

Citizen Group CSR

We communicate with our stakeholders based on the Citizen Group Code of Conduct in an effort to put the Group's corporate philosophy of "contributing to and striving to be respected by citizens of the world" into practice.

Establishing the Citizen Group Code of Conduct

As part of the Citizen Group's transition to a 100% holding company system in April 2007, we set out the Citizen Group Code of Conduct to enable all Group company directors and employees act based on a shared awareness with regard to stakeholders and fulfill their social responsibilities to even greater extent. Individual Group companies implement CSR activities based on the Group-wide corporate philosophy of "contributing to and striving to be respected by citizens of the world" and their own responsibilities, maintaining respect for company-specific factors such as operational and regional characteristics, history and corporate culture.

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:

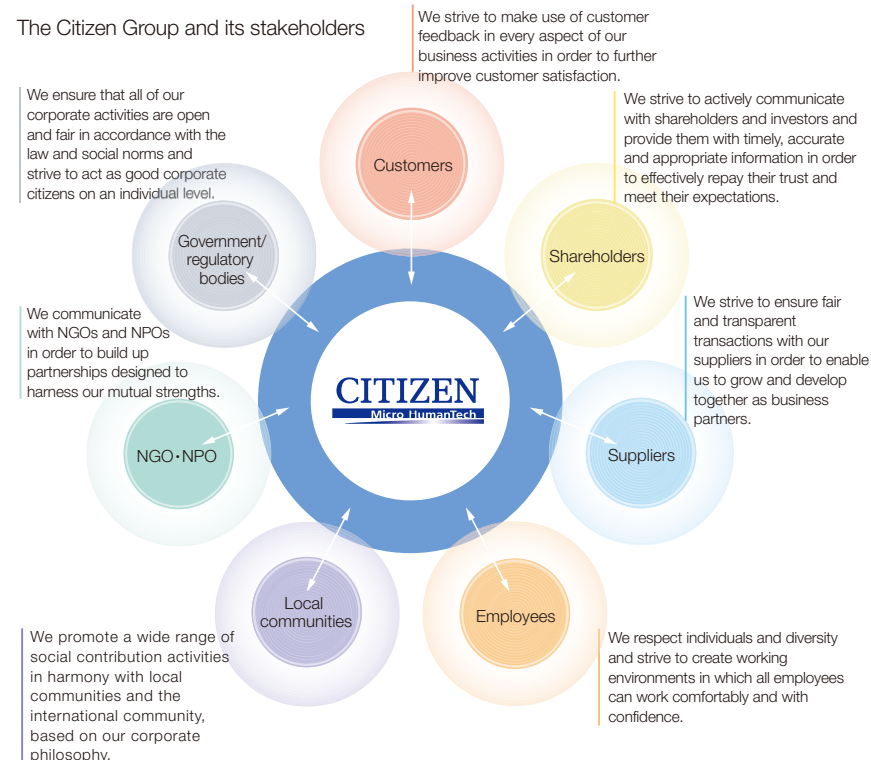
- 1 Provide our customers with products and services that demonstrate our concern for safety, quality, and the environment.
- 2 Engage in fair, transparent and open competition in business transactions, and maintain healthy relationships with our suppliers and government regulatory authorities.
- 3 Work 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

Relationship with stakeholders

The Citizen Group's business activities are built on trusting relationships with a wide range of stakeholders. We engage in communication with our shareholders in an effort to put the Group's corporate philosophy into practice.



Citizen Group CSR Promotion System

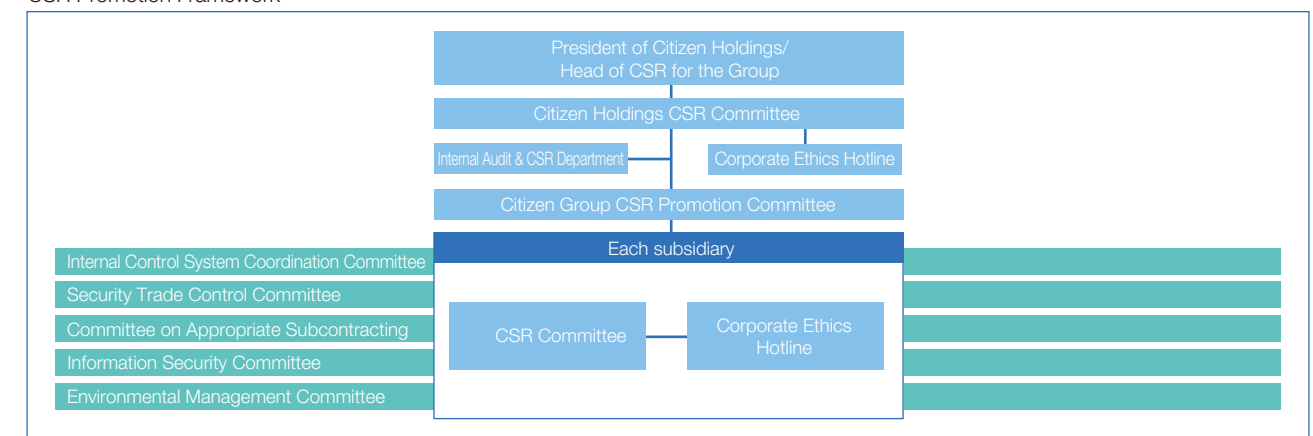
The Citizen Group's CSR activities are presided over by the President of Citizen Holdings, with CSR-related policies and measures recommended by the CSR Committee, which in turn is run by the Internal Audit & CSR Department, a dedicated unit that reports directly to the President.

The CSR Committee consists of representative members from Citizen Holdings Co., Ltd. and Citizen Business Expert Co., Ltd.

In order to promote CSR activities on a united Group-wide basis, we have established CSR Committees at each subsidiary and a Citizen Group CSR Promotion Committee consisting of selected supervising personnel in charge of CSR at each company. We have also established a range of special committees consisting of

members from each Group company in order to formulate and implement measures relating to important issues affecting the Citizen Group as a whole, including internal control system management, security trade control, compliance with subcontracting legislation, information security measures and environmental management.

CSR Promotion Framework



Participating in the UN Global Compact

Having signed up to the United Nations Global Compact in April 2005, the Citizen Group as a whole strives to uphold, respect and put into practice the Ten Principles outlined therein. We have set out specific guidelines in the spirit of the UN Global Compact in the form of Guidelines for the Implementation of the Citizen Group Code of Conduct, which includes provisions relating to respect for basic human rights, prohibition of child and forced labor, environmental measures and prohibition of inappropriate gifts and favors for foreign civil servants. We will make every effort to rigorously enforce the spirit of the UN Global Compact both in Japan and overseas in the future.

Voice

Promoting CSR in China

In December 2008, the heads of production bases at each of our 16 subsidiaries in Guangdong province (Guangzhou, Dongguan) and Jiangsu province (Suzhou) gathered together for a CSR Meeting to discuss matters such as questionnaire-based surveys and measures for the future. The companies in Guangdong province in particular indicated that they are focusing on employee awareness initiatives, including distributing a translated Chinese version of the Citizen Group Code of Conduct to all employees. We will make every effort to put in place the necessary framework to actively address issues

The Chinese version of the Citizen Group Code of Conduct distributed at companies in Guangdong province

such as social contribution and the environment in the future, based on the Ten Principles set out under the UN Global Compact as our central code of conduct.



Toshiaki Ueda

General Manager, Internal Audit & CSR Department
Citizen Holdings Co., Ltd.

Citizen Group CSR

CSR targets and initiatives

We have been setting out and working towards specific annual CSR targets at all Citizen Group companies since fiscal 2007.

Having set out CSR targets in line with provisions contained in the Citizen Group Code of Conduct, we operate a PDCA (plan, do, check, act) cycle whereby we summarize our achievements at the end of each fiscal year in order to highlight issues for the future. Each company's results are summarized in the form of CSR targets and Annual Achievements.

The table on the right outlines selected details of our CSR targets and initiatives during fiscal 2008.

Details of Citizen Group CSR initiatives that are not covered in the table on the right are summarized below.

- 1 Disclosure and information management:** With the Financial Products Exchange Law (J-SOX) coming into full effect in fiscal 2008, all Group companies worked towards the goal of efficiently running, evaluating and improving their respective internal control systems. Issues for the future include maintaining existing internal control systems whilst also making improvements to increase their effectiveness.
- 2 Social contribution activities:** Group companies carry out activities that are designed to capitalize on the nature of their respective business activities to enable them to contribute to the local community. Manufacturing companies for instance run initiatives such as work experience and internship schemes and factory tours. Most Group companies carry out such initiatives and will continue to do so in the future.
- 3 Working environments and employees:** Amidst a slump in sales and growing inventories due to major changes in the world economy, companies have been forced to scale back production and even temporarily lay off employees, resulting in a decline in employee motivation. One of the key issues next year will therefore be to work on revitalizing working environments.
- 4 Contributing to overseas local development:** We ascertained the status of activities at overseas Group companies via internal control checklists, took steps such as identifying and resolving problems and conducted surveys focusing on social contribution activities. We are also in the process of gradually delegating authority to Chinese members of staff. As a company that has overseas plants and exports its products, we need to take a closer look at how we can make a more substantial contribution to overseas local development in the future.

Goals and progress with CSR activities during fiscal 2008

Code of Conduct	CSR targets	Company	Initiatives during fiscal 2008
1. Product safety and quality	Obtain Eco-Mark certification	CITIZEN WATCH	All Citizen Eco-Drive mechanical watches have been granted Eco-Mark certification. Certification is still pending for other Citizen mechanical watches.
	Reduce customer complaints	CITIZEN FINETECH MIYOTA	Causal analysis was conducted via priority quality meetings and preventive measures taken in the electronic components sector, with supervision and guidance provided for affiliated plants using control charts. As a result, the number of complaints was reduced to one during the first half of the year and zero during the second half.
2. Business transactions	Ensure full compliance with subcontracting legislation	CITIZEN MACHINERY	Issues highlighted during an onsite inspection by the Kanto Bureau of Economy, Trade and Industry were rectified and approval obtained. All departments were internally audited by the Subcontracting Compliance Committee and corrective measures taken.
	Ensure sound business transactions	CITIZEN CBM	A documentary checking system for documents such as contracts was established in line with the introduction of internal control system rules. The system will be managed on a combined basis with Citizen Watch in the future due to business integration.
3. Disclosure and information management	Establish an internal control system in accordance with the Financial Products Exchange Law	CITIZEN FINETECH MIYOTA	An internal control system was established, regulations put in place and improvements made to the system. Evaluation results from operational tests indicate that the system is effective.
	Step up personal data protection initiatives	TOKYO BIJUTSU	Privacy Mark certification was renewed as a result of initiatives such as implementing extensive Privacy Mark certified in-house educational activities, reappraising personal data in the company's possession and reinforcing management of outside contractors.
4. Environmental management	Prevent incidents resulting in environmental contamination	CITIZEN SAITAMA	The staffed waste water treatment facility monitoring system was extended from eight hours to ten hours. The scope of monitoring was extended thanks to the introduction of simple analysis equipment and a new monitoring system put in place.
	Implement safety and environmental measures	CITIZEN ELECTRONICS	No issues were identified as a result of regular analysis and measurement of industrial waste water (four times), measurement of local noise levels (once), testing of smoke levels (once) and testing of working environments (for organic solvents) (twice). Such initiatives will be continued in the future.
5. Social contribution	Promote social contribution activities based on employee participation	CITIZEN HEIWA WATCH	Premises were opened up to local residents and students as educational facilities and junior high school work experience and internship schemes organized.
	Contribute to the local community	CITIZEN ELECTRONICS	(1) Roughly 50 directors and employees have taken part in cleanup activities in the area around the fifth station on Mount Fuji as part of the Mount Fuji Clean-Up Campaign every year since 1999. (2) Roughly 20 new recruits have participated in the Million Trees Campaign as part of their induction training every year since fiscal 2000.
6. Employees	Establish a human resource development system	CITIZEN SYSTEMS JAPAN	A human resource development system was established and "One-Up" training organized according to different levels and subject areas, based on the principle of full participation from all employees. 108 employees underwent training.
	Clearly define out-of-hours work as part of discretionary and assumed work systems	CITIZEN SAYAMA	The flextime system was reviewed to ensure that it is operated correctly. Training was organized for managers and other applicable members of staff and application procedures carried out.
7. Antisocial behavior	Clamp down on illegal practices and unreasonable requests from antisocial organizations or individuals	CITIZEN SEIMITSU	Information on business partners was collected through channels such as regular purchasing meetings and hotline services and business partners evaluated. All negative option billing from organizations without previous business ties was refused.
8. Overseas local development	Ensure compliance with environmental restrictions at Chinese bases	CITIZEN WATCH	Nickel recovery equipment was installed and technology established to enable 99% of nickel to be recovered from rinsing water and recycled for use as plating fluid. A system for recycling cleaning water used in plating was also installed and put into operation.
	Train and make effective use of human resources at Chinese Plants	CITIZEN SEIMITSU	Chinese managers were placed in charge of all departments as part of the process of delegating authority to Chinese members of staff. In-house seminars and practical training were also organized for managerial staff from team leaders upwards in the interests of human resource development. There will be an increasing focus on locally-oriented operations in the future.
9. Management	Promote efforts to reform corporate culture in an effort to become a company with spirit and vitality and a company customers enjoy visiting	CITIZEN SEIMITSU	In addition to profit (PMS), quality (QMS) and environmental (EMS) management systems, activities based on the 6Ss were also initiated as part of our corporate culture reform (FMS). With the addition of "safety", activities are now underway based on the 7Ss. The ultimate aim is to establish a corporate culture in which employees naturally do the right thing no matter what they are doing.

Topics

Results of CSR Awareness Surveys

In an effort to ascertain the level of awareness of CSR and corporate ethics within the Citizen Group, we conduct CSR awareness surveys targeting employees at 39 subsidiaries (including temporary employees).

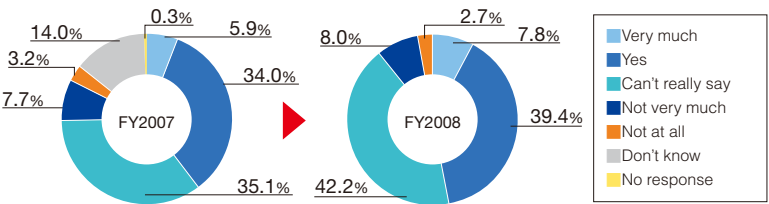
Survey results for fiscal 2008, the second time that the survey has been conducted on a Group-wide basis, indicate a marked improvement in employees' level of compliance awareness compared to the survey in fiscal 2007.

When asked whether CSR activities help to enhance Citizen's corporate value, the percentage of employees responding "very much" or "yes" also increased.

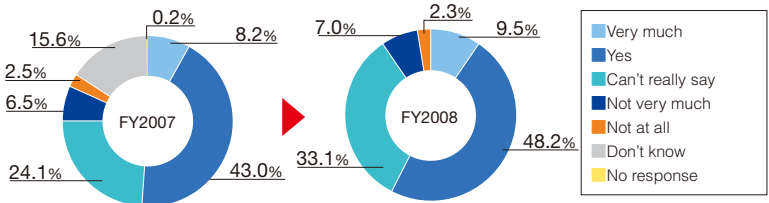
There has been a significant improvement in the level of awareness regarding the existence of the Corporate Ethics Hotline, which was around the 50% mark in fiscal 2007, as a result of efforts to publicize the hotline through channels such as posters and company newsletters.

We will continue to implement sustained, ongoing initiatives aimed at promoting CSR as part of our business activities on a group-wide basis in the future.

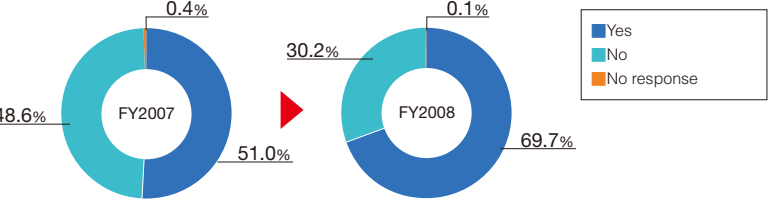
Q.1 Do you think engaging in CSR activities has strengthened your spirit of compliance?



Q.2 Do you think engaging in CSR activities is enhancing Citizen's corporate value?



Q.3 Are you aware of the Corporate Ethics Hotline (CSR Hotline)?



<No. of respondents> FY2007 (Citizen Group): 6,634 out of 9,177 (72.3% response rate)
FY2008 (Citizen Group): 5,776 out of 9,047 (63.8% response rate)