

Improving Relationships with Business Partners

To achieve co-existence and co-prosperity with its suppliers, Citizen maintains dialog with these business partners toward realizing fair and transparent transactions and forging mutual trust-based relationships.

Basic Approach to Purchasing

● Striving to Build Trust-Based Relationships for Continued Business Operation and Growth with Business Partners

The Citizen Group aims to achieve coexistence and co-prosperity with business partners.

Based on its business philosophy of "Contributing to and Striving to be Respected by the Citizens of the World," Citizen goes about procuring materials and services in line with relevant legal statutes and the Citizen Group Code of Conduct (page 11), and reinforces its compliance activities with respect to the subcontracting law to increase the fairness and transparency of transactions with suppliers and build mutual trust relationships.

With Citizen's transition to a pure holding company system in fiscal 2007, the Group has constructed closer working relationships with its business partners, including enhancements to the procurement functions of each of its subsidiaries possessing sales and production sites, and more active communication with suppliers. At the same time, information exchange meetings attended by the purchasing departments of each Group company are held to encourage coordination within the Group.

Advancing CSR Procurement

● "Environmental Protection" and "Respect for Human Rights" Added to Assessment Standards

The Group seeks to form solid partnerships with suppliers that understand the 10 principles of the United Nations Global Compact, including regulatory compliance and respect for the environment and human rights, and that actively carry out their corporate social responsibilities.

Toward this end, in fiscal 2006 we started formulating supplier assessment standards, which incorporate provisions for environmental protection, respect for human rights, and

service and technology into the management, quality, cost and delivery (MQCD) standards for suppliers. We are capitalizing on Citizen's transition to a pure holding company system to create Groupwide standards in this area.

In fiscal 2008, we will augment the assessment content and develop Group guidelines for CSR procurement based on the efforts made so far.

Activities at Each Group Company

● Starting to Amend the Purchasing Management Rules from a CSR Perspective

Citizen Electronics holds meetings at appropriate times to build better relationships with its suppliers in Japan and overseas.

In fiscal 2007, the company exchanged information on market trends, prices, product quality, delivery, environmental management and other topics with its suppliers. Citizen Electronics also advances its own CSR procurement and plans to amend its Purchasing Management Rules from a CSR perspective.

● Conducting Yearly Audits

Based on its Purchasing Management Rules, Citizen Miyota Co., Ltd., selects suppliers at which to conduct yearly audits, according to documented procedures prepared by its Purchasing and Logistics Department. The company then requests and verifies improvements in deficient areas. Citizen Miyota also holds routine meetings, and at its fiscal 2007 meetings it exchanged views with its business partners on market trends for purchased materials, prices, VE* proposals, lead times, environmental initiatives and other matters.

Moreover, Citizen Miyota began formulating its CSR Procurement Policy in the second half of fiscal 2007.

* Value engineering (VE) is a method for raising the value of products and services by understanding the relationship between the functions the products or services are to serve and the costs required to implement such functions.

Voice From the Procurement Support Department



Masashi Ozaki
General Manager
Procurement Support
Department
Citizen Business
Expert Co., Ltd.

The increasingly diverse roles assigned to purchasing departments include reducing raw materials costs, responding to the need to save resources, procuring high-quality materials and just-in-time procurement. Amid this trend, the Procurement Support Department at Citizen Business Expert Co., Ltd., routinely communicates with its suppliers, especially by exchanging information on market conditions. The department also coordinates factory visits by people in charge of purchasing at each Group company, supports technology seminars and visiting exhibitions put on by suppliers, and performs other activities to enhance mutual understanding and relationships with business partners.



Visiting exhibition