

Citizen and its Customers

As the Citizen Group is largely reliant on exports, the harsh business conditions during the latter half of fiscal 2008 meant that our figures fell significant short of projections. At times like these, customers demand products that offer even greater value than the price. This means that communication with our customers is absolutely essential. We need to develop and supply products that take on board customers' invaluable comments. It is also important to improve manuals so as to offer customers the best possible support when they use our products. We are committed to making ongoing improvements so as to create products that guarantee customer satisfaction. We will also continue to make operational improvements to our Customer Service Desk so as to deal with any unfortunate issues that may arise as quickly as possible.



Tsuneo Nagai
President
Citizen Watch Co., Ltd.

Efforts at Citizen Watch

Basic approach to customer satisfaction

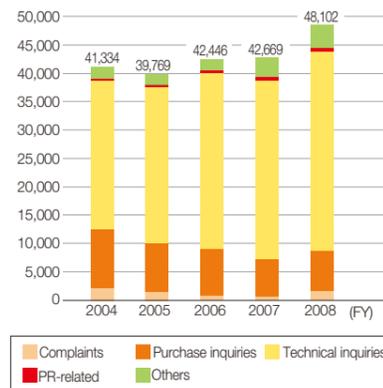
The domestic watch market is experiencing increased demand for products of a higher standard in all respects, from quality to functionality and design. Although Eco-Drive radio-controlled watches in particular have been a big hit with a wide range of customers, the number of customers looking for more stylish watches or watches with individual designs is on the increase. In an effort to meet the needs of such a wide range of customers, we are currently focusing on offering wide range of products at Citizen Watch. We have been attracting a great many customers recently thanks to the development of slimmer, more compact Eco-Drive radio-controlled watches.

To further improve levels of customer satisfaction in the future, we will need to enhance the quality of our operations from a comprehensive standpoint, improving after-sales services as well as product capabilities in areas such as quality, functionality and design. Bearing in mind that achieving higher levels of customer satisfaction will help enhance our brand value, our Customer Service Desk is set to play an increasingly important role in the future as a crucial point of contact with our customers, giving us direct access to customer requests and queries.

Transforming our Customer Service Desk

From radio-controlled and other high performance watches to more fashion-conscious products, our Customer Service Desk receives around 250 inquiries every day via telephone and the inquiry form on our website, covering subjects such as product features, how to purchase Citizen products and repairs. Despite improving the product details section of our website, the number of inquiries received by the Customer Service Desk continues to increase.

Inquiries to the Customer Service Desk



In view of the current situation, we have been working to establish a framework capable of responding to customers' various inquiries quickly and precisely since the latter half of 2008. We have transformed the Customer Service Desk into a comprehensive reception system on both tangible and intangible levels, focusing on making it easier to get through by telephone, speeding up response times, handling inquiries more effectively and protecting personal data. We have already started to see results from efforts such as reducing customer

waiting times and will continue to work on improving the quality of customer service in the future.



Dealing with customers on the Customer Service Desk

Opening the Citizen Design Studio

We manufacture watches at Citizen Watch based on a product policy of combining technology with beauty. The type of value demanded by our customers has changed over the last few years, from functional value to emotional value. Whilst maintaining basic qualities such as safety and peace of mind, we believe that design is one of the most important ingredients to provide customers with products that strike an emotional chord. In June 2008, we therefore established the Citizen Design Studio in Harajuku with the aim of creating new designs to satisfy our customers. With a



Citizen Design Studio

handful of full-time designers on staff, we intend to make the most of the studio's fashionable location on Omotesando to access the latest trends and interact with outside creative talent as part of our watch design creation activities.

Voice

Combining capabilities as a satellite base for PR activities

We intend to use the Citizen Design Studio as a combined satellite base for PR activities and as a focal point to enable us to exchange information with the likes of magazine editors and members of the press, through events such as new product launches.



Series 8 launch event

A typical example of our design-oriented initiatives is Series 8 released in September 2008, a simple yet stylish range of watches based on the concept of "modern, comfortable design watches." The Series 8 launch event was held at the Citizen Design Studio and received glowing feedback from the likes of distributors and magazine staff.

Manager
Marketing Division,
Advertising Department
Citizen Watch Co., Ltd.

Nobuhisa Kizaki



Activities at Each Group Company

Customer satisfaction surveys

Having set ourselves the goal of putting quality first in order to secure customers' trust and improve customer satisfaction as part of our ISO 9001 quality policy at Citizen Electronics Co., Ltd., we now conduct customer satisfaction surveys twice a year. Surveys are made up of detailed evaluation criteria divided into 14 categories, including product reliability, delivery and problem resolution support. The most recent survey, targeting 20 selected companies in February 2009, received more positive feedback than the previous survey. On a specific level however, companies were criticized in the categories of price and information on new products.

We will continue to conduct customer satisfaction surveys in the future and incorporate customer feedback into our operations so as to secure customers' trust and further improve levels of customer satisfaction.

Guaranteeing the quality of automotive products

The Automotive Products Division at Citizen Electronics Co., Ltd. handles every stage of the process from design and development to mass production and shipping of chip LEDs, photo sensors and backlight units for use in vehicles.

Due to factors such as their purpose and the fact that vehicles contain a massive 30,000 components or more, the required level of quality for automotive components and devices is exceptionally high. The rate of defects is required to be kept under 10 parts per billion (ppb), which is regarded as a zero defect rate.

We implement the following initiatives in order to meet these requirements.

- (1) Identifying and resolving all quality-related problems and issues at the design stages (alleviating/resolving problems and risks, ensuring processing capabilities)
- (2) Ensuring compliance with ISO/TS 16949 (automotive quality systems)

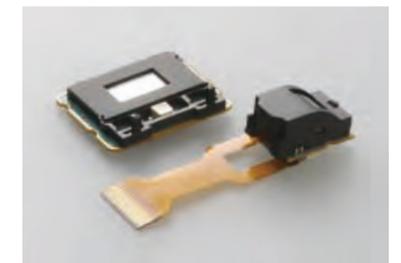
- (3) Organizing automotive product departments and implementing the 4Ms (man, material, method and machine)
- (4) Improving individual skill levels

As a result, we commenced mass production in 2008 and have received outstanding quality assessments from our customers. We will continue to maintain and improve quality levels so as to ensure that our customers can use Citizen products with confidence in the future.

Customer feedback

As part of our electronic device operations at Citizen Finetech Miyota Co., Ltd., we strive to identify market needs as quickly as possible and develop and manufacture equipment and devices that combine innovative and practical qualities in an effort to create lighter, more compact products that offer superior performance. As the technology involved in liquid crystal on silicon (LCOS) micro display manufacturing is particularly difficult to master, there are only a limited number of manufacturers capable of mass production.

Having concluded a contract for the development of LCOS panels, one of the key components in our customer's strategic products, we have been working on development, prototype production and evaluation for the past three years. Spurred on by the customer's expectations and enthusiasm based on a strong partnership built up during this period, we have managed to satisfy the most demanding of specifications and in 2008 commenced deliveries. We have received glowing feedback from the customer in the form of a letter of appreciation for successfully mass producing and shipping LCOS panels. We will remain committed to developing technology that meets our customers' expectations in the future.



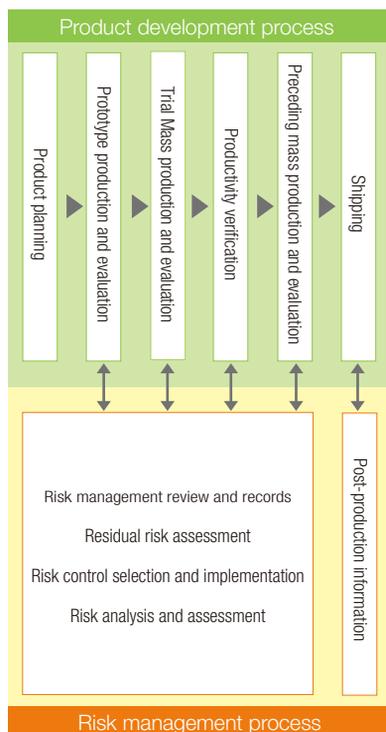
LCOS panel

Citizen and its Customers

●Creating quality to mutually benefit ourselves and our customers

We apply the JIS T 14971 standard for the application of risk management to medical devices as part of the development of electronic thermometers and blood pressure monitors at Citizen Systems Japan Co., Ltd.

As well as being used by medical institutions, electronic thermometers and blood pressure monitors are also the most commonly used medical devices on an everyday basis in the home. To enable customers to use such devices with confidence, it is essential to ensure not only that devices provide accurate readings but that they are also safe. The JIS T 14971 standard covers more than 100 criteria and requires improvements in areas such as design, manufacturing, labeling and instruction manuals, including (1) identifying all hazards relating to the device, (2) assessing risk levels based on the severity and frequency of each hazard and (3) ensuring all hazards are made safe. We have standardized procedure for the implementation of JIS T 14971 in the form of our Risk Management Regulations and Risk Analysis Manual and continually monitor implementation through design reviews at every stage of the development process (planning, design, prototype development, trial mass production and shipping approval).



●Further improvements to electronic manuals

We make every effort at Citizen Machinery Co., Ltd. to ensure that customers can use our products correctly and safely, with the aim of achieving “the world’s highest level of customer satisfaction.”

The purpose of machine tool manuals is to provide the customer with accurate information regarding how to use the relevant product correctly and safely when they need it. In addition to supplying such information in the form of printed manuals, in 2007 we began to provide electronic manuals on CD.



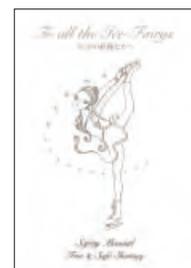
Electronic manuals

Although electronic manuals were initially only available for selected new models, we are now in the process of producing electronic manuals for all models currently on sale in response to strong demand from customers in Europe, the United States, and all over the world. In the interests of customer usability, we are making improvements such as including easy search functions and revising safety-related content. The impact of electronic manuals is gradually starting to become evident from an environmental standpoint as well, including preserving resources by using less paper, conserving electricity by using copiers for shorter periods of time and saving storage space by switching formats to CD. One of our key focuses for the coming year will be to investigate other new means of providing information, including access to online manuals and integrating manuals into actual machinery.

We will continue to provide our customers with quality manuals when they need them in the future, focusing on customer usability, product safety and environmental friendliness.

●Improving hospitality

Citizen Plaza Co., Ltd. is one of a select number of companies within the Citizen Group that interacts directly with customers, dealing with upwards of 2,000 customers on busy days. In addition to working to improve levels of hospitality amongst all employees, we are also in the process of improving the operating structure of the newly relaunched ice skating division based on the motto “safety first.” Key initiatives include (1) introducing an entry and exit system to continually monitor the number of skaters on the ice and enable skaters to move around the ice safely, (2) making the rink twice as bright by installing new lighting, (3) running continual rink safety patrols and (4) producing a safety manual featuring precautions in English. To encourage children in particular to read the safety manual, we have included lots of pictures and details of actual accidents that have occurred at the ice rink. Copies of the manual are distributed to children taking part in skating classes and general customers in an effort to raise levels of safety awareness. We will keep up our efforts to ensure that our customers have an enjoyable and satisfying skating experience.



“To all the Ice Fairies” safety manual

