citizen contributes to and strives to be respected by the citizens of the world, we will:

- 1. Provide our customers with products and services that demonstrate our concern for safety, quality, and the environment.
- 2. Engage in fair, transparent and open competition in business transactions, and maintain healthy relationships with our suppliers and government regulatory authorities.
- 3. Work to communicate with the general public, taking the initiative in making corporate information openly available, while at the same time practicing responsible data management.
- 4. Recognize that environmental issues are a common concern of mankind and a crucial issue for management in terms of the survival and activities of the company, and engage these issues in a voluntary, proactive manner.
- 5. Value symbiosis with local communities, and strive to contribute to society as a good corporate citizen.
- 6. Ensure a safe and pleasant working environment and encourage the development of our employees' abilities and energies while respecting their characters, individuality, and diversity.
- 7. Respond to anti-social behavior by individuals and organizations in a decisive manner.
- 8. Value and respect the different cultures and customs of foreign countries, and contribute to the development of local communities.
- 9. The top management of the Citizen group recognize that implementing this Code of Conduct is their personal responsibility, and that they must take the lead not only in enforcing it within the company, but in conveying it to our business partners and suppliers. In addition, they must always be conversant with opinion within the company and outside it, develop an effective internal system for compliance with the Code of Conduct, and work to ensure a thorough adherence to corporate ethics.

The company and its employees will make untiring efforts to observe this Code of Conduct. If a situation that contravenes this Code of Conduct arises, the company will strive to resolve it and prevent its recurrence, and make an appropriate public report. The company will also take strict disciplinary measures upon determining the responsibility and authority of those involved.

Effective April 6, 2007
Enacted by the Corporate Strategy Committee of the Citizen Group

Participating in the U.N. Global Compact

The Group announced its participation in the United Nations Global Compact in April 2005, and we have channeled resources groupwide into supporting, respecting and carrying out the Ten Principles.
As with the Citizen Group Code of Conduct, we value the Ten Principles as another important code of conduct in Japan and at our overseas bases. The Group conducts surveys on the implementation status of the U.N. Global Compact at all its overseas bases and works to ensure its business partners and suppliers understand the spirit of the U.N. Global Compact.

The Ten Principles of the U.N. Global Compact

- Human Rights Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
- Labour Standards Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour;
- Environment Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
- Anti-Corruption Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies
- Environment Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Citizen Group CSR Promotion System

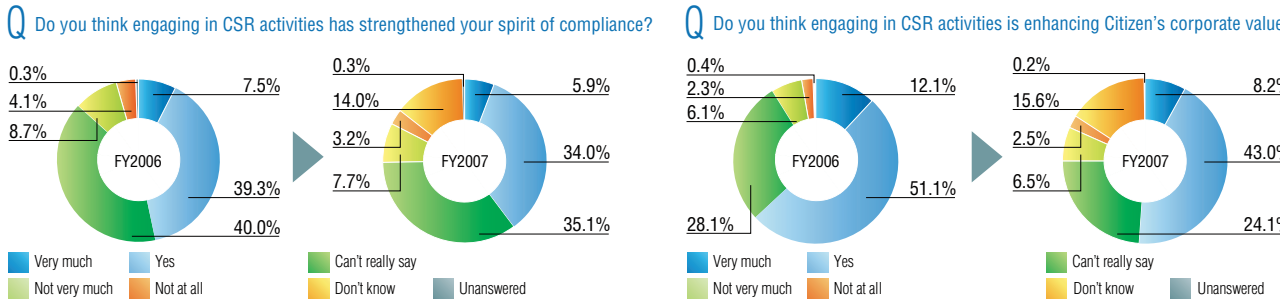
The Group's CSR activities are carried out under the ultimate authority of the president of Citizen Holdings. As a department devoted exclusively to CSR under the direct control of the president, the CSR Department functions as secretariat of the CSR Committee, which formulates and recommends CSR-related policies and measures for the Group. The CSR Committee consists of representative members from Citizen Holdings,

Citizen Technology Center and Citizen Business Expert.
To advance CSR activities as a united Group effort, we have established CSR committees at each subsidiary and a Citizen Group CSR Promotion Committee consisting of chief personnel in charge of CSR selected from each company.
Moreover, we have established various special committees—in which each Group company participates—to formulate and execute measures regarding security trade control, environmental management, construction of internal control systems, and other important themes for the Group.

CSR Promotion Framework



Changes in the Results of CSR Awareness Surveys (FY2006 only covers Citizen Watch)



Voice Carrying out CSR with the Participation of All Employees

Citizen Holdings establishes policies for and promotes CSR activities to meet the expectations of all its stakeholders, with the understanding that CSR is the essence of management. We focus on orienting these policies toward enabling the individual employees—who are the ones who actually implement CSR—to carry out their duties under the guidance of the Citizen Group Code of Conduct, and with understanding and sympathy

for the spirit of the code. We advance CSR with the participation of all employees, based on the belief that such an approach will raise our business value, lead to customer satisfaction and revitalize the Company.

Seichi Tomizawa
General Manager of CSR Department
Citizen Holdings Co., Ltd.

