



## CITIZEN HOLDINGS CO., LTD.

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# Citizen Group CSR Report 2009

## Special Feature

### The Citizen Group's Approach to Manufacturing: Good for People and the Planet

Bringing the Eco-Drive solar-powered  
watch to our customers

## Message from Management

Establishing the human and  
organizational strength to  
adapt to future changes





**Citizen aims to pursue its corporate social responsibility (CSR) with the participation of all employees as a “corporate group contributing to and striving to be respected by the citizens of the world”.**



We asked Citizen Group employees all over the world. What does CSR mean to you?

## Editorial Policy

The aim of this publication, CSR Report 2009, is to provide all of our stakeholders with a straight forward outline of the Citizen Group's business activities and the Group's approach and initiatives in relation to its social responsibilities.

The Special Feature section examines the process of bringing the Eco-Drive solar powered watch, one of our environmentally friendly products, to our customers, incorporating the thoughts of employees involved in business activities along the way. We have set out this section so as to give employees responsible for CSR a visible presence and create a real feel for our approach to CSR with the participation of all employees.

The rest of the report outlines our approach to individual activities from the standpoint of CSR, our CSR framework and the results of our activities. This year's report features details of more activities at Group companies than last year.

In addition to informing as many members of the public as possible about our CSR activities, this report is also aimed at providing individual Citizen Group employees with an understanding of the Group's CSR activities and sending out a message to encourage them to implement CSR as part of their respective duties.

## Response to Last Year's Third-Party Comments

Having taken on board comments made in fiscal 2008 by Riyako Godai and One Akiyama, to the effect that coverage was limited to the “plan” and “do” stages of the PDCA cycle rather than the “check” and “act” stages and that initiatives should be laid out in a table so as to outline goals and achievements in an easy to understand format, we have included a section entitled Goals and Progress with CSR Activities and a great many example initiatives so as to provide specific details of our activities.

In response to the comment that last year's report contained too little information regarding issues faced and measures taken overseas given that Citizen is a global company, we have started to hold CSR Meetings at bases in China and are looking into monitoring activities at individual basis and how best to proceed in the future.

## Scope of Report

Economic and social data:  
85 domestic and overseas Citizen Group companies  
Environmental data  
41 domestic and overseas Citizen Group companies


## Period Covered

Fiscal 2008 (April 1, 2008 to March 31, 2009)  
Some data from fiscal 2009 is also included.

## Guidelines Referenced

Sustainability Reporting Guidelines 2006 (GRI)  
Environmental Reporting Guidelines 2007  
(Ministry of the Environment, Japan)  
Environmental Accounting Guidelines 2005  
(Ministry of the Environment, Japan)

## Supplemental Information on Website

The  symbol indicates topics for which more detailed information, not included in this CSR report due to space limitations, is available on the website.

## Online CSR Report

Japanese:  
<http://www.citizen.co.jp/social/index.html>

English:  
<http://www.citizen.co.jp/english/csr/index.html>

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## Special Feature

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## Date of Publication

June 2009 (Previous report: June 2008 / Next report: June 2010)

## Disclaimer

This CSR report includes future projections based on the information available when the report was written. The actual results of activities documented may differ from such future projections.



## Harnessing world-leading compact, precision technology to continually offer true value to fulfill people's expectations and aspirations

Based on the Citizen Group's corporate philosophy of "contributing to and striving to be respected by citizens of the world," we operate a wide array of businesses worldwide, drawing on the Group's accumulated ultra-small, ultra-precise, low-power consumption technologies in the watch sector.

Our "Micro HumanTech" approach is alive and well in each of our businesses and products. As part of our watch business we aim to create a wide range of products based on the concept of combining technology and beauty. We supply essential parts for personal computers and electronic equipment in electronic device sector meanwhile and items such as printers and healthcare equipment in the electronic products sector. As part of our industrial machinery business, we provide high speed machinery capable of processing parts to micron precision.

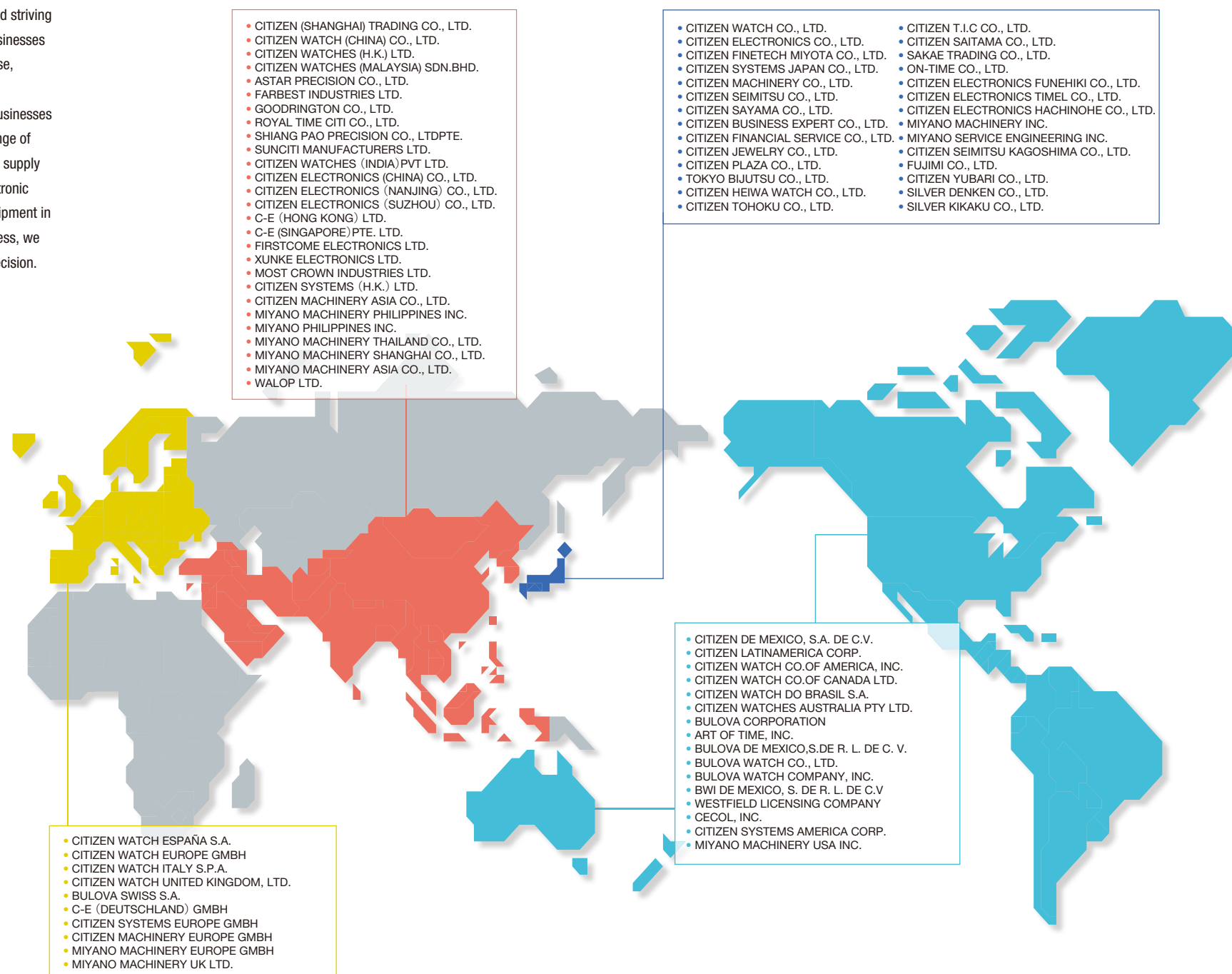
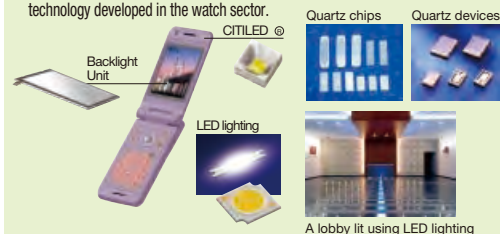
### Watches

Based on the concept of combining technology and beauty, we blend the latest technology with exquisite beauty to create new value. In addition to continuing to offer a range of Citizen brand watches designed to enhance people's everyday lives based on this same theme, we have also started to search for new styles of watches to act as information devices for the future.



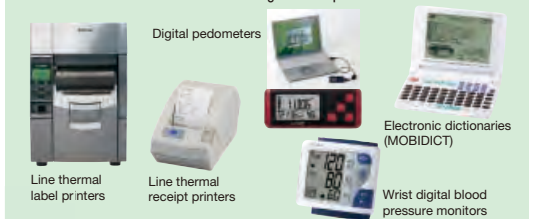
### Electronic Devices

With communication devices becoming increasingly compact and offering increasingly advanced capabilities, there is a need for precision technology that combines low power consumption with outstanding reliability. In the electronic device sector, we supply devices for use in a wide range of services and equipment that underpin our information society, based on the likes of compact, ultra-precise assembly technology infused with Citizen DNA and quartz oscillator technology developed in the watch sector.



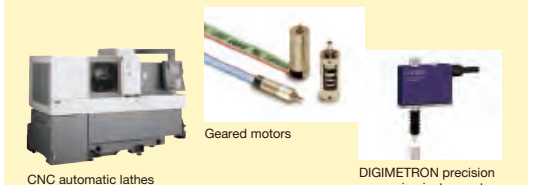
### Electronic Products

We harness the compact, precision, low-power consumption technologies built up by the Group in the watch sector to offer commercial printers and other electronic equipment for professional use in a wide range of businesses. Having incorporated the concept of universal design, in the interests of ease of use for all, at an early stage, we are working to develop a network in partnership with individual doctors in the healthcare equipment business, including products such as electronic thermometers and digital blood pressure monitors.



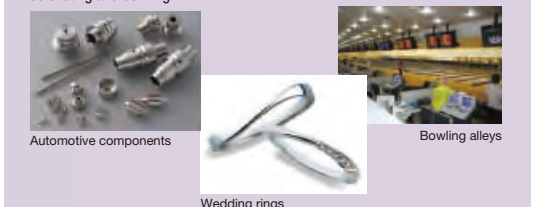
### Industrial Machinery

Drawing on expertise and technology developed in-house as part of equipment and machinery used to manufacture watches, we develop and supply industrial machinery essential to production processes such as grinding, joining and measuring. We believe that it is the flow of shared feelings, from experiencing the joy of making something to seeing the things you have made inspiring other people, that makes the manufacturing industry such a richly rewarding one. We call this the value of inspiration and regard it as one of the most important elements of our business activities.



### New Fields

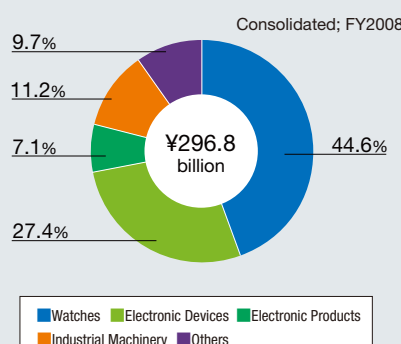
We apply compact precision processing technology, assembly technology, surface treatment technology and mounting technology on a cross-sector basis to independently develop products such as automotive safety components, precision control components for use in medical institutions and semiconductor devices and systems for games consoles. We also manufacture jewelry such as wedding rings and run leisure services such as ice skating and bowling.



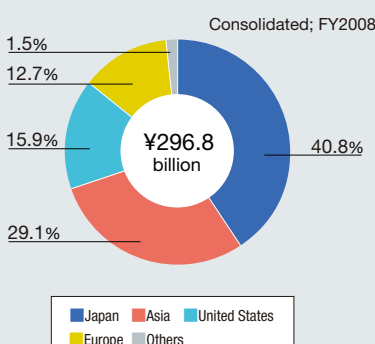
### Corporate Profile

|                         |   |
|-------------------------|---|
| Name                    | Citizen Holdings Co., Ltd.                            |
| Establishment           | May 28, 1930  |
| Location of Head Office | 6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511, Japan |
| Representative          | Mitsuyuki Kanamori, President and CEO                 |
| Capitalization          | ¥32,649 million (as of March 31, 2009)                |
| Employees               | 19,802 (consolidated; as of March 31, 2009)           |
| Sales                   | ¥296.8 billion (consolidated; FY2008)                 |
| Listing                 | Tokyo Stock Exchange, 1st Section                     |

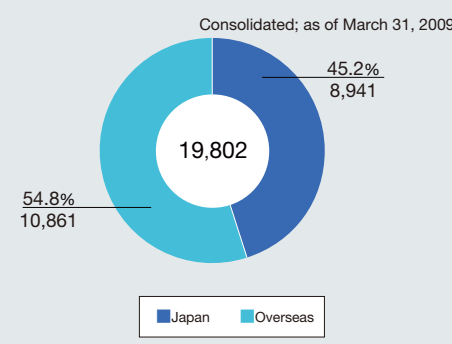
### Sales by Business Category



### Sales by Region



### Number of Employees by Region



### Milestones in the Citizen Group's Business

| Year       | Event  |
|------------|--|
| March 1918 | Citizen Watch's predecessor Shokosha Watch Research Institute established, the forerunner of Citizen Watch Co., Ltd. |
| May 1930   | Citizen Watch Co., Ltd. established  |
| June 1949  | Citizen Trading Co., Ltd. established  |
| Jan 1958   | Watch exports to China commenced   |
| Dec 1964   | Citizen Business Machines Co., Ltd. established  |
| June 1971  | Precision Machinery Division established   |
| Feb 1978   | Head Office moved to Shinjuku Mitsui Building (Tokyo)  |
| Oct 1981   | Systems and Peripherals Division established   |
| Feb 1992   | Acquired German machine tool company Boley, GmbH.  |
| April 1996 | Solar powered Eco-Drive received the Eco-Mark the first for a watch.   |
| March 2001 | Head Office moved to Nishi-Tokyo   |
| April 2005 | Citizen Systems Japan Co., Ltd. and Citizen Displays Co., Ltd. established   |
| March 2006 | New R&D Building established   |
| April 2007 | Changed the corporate name to Citizen Holdings Co., Ltd. and transitioned to a pure holding company system           |
| April 2008 | Mitsuyuki Kanamori named as President  |

# Citizen Products and Technology in Use Here, There and Everywhere

Citizen's wide ranging business activities make it an integral part of society.  
Citizen products and services play a crucial role behind the scenes of our day to day lives.

## Glass substrates for Hard Disk Drives (notebook computer)



Applied used of watch glass polishing and cutting technology

## Zirconia ceramic parts for optical communicator (Optical Network Unit)



Used in connectors for fiber optic cables

## Digital Thermometer, Digital Blood Pressure Monitor



Designed with clear displays for ease of use

## CO Gas sensor (Boiler)



Used to detect carbon monoxide leaks

## High reliable Liquid Crystal Display (Gas meters)



Durable specifications even at high temperature and humidity

## Quartz Crystal Devices (Television, Video Tape Recorder, Consumer Home Electronics)



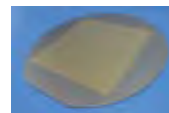
Reference signals used to ensure that electronic equipment is functioning correctly

## Electronic dictionary



Used to store Japanese and bilingual Japanese-English dictionary data and medical, health-related and general information

## Thin-film submount (Blue-ray disc recorder)



Ceramic substrates with superior heat radiation properties

## LCD for aberration compensator (Blue-ray disc recorder)



Used to improve disc reading and writing performance

## CNC-Automatic lathe



Machinery used to grind metal to make high-precision components

## Hardness Tester for soft materials



Meters used to measure the hardness of soft materials

## Measuring instruments



Instruments used to accurately measure small components

## Coreless Motor, Gear Head, Encoders



Used in sockets on robots, etc.

## LCOS\* (Projector)



Used in video engines due to high definition and picture quality

## POS Thermal Printers



Used to issue receipts, coupons and tickets

## Photo Printer



Enabling easy photo printing at locations such as supermarkets and photo stores

## Memory Liquid Crystal Display (Electrical price tags)



Ultra low-power consumption technology that maintains display even without a power source

## Automotive Components



Manufacturing components for ABS, engines, etc.

## LED backlight unit (Car navigation)



Used in the development of slimmer, energy saving car navigation systems

## Leisure Facilities



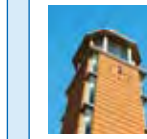
Operating bowling alleys and ice rinks in the Tokyo area

## Combustion Pressure Sensor (Ship)



Fitted inside engine cylinders to measure combustion pressure

## Time control system



Clocks fitted to buildings or other exterior surfaces, often cherished as symbols representing the local area

## Marriage Ring



Scratch resistant rings that keep their shape

## Gyro Sensor (Digital still camera)



Image stabilization for Digital Still Camera

## Liquid Crystal on Silicon\* (Digital still camera (Hi-zoom))



Used in viewfinders, slimmer and more compact than optical equivalent

## Compact switch (Digital still camera)



Used for shutter switches, etc.

## LED (Cellular Phone)



Used for key lights, camera flashes and backlights on mobile phones, etc.

## Quartz Crystal Devices (Cellular Phone)



Essential for receiving and sending signals to ensure uninterrupted conversation

## Sports timer

High visibility magnetic reversal displays, essential during marathon broadcasts

## Electronic View Finders (Broadcast & Professional AV Camera Recorder)



High resolution viewfinders capable of catching even fast movements during sporting events

\* Short for "Liquid Crystal on Silicon".  
LCOS are LCD panels that use silicon substrates.



# 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 be 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.

June 2009



Mitsuyuki Kanamori  
President and CEO  
Citizen Holdings Co., Ltd.



# The Citizen Group's Approach to Manufacturing: Good for People and the Planet

We continue to promote manufacturing that is good to people and the planet and have stepped up our efforts to develop a wide range of products and components certified as environmentally-friendly products under the Citizen Group's in-house certification scheme. We conduct environmental product assessments from the development stages onwards and only certify products as environmentally-friendly products if they meet assessment criteria in seven categories. Having set ourselves the target of achieving a 100% certification rate for new models, we managed to achieve a rate of 99% during fiscal 2008. We are aiming to go all the way and achieve a rate of 100% in fiscal 2009. We also intend to develop and offer our customers Citizen Super Environmentally-Friendly Products, which will undergo even more rigorous assessments.

## Eco Products

Citizen Watch Co., Ltd.



### Citizen: Powered by Light Citizen's Eco-Drive



We successfully achieved our shipment target for fiscal 2008, with Eco-Drive solar-powered watches accounting for 80% of all products shipped worldwide. This really goes to show that Eco-Drive is continuing to attract users from all over the world as a result of the public's growing desire to use environmentally friendly products.

The Eco-Drive radio-controlled watch is one of the products that encapsulate the concept of combining technology and beauty. It gives us great pleasure to be able to

offer our customers a product that will always continue to work and tell the right time no matter where they are as there is light.

To coincide with Time Day on June 10, 2009, we launched the H610 model equipped with a newly developed movement, using the slogan "Citizen: Powered by Light".

The Eco-Drive radio-controlled watch features a 1/5 second chronograph and user friendly world time capabilities, complete with the world's first disc-based city selection system.

In 1996, Eco-Drive became the first watch to be granted Eco-Mark certification.

Citizen Watch will continue to make every effort to manufacture products that are good for people and the planet, now and in the future.



Citizen Seimitsu Co., Ltd.

### Ultra-low power consumption, slim, lightweight, high contrast technology Electronic Paper Cells

Electronic paper cells are slim, lightweight display elements that boast power saving, high contrast and memory capabilities. They are used to create image-based patterns for customizable mobile phones (Hitachi auW61H).

As this is ultra-low power consumption technology, the continuous standby time is more or less the same as a regular phone, even when equipped with a large display.

#### Electronic Paper Modules: Features

- Power consumption 1/100th that of existing liquid crystal displays  
Ultra-low power consumption enables permanent display
- Bright, high visibility display (high reflectivity, high contrast, wide viewing angle)
- Slim, lightweight, unbreakable plastic display, making it highly shock resistant



Electronic paper modules made by Citizen Seimitsu

## by CITIZEN

Citizen Group  
Eco Products

Citizen Electronics Co., Ltd.

### Brightly shining eco products! Next generation energy saving light sources LED Lighting

#### A lifespan 20 times longer than incandescent light bulbs

LED lights have an extremely long lifespan of 40,000 hours, meaning that they last roughly 20 times longer than incandescent light bulbs, which have a lifespan of 2,000 hours. If used normally, there is no need to replace bulbs for around ten years.

#### Mercury-free environmentally friendly lighting

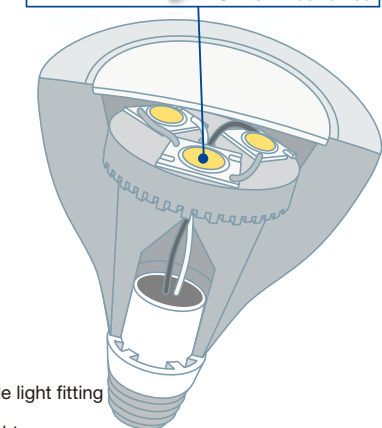
LED lighting is environmentally friendly because, unlike fluorescent lighting, it does not use mercury or contain other harmful substances such as lead. As there is no need for glass tubing, as in the case of fluorescent lighting, there is also no danger of bulbs breaking in the event of an earthquake or other disaster.

#### LEDs are the clear winner in comparisons

Citizen Electronics has developed commercial LED lights with industry-leading luminescent efficiency. As a higher luminescent efficiency means that more light is produced per watt, this makes it possible to keep lights shining brightly whilst minimizing power consumption. LED lighting enables a substantial reduction in power consumption compared to regular incandescent light bulbs.



LED made by Citizen Electronics



\* An example light fitting

Comparison of light sources

|                               | Citizen LED CL-L251 (single item) | Fluorescent light (40W) | Compact fluorescent light (bulb) | Incandescent light bulb | Halogen lamp |
|-------------------------------|-----------------------------------|-------------------------|----------------------------------|-------------------------|--------------|
| Luminescent efficiency (lm/W) | 95                                | 70                      | 60                               | 12                      | 24           |
| Brightness (lm)               | 425                               | 2,850                   | 465                              | 485                     | 1,550        |
| Power consumption (W)         | 4.5                               | 40                      | 8                                | 40                      | 65           |
| Lifespan (hours)              | 40,000                            | 12,000                  | 6,000                            | 2,000                   | 3,000        |

(Citizen estimates)

Bringing the Eco-Drive solar powered watch to our customers



# Bringing the Eco-Drive

## Implementing a range of initiatives every step

### The starting point for environmentally-friendly manufacturing

#### Green procurement initiatives in China

The Citizen Group promotes green procurement based on the preferential purchase of raw materials, components and other items with low environmental impact. All hazardous chemical substances are strictly controlled in accordance with our Green Procurement Guidelines. Particularly high risk items are controlled on a priority basis, including undergoing inspections upon delivery. Many of our suppliers are based in China, where we exercise even stricter controls over hazardous chemical substances.



In an effort to improve the efficiency of operational capabilities such as ordering, delivery, quality and cost management, which were previously handled by production bases according to each individual supplier, in December 2008 we established a new Supply-Demand Control Center in Southern China and put in place a framework to enable all external components to be ordered centrally. We intend to further reinforce management capabilities in the future.

**Hiroyuki Motomochi**  
General Manager,  
Supply and Demand Control Center  
Sunciti Manufacturers Limited

### Creating environmentally-friendly products

#### Conducting environmentally-friendly products assessments

The Citizen Group has certified approximately 2,000 products as environmentally-friendly products over the last three years, primarily in the watch sector. Focusing mainly on watches, but also covering other areas such as pedometers, blood pressure monitors and compact printers, we have successfully increased the range of environmentally-friendly products. The next step will be to work out how best to showcase environmentally-friendly products to the general public.



The Subcommittee on Environmentally-Friendly Products assesses new models put forward by individual companies each month and certifies those that pass their assessment as environmentally-friendly products. In the case of watches, for instance, we have put in place a mechanism for assessing models produced overseas and currently certify somewhere in the region of 200 environmentally-friendly products each month. Raising the bar even further, we have also started to work on Citizen Super Environmentally-Friendly Products. We intend to step up activities within the committee with the aim of certifying the first such product later this year.

**Ryoh Kurakata**  
Secretariat  
Subcommittee on Environmentally-  
Friendly Products  
Citizen Watch Co., Ltd.

### Creating design-oriented dials

#### Aiming to produce the world's most beautiful dial

One of the main difficulties posed by light transmissive dials, as used in the solar-powered Eco-Drive watches developed and produced by Citizen Seimitsu, is that it is impossible to see what the finished product looks like without making prototypes. We therefore have to continually manufacture samples so as to check each design along the way. As advances in technology have made it possible to generate power from just a tiny amount of light, we now have greater freedom in terms of design, making design and communication even more important as part of the process of manufacturing dials.

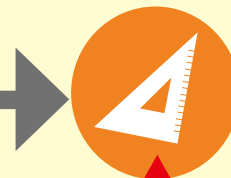


We are working to develop the world's most beautiful Eco-Drive dial. We have developed crystal clear black and white dials and even different materials and components to create a metallic texture. We have been developing numerous technologies for more than 30 years now and have recently started to see tremendous growth amongst our younger employees, who have come up with technologies that have gone into mass production. These are important technologies that we intend to develop into the core competency behind Eco-Drive dials as dial technology continues to evolve in the future.

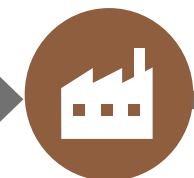
**Masaaki Watanabe**  
Manager  
Watch Appearance Division  
Citizen Seimitsu Co., Ltd.



Procurement



Development and design



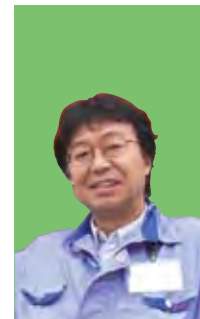
Manufacturing

Customer

### Transforming into an environmentally-friendly plant

#### Compliance with environmental restrictions in China

Environmental restrictions are exceptionally strict in China. As surface treatment factories in particular are required to substantially reduce the volume of water used in processing and prohibited from using toxic substance cyanide, we are making every effort to transform our plant into an environmentally-friendly plant. On the Tokyo side of things, too, we are working on initiatives such as using reverse osmosis membranes to collect nickel and recycling cleaning water using ion exchange resin and are actively introducing environmental technology, revolving primarily around the Production Innovation Team.



At Farbest Industries' Surface Treatment Factory, we are currently focusing on areas such as external IP and plating production, waste water from the plant and water emission standards. To be honest, as the rivers in the vicinity of the plant are already far from clean by the time they flow past from upstream, there is a feeling that improving the quality of the plant's waste water will make little difference. Nonetheless, we will continue to actively push ahead with environmental improvements and legal compliance initiatives in the short term in order to make our own contribution to China as a company.

**Satoshi Okada**  
Factory Manager,  
Surface Treatment Factory  
Farbest Industries Limited

### Combining technology and beauty

#### The world's smallest Eco-Drive radio-controlled watch

In October 2008, we launched the world's smallest Eco-Drive radio-controlled watch as part of the Citizen EXCEED Ladies Collection. Smaller than a one-yen coin, the watch uses the new H010 movement, and is the first Eco-Drive radio-controlled watch for ladies to be equipped with calendar and Perfex\* capabilities. It is an exclusive ladies' watch that combines both functionality and beauty.



\* Perfex watches are three-in-one watches that combine JIS Type 1 antimagnetic capabilities, shock detection capabilities and automatic time adjusting capabilities to display the time more accurately.



We set out with the aim of developing a more compact watch equipped with calendar and other in-demand capabilities to establish a strong position within the ladies' watch market. Success was reliant on overcoming issues involved in scaling down technology and designing a watch that would still have presence whilst measuring just 26mm. We nonetheless managed to create a watch that is accurate, easy to read and built to last whilst also retaining the form and elegance of a ladies' watch, combining functionality with beauty.

**Shigeki Yoshikawa**  
Marketing Division,  
Product Planning Dep.1  
Citizen Watch Co., Ltd.

### Using delicate skills to assemble exquisite products

#### Manufacturing by master craftsmen and women

Based on the belief that a product's quality is determined by the person who makes it, the environment in which they work and their attitude towards the manufacturing process, Citizen Heiwa Watch operates a quality assurance system whereby master craftsmen and women each work according to different grades of product. The process of assembling finished products in particular requires tremendous concentration as the technician's skills effectively shape the face of the product. We have therefore established a dedicated workshop for high-end watches in Minami Shinshu so as to create the ideal working conditions and also create an environment that provides in which customers can come and purchase our products with confidence.



When I assemble each watch, I imagine a customer wearing it and someone commenting on what a fine watch it is. Since becoming a certified Shinshu Master Craftperson in 2006, I have put even more energy into manufacturing. I try to maintain a sense of rhythm in my day to day life as well and try not to watch much television so as to rest my eyes. At work, I always try to set an example for junior members of staff.

**Etsuko Hashiba**  
Super-Meister  
Watch Product Division  
Citizen Heiwa Watch Co., Ltd.



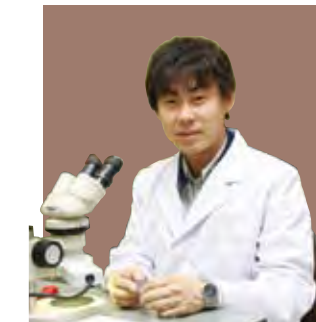
# e solar powered watch to our customers

of the way to provide products that are good for people and the planet

## Evolving hand in hand with solar cells

**In pursuit of ever more reliable quality**

The solar cells and drive mechanism at the heart of the Eco-Drive system consist of ultra-compact, ultra-slim components measuring a matter of microns. To maintain consistent quality levels and ensure that customers can use their watches with confidence for a long time, we manufacture our products using a constant quality control system. We pursue quality control with an eye to ensuring long-term reliability.



As Eco-Drive watches become more and more compact whilst offering an increasingly wide range of capabilities, solar cell specifications are also changing continually. The quality of solar cells is determined by their functionality, external appearance and reliability, specifications for which are determined based on actual usage and the customer's perspective. We strive to offer our customers quality solar cells so as to ensure that they are satisfied with and cherish their Eco-Drive watch.

**Yuhichiroh Nagase**  
Technical Development Division,  
Product Innovation Center  
Citizen Watch Co., Ltd.

## Earning the gratitude of our customers

### Organizing training seminars for domestic sales staff

Through the CS Center, we organize training seminars for watch repair technicians at sales outlets. Seminars teach members of staff how to dismantle watches and equip them with basic knowledge regarding the features of the Eco-Drive system and how it should be handled. We also organize 150 of additional seminars each year, including those aimed at sales staff. We provide support for more than 1,000 members of staff, helping them to improve their knowledge and skills.



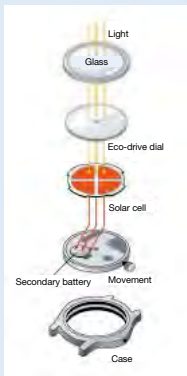
Watches equipped with Eco-Drive and other new capabilities may be very convenient, but they are only worth half as much if the customer doesn't have a correct understanding of the product. That is why the CS Center organizes training seminars for sales staff. We run a nationwide program of detailed seminars carefully tailored to suit the level of the participants in each case, in terms of their basic knowledge of new product features and watches in general and practical skills.

**Hiroyuki Kurihara**  
Manager  
CS Center,  
Domestic CS Department  
Citizen Watch Co., Ltd.

## Reducing environmental impact through solar power generation

### What's good for people is good for the environment

Eco-Drive watches take in light via built-in solar cells and use it to generate electricity. The resulting energy is then stored in a secondary battery and used to power the watch, meaning that there is never any need to replace batteries. Eco-Drive products are also highly acclaimed from an ecological standpoint, not least due to the fact that their secondary batteries do not contain any harmful metals and that no hazardous substances are used in the manufacturing process.



As the batteries never need to be replaced, Eco-Drive watches do not generate any waste batteries. We have sold more than 30 million watches to date, focusing on Eco-Drives' qualities as an environmentally friendly product. With environmental awareness increasingly considered something of a status symbol these days, it gives us great pleasure to enable people to feel that they are making a difference in a truly intimate way, via their own watch.

**Hiroshi Itoh**  
Watch Business Control Center,  
Planning Department  
Citizen Watch Co., Ltd.

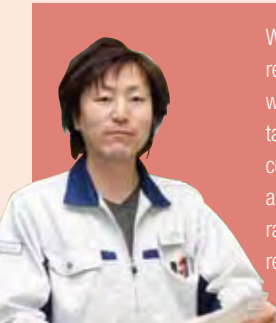


## Feedback

### Efforts to reduce CO<sub>2</sub> emissions as part of distribution

**Combined shipping between five watch industry companies**

We operate a five-way combined shipping scheme via CITIZEN LOGISTICS SERVICE Co. Ltd., in conjunction with Seiko Watch, Seiko Clock, Rhythm Service and ORIENT WATCH. As all five companies used to handle deliveries separately previously, the introduction of this scheme has substantially reduced the number of trucks on the road, resulting in an equivalent reduction in CO<sub>2</sub> emissions. Switching to the combined shipping scheme has enabled each company to scale back its fleet of trucks. In addition to helping to reduce CO<sub>2</sub> emissions, this is also good news for our business partners, who now only need to take receipt of a single delivery.



Whenever items are shipped, a shipping label bearing the name of the recipient is always attached to the packaging. It can get pretty hectic on days when large volumes of products are being shipped. The final step before taking receipt of items is always to check to make sure that everything is correct. Shipments to regular business partners and large volume shipments are packed in reusable plastic containers rather than cardboard. This helps conserve resources and cut costs.

**Yukiyasu Satoh**  
Leader, Logistics Center  
Citizen Logistics Service Co., Ltd.

## Citizen as a modern global presence

### Behind the scenes of Citizen's success in the US market

Citizen has secured a more than 30% share of the mid-price market in the US and has established itself as the market leader. One of the factors that has contributed significantly to this success has been a consistent sales strategy. We launched Eco-Drive watches onto the market and began promotional activities in 1996. Eco-Drive branding has also been comprehensively incorporated into other watch advertisements and promotions as well. With sales of more than 10 million watches over the course of the last ten years, Eco-Drive watches have recently begun to account for over 85% of all watches sold.



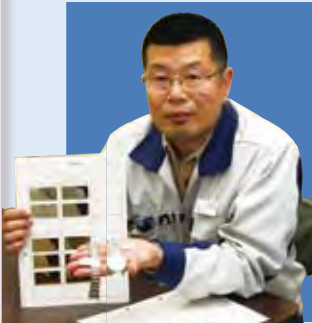
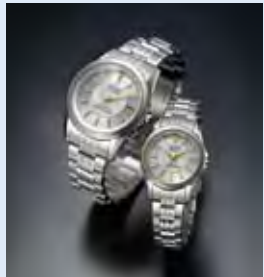
In order to remain at the top of the market, you need innovation in every respect. On the product front, we have achieved success by selling high quality products that offer added value, as typified by Eco-Drive. We intend to fully harness the image created by Eco-Drive, as a youthful, powerful brand, in all of our marketing and sales activities in order to further expand our presence in the North American market in the future.

**L. Grunstein**  
President,  
CITIZEN WATCH CO. OF AMERICA, INC.

## Creating products that can be used indefinitely

### Citizen's unique Duratect technology

Uniquely developed by Citizen to protect the original shine and beautiful finish of each watch from marks and scratches during everyday use, Duratect is a form of surface treatment technology that involves applying a special processing treatment to watch casings and straps. Duratect is designed to protect your beloved watch from minor scratches, which are unavoidable no matter how carefully you use your watch, and creates value that only increases over time.



Ordinarily, you tend to find that your watch gets scratched after you've had it for a while. In some cases, just one little scratch can be very upsetting to the person wearing the watch. We don't want them to lose the thrill or uplifting feeling that they had when their watch was new. As a result of continuous research and development aimed at resolving this issue, we developed Duratect. We will continue to make every effort to create products that guarantee satisfaction from the customer's perspective in the future.

**Kohichi Naoi**  
Deputy Manager  
Technical Development Division,  
Product Development Center  
Citizen Watch Co., Ltd.



# 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:

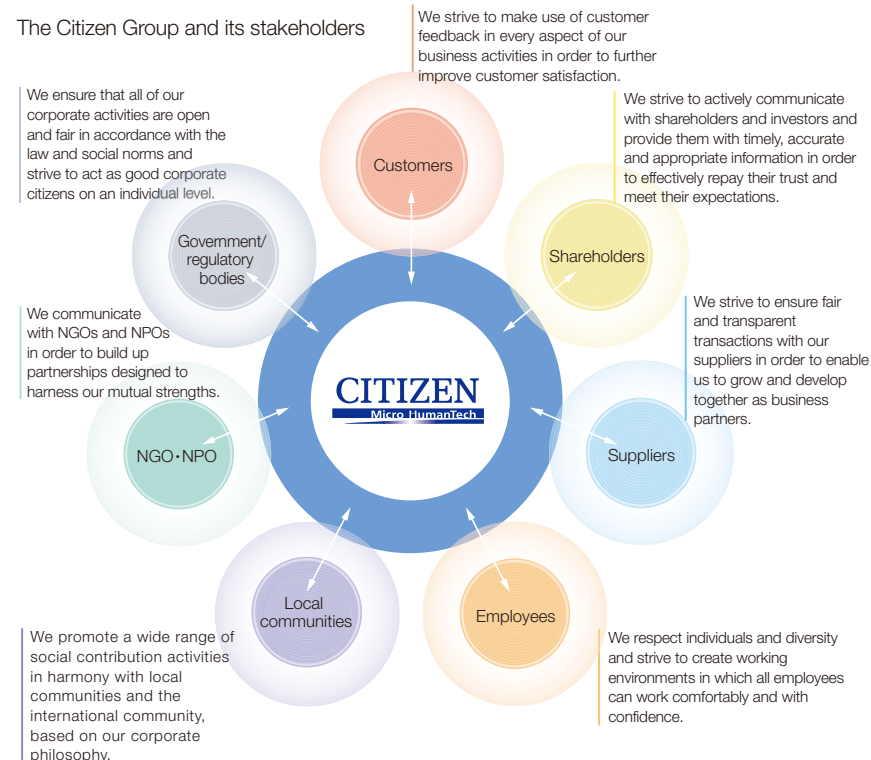
- 1 Provide our customers with products and services that demonstrate our concern for safety, quality, and the environment.
- 2 Engage in fair, transparent and open competition in business transactions, and maintain healthy relationships with our suppliers and government regulatory authorities.
- 3 Work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

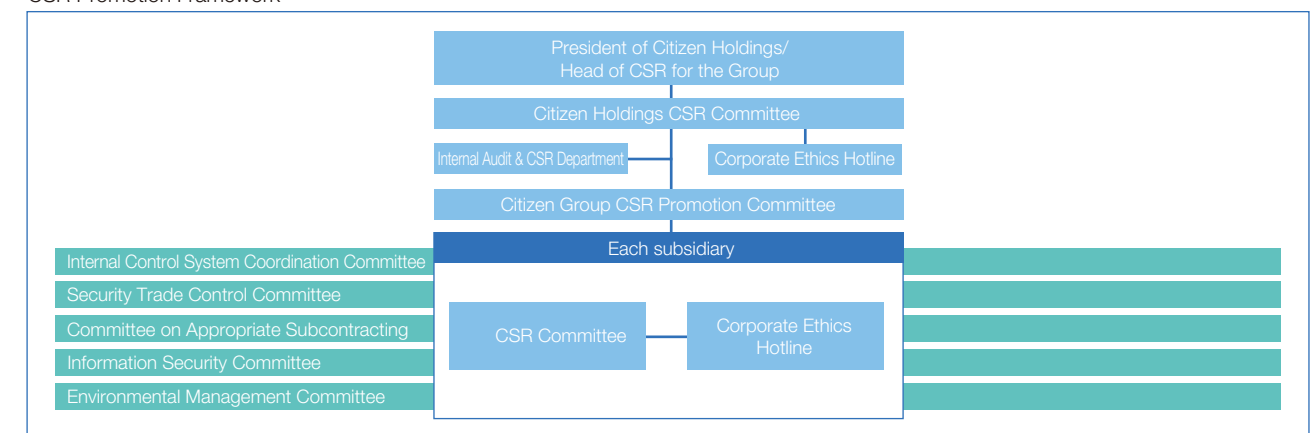
The Citizen Group's CSR activities are presided over by the President of Citizen Holdings, with CSR-related policies and measures recommended by the CSR Committee, which in turn is run by the Internal Audit & CSR Department, a dedicated unit that reports directly to the President.

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.<br>(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

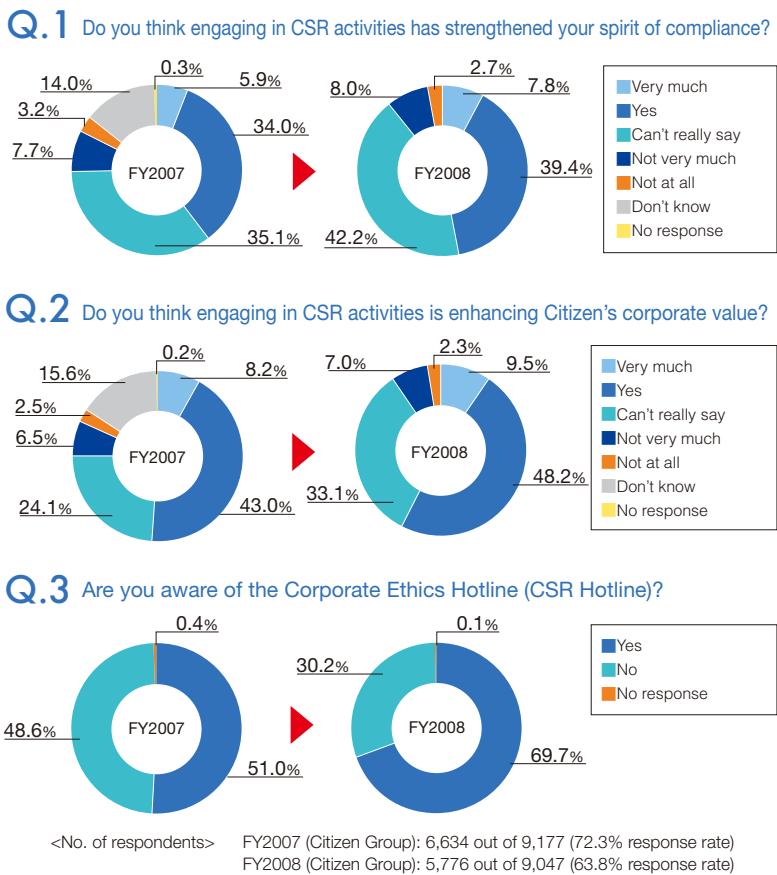
In an effort to ascertain the level of awareness of CSR and corporate ethics within the Citizen Group, we conduct CSR awareness surveys targeting employees at 39 subsidiaries (including temporary employees).

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.





# Corporate Governance

We are working to enhance corporate governance to ensure management transparency and achieve the optimal allocation of management resources in our multi-faceted business activities.

## Basic Approach to Corporate Governance

The Citizen Group endeavors to improve business value and contribute to society through sustained corporate activities in harmony with the local community and the global environment, under the business philosophy of “Contributing to and Striving to be Respected by the Citizens of the World.” In the continued pursuit of this business philosophy, the Group works to strengthen corporate governance toward ensuring management transparency and achieving the optimal allocation of management resources in its multi-faceted businesses.

## Roles of the Pure Holding Company and the Subsidiaries

We have clarified the scope of responsibility and authority of Citizen Holdings and each of the subsidiaries that make up the Citizen Group.

Citizen Holdings is responsible for formulating management policies and making investment decisions in the interests of optimizing Group-wide management and oversees and supervises subsidiaries by monitoring their business activities to ensure that they adhere to management policies and their management practices to ensure that they are transparent.

All of the Group's lines of business – watches, electronic devices, electronic products and industrial machinery – are governed by individual operational management companies, which are operated independently based on the nature of the relevant industry so as to enable more expedient management and increased profitability.

Operations within the framework of Citizen Holdings, in areas such as human resources, finance, R&D, intellectual property management and brand management, have been configured so as to ensure that operational management company policies coincide with Group-wide policies.

## Roles of the Directors and the Board of Directors

The Citizen Holdings Board of Directors consists of ten members, including two independent outside directors (as of March 31, 2009).

The Board of Directors determines management policies and other important items for Citizen Holdings and the Citizen Group, and supervises execution of directors' duties. Presidents of important subsidiaries from among the business controlling companies are also appointed as part-time directors, enabling decision-making from a comprehensive perspective in consideration of the views of the business controlling companies.

In addition, the management of the Group reflects the opinions of outside directors with abundant business experience in corporate management and related areas. We have also established the Nomination Committee and Remuneration Committee—consisting of outside directors and the president—to provide advisory support.

## Roles of the Auditors and the Board of Auditors

The Citizen Holdings Board of Auditors consists of three members, including two independent outside auditors (as of March 31, 2009).

Each auditor checks whether the Company is growing in a healthy and sustained manner, whether internal controls are functioning to uphold the trust of the public and whether laws and corporate rules are being followed. They also check execution of the general duties of directors by looking through important financial statements, examining operations and financial status and attending the Board of Directors and various other meetings.

Another important role of the auditors of Citizen Holdings is checking the execution of directors' duties at each business controlling company.

To achieve this, the Group Board of Auditors—consisting of full-time auditors of Citizen Holdings and auditors of each business controlling company—meets to share group-wide audit policies to enable consistent auditing functions through cooperation among Citizen Holdings and the business controlling companies.

## Internal Control System

Having set out a basic policy on the construction of internal control systems to enable Citizen Holdings to fulfill its social responsibilities as a company, we are now working to enhance internal control systems on behalf of the Citizen Group as a whole in an effort to achieve our objectives in terms of sound, sustainable management.

As the first fiscal year in which the internal control reporting system under the Financial Products Exchange Law (J-SOX) came into effect, in fiscal 2008 we established a new Internal Control System Coordination Committee consisting of supervising personnel from Citizen Holdings and consolidated Group companies so as to ensure that our internal control systems function adequately and effectively and guarantee the reliability of financial reports. We are currently in the process of establishing, operating and evaluating internal control systems in conjunction with an outside auditing organization.

To cater to the diverse needs anticipated as part of the internal auditing process, we have set up new internal auditing departments in the form of Auditing Offices at three other companies in addition to our four operational management companies and have appointed internal auditing managers at eight major subsidiaries. We intend to build up a Group-wide auditing network between individual companies' auditing departments in order to maintain and improve levels of corporate governance and risk management.

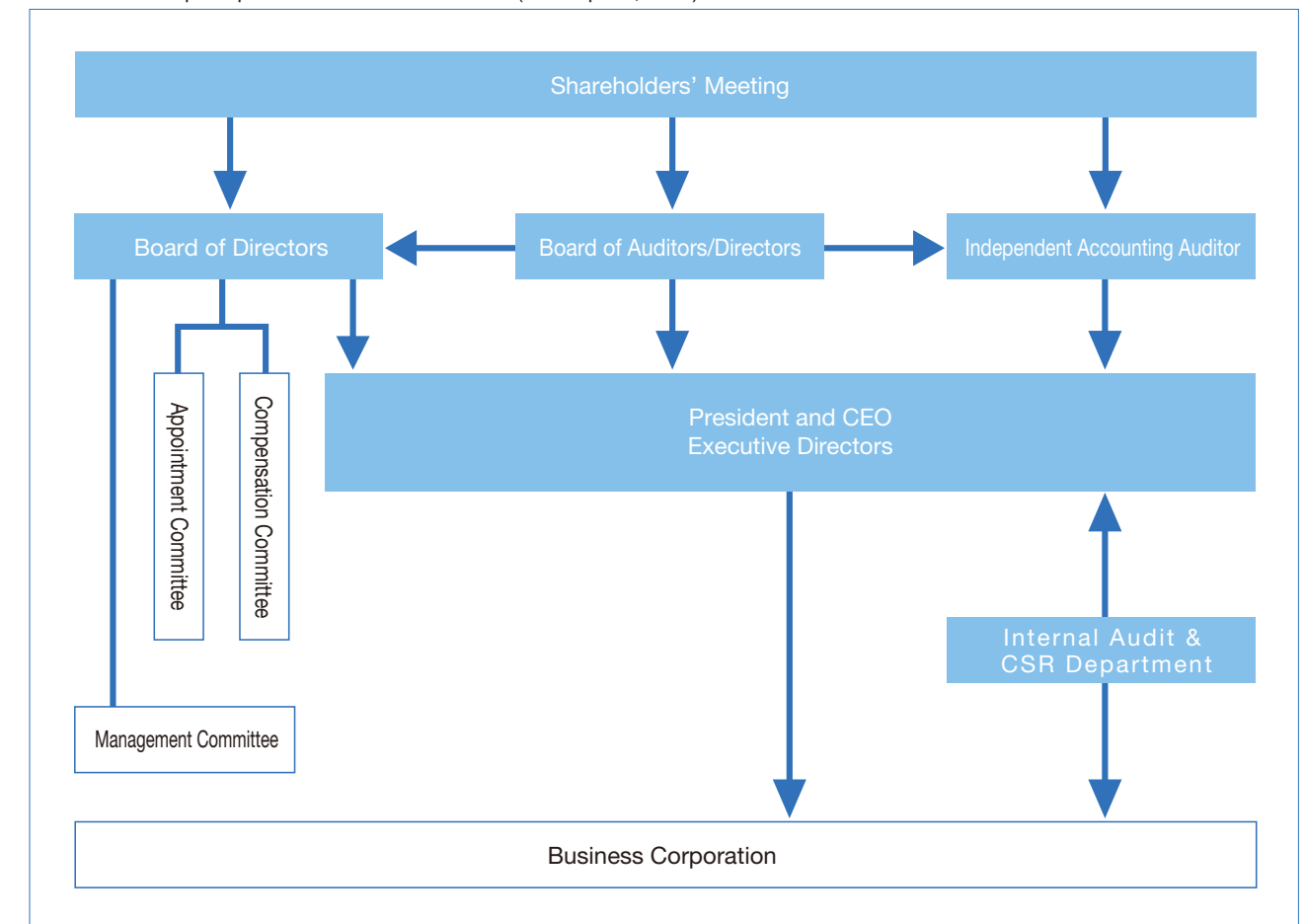
## Assessment from outside organizations

### ●ISS Corporate Governance Quotient

Institutional Shareholder Services Inc. (ISS) evaluates corporate governance

capabilities at over 7,400 companies around the world and provides the results to institutional investors and other such organizations. As of April 1, 2009, ISS ranked Citizen's Corporate Governance Quotient (CGQ) in the top 1.2% of Japanese companies.

The Citizen Group Corporate Governance Structure (as of April 1, 2009)





# Compliance

We enforce compliance as one of our top priorities as part of the Group's CSR activities, based on the Citizen Group Code of Conduct. Taking legal compliance as a starting point, we aim to promote activities that encourage morally and ethically sound practices.

## Compliance Promotion Structure and Education

### ● Compliance Activities

We have established a CSR Committee at Citizen Holdings Co., Ltd. in order to promote CSR activities on behalf of the entire Group and to handle all aspects of policy planning and recommendations in relation to CSR. Group companies each have their own independent CSR promotion departments, which work in partnership with Citizen Holdings Co., Ltd. to implement initiatives such as compliance awareness, education and training activities. On an individual level, each company organizes group training and video training sessions based on their own educational framework, designed according to level of their employees.

We also organize separate educational CSR and compliance sessions for eligible members of staff at all Group companies as part of training for new recruits and induction training for new managers and new directors.

### ● Intellectual property management

Working in conjunction with intellectual property departments at Citizen Group subsidiaries, Citizen Holdings Co., Ltd.'s Intellectual Property Department operates a centrally controlled system for the development of the Group's intellectual property portfolio. On a specific level, this means that all intellectual property resulting from joint development undertaken by Citizen Holdings Co., Ltd.'s R&D Division and Citizen Group subsidiaries or development undertaken single-handedly by subsidiaries is coordinated from an overall perspective and centrally managed by Citizen Holdings' Intellectual Property Department.

## Efforts at Each Group Company

### ● Monitoring compliance

Citizen Watch Co., Ltd. has set out departmental requirements in the form of CSR Activity Checklists to check the status of activities carried out by all departments and ensure compliance with the Citizen Group Code of Conduct.

The results are rated according to three levels, with audit plans then drawn up and internal audits carried out for all activities rated at the two lower levels. If there are still any items that are non-compliant or in need of improvement, the relevant department is instructed to implement corrective measures.

We intend to provide specific advice and make ongoing improvements in the future to enable a better understanding of the current status of activities and improve coordination between departments so as to improve standards and raise awareness of CSR activities.

### ● Setting up a dedicated CSR compliance webpage

In fiscal 2007, Citizen Electronics Co., Ltd. set up and launched a dedicated CSR compliance webpage on the Group intranet. In addition to the 12 domestic and overseas companies under the umbrella of Citizen Electronics, the webpage features details of Citizen Holdings' corporate philosophy, management, environmental and quality policies and annual CSR targets and is intended to establish a stronger sense of solidarity within the Group. Employees can also access the internal reporting system and Corporate Ethics Hotline via the same page.

## Internal Reporting System

### ● Establishing internal and external hotlines

We established the Citizen Group Corporate Ethics Hotline in an effort to prevent any legal violations or misconduct stemming from dishonest actions and quickly identify issues that could potentially result in such a violation, thereby minimizing risks and helping to foster a self-regulating organizational culture.

The Internal Reporting System Rules state that the reporting party's privacy must be respected. They also state that all charges must be investigated in an open and fair manner, that the subject of the report must be given the opportunity to refute claims made against them, that the reporting party must be notified of the outcome of any investigation and that the reporting party must not be subjected to unfair treatment. In addition to the existing system, in April 2008 we also set up an external hotline to enable employees to file reports anonymously.

Having publicized internal hotline services extensively, we have created an environment in which it is easier for employees to seek advice, resulting in an increase in the number of reports, as outlined below (see CSR Awareness Questionnaire Q3, p17).

We dealt with reports during fiscal 2008 by verifying the facts in accordance with internal reporting regulations, taking any necessary action and providing the reporting party with feedback as appropriate.

| Breakdown of internal reports (Fiscal year) |          |           |
|---|----------|-----------|
|   | 2007     | 2008      |
| Relationships in the workplace              | 1        | 6         |
| Violations of internal rules                | 2        | 3         |
| Communication with superiors                | 1        | 2         |
| Suspected compliance violations             | 1        | 2         |
| Mental health                               | —        | 2         |
| Abuse of authority                          | —        | 2         |
| Customer relations                          | —        | 2         |
| Methods of disclosure                       | 2        | —         |
| Information security                        | 1        | —         |
| Other matters                               | —        | 1         |
| <b>Total</b>                                | <b>8</b> | <b>20</b> |

(Reports)

# Risk Management

Citizen has established group-wide committees for each important business theme, including security trade control, subcontracting and information security.

## Risk Management Structure

### ● Establishing Group-wide committees

In order to address the various risks inherent in the Citizen Group's business activities, we operate internal control systems and have established Group-wide committees for each important area. We will consider forming additional new committees in the future to accommodate changing circumstances.

### ● Security Trade Control Committee

The Citizen Group Security Trade Control Committee is responsible for implementing various measures and providing Group companies with advice, education and information so as to ensure that security export controls are enforced without exception throughout the Group, in accordance with the Citizen Group Security Trade Control Rules. In order to promote such activities, we have also established an Export Control Company Coordination Committee consisting of members from 15 Group companies.

### ● Committee on Appropriate Subcontracting

The Citizen Group Committee on Appropriate Subcontracting has continued to reinforce education regarding subcontracting legislation as one of our priority measures during fiscal 2008. In addition to existing basic seminars, the committee improved the contents of educational activities from a more practical standpoint in fiscal 2008, introducing new practical seminars aimed at highlighting incidents that have occurred within the Group in the past and teaching members of staff how to deal with such situations in an appropriate manner.

Seven basic seminars and nine practical seminars were organized during fiscal 2008, with a total of 620 Group employees taking part. Our aim is to reinforce subcontractor compliance systems through human resource development.

### ● Information Security Committee

The Information Security Committee has established a new subordinate organization in the form of the Information Security Coordination Committee. Whereas the Information Security Committee consists of management personnel from operational management companies, the Coordination Committee is made up of supervising personnel responsible for practical aspects of information security at individual Group companies. The Information Security Committee is responsible for approving proposals and dealing with any incidents that occur, from organizing initial meetings to resolving the relevant issue. The role of the Coordination Committee meanwhile is to discuss specific issues and request approval from the Information Security Committee in the case of key proposals, such as those relating to changes in security policy.

## Formulating a BCP to Reduce Disaster Risks

We have had in place the necessary framework and emergency plans in the event of a disaster, including disaster prevention committees at all Citizen Group companies, for some time now. In fiscal 2008, the BCP Committee at Citizen Business Expert formulated a business continuity plan (BCP) in the event of an earthquake directly underneath Tokyo, compiling manuals detailing specific procedures in all areas and checklists to enable procedures to be implemented efficiently. BCP will be extended to all



Emergency drill at our Tokyo Office

Group companies in the future. In terms of measures to guard against new strains of influenza, we have provided employees at all Group companies with information on how to prepare and protect themselves from infection and intend to work on a BCP in the future.

## Efforts at Group Companies

### ● Introducing a safety confirmation system

The safety confirmation system is designed to be used by Citizen Electronics Co., Ltd. as an emergency contact network in the event of a disaster.

The system is essential from the standpoint of business continuity, as a means of quickly and effectively confirming that all employees (and their families and dependents) are safe in the event of a large-scale disaster. Other potential uses for the safety confirmation system include the following.

- (1) Contacting all employees with urgent information, such as site closures due to heavy snow or changes to work hours
- (2) Contacting specific employees with urgent information

### ● Including Relocation Detection Devices as a Standard Feature

In order to comply with the Foreign Exchange and Foreign Trade Act, we are working to prevent the illegal export, resale and relocation of machine tools via Citizen Machinery Co., Ltd. We fit relocation detection devices to all of our products in every series as standard, irrespective of whether they are bound for the domestic market or overseas markets. Such devices are designed to stop machine tools from working if they are relocated and can be used to control exports, by preventing the illegal use of machine tools for instance or verifying the location of machinery. We also license technology relating to such devices to other machine tool manufacturers.



# 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

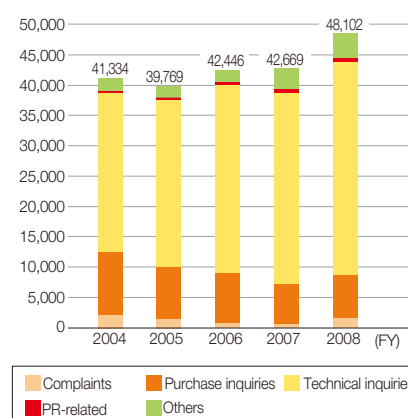
The domestic watch market is experiencing increased demand for products of a higher standard in all respects, from quality to functionality and design. Although Eco-Drive radio-controlled watches in particular have been a big hit with a wide range of customers, the number of customers looking for more 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 on Omotesando 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

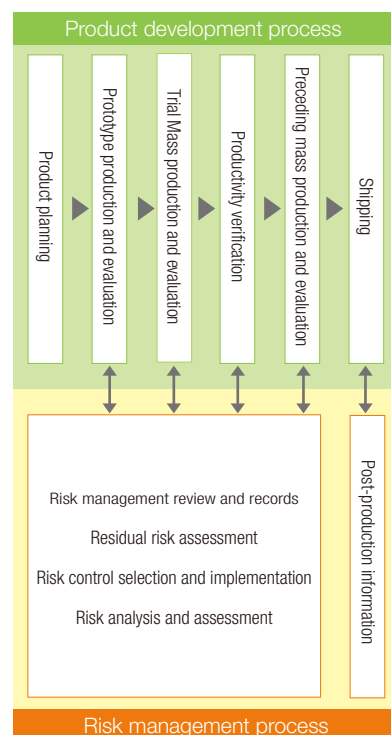


## Citizen and its Customers

### ●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



## Citizen and its Shareholders and Investors

Citizen Holdings Co., Ltd. aims to build strong relationships based on daily communication with all of its stakeholders, from customers and shareholders to suppliers and local communities, to improve its corporate value and shape the company's market value accordingly. With this in mind, we are committed to the disclosure of highly reliable information as and when needed and make every effort to ensure that our shares maintain a sound and fair price and are circulating effectively on the financial markets. We continue to organize quarterly earnings announcements and briefings, one-on-one meetings and a range of other IR events and are also working to improve the content of our website in an effort to create more opportunities to communicate with stakeholders.



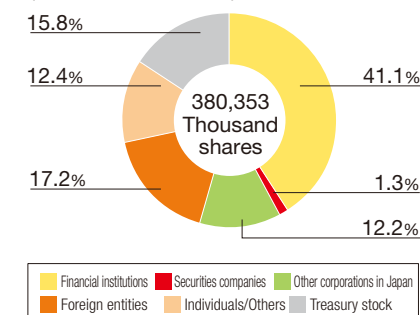
Managing Director  
Citizen Holdings Co., Ltd.

Osamu Yamada

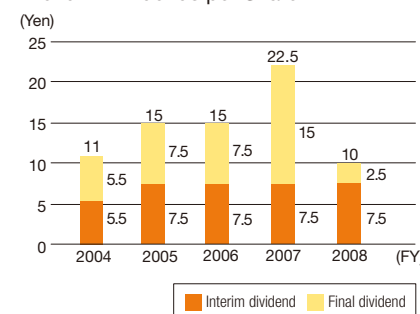
### Dividend Policy

At Citizen Holdings Co., Ltd., we calculate the "ratio of return to shareholders" based on the combined total of dividends and share buybacks as a percentage of consolidated net income. Ever since fiscal 2005, when we first introduced this policy, we have continued to work towards an average ratio of at least 30% for each period of three to five years. We try to determine dividends so as to strike a balance between reflecting the company's consolidated performance and maintaining stable dividends. Our aim in terms of share buybacks meanwhile is to return profits to our shareholders by increasing earnings per share whilst also improving capital efficiency.

#### Composition of Shareholders by Category (as of March 31, 2009)



#### Trend in Dividends per Share



### Information Disclosure and Investor Relations Activities

At Citizen Holdings Co., Ltd., we believe that daily communication with shareholders and investors helps create a broader shareholder base and ensure that the company's share price remains in line with its corporate value. We therefore make every effort to disclose highly reliable information as and when necessary to enable our shareholders and investors to make decisions.

The focus of our IR activities is placed firmly on ascertaining information needs and maintaining communication. As such, we organize quarterly earnings announcements and briefings and continue to provide more and more opportunities for communication through initiatives such as one-on-one meetings, factory tours and participation in IR events and conferences organized by securities companies. We are also taking steps to improve and expand the content of our website and presentation materials.

### Open shareholders' meetings

To enable more shareholders to attend, we always hold Citizen Holdings Co., Ltd.'s annual shareholders' meeting in a large-capacity venue with easy access, avoiding days on which other major companies are holding their meetings. Our June 2008 shareholders' meeting was attended by 337 shareholders. To make it easier for shareholders to exercise their voting rights, we have operated an electronic voting platform for institutional investors since our shareholders' meeting in 2007. In an effort to establish a closer relationship

with our shareholders, we also put on a varied display of Citizen Group products and try to structure meetings so that shareholders can easily voice their opinions and ask questions, thereby ensuring that meetings run smoothly.

### Preventing insider trading

We are in the process of rolling out the necessary procedures to prevent insider trading, including formulating and revising regulations, throughout the Citizen Group. We operate an approval system for all transactions made by directors at Citizen Holdings and domestic consolidated subsidiaries and other members of staff potentially able to access important information.

### Assessments from Outside Organizations

Since 2004, Citizen Holdings Co., Ltd. has been selected for inclusion in the Ethibel Sustainability Index by Belgian socially responsible investment (SRI) assessment company Ethibel for five consecutive years. Furthermore, our financial standing is currently rated as "A2" by Moody's Investors Service (as of March 2009), meaning that Citizen Holdings has a high level of trust and poses an extremely low risk of defaulting on debts.





# Citizen and its Business Partners

We are constantly committed to building strong relationships with suppliers as one of Citizen Group's top priorities and aim to work together so that we can grow hand in hand as business partners. To achieve this, we convey the policies of individual Group companies through daily communication with business partners and take on board suggested improvements regarding the purchasing of supplies, with regard to market trends, quality, price and delivery, in an effort to create an environment in which supplies can be bought and sold based on a shared understanding between both sides. We also actively comply with subcontracting legislation and have put in place the Citizen Group Committee on Appropriate Subcontracting to undertake regular educational and auditing activities.



Haruo Kino  
Director  
Citizen Business Expert Co., Ltd.

## Basic Approach to Purchasing

### Striving to build relationships with suppliers based on mutual trust

In the interests of creating better quality products, we aim to ensure that our suppliers grow and develop hand in hand with the Citizen Group in their capacity as business partners.

We procure materials and services in accordance with all relevant legislation and continue to work on improving the fairness and transparency of transactions with suppliers and building up relationships based on mutual trust.

With the transition to a pure holding company system in fiscal 2007, we have sought closer cooperation with our suppliers, including putting in place the necessary framework to reinforce procurement capabilities at individual subsidiaries and maintaining active communication with suppliers. We have also continued to step up cooperation between Group companies during fiscal 2008, for instance by starting work on the development of a Citizen Group Supplier Database containing details of all Group companies' suppliers.

### CSR procurement

Under the spirit of the Citizen Group Code of Conduct and the UN Global Compact, we try to build partnerships between the Citizen Group and suppliers that actively promote CSR, taking into account factors such as legal compliance, the environment and respect for human rights.

## Activities at Each Group Company

### Initiatives at Citizen Seimitsu

To ensure compliance with subcontractor and security export control legislation relating to commercial transactions and to maintain healthy relationships with suppliers, we conduct internal audits at Citizen Seimitsu Co., Ltd. once a year. We will continue to work on improving legal awareness amongst employees and establishing partnerships based on mutual trust with suppliers in the future.

### Initiatives at Citizen Machinery

We organize regular company policy briefings and share information with suppliers at Citizen Machinery Co., Ltd. in an effort to establish strong partnerships.

Having actively exchanged opinions regarding matters such as market trends, quality and lead times during fiscal 2008, we plan to review our Purchase Order Management Regulations and Supplier Selection Regulations during the first half of fiscal 2009 as we continue to reinforce and step up our business philosophy.



Explanation of company policy to suppliers

## Voice

### Communication with suppliers

The General Affairs Department's Purchase Section at Citizen Watch Co., Ltd. is responsible for procuring materials and electronic components for watches and other indirect materials. To manufacture products that guarantee customer satisfaction, it is vital to develop new materials and capabilities, ensure stable supplies and control quality levels. This makes it essential to establish cooperative relationships with suppliers.

The most important element in building strong

relationships of trust with suppliers is communication. We treat our suppliers as important partners and exchange information with them as part of our daily operations. We also organize regular technical and quality meetings to discuss key materials and components in an effort to establish mutual understanding with our suppliers based on shared goals and build stronger relationships.



Manager, General Affairs Dep.,  
Purchase Section  
Citizen Watch Co., Ltd.

Atsushi Yoshino

# Citizen and its Employees

Our activities during fiscal 2008 revolved around the concept of "people-oriented management," as the first step towards creating an environment in which people (employees) can excel. First and foremost, we believe that it is important to give employees the opportunity to put their skills to the best possible use and create an environment in which individuals can truly appreciate this. Having started by examining individuals at every level across all Group companies, we are working on the ongoing process of developing a framework within which to nurture and effectively harness human resources. In terms of human resource development, during fiscal 2008 we identified personnel who are expected to take over management roles at each company in the future and introduced a rotation system between subsidiaries.



Takeshi Kakishima  
Director  
Citizen Holdings Co., Ltd.

## Respecting Diversity

### Group Policy

We consider it to be the Citizen Group's duty as a company to respect individuals, embrace diversity and create an environment in which employees can thrive.

### Recruitment activities and promoting contract employees to permanent positions

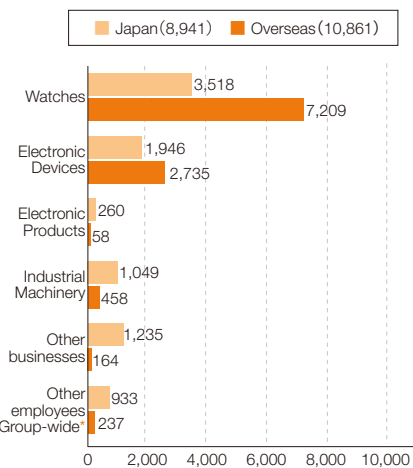
We hire new graduate recruits on a regular basis and experienced mid-career recruits from a long-term perspective at all Citizen Group companies. We also promote employees on fixed-term contracts to permanent employees on a regular basis, depending on factors such as their level of enthusiasm and capabilities. When recruiting personnel, we focus on individual skills, aptitude and drive, in an effort to ensure equal opportunities and diversity.

### Recruitment at 17 Major Group Companies

| New graduates |        |        |
|---------------|--------|--------|
|               | FY2007 | FY2008 |
| Male          | 122    | 91     |
| Female        | 41     | 32     |
| Total         | 163    | 123    |

| Mid-career recruits |        |        |
|---------------------|--------|--------|
|                     | FY2007 | FY2008 |
| Male                | 52     | 51     |
| Female              | 35     | 10     |
| Total               | 87     | 61     |

### Number of Employees by Business Segment (as of March 31, 2009)



\*Refers to employees in management departments not classifiable into specific segments

### Promoting employment of people with disabilities

We actively employ people with disabilities based on our basic policy of "working together." Although our employment rate for people with disabilities fell short of the previous year according to our statutory report for fiscal 2008 (dated June 1), subsequent recruitment activities brought our employment rate back up the year-ago level by the end of March 2009. We remain committed to employing more people with disabilities and increasing the range of eligible job opportunities in the future.

### Employment of People with Disabilities at 17 Major Group Companies

|                 | FY2007 | FY2008 |
|-----------------|--------|--------|
| Employment rate | 1.64%  | 1.58%  |

Note: Tabulated from reports (as of June 1) by each company to the Public Employment Security Office

## Example initiative Citizen Watch

### Improving internal communication

One of the Technical Development Division's aims last year was to transform the culture within the division and develop human resources. As one of our initiatives, we made improved communication to harness our combined strengths as a key priority. As a large division, we needed to address two main issues, namely (1) difficulties maintaining communication with all members of staff as part of daily operations and (2) insufficient interaction between employees in different departments.

In an effort to resolve these issues, we organize a series of two or three lunches each month whereby a number of employees are invited to join the Senior General Manager and Deputy Senior General Manager for lunch. After having lunch together, members of staff start to interact more naturally with one another when their paths cross at work, creating an atmosphere that is more conducive to discussion. Feedback from younger members of staff has included comments such as "I was a bit nervous, but I was able to talk to the Division Manager and Deputy Manager for the first time and get to know them a little better" and "it was a good opportunity to talk to people from other departments." We intend to continue lunches such as this in the future so that all members of staff can take part.



Lunch meeting



# Citizen and its Employees

## Cultivating Human Resources

### Group Policy

Individual Citizen Group companies are responsible for training human resources that are capable of adapting to their working environment, based on the respective company's policy. With a range of training schemes available, including tiered training organized by Citizen Holdings and educational activities organized by individual Group companies, we have established a comprehensive training environment for human resources within the Citizen Group.

### Group-wide tiered human resource development program

Working from a Group-wide perspective, Citizen Holdings Co., Ltd. organizes the Citizen University training program, a tiered program for Group company employees at each level irrespective of their line of work.

In addition to existing training schemes for younger staff, more senior staff, and new managers, in fiscal 2008 we expanded our range of training with the introduction of a new scheme for newly appointed directors.

We are aiming to make training schemes for Group employees even more effective in the future, introducing initiatives such as voluntary application-based schemes and training assessments in an effort to make training more beneficial to those taking part.

### Expanding our skill development system in the watch sector

In addition to training in watch-making techniques, we have in place a skill development system at Citizen Watch Co., Ltd. and organize training sessions during the third week of every month, revolving primarily around "Legal Mind Training" in practical legal skills. We are currently taking steps to refine our training curriculum, which includes expanding specialist vocational training, and to improve the standard of training in watch-making techniques.

At Citizen Heiwa Watch, meanwhile, we are seeking to secure an edge in terms of domestic production. Our brand is built on the intangible foundations that underpin each product, namely the

people who make it, the environment in which they work, and their attitude towards manufacturing. Having documented the steps involved in this process, in September 2008 we received the Japan IE Documentation Award at the National Annual Conference on Industrial Engineering (IE).



Japan IE Documentation Award plaque

## Promoting a work-life balance

### Group Policy

We are working to put in place the necessary framework to create an ideal working environment in which all Citizen Group employees can strike a balance between their work and private lives.

### Flexibly operating a range of leave schemes

Through initiatives such as operating a pooled leave system to enable employees to use lapsed annual leave and flexibly managing work patterns to suit conditions in the workplace, we are creating an environment in which Citizen Group employees can easily take leave via a range of different schemes.

As part of our ongoing efforts to support next-generation development at Citizen Watch, we have extended the duration of reduced work hours for employees raising children from the start of elementary school to the end of the third grade of elementary school. In terms of nursing care leave meanwhile, we have extended reduced working hours from one hour to two hours to offer greater convenience. One of the main issues for the future will be to create a working environment in which it is easier for male employees to take childcare leave.

On other fronts, we organize Citizen Family Days for employees' children, chiefly at our Tokyo and Tokorozawa Offices. The aim of this scheme is to enable children to see where their mothers and fathers work and what sort of work they do on a day-to-day basis, thereby helping to improve family communication.

### Employee Usage of Child Care Leave Opportunities at 17 Major Group Companies

|        | FY2007 | FY2008 |
|--------|--------|--------|
| Male   | 0      | 0      |
| Female | 50     | 51     |
| Total  | 50     | 51     |

### Employee Usage of Nursing Care Leave Opportunities at 17 Major Group Companies

|        | FY2007 | FY2008 |
|--------|--------|--------|
| Male   | 0      | 0      |
| Female | 2      | 4      |
| Total  | 2      | 4      |



Citizen Family Day

## Creating healthy, safe and comfortable environments

### Group initiatives

Based on our broad policy of protecting the health and safety of all Citizen Group employees, we carry out activities with the aim of completely eliminating accidents resulting in lost work time. With this in mind, we set out priority measures and formulate annual plans in line with conditions at each Group company and carry out activities accordingly.

We invite representatives from all Group companies with manufacturing divisions to attend Group Health and Safety Briefings twice a year. The aim is to summarize activities, plans and achievements at each company, share relevant information and improve the overall standard of health and safety activities. At the November 2008 briefing, we discussed two main topics — initiatives to promote health and fitness and action to respond to new strains of influenza — to establish an understanding of the current situation and explore potential initiatives for the future.

## Initiatives to Prevent Sexual Harassment and Abuse of Authority

### Example initiative

### Citizen Sayama

### Organizing training aimed at preventing harassment in the workplace

We organize training for all employees at Citizen Sayama Co., Ltd. Group companies in an effort to prevent harassment in the workplace. Training covers areas such as different types of harassment, the impact that harassment has on the workplace and individuals and the causes of harassment. Training is aimed at preventing psychological harassment in particular, which is something

that anyone can be guilty of, sometimes on a repeated basis, without even realizing it. We use check sheets designed to highlight the likelihood of employees engaging in or falling victim to harassment to help them appreciate the feelings of those around them and modify their thoughts and actions if necessary. We are also publicizing and encouraging employees to use our Corporate Ethics Hotline.

## Reinforcing Mental Health Activities

### Example initiative

### Citizen Business Expert

### Mental health education at the Tokyo and Tokorozawa Offices and Tokyo Sales Center

Having launched a Mental Health Project in 2004 and set up a Mental Health Committee in 2007, we continue to step up activities in the field of mental health. We adopt measures designed to prevent mental health issues from arising, including educational activities run by committee members in individual workplaces and annual stress assessments for all employees, aimed at encouraging employees to take better care of themselves and improving working environments. Each workplace is then provided with feedback based on assessment results.

In addition to setting up internal and external hotlines,

we also provide preventive consultations, for instance after stress assessments, and continually work in partnership with individual workplaces to provide assistance for employees suffering from mental health issues and help employees reintegrate into the workplace after a period of leave. We intend to focus more closely on tiered training for the likes of new recruits, employees entering their 30s, newly promoted senior staff, and managers in the future, whilst also offering consultations for overworked employees and providing workplace feedback, in an effort to improve mental healthcare via the chain of command.

## Safety activities at the Tokyo and Tokorozawa Offices and Tokyo Sales Center

To protect the health and safety of employees at our Tokyo and Tokorozawa Offices and Tokyo Sales Center, we have drawn up clear goals and specific action plans in the field of occupational health and safety and are currently promoting activities based on the slogan "Healthy Management."

Bearing in mind that preventing minor accidents can help prevent more serious accidents, we implement a range of safety education schemes in line with annual plans at our Tokyo Office, including RST (rodosho-style training, a training system set out by the former Ministry of Labor) and KYT (Kiken Yochi Training, a training system aimed at preempting risks). We also investigate any accidents that have occurred via our Health and Safety Committee to prevent a recurrence. We organize patrols during safety weeks, health weeks and at the start and end of the year in order to check for any safety issues. We also conduct risk assessments on all workplaces to enable us to identify potential risks in the workplace and take

### Accidents Occurring at 17 Major Group Companies

|  | FY2007 | FY2008 |
|--|--------|--------|
| No. of fatal accidents                       | 0      | 0      |
| No. of accidents resulting in lost work time | 6      | 3      |

preventive action.

We operate a system whereby, before using any new chemical substance, a Assessment Sheet of new chemicals has to be filed with the Committee on Assessment of new chemicals, accompanied by a Risk Assessment Record and Material Safety Data Sheet (MSDS), and the relevant substance screened to ensure that it is safe and environmentally friendly. We plan to introduce an occupational health and safety management system to minimize the risk of potential accidents in the workplace in the future in an effort to promote employee health and ensure pleasant working environments.

## Health promotion support

We carry out a wide range of activities designed to ensure that Citizen Group employees remain physically and

mentally healthy at work. We provide employees with health advice and secondary examinations if necessary based on the results of health checks. We also provide workplace reintegration support and regularly monitor employees who have been ill to give them added peace of mind as they work.

To enable employees to improve their health levels, we also provide support to help quit smoking, organize walking events, put on a range of seminars, and provide health-related information via Group publications and the intranet as part of health promotion support activities.



Health advice from a company doctor

## Human Rights and Labor Relations

We hold regular meetings between Citizen Group companies and the labor union acting on behalf of our employees to negotiate and discuss issues such as management policy and working conditions and strive to forge stable relationships between labor and management based on mutual respect for the other party's position.

We will continue to discuss issues such as the Group's operating structure and business restructuring in the future in an effort to enhance the corporate value of individual Group companies and improve levels of employee satisfaction.

### Example initiative

### Citizen Labor Union Social Contribution Awards

Following in the footsteps of Citizen Holdings' Citizen of the Year scheme, the Citizen labor union presents employees with Social Contribution Awards once a year. Awards are given to employees who have been actively involved in a wide range of social contribution activities, in areas such as social welfare and the environment protection, in their private lives rather than through their work. A total of ten employees have received awards since the scheme was launched in 2003.



# Citizen and Local Communities

Article 5 of the Citizen Group Code of Conduct states that the Citizen Group will always “value symbiosis with local communities and strive to contribute to society as a good corporate citizen.” As a member of society, we try to ensure that our business activities benefit society as a whole and make the most of the ties that Group companies have built up with local communities to help revitalize communities.

We also work with the likes of local governments, NGOs/NPOs and volunteer organizations as essential partners to enable us to fulfill our duties as a good corporate citizen.



**Shiro Hisada**  
President  
Citizen Seimitsu Co., Ltd.

## The Citizen of the Year

The Citizen of the Year award scheme recognizes citizens who have worked behind the scenes to inspire people and contribute to the development, happiness and overall appeal of their local community. The scheme was established in 1990 to mark the company's 60th anniversary, as a fitting award sharing the same name (Citizen).

Recipients of the 19th Citizen of the Year award in fiscal 2008 were as follows.



The Fiscal 2008 Citizen of the Year Award Ceremony

The Citizen of the Year  
<http://www.citizen.co.jp/english/csr/region/area/coy.html>

## Overseas activities

### Blood donation activities at Saraburi Hospital (Thailand)

In fiscal 2008, we organized blood donation activities for the second time via Royal Time Citi Co., Ltd. Inspired by an employee's husband, who has leukemia and requires large quantities of blood for transfusions as part of his treatment, a total of 82 employees participated. We will continue to take the initiative and organize further blood donation activities in the future.



● **Kazuya Ito (deceased)**  
(Kakegawa city, Shizuoka prefecture)  
Kazuya Ito made the most of his expertise to assist with agricultural projects in war-torn Afghanistan in an effort to help create a greener country capable of growing enough food to feed its children.

### ● Kawasaki Owner-Driven Taxi Cooperative Association (Kawasaki city, Kanagawa prefecture)

The members of the Kawasaki Owner-Driven Taxi Co-op have been taking children from Shiinoki Gakuen, a local facility for students with an intellectual disability, on excursions in their taxis for the past 30 years.



### ● Izumi Municipal Sho Junior High School (Izumi city, Kagoshima prefecture)

The students at Sho Junior High School have been working together to monitor and keep official records of the local crane population during the early mornings in winter each year for more than 50 years.



### Education support activities in China

At Goodrington Co., Ltd. in China, we provided 37 students from Guangdong provincial senior technical school of light industry with assistance with the aim of encouraging them to become engineers in the future. We also organize factory tours and assist with practical work experience schemes, as part of which 11 graduates are currently working at Goodrington (as of May 2009).



## Domestic activities



### ● Cleanup campaigns and other environmental and aesthetic activities

Employees at Citizen Seimitsu Co., Ltd. get actively involved in local cleanup activities to help preserve the beautiful natural environment for future generations. Roughly 600 employees took part in the Mount Fuji Cleanup Campaign and the Fujikawaguchiko Town Cleanup Campaign, both of which were organized by the Mount Fuji Beautification Foundation.



### ● Providing assistance for victims of the Sichuan earthquake

In an effort to assist with rescue and recovery support activities in the wake of the massive earthquake in China's Sichuan province, we pledged a total of ¥50 million in donations and relief on behalf of the Citizen Group via organizations such as the Japanese Red Cross, the Japanese Business Foundation (Keidanren) and the Chinese Red Cross.



### ▲ Cosponsoring health events

We cosponsor a range of events through Citizen Systems Japan Co., Ltd., providing health-related equipment such as pedometers in an effort to keep people fit and healthy. This year we cosponsored the 13th Tokyo International Three Day March (Koganei, Tokyo) and the 31st Japan Three Day March (Higashi Matsuyama, Saitama prefecture).



### ▲ Sharing the joys of manufacturing

We actively organize work experience and internship schemes for junior high school students at all Citizen Group companies. At Citizen Tohoku for instance, we organize factory tours for local fourth and fifth grade elementary school students and have even launched a watch-making school in an effort to encourage the next generation to take on the challenges of manufacturing. Students look through microscopes and move parts around with tweezers. They also enjoy assembling sundial watches. A total of 347 students from nine organizations had taken part in such initiatives as of March 2009.

### ▲ Making a social contribution via our table tennis club

Citizen Holdings Co., Ltd.'s table tennis club, which has a history dating back more than 40 years and boasts many talented members, organizes table tennis courses and training sessions throughout Japan. A total of 2,980 people took part in the 22 sessions organized by the club in nine different prefectures during fiscal 2008.



### ▶ Protecting the Shijimiaeoides Divinus butterfly

We organized the 4th Parent and Child Outing at Citizen Finetech Miyota Co., Ltd.'s Kitamimaki Works with the aim of helping to restore the local population of the endangered Shijimiaeoides Divinus butterfly. According to the Chairman of the Shijimiaeoides Divinus Protection Society, “the population has recovered to the same level as 30 years ago, with the number of butterflies doubling in recent years”.



### ▶ Preserving traditional culture through the Fire Festival and Ryujin Festival

We actively take part in local traditional events and do our bit to help revitalize local communities. Citizen Electronics Co., Ltd. and Citizen Seimitsu Co., Ltd. dedicated taimatsu pine torches at the Yoshida Fire Festival, which is known as one of the big three unusual Japanese festivals, to give thanks for safety of mountain climbers and the success of the companies. 104 employees from Citizen Finetech Miyota Co., Ltd. meanwhile took part in dancing at the Ryujin Festival.

The Citizen Group's social contribution activities  
<http://www.citizen.co.jp/english/csr/region/area/group.html>



The Citizen Group’s Environmental Management

Given the Citizen Group’s philosophy of “contributing to and striving to be respected by the citizens of the world,” our number one priority is clearly the provision of products that are good for people and the planet. Nonetheless, we also consider it to be our duty to follow manufacturing practices that are good for people and the planet as well.

Focusing on the four strands of the Citizen Long-Term Environmental Plan 2010 as a set of Group-wide environmental guidelines ((1) promotion of environmental management, (2) promotion of environmentally-friendly products, (3) promotion of environmental management at factories and (4) promotion of ecologically aware, ecologically sustainable lifestyles), we are working our way slowly but surely towards achieving Citizen’s Vision for the Environment and Society in 2025.



Citizen’s Vision for the Environment and Society and Long-Term Environmental Plan

Citizen’s Vision for the Environment and Society in 2025 specifies the orientation of the Group’s activities to achieve a sustainable society and protect the global environment for many years to come.

Based on the Citizen Group’s philosophy of “Contributing to and Striving to be Respected by the Citizens of the World,” we continue to make every possible effort to provide products that are always close to people’s hearts and that are useful, good for people and the planet and respectful of human nature. Similarly, we always have our sights set on a brighter future as part of our environmental activities and are committed to laying the foundations for a sustainable society in which people can enjoy richly rewarding lives with confidence.

We have set out Citizen’s Vision for the Environment and Society in 2025 and are confident that we will be able to make it a reality by slowly but surely building on our achievements. To achieve our vision, we have also mapped out our goals for fiscal 2010 in the form of the Citizen Long-Term Environmental Plan 2010. As such, we are currently focusing on implementing the four core elements outlined therein, namely promoting environmental management, environmentally-friendly products, environmental factory management and ecologically aware, sustainable lifestyles. We intend to fulfill our social responsibilities as a member of a larger recycling-based society by ensuring that all Citizen Group products are environmentally-friendly products and by reducing CO<sub>2</sub> emissions at all production sites, and completely eliminating waste.

Citizen’s Vision for the Environment and Society in 2025

Based on our philosophy of “Contributing to and Striving to be Respected by the Citizens of the World,” we contribute to a citizen-based sustainable society in which people can enjoy life with a sense of security and fulfillment.

Citizen offers products that are always close at hand and are good for people and the world.

Enacted July 20, 2004  
Revised April 1, 2007

Citizen Long-Term Environmental Plan 2010

- Promotion of Environmental Management**
  - Proactively respond to global environmental laws and regulations and trends.
  - Communicate with stakeholders, and incorporate results into management practices.
  - Develop environment management throughout the Group.
- Promotion of Environmentally-Friendly Products**
  - Reduce the product’s environmental footprint**
    - During planning and development
      - Promote smaller products
      - Enhance commonality of components and uniformity of materials
      - Develop long-lasting products
      - Promote Life Cycle Assessment (LCA)
    - During use
      - Promote development of products that use lowenergy
      - Promote development of products that do not require battery change
    - At time of disposal
      - Promote recycling
    - At time of packaging
      - Promote reuse of packaging materials
      - Promote material recycling of packaging waste
      - Reduce the amount of packaging
  - Publish information about product’s environmental footprint**
- Promotion of Environmental Management at Factories**
  - Make effective use of resources**
    - Use resources efficiently
    - Promote zero waste
    - Enhance efforts to reduce chemical emissions
  - Reduce CO<sub>2</sub> emissions**
    - Reduce CO<sub>2</sub> emissions (to 90% of FY2000 levels)
    - Implement high-efficiency energy systems
  - Strengthen green procurement**
    - Strengthen the management system of chemical substances contained in the products in cooperation with suppliers
  - Promote environmental technologies**
    - Promote technologies to meet global environmental regulations
- Promote Ecologically Aware, Ecologically Sustainable Lifestyles (Contribute to a Sustainable Society)**
  - Disseminate and publicize Environmentally-Friendly Products
  - Cultivate human resources
    - Implement employee training systems
  - Promote communication with local societies**
    - Promote communication with local authorities and societies

Enacted July 20, 2004  
Revised April 1, 2007

| Environmental Targets and Results for Fiscal 2007 and Targets for Fiscal 2008   |   |            |   |            |
|---|---|------------|---|------------|
| ○ Achieved △ Nearly achieved × Not achieved   |   |            |   |            |
| Targets for FY2008  | Results for FY2008  | Evaluation | Targets for FY2009  | References |
| 1. Enhancing environmentally-friendly products  |   |            | 1. Enhancing environmentally-friendly products  |            |
| Increase the ratio of environmentally-friendly products among new models to 100%  | Achieved in 100% of electronic products and 99% of watches  | △          | Increase the ratio of environmentally-friendly products among newmodels to 100%                               | P39        |
| Develop Citizen Super Environmentally-Friendly Products   | Yet to reach planning and development stages  | ×          | Develop Citizen Super Environmentally-Friendly Products   |            |
| Utilize LCA   | Disclosed LCA data on calculator printers   | ○          | Prepare for compliance with EuP Directive   |            |
| Enhancing green procurement operations  | Implemented green procurement at relevant companies   | ○          | Establish management system for chemical substances contained in products in accordance with REACH regulation |            |
| Prepare to establish management system for chemical substances contained in products in accordance with REACH regulation* | Introduced management system in accordance with REACH regulation                                  | ○          |   |            |
| 2. Environmentally-friendly business activities   |   |            | 2. Environmentally-friendly business activities   | P35<br>P36 |
| Each department is to implement at least one theme (Tokyo, Tokorozawa)  | 84 themes implemented in 25 Tokyo departments/ 39 themes implemented in 11 Tokorozawa departments | ○          | Each department is to implement at least one theme (Tokyo, Tokorozawa)  |            |
| 3. Reducing greenhouse gases  |   |            | 3. Reducing greenhouse gases  |            |
| Reduce CO <sub>2</sub> emissions at Tokyo offices by 44% (13,300 tons) compared with FY 1999                              | Reduced CO <sub>2</sub> emissions by 49% compared to fiscal 1999 (12,064 tons)                    | ○          | Reduce CO <sub>2</sub> emissions at Tokyo offices by 50% (11,900 tons) compared with FY1999                   | P41        |
| Reduce CO <sub>2</sub> emissions at Tokorozawa offices by 14% (10,533 tons) compared with FY1999                          | Reduced CO <sub>2</sub> emissions by 16% compared to fiscal 1999 (10,195 tons)                    | ○          | Reduce CO <sub>2</sub> emissions at Tokorozawa offices by 17% (10,080 tons) compared with FY1999              |            |
| Reduce group-wide CO <sub>2</sub> emissions by 1% per unit of sales compared with FY2007                                  | 10% compared to FY 2007 (per unit of sales)   | ×          | Reduce group-wide CO <sub>2</sub> emissions per unit of sales by 1% compared with FY2008                      |            |
| 4. Promoting waste reduction activities   |   |            | 4. Promoting waste reduction activities   |            |
| Reduce and manage industrial waste at Tokyo offices   | Reduced 78% (123 tons) compared with FY1999   | ○          | Reduce and manage industrial waste at Tokyo offices   | P42        |
| Reduce and manage industrial waste at Tokorozawa offices  | Reduced 53% (80 tons) compared with FY1999  | ○          | Reduce and manage industrial waste at Tokorozawa offices  |            |
| Reduce group-wide waste output by 1% per unit of sales compared with FY2007   | 3% compared to FY 2007 (per unit of sales)  | ×          | Reduce group-wide waste output per unit of sales by 1% compared with FY2008                                   |            |
| Achieve a 98% group-wide recycling rate   | 98%   | ○          | Achieve a 99% group-wide recycling rate   |            |
| 5. Reducing chemical substances   |   |            | 5. Reducing chemical substances   | P40        |
| Advance cyanide compound alternatives group-wide  | In progress at relevant companies   | ○          | Advance cyanide compound alternatives group-wide  |            |

\* REACH regulation : Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemical substances within the EU  
Tokyo Office : Citizen Holdings, Citizen Business Expert, Citizen Watch, Citizen Systems, Citizen Logistics Service  
Tokorozawa Office : Citizen Holdings, Citizen Business Expert, Citizen Watch  
( As of March 31, 2009 )



# Environmental Management

We have established a group-wide environmental management system and continue to promote environmental management aimed at optimizing activities throughout the Citizen Group and producing results efficiently and reliably.

## Environmental Management System

We have established a group-wide environmental management system to efficiently and precisely promote environmental management throughout the Citizen Group. We hold Group Environmental Management Committee meetings twice a year, bringing together environmental managers at 19 domestic Group companies to ascertain progress with activities at each company, review yearly environmental management targets and common issues and make decisions accordingly. The committee also presides over a number of subcommittees whose role it is to promote specific measures in their respective areas of specialization, including energy saving, waste reduction and environmentally-friendly products.

## Environmental management at Group companies

All 28 of our domestic production companies have obtained ISO 14001 certification and promote environmental management activities based on the nature of their respective lines of business.

At our overseas production companies meanwhile, we focus on initiatives that are crucial to manufacturing environmentally-friendly products, including green procurement and chemical substance management, and continue to make steady progress in terms of ISO 14001 certification.

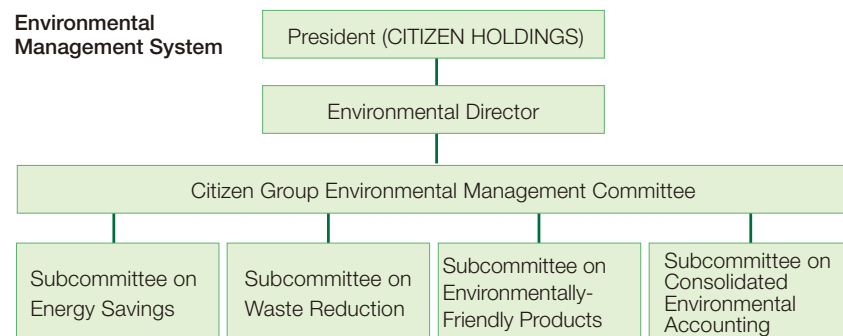
We also carry out activities aimed at reducing environmental impact at non-manufacturing companies, based on the nature of each company's operations.

## Environmental education and awareness activities

In the interests of promoting environmental management, it is essential that each and every one of the Group's employees appreciates the importance of environmental activities. At our Tokyo Office for instance, we have introduced a range of environmental education initiatives as part of a broader educational framework, including a training scheme for new recruits. We organize annual educational sessions for environmental managers and internal auditors and environmental compliance assessment training for members of staff responsible for environmental activities in each department. We also carry out simulated emergency drills in production departments that handle toxic or hazardous substances.

On other fronts, we have put in place our own Business License System to motivate employees to obtain official qualifications in capacities such as Environmental Pollution Control Operator or Energy Manager.

During Environmental Month (June) and Global Warming Prevention Month (December), we run initiatives such as screening environmental films and distributing packets of flower seeds bearing ecological messages to employees as they arrive at work.



Acquisition status of the ISO 14001 certification  
<http://www.citizen.co.jp/english/csr/environment/iso.html>

### Example Initiative Citizen Finetech Miyota

#### Environmental household accounting scheme

One of the main causes of global warming is the mass consumption of energy required to sustain our comfortable day to day lives. With this in mind, we have introduced an environmental household accounting scheme aimed at raising awareness of environmental issues and encouraging individuals to take action, starting in the home. Households taking part in the environmental household accounting scheme record their energy consumption around the home so that they can ascertain how much CO<sub>2</sub> their lifestyles produce. Households are then supposed take action to reduce their emissions and are commended based on their activities and how effective they have been.

Our activities are based on the slogan "having fun saving money and the environment." As the first year in which the scheme has been fully up and running, 148 employees (roughly 17%) took up the challenge of reducing CO<sub>2</sub> emissions as a family in fiscal 2009.



Taking on challenges as a family



A screening of the film An Inconvenient Truth



Packets of flower seeds for distribution

## Environmental auditing

Our Tokyo and Tokorozawa Offices undergo an annual external audit conducted by an ISO assessment organization. We also conduct internal audits twice a year as a rule.

### Example Initiative Citizen Business Expert

#### Environmental Watching in Nishitokyo

On February 12, 2009, we invited members of the local community to take part in an Environmental Watching tour around our Tokyo Offices. This was part of an event organized by Nishitokyo City, featuring tours around a number of locally-based companies. Participants listened attentively as they were told about how industrial waste is separated and given information on energy saving and other facilities and were eager to ask questions and express their opinions on matters such as intermittent lighting, the percentage of resources reused and waste recycling after the tour. Feedback from participants included comments such as "I really got the impression that Citizen is committed to helping the environment," "there was a lot of useful information, so I have learnt a great deal" and "it would be good to have some more greenery."



Explanation on how industrial waste is separated

## Environmental risk management

Our environmental risk management activities within the Citizen Group cover areas such as compliance with environmental legislation, management of chemical substances contained in our products, waste and recycling governance and measures to combat soil and groundwater contamination. We aim to implement effective measures at all Group companies based on information exchanged via the Group Environmental Management Committee.

### Soil and groundwater surveys and progress with countermeasures

We conducted surveys on the usage history of hazardous substances at all of our production bases, both in Japan and overseas, in fiscal 2006 and evaluated measures taken on a five-point scale. We are currently in the process of carrying out voluntary soil and groundwater surveys at sites deemed to be at high risk of contamination. If the relevant surveys reveal evidence of contamination at any of our bases, we will report the matter to the authorities and take steps to remedy the situation as instructed.

#### Results of soil and groundwater surveys and progress with countermeasures

| Location                                     | Contaminant(s)             | Countermeasures  | Progress with countermeasures |
|--|----------------------------|--|-------------------------------|
| CITIZEN FINETECH MIYOTA<br>CITIZEN MACHINERY | Volatile organic compounds | Aeration of pumped water and activated carbon absorption | Ongoing since April 2006      |
| CITIZEN TOHOKU                               | Volatile organic compounds | Purifying filters (permeable reactive barriers)          | Ongoing since May 2007        |

### Example Initiative Citizen Seimitsu

#### Irregular fluorine levels in wastewater

An onsite wastewater inspection carried out by Yamanashi Prefecture Forestry and Environment Department in September 2008 found levels of fluorine in violation of standards set out in a Yamanashi Prefecture ordinance designed to safeguard living environments (5ppm). Having taken steps to improve production processes and treat wastewater as instructed by the prefectural government however, we successfully passed a second official inspection.

The problem in question stemmed from the fact that we had taken revised standards for fluorine levels in wastewater under the Yamanashi Prefecture ordinance to be provisional standards and, as such, were not monitoring levels correctly. We will continue to check legislation and ordinances on a regular basis in the future to enable us to monitor levels correctly. We sincerely regret this incident and will make sure that we comply with all applicable rules from now on so as to prevent a recurrence.



We have installed an additional rough cleaning tank and have started to collect rough cleaning fluid.

We have modified our wastewater treatment system to enable it to remove fluorine.

### Example Initiative Citizen Tohoku

#### Wastewater management at Citizen Tohoku

In 2003 we built an above-ground wastewater treatment facility designed to prioritize safety and security so that no fluid used in the surface treatment process is discharged. We laid the necessary piping (facilities leading from treatment sites) in combined-use underground channels, which are made of concrete so that people can walk on them. We now have the necessary facilities to enable us to quickly detect and deal with any leaks that may occur from our facilities or piping.

We use 18 of the indicators specified by Kitakami City in its sewage ordinance and analyze and manage levels on an in-house basis as part of wastewater treatment. We analyze four of the relevant indicators (temperature, pH, P and N) every

hour and the remaining indicators once a day. We also commission a third party organization to conduct an independent analysis once a month and carry out monthly patrols to check piping in combined-use channels.

Although both of the major earthquakes that struck Iwate in June and July 2008 occurred outside work hours, managers at all of our wastewater treatment facilities and surface treatment sites rushed into work as soon as the earthquakes struck to check our facilities, piping in combined-use channels and surface treatment sites for irregularities. Emergency measures were taken to repair any damage and facilities were checked again the following morning. Once recovery work had been completed

and checked for any potential issues, operations got underway once again. A detailed report was submitted to management, outlining every step up to completion of recovery work in accordance with our Emergency Response Manual.



Using a measure to check the pH of waste water in a combined-use channel

# Business Activities and Environmental Impact

We accurately ascertain the total input of energy and chemical substances, and total emissions of CO<sub>2</sub> and waste, for the Group and apply this knowledge to well-planned activities to reduce environmental impacts.

Environmental Accounting  
<http://www.citizen.co.jp/english/csr/environment/accounting.html>

## INPUT

|   |          |           |                                      |          |       |
|---|----------|-----------|--------------------------------------|----------|-------|
| Total energy input (gigajoules)   | Japan    | 2,453,088 | Chemical substances input (tons)     | Japan    | 559   |
|   | Overseas | 883,960   |                                      | Overseas | 1,534 |
| Water resource input (thousands of cubic meters)                          | Japan    | 1,703     | Containers and packaging used (tons) | Japan    | 709   |
|   | Overseas | 1,560     |                                      | Overseas | 774   |
| Repeated use of water within the organization (thousands of cubic meters) | Japan    | 527       |                                      |          |       |
|   | Overseas | 5         |                                      |          |       |

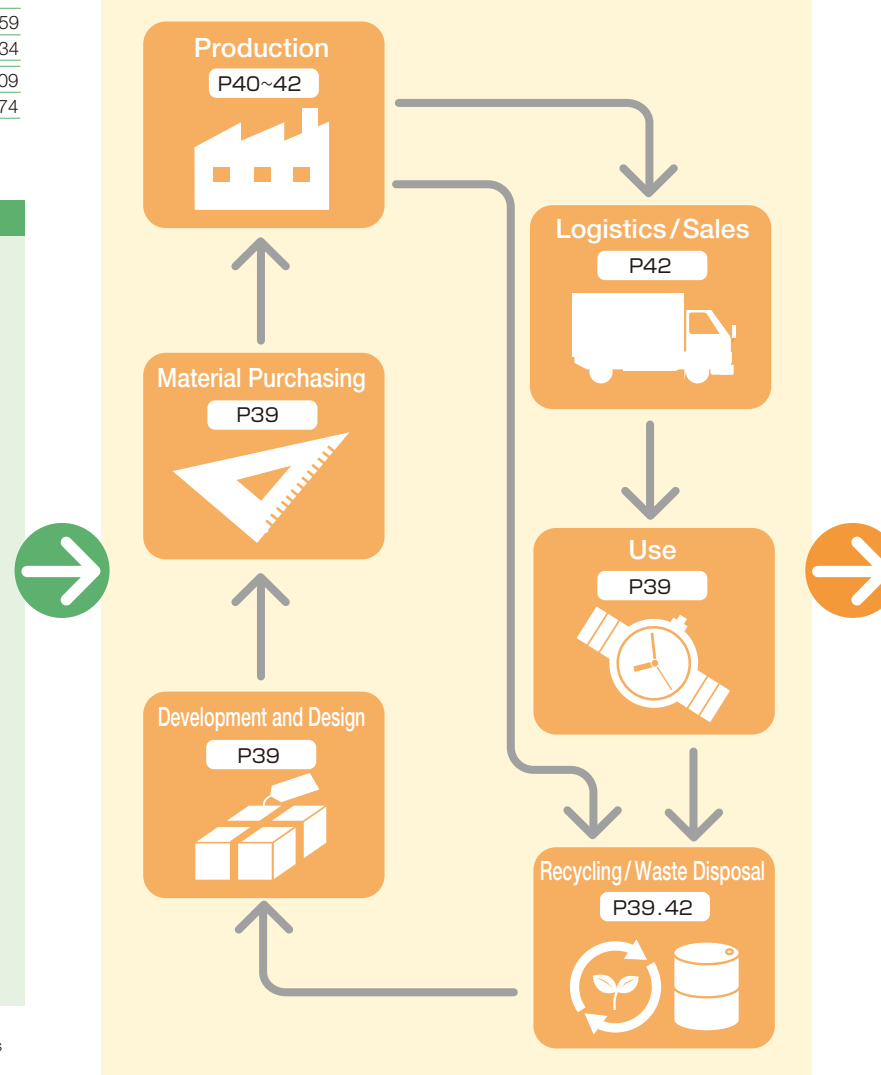
### Input at group Companies in Japan



Input and output data does not include environmental impact at the distribution/sales, usage or procurement stages. Yearly figures may vary from last year's report due to revised calculations.

\* The amount of heavy oil used increased as a result of the installation of cogeneration and power generation facilities in fiscal 2004.

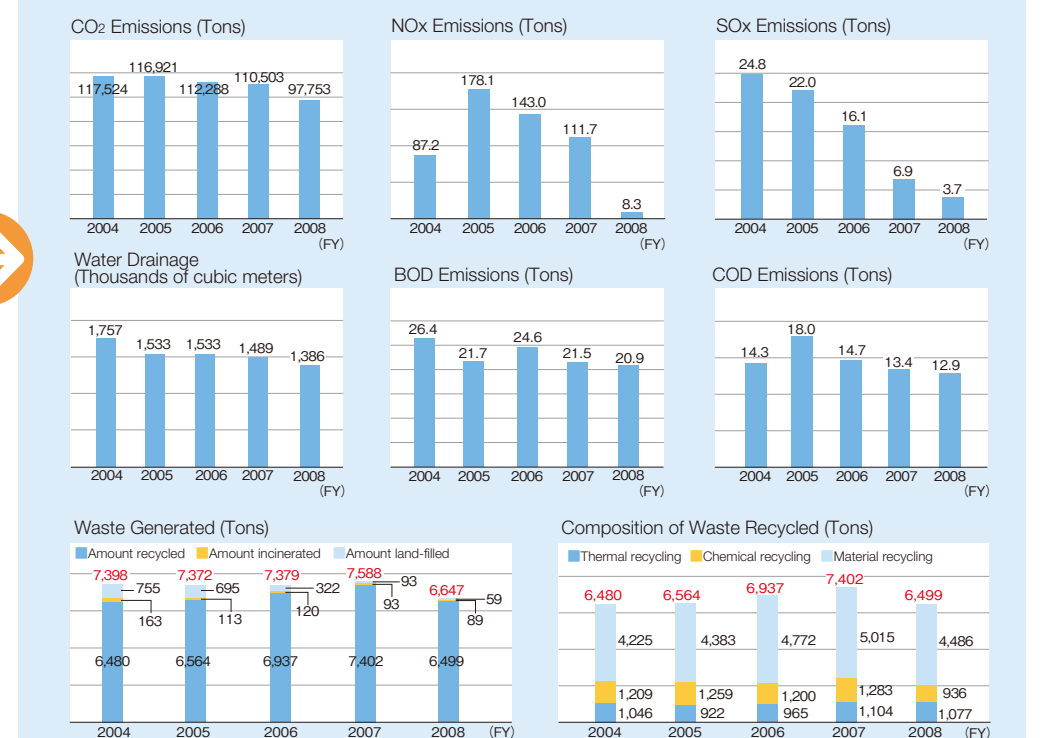
## Business Activities



## OUTPUT

|   |          |        |                          |          |       |
|---|----------|--------|--------------------------|----------|-------|
| CO <sub>2</sub> emissions (Tons-CO <sub>2</sub> ) | Japan    | 97,753 | BOD emissions (Tons)     | Japan    | 21    |
|   | Overseas | 34,113 |                          | Overseas | 55    |
| NOx emissions (Tons)                              | Japan    | 8      | COD emissions (Tons)     | Japan    | 13    |
|   | Overseas | 3      |                          | Overseas | 57    |
| SOx emissions (Tons)                              | Japan    | 4      | Waste generated (Tons)   | Japan    | 6,647 |
|   | Overseas | 4      |                          | Overseas | 1,845 |
| Water drainage (Thousands of cubic meters)        | Japan    | 1,386  | Waste land-filled (Tons) | Japan    | 59    |
|   | Overseas | 985    |                          | Overseas | 1,179 |

### Output at group Companies in Japan



## Environmental Accounting

The Consolidated environmental accounting was calculated for Citizen Holdings and its main group manufacturers and suppliers. The accounting of economic costs and benefits considers only the actual results and does not take into consideration the various benefits associated with risk avoidance.

Total investment for the period was ¥17,272 million, with total R&D cost at ¥12,312 million.

### Environmental Conservation Costs (Millions of yen)

| Category                             | Major Initiatives  | Investment | Costs |
|--------------------------------------|--|------------|-------|
| Business areas costs                 |  | 180        | 994   |
| Breakdown                            |  |            |       |
| 1) Pollution prevention              | Prevention of air, water and sound pollution   | 60         | 578   |
| 2) Global environmental conservation | Energy conservation  | 117        | 217   |
| 3) Resource circulation              | Waste reduction and recycling, effective water usage   | 3          | 199   |
| Upstream/down stream costs           | Recycling of containers and packaging, use of the Eco Mark   | 0          | 21    |
| Administration costs                 | Environmental education, operation of environmental management systems, tree-planting and beautification at Company facilities | 6          | 367   |
| R&D costs                            | Research and development of LED lighting, solar-powered watches and basic technology of watch                                  | 177        | 482   |
| Social activity costs                | Social contribution activities   | 0          | 3     |
| Environmental remediation costs      | Pay-as-you-go charging for air pollution   | 0          | 40    |
| Total                                |  | 363        | 1,907 |

### Actual Economic Benefit Associated with Environmental Preservation Activities (Millions of yen)

|                | Benefit Amount   | Amount |
|----------------|--|--------|
| Revenue        | Operating revenue from the sale of valuable resources produced through business activities | 385    |
| Cost Reduction | Reductions in energy costs through energy conservation                                     | 201    |
|                | Saving on water usage costs and wastewater processing costs through resource conservation  | 38     |
|                | Reductions in waste disposal costs through resource conservation and recycling             | 29     |
|                | Other reductions   | 21     |
| Total          |  | 674    |

### Material Balance and Environmental Accounting

Reporting Period: April 1, 2008 to March 31, 2009

#### Boundary for Calculation of Material Balance

##### Japan

A total of 21 companies: CITIZEN HOLDINGS; CITIZEN BUSINESS EXPERT; CITIZEN WATCH; CITIZEN SAITAMA; JAPAN CBM CORPORATION; CITIZEN T.I.C.; CITIZEN TOHOKU; CITIZEN LOGISTICS SERVICE; CITIZEN HEIWA WATCH; CITIZEN ELECTRONICS; CITIZEN ELECTRONICS TIMEL; CITIZEN ELECTRONICS HACHINOHE; CITIZEN ELECTRONICS FUNEHKI; CITIZEN FINETECH MIYOTA; CITIZEN SYSTEMS; CITIZEN MACHINERY; CITIZEN SEIMITSU; CITIZEN SEIMITSU KAGOSHIMA; CITIZEN SAYAMA; CITIZEN YUBARI; CITIZEN PLAZA;

##### Overseas

A total of 20 companies: CITIZEN DE MEXICO; ROYAL TIME CITI; CECOL; C-E(DEUTSCHLAND); C-E(HONG KONG); C-E(SINGAPORE); CITIZEN ELECTRONICS(CHINA); CITIZEN ELECTRONICS(NANJING); CITIZEN ELECTRONICS(SUZHOU); FIRSTCOM ELECTRONICS; XUNKE ELECTRONICS; TECHNO RICH LCD FACTORY; CIMEO ELECTRONICS DEVICES(SUZHOU); GUANZOU MOST CROWN ELECTRONICS; MASTER CROWN ELECTRONICS(WUZHOU); CITIZEN SYSTEMS(JIANGMEN); CITIZEN MACHINERY ASIA; CITIZEN MACHINERY EUROPE; WALOP HUA DU FACTORY; WALOP DA WANG SHAN FACTORY

#### Environmental Accounting Boundary

The 21 Group companies in Japan, given above



# Enhancing Products with Citizen Environmentally-Friendly Products

We are keenly aware of the impact that the Citizen Group's products have on the environment and endeavor to improve the environmental quality as well as the reliability and safety of our products.

## Expanding our range of environmentally-friendly products

We continue to promote environmentally-friendly product initiatives and carry out environmental product assessments focusing on numerous different areas from the development stages onwards. Only products that meet all of our assessment criteria, including resource and energy efficiency, reuse and recycling, long-term usability, environmental conservation (hazardous chemical substance management), the provision of environmental information and packaging, are certified as environmentally-friendly products. During fiscal 2008 we set out assessment criteria and started to work on Citizen Super Environmentally-Friendly Products, which will undergo even more rigorous assessments.

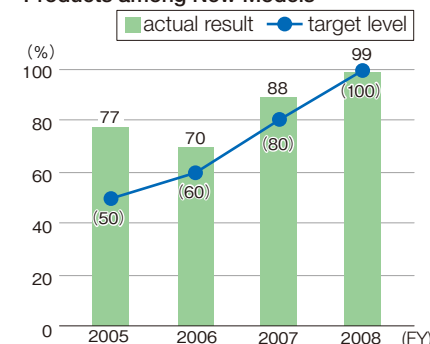
## Ratio of environmentally-friendly products

We continued to work towards the target of achieving a 100% ratio of environmentally-friendly products as a percentage of all new models during fiscal 2008. We have successfully increased the ratio since 2005, when we began this initiative in earnest, and achieved a ratio of 99% in fiscal 2008.



The TW700 pedometer

## Ratio of Citizen Environmentally-friendly Products among New Models



## Example Initiative

## Citizen Watch

### Replacing all batteries with mercury-free equivalents

From 2011 onwards, button batteries containing mercury and all products fitted with such batteries will be prohibited in the US state of Maine. As a company committed to the environment, we therefore decided to replace the button batteries in all of our quartz movements and finished watches with mercury-free equivalents by the end of 2008. As such, we began to implement this policy starting with the first batch of production in January 2009.

Although our Eco-Drive solar-powered watches have never used mercury in any form, the full-scale introduction of mercury-free batteries also covers finished watches not featured in the Eco-Drive range, our Q&Q brand and licensed brands. Having launched the industry's first externally marketed movements to be fitted with a mercury-free battery in 2005, we will now be replacing all mercury batteries with mercury-free equivalents.



An advertisement in EURO-STAR magazine announcing the full-scale introduction of mercury-free batteries

## Exhibiting at Eco-Products 2008

We entered a Citizen Group exhibit at Eco-Products 2008. In addition to showcasing our environmental initiatives, at this year's event we also engaged in eco-action activities aimed harnessing communication with visitors.

## Eco-Products exhibition

<http://www.citizen.co.jp/english/csr/environment/ecoproducts-exhibition.html>

## Example Initiative

## Citizen Electronics

### Promoting green procurement

We strive to guarantee the environmental quality of our products (by removing hazardous chemical substances) as one of the key elements in the development of Environmentally-friendly products. Based on an underlying policy of upstream management whereby we neither include nor use hazardous chemical substances, we promote the exclusive use of green components and materials, particularly at the design stages, and the exclusive procurement of green components and materials from green suppliers at the procurement stages. In order to achieve this, in 2003 we set out and began to implement three management standards. We have since introduced a database system containing data on components, materials and suppliers, started to use x-ray fluorescence spectrometers to conduct regular inspections of procured components and materials and organized a range of events as and when necessary, including seminars on how to deal with legal and customer requirements. Activities such as these have produced results in terms of environmental quality and have received glowing feedback from our customers.

We will continue to make every effort to adequately comply with REACH regulation and satisfy other legal and customer requirements in the future.



A seminar on REACH regulation

## Life cycle assessment (LCA) initiatives

In an effort to identify and minimize environmental impact we strive to calculate and make effective use of LCA data in areas such as product planning discussions, design changes and production process improvements.

## Life cycle assessment (LCA) initiatives

<http://www.citizen.co.jp/english/csr/environment/lca.html>

# Reducing Hazardous Chemical Substances

In-keeping with the provision of Environmentally-friendly products, we continue to implement initiatives aimed at eliminating, reducing or replacing hazardous chemical substances as part of production processes, both at home and overseas.

## Reducing usage of hazardous chemical substances

We have been working to reduce the usage of substances such as chlorinated organic solvents and chlorofluorocarbon alternatives (HCFCs) as part of various component manufacturing processes since fiscal 2003. We have continued to investigate the most suitable alternatives for each process to modify production processes and install new equipment accordingly. We are currently focusing on developing alternatives to cyanide compounds as one of our priority initiatives.

## Compliance with the PRTR Law\*

We report PRTR substances according to an individual Group company basis. The table on the right summarizes substances reported by the Citizen Group overall during fiscal 2008. We used six substances that are required to be reported and handled approximately 42 tons in total, one ton more than in fiscal 2007. The total volume of substances released or transferred during fiscal 2008 came to 28 tons, representing a 92% reduction compared to levels in fiscal 2003 (351 tons). As a result of revisions to the PRTR Law, the number of substances required to be reported has increased from 354 to 462. We therefore intend to investigate whether or not any of the newly included PRTR substances are contained in purchased products in the future in an effort to ensure compliance with the revised PRTR Law.

\* The Pollutant Release and Transfer Register (PRTR) Law requires the government, businesses and other entities to monitor, tabulate and declare data relating to the source and volume of hazardous chemical substances released into the environment and the volume of such substances contained in waste transferred from business premises.

## Example Initiative

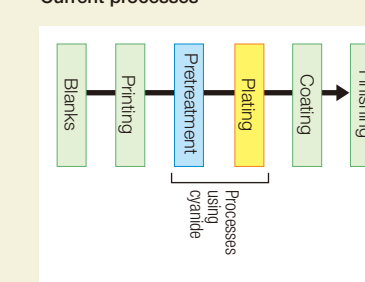
## Citizen Seimitsu

### Efforts to reduce cyanide usage at factories in China

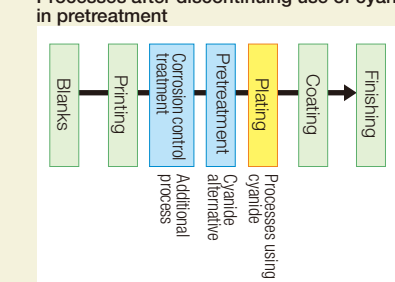
At Citizen Seimitsu's Watch Appearance Division, we have been working to reduce the usage of cyanide compounds since 2004. Plating and supplementary fluids for gold, silver and gold-copper alloy plating accounts for approximately 70% of the cyanide compounds that we use. The remaining 30% is used in the active treatment of metallic surfaces prior to plating (pretreatment). Unfortunately, there is no viable alternative to cyanide plating fluid at present. Nevertheless, we have developed a cyanide alternative for use in pretreatment and have already brought it into use at all of our domestic factories.

We currently use approximately 300kg of cyanide compounds annually as part of the pretreatment of metal watch faces at Walop Ltd. in China. Although we have completed inspections at the experimental stages, including the addition of corrosion control processes, we still need to work on wastewater facilities and completely change the line composition before we can start using cyanide alternatives. Work is scheduled to commence before the end of fiscal 2009, economic conditions permitting.

## Current processes



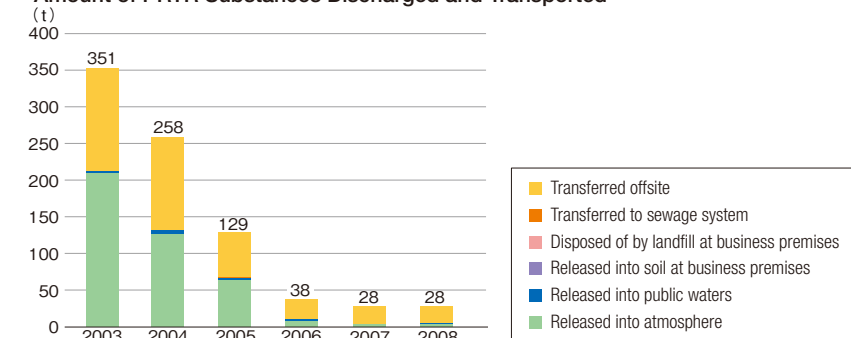
## Processes after discontinuing use of cyanide in pretreatment



## Volume of PRTR substances handled, released and transferred in fiscal 2008 (Tons)

| Chemical substance                        | Volume handled | Volume released          |                             |   |  | Volume transferred           |                     |
|---|----------------|--------------------------|-----------------------------|---|--|------------------------------|---------------------|
|   |                | Released into atmosphere | Released into public waters | Released into soil at business premises | Disposed of by landfill at business premises | Transferred to sewage system | Transferred offsite |
| Xylene                                    | 13.4           | 2.7                      | 0.0                         | 0.0                                     | 0.0  | 0.0                          | 4.6                 |
| Nickel compounds                          | 11.4           | 0.0                      | 0.0                         | 0.0                                     | 0.0  | 0.0                          | 9.9                 |
| Hydrogen fluoride and water soluble salts | 11.0           | 0.0                      | 0.6                         | 0.0                                     | 0.0  | 0.0                          | 8.6                 |
| Bisphenol-A epoxy resin (liquid)          | 3.9            | 0.0                      | 0.0                         | 0.0                                     | 0.0  | 0.0                          | 0.0                 |
| Toluene                                   | 1.1            | 0.1                      | 0.0                         | 0.0                                     | 0.0  | 0.0                          | 1.0                 |
| Inorganic cyanide compounds               | 1.0            | 0.0                      | 0.0                         | 0.0                                     | 0.0  | 0.0                          | 0.0                 |
| Total                                     | 41.8           | 2.8                      | 0.6                         | 0.0                                     | 0.0  | 0.0                          | 24.1                |

## Amount of PRTR Substances Discharged and Transported (t)



# Reducing Greenhouse Gasses

We continue to carry out a range of Group-wide initiatives in an effort to address the serious environmental issue of global warming by reducing the amount of energy consumed by the Citizen Group as a whole.

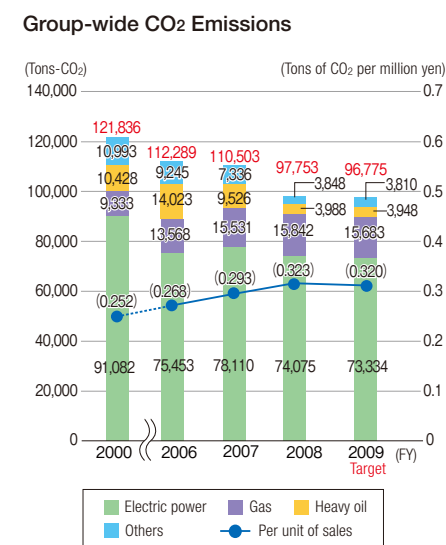
## Reducing greenhouse gas emissions

In an effort to efficiently and consistently reduce CO<sub>2</sub> emissions, we have set up the Subcommittee on Energy Savings as a channel for representatives from individual Citizen Group premises to report on their respective activities and take on board initiatives that have proven effective at other sites.

Our goal for fiscal 2008 was to reduce Group-wide CO<sub>2</sub> emissions by 1% per unit of sales and by 1,500 tons compared to fiscal 2007. Although the total volume of emissions fell by a substantial 12,500 tons due to deteriorating economic conditions, emissions per unit of sales increased by 10%. The total volume of emissions during fiscal 2008 was down 20% compared to 2000.

Our goal for fiscal 2009 is to reduce Group-wide CO<sub>2</sub> emissions by 1,500 tons and by 1% per unit of sales.

On a CO<sub>2</sub>-equivalent basis, emissions of the five other greenhouse gases apart from CO<sub>2</sub> totaled 337 tons in fiscal 2008, down from 679 tons in fiscal 2006 and 575 tons in fiscal 2007.



## Example Initiative Citizen Finetech Miyota

### Fuel conversion to reduce greenhouse gases

We have switched fuels as part of project aimed at formulating a New Energy Vision for the Miyota Region. Having received subsidies from the Ministry of Economy, Trade and Industry and the Ministry of the Environment under a scheme to promote the use of alternative fuels, in fiscal 2007 we started the process of switching kerosene powered facilities to gas.

The process involved installing gas pipes, replacing aging equipment and modifying burners\*. To date (as of February), we have managed to reduce CO<sub>2</sub> emissions by approximately 1,888 tons compared to fiscal 2007, far outstripping our target reduction of 934 tons.

\* Burners: Equipment used to produce high temperatures by combining gases or liquid fuel (in gas form) with air



Upgraded absorption refrigeration units

## Example Initiative Citizen Yubari

### Installing a new air conditioning system

We have installed a displacement ventilation air conditioning system with the aim of saving energy at our new factory, which has been up and running since October 2008.

Unlike the previous air conditioning system, which was a mixed-air system that circulated air around the entire inside of the factory, the new system is a displacement ventilation system that efficiently vents exhaust heat rather than releasing it into the air. Harnessing the updraft from exhaust heat produced by machine tools inside the factory, the system quietly lifts warm air upwards for ventilation (air conditioning).

This effectively reduces the flow of air required for air conditioning and places less of a strain on the system's fans. By actively taking in air from outside, the new system has also reduced running times for refrigeration units. We are currently in the process of gathering data so as to calculate the effect that the new system has had.

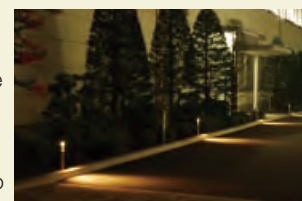


## Example Initiative Citizen Electronics

### Saving energy in the office

We have been working to establish energy saving practices as part of our environmental management activities for around ten years now. In addition to ongoing initiatives such as turning off lights on a companywide basis during lunch breaks and using intermittent lighting in accordance with JIS illumination standards, we have recently started to effectively save energy through additional initiatives such as fitting reflective plates to fluorescent light covers to increase efficiency and fitting light shielding to south-facing windows to improve insulation.

As we develop, manufacture and supply mercury-free environmentally friendly LED lighting designed to consume less power and last longer, we have installed lighting equipped with LEDs manufactured in-house in the lobby of our main building and in other locations around our premises. We will continue to install LED lighting in the future so as to save more and more energy.



LED lighting on company premises

# Effective Utilization of Resources and Reduction of Waste

We are continually striving to reduce waste in every area of the workplace, from the factory floor to offices and employee cafeterias, and are also working to improve recycling so as to help create a recycling-based society.

## Promoting Waste Reduction Activities

We implement initiatives aimed at eliminating garbage rather than disposing of it as waste in an effort to contribute to the creation of a recycling-based society.

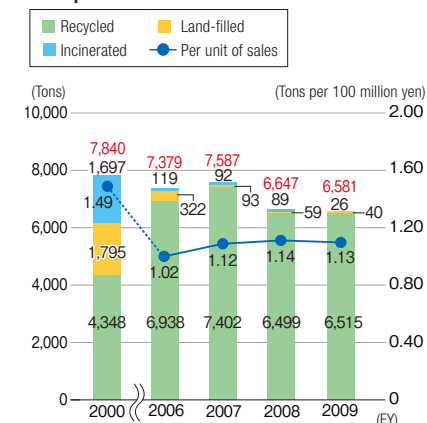
During fiscal 2008 we worked towards the twin goals of reducing the volume of waste per unit of sales by 1% compared to fiscal 2007 and achieving a 98% recycling rate.

As a result, we were able to achieve a Group-wide recycling rate of 98% and completely eliminate garbage at 13 domestic premises (recycling rate of 99% or higher).

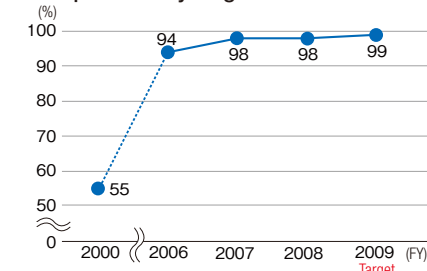
In terms of waste reduction, the volume of waste\*1 fell by 750 tons due to current economic conditions. Waste per unit of sales on the other hand rose by 3%.

We will continue to implement such activities in fiscal 2009 with the aim of increasing the Group-wide recycling rate to at least 99%, thereby completely eliminating garbage, and reducing the volume of waste by 1% per unit of sales.

## Group-wide Waste Production\*2



## Groupwide Recycling Rate



\*1 Volume of waste = industrial waste + general waste  
\*2 Waste production = industrial waste + general waste + valuable resources

## Example Initiative Citizen Machinery

### Switching to forged materials

As part of the turning process used to manufacture components for our Cincom NC automatic lathes, we have started to forge processed materials (heating and press casting metal) in an effort to shorten processing times and reduce chips.

As we previously used round steel bars, half of the total weight was wasted in the form of chips. The introduction of forged materials however has enabled us to process materials that are closer in shape to the finished product. As a result, we have managed to reduce the weight of materials purchased from 6.3kg to 3.7kg (a reduction of 41%) and cut processing times by four minutes per item.

Although we had previously envisioned using forged materials, the processing costs involved always meant that it was unfeasible. As material costs have soared recently however, it is now possible to forge materials for roughly the same cost as using steel bars. With 400 items being used per month, due in part to the crossover of components with different models, we have effectively reduced chips by approximately one ton and processing times by 26 hours a month.

## Reducing chips by forging materials



## Example Initiative Citizen Sayama

### Achieving a 100% recycling rate

We are starting to see the effects of our recycling initiatives aimed at completely eliminating garbage and efforts to cut waste handling costs at Citizen Sayama Co., Ltd.

We have provided repeated explanations in individual workplaces and have successfully refined the process of separating plastic waste. Having called on all workplaces to help out wherever possible by dismantling composite products containing a mixture of metals, substrates, plastics, electric wiring and other materials, which have previously been disposed of at landfill sites, we have managed to put in place an effective material recycling system. We have also reappraised waste handling contractors based on information provided by the Subcommittee on Waste Reduction, enabling us to sell waste from 35 of our 90 products at a profit. As a result, we successfully achieved a 100% recycling rate in fiscal 2008 and reduced waste handling costs by 30% compared to fiscal 2004 (an annual reduction of approximately 800,000 yen). We will continue to focus on selling waste at a profit instead of paying for it to be collected in the future.



A selection of composite products containing different materials

## Distribution-based initiatives

We continue to work on improving the efficiency of distribution and reducing the volume of materials distributed by the Citizen Group as a whole.

**Distribution-based initiatives**  
<http://www.citizen.co.jp/english/csr/environment/distribution.html>



# Third-Party Comments



**Riyako Godai**  
Critic  
Chairman of the Citizen of  
the Year Screening Committee

Amidst harsh economic conditions as a result of the current worldwide recession, I believe that the key to effectively fulfilling corporate social responsibilities is a question of integrating CSR activities into the company's core operations and ensuring a high level of awareness and participation amongst individual employees. In that respect, the opening page featuring employees holding up boards saying what CSR means to them, as the individuals responsible for implementing CSR, is very effective. The outline of the Citizen Group and its products, the message from top management and the overall image of the report are all clear and colorful and feel fresh and upbeat.


In terms of the Citizen Group's core manufacturing operations, the fact that Citizen has managed to meet all seven environmental standards and certify 99% of new models released in fiscal 2008 as Environmentally-friendly products is impressive, as is the company's enthusiasm in striving to achieve a rate of 100% in fiscal 2009 and set out new, more rigorous standards.

The Citizen Group's environmentally friendly products based on "precision technological capabilities forged in the micro-world," including electronic paper cells offering low power consumption and LED lighting offering superior luminescent efficiency, signal the direction in which the Group intends to head in the future.

With regard to the special feature on Citizen's flagship Eco-Drive products however, I felt that cutting out the top half of each section and focusing more closely on the comments from members of staff below would have helped get the point across more effectively. I would have preferred a simpler structure, with less content crammed in so as to encourage more people to read the entire feature.

In terms of progress with CSR activities, the survey of 39 Group companies shows that levels awareness regarding compliance and the CSR Hotline have improved significantly. Furthermore, with individual companies' progress with specific issues examined from various different angles, this year's report really captures Citizen's eagerness to visibly set out its targets and achievements.

Looking ahead, I have high hopes that Citizen's people-oriented human resource development policy, based on respecting the diversity of core employees, will contribute to the future of the company by not only enabling employees to develop their skills but also laying the foundations for an open and dynamic corporate culture that will enable the development of new technologies.



**One Akiyama**  
President of Integrex Inc.

Last year, I wrote that a company's CSR report represents a commitment to implementing initiatives based a cycle of planning, doing, checking and acting (PDCA) in an effort to put its principles into practice. My comments this year are once again based on this same point of view.

**1. Favorable aspects**  
Following on from last year, Citizen has continued to engage in business activities based on its underlying philosophy of "contributing to and striving to be respected by the citizens of the world." In addition to summarizing the company's initiatives according to four categories, this year Citizen has reintroduced tables outlining CSR priorities and progress with initiatives in line with its Code of Conduct, indicating that it is effectively implementing the PDCA cycle as part of its activities. The number of examples of initiatives being undertaken by Group companies has also increased, conveying the sense that initiatives are pervasive throughout the Citizen Group.

In terms of environmental management, this year's report once again features targets, achievements and assessments for the current fiscal year and targets for next year, reflecting a commendable commitment to implementing the PDCA cycle on an ongoing basis. The report features example initiatives in other countries as well, indicating that initiatives are underway at all of the Group's manufacturing bases.

**2. Areas requiring work and improvement**  
Although there is a keener awareness of the PDCA cycle in evidence compared to last year's report, the inclusion of a table assessing initiatives and outlining targets for next year, as in the case of environmental management, would help the report to flow more clearly. It is particularly important to review initiatives (check) and make improvements (act) in areas in which environmental management targets have not been achieved.

Whereas the report gives the sense that Citizen is making an effort to address issues and implement initiatives in other countries, I would like to see even more information about overseas activities. As CSR meetings are now being held at Chinese premises to monitor ongoing activities and discuss plans for the future, I would expect details to be included in next year's report.

**3. Expectations for the future**  
By "contributing to and striving to be respected by the citizens of the world," Citizen is demonstrating its commitment to being a genuinely socially responsible company, a quality that I believe will be crucial to sustain growth in the future. I expect Citizen to put this philosophy into practice on a companywide basis in the future, based on full participation from all employees, so that it can maintain an approach to manufacturing that is good for people and for the planet.

## Online Information

To enable a full understanding of all of the Citizen Group's CSR activities, extensive details are featured on our website, including initiatives that did not fit in this report.

<http://www.citizen.co.jp/english/csr/index.html>

### The Citizen Group

### Citizen Products and Technology in Use Here, There and Everywhere

### Message from Management: Establishing the human and organizational strength to adapt to future changes

### Special Feature

- The Citizen Group's Approach to Manufacturing
- Bringing the Eco-Drive solar powered watch to our customers

### Base of CSR

- Citizen Group CSR
- Corporate Governance
- Compliance
- Risk Management
- History of CSR activities

### Citizen and Society

- Citizen and its Customers
- Citizen and its Shareholders and Investors
- Citizen and its Business Partners
- Citizen and its Employees
- Citizen and Local Communities
  - Basic Policy of Social Contribution Activities
  - The Citizen of the Year
  - The Citizen Group's Social Contribution Activities

### Citizen and the Environment

- Citizen's Vision for the Environment
- Environmental policy
- The Citizen Group's Environmental Management
- Environmental Management
  - Progress with ISO 14001 certification
- Business Activities and Environmental Impact
  - Environmental Accounting
- Enhancing Products with Citizen Environmentally-friendly Products
  - Evaluation criteria for Environmentally-friendly Products
  - Eco-Products exhibition
  - Life cycle assessment (LCA) initiatives
- Reducing Hazardous Chemical Substances
- Reducing Greenhouse Gasses
- Effective Utilization of Resources and Reduction of Waste
  - Distribution-based initiatives

### CSR Report (Environmental Report)

### Employees: "What does CSR mean to you?"