



Creating new value and establishing a group capable of continual, sustainable growth

— Celebrating our 80th anniversary

2010 marks the 80th anniversary of the Citizen Group. Although we have had to face numerous crises over the years, ensuring that it has been far from plain sailing up to this point, we have continued to overcome every adversity. The fact that we are here today to celebrate our momentous 80th anniversary is thanks to the support of all those with a stake in the Citizen Group, from our customers, employees, shareholders and business partners through to members of the local community. I would like to take this opportunity to once again extend our heartfelt appreciation.

— Further reinforcing corporate foundations and striving to achieve new growth

Facing up to the recent economic crisis on the back of a worldwide recession has given us the opportunity to think long and hard and reexamine how we run our business here at the Citizen Group. The new climate that has emerged as a result of the recession has fundamentally altered the economic landscape from the ground up, to the extent that established practices in sectors across the board are no longer applicable. With that in mind, our vision for the Citizen Group as part of our medium-term management plan from fiscal 2010 onwards will be to establish “a group capable of continual, sustainable growth.” To make that a reality, we have set ourselves the target of effectively implementing the basics so as to

further reinforce our corporate foundations and achieve continual and genuinely sustainable growth.

Our decision to prioritize ongoing efforts to strengthen our foundations from a long-term perspective rather than focusing on short-term numerical targets is down to the fact that conditions within the Japanese manufacturing industry have changed almost unrecognizably. The competitive environment that established itself over the course of 65 years from the postwar years onwards is gone. From here on in, we are going to have to start competing on a brand new playing field. As “value” is such a wide-ranging proposition these days, companies are of no use to anyone unless they are

<p>Citizen Group Corporate Philosophy</p> <p>For the citizen Contributing to and striving to be respected by citizens of the world</p> <p> Citizen Group Vision </p> <p>To create new value and establish a group capable of continual, sustainable growth based on compact precision technology and reliable quality</p> <p>Objective of the Citizen Group FY2010 Medium Term Management Plan</p> <p>To further reinforce corporate foundations and to strive to achieve new growth</p>

capable of supplying the market with the sort of value it genuinely wants. From the point of view of the Citizen Group, this also means that we have a golden opportunity to create new value.

— Creating new value as only the Citizen Group knows how

Just as business conditions are changing, so too are people’s values. In order to create “new value,” we need to identify such changes as quickly as possible and effectively harness the Citizen Group’s strengths in order to work out what we can do and what we should be doing in response. Building on our core compact precision technology, here at the Citizen Group we have continued to achieve growth founded on, and committed to, quality over the course of the last 80 years. There is a sense however that we have let discipline and our commitment to quality slip slightly in recent years as a result of the expansion of our manufacturing network. Nonetheless, we need to remember that quality will always be the cornerstone of growth for the Citizen Group, now and in the future. If we can establish a firmer footing and built that into solid foundations, we will be able to create new value. That value will be something genuinely unique to the Citizen Group and will set us apart from the competition.

— The Citizen Group’s CSR vision

This year marks the 20th anniversary of the Citizen of the Year scheme, one of our key social contribution activities here at the Citizen Group. Taking place every year since 1990, Citizen of the Year is a commendation scheme that gives recognition to citizens who inspire local people and contribute to the development, happiness and all-round enhancement of their local communities. Rather than merely setting out criteria by which to judge people’s activities, the scheme is focused on the emotional side of things and is aimed at getting to the heart of why people do the things they do. This approach is based on the Citizen Group Corporate Philosophy “contributing to and striving to be respected by citizens of the world.” Similarly, corporate CSR activities aren’t all about results either. It is important to focus on the process as well, in terms of the attitude with which activities are carried out. Making a social contribution should revolve around activities that value a continual and sustained desire to make a difference. I believe that is the path to becoming a genuinely good company.

In terms of environmental activities meanwhile, I

believe that the age-old Japanese concept of eliminating waste is fundamental. As both CSR and environmental initiatives fall within the same code of conduct, the way in which individuals interpret those concepts is crucial. I hope that our employees here at the Citizen Group will get involved in CSR activities out of the joy and satisfaction that they get from contributing to the community and other people’s lives.

— Striving to become a group capable of continual, sustainable growth

As mentioned previously, our aim is to fundamentally enhance our corporate capabilities on a long-term basis and maintain sustainable growth in order to give something back to the Citizen Group’s many stakeholders. The driving force behind that aim comes from the aspirations of individual employees and their sense of fulfillment. I want each and every member of the Citizen Group to feel proud and motivated and to have a real sense of spiritual fulfillment, which in term will enable us to create new value and establish a corporate group that is capable of continual, sustainable growth.

I am delighted to present the completed Citizen Group CSR Report 2010. I would sincerely appreciate it if you could provide us with any comments or feedback and look forward to your continued understanding and support of the Citizen Group in the future.

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Mitsuyuki Kanamori
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| 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 based on the spirit of the Global Compact in the form of our Guidelines for the Implementation of the Citizen Group Code of Conduct and will make every effort to rigorously enforce the spirit of the Global Compact in the future.