

Establishing the human and organizational strength to adapt to future changes



— The Citizen Group's response to the current global recession

As a result of the sudden decline in demand the world over, the current business climate is harsher than anything we have experienced previously, especially given the high percentage of exports in the manufacturing industry. The Citizen Group is no exception and saw a sharp downturn in its figures during fiscal 2008.

To survive and prosper in such a rapidly and dynamically changing world, companies need to have the underlying strength and robust structure to enable them to adapt to each and every change that the market throws at them. In other words, companies that manage to reestablish strong enough foundations to cope with future changes in the environment will be best placed to reap the rewards within the resulting new environment. I believe that the current recession has given us an opportunity to remold the Citizen Group into a truly excellent company.

— CSR and its place in the Citizen Group's business activities

Based on the Citizen Group's corporate philosophy of "contributing to and striving to be respected by citizens of the world," we aim to provide products that are good for people and the planet. For a company to fulfill its social responsibilities, it needs to secure fair profits from legitimate, reasonable business activities. Improving profitability makes it possible to give more back to the company's various stakeholders and contribute to the local community and the environment. Establishing the necessary foundations to ensure continued profits therefore represents the first step in terms of implementing CSR activities. As such, our approach to CSR within the Citizen Group revolves around enhancing corporate value in line with our stakeholders' wishes.

The Citizen Group has its origins in the watch sector and has always handled every step of the process from design, development and manufacturing through to sales and after-sales services. Building on the Group's accumulated technology and expertise in the field of watch making, we have since expanded into areas such as electronic devices, electronic products and industrial machinery. The one factor common to

our operations in each of these sectors is Citizen DNA, based on the pursuit of precision as the pinnacle of manufacturing. The essence of precision is to keep things as compact, fine and accurate as possible. I believe that these are our three key strengths.

As compact technology such as this is required in virtually every field, the potential demand is essentially limitless as more and more new products emerge in the future. To provide people with what they need, when and where they need it, we at the Citizen Group hope to put our ultra-small, ultra-precise, low-power consumption core technology, as symbolized by the slogan "Micro HumanTech" ("micro human technologies"), to good use across a wide range of different fields so as to help to improve people's lives.

— Our vision for the Citizen Group

When I was appointed President in April last year, I set out the goal of becoming "a company where people thrive," with the intention of instilling in individual employees a sense of aspiration and fulfillment as part of their work in spite of difficult conditions. For any company, improving the standard of human resources is the key to improving overall performance. I therefore believe that it is the company's responsibility to provide an environment that will bring out employees' potential and enable them to thrive. Taking things a step further, I hope to provide employees with opportunities to accumulate a range

of experiences and create a corporate culture that is conducive to taking on new challenges in the future without fear of failure.

It is also essential for employees themselves to think about how they would like to shape the company they work for and come up with their own ideas and innovations. If we all share the same sense of determination, it will bring us a step closer to the company that we would ideally like to become. I believe that a company's president should act as a guide whose role is to help employees create the company they want.

As we go about our work, we must never forget that we are not only members of the Citizen Group but also members of society as a whole. In addition to clearly putting in place compliance, internal control and other key systems, I believe that we also need to maintain pride and a sense of morality as corporate citizens and members of society. Genuine CSR should stem from this sort of natural deterrent. In order to promote CSR, it is therefore important to emphasize each individual employee's human qualities as much as possible.

In this drastically changing environment, what was the right thing to do yesterday may no longer be the right thing to do tomorrow. We therefore need to fundamentally reassess everything we do rather than clinging to established practices to lay the necessary foundations to enable the company to adapt of any potential changes. We will then build on those same foundations to create a new Citizen Group in which everyone can thrive.

I am delighted to present the completed Citizen Group CSR Report 2009. I would sincerely appreciate it if you could provide us with any comments or feedback and look forward to your continued understanding and support of the Citizen Group in the future.

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