

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.

Effective April 6, 2007

Citizen Group CSR Promotion System

The Citizen Group's CSR activities are presided over by the President of Citizen Holdings Co., Ltd., 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

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

President of Citizen Holdings/
Head of CSR for the Group

Citizen Holdings CSR Committee

Internal Audit &
CSR Department

Corporate Ethics Hotline

Citizen Group CSR Promotion Committee

Each subsidiary

Internal Control System Coordination Committee

Security Trade Control Committee

Committee on Appropriate Subcontracting

Information Security Committee

Environmental Management Committee

CSR Committee

Corporate Ethics Hotline

CSR Targets and Initiatives

Fiscal 2009 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.

The table below outlines selected CSR targets and initiatives during fiscal 2009.

| CSR targets and results during fiscal 2009 and issues for the future | | | | | | |
|---|---|---------------------------|--|--------|--|-----------|
| A: Target achieved B: Target mostly achieved C: Issues remaining D: Not implemented | | | | | | |
| | CSR targets | Company | Initiatives during fiscal 2009 | Rating | Initiatives and issues for the future | Reference |
| | Improving quality of Customer Service Desk | CITIZEN WATCH | We carried out activities with the aim of improving the framework for receiving and handling consultations. We also analyzed the contents of inquiries and introduced a feedback mechanism for related departments. | A | Continuing to compile example-based guidelines | P18,19 |
| | Measures to reduce complaints and improve yield | CITIZEN FINETECH MIYOTA | We held quality improvement meetings to monitor the standard of complaints handling and progress with independent audits and extended information sharing activities on a companywide basis. Our efforts to improve yield successfully reduced the percentage of waste by 0.43%. | B | Ascertaining details of second-party audits and extending activities to other departments | P19 |
| 2.Business transactions | Reinforcing compliance with subcontracting legislation | CITIZEN ELECTRONICS | We carried out activities with the aim of eliminating violations entirely. Despite submitting an improvement report based on a number of issues highlighted by an onsite inspection conducted by the Small and Medium Enterprise Agency, no major violations were detected. | B | Continuing with committee-led compliance activities in conjunction with related departments | P21 |
| | Adequately implementing security trade controls | CITIZEN HEIWA WATCH | We revised internal regulations in line with revisions to the Exchange and Foreign Trade Act and organized training sessions. We also carried out a classification inspection. | A | Maintaining and improving inspection framework and focusing on technology export controls | — |
| 3.Communication and information management | Improving ability to deal with intellectual property rights | CITIZEN WATCH | We reinforced systems to prevent any newly introduced designs or technology from infringing on third-party intellectual property rights. | A | Maintaining systems and raising awareness of the importance of intellectual property | P17 |
| | Implementing J-SOX internal controls | CITIZEN FINETECH MIYOTA | We put in place internal controls and evaluated their effectiveness, primarily via the J-SOX Evaluation Committee. Improvements to the specific contents of controls included revisions to Sales Management Regulations and Purchasing Management Regulations. | A | Working on revisions to other operational regulations | — |
| 4.Environmental management | Reducing environmental impact by eliminating or reducing prototype production | CITIZEN WATCH | We reduced the volume and frequency of prototype production at the watch development stages by introducing a range of simulation procedures and promoting practical application. We also reduced development times and worked on detecting problems faster in order to minimize loss. | A | Promoting measures even more effectively and further reducing environmental impact | — |
| | Developing Citizen Environmental Products | CITIZEN MACHINERY | We devised an assessment checklist for Environmental Products. We then organized presentations all suppliers in order to explain guidelines specified in the list, with a particular focus on improving green procurement. Activities are underway with an eye to completing new Environmental Products by the end of fiscal 2010. | B | Continuing to develop Environmental Products | — |
| 5. Social contribution | Cosponsoring walking events | CITIZEN SYSTEMS JAPAN | We cosponsored and assisted with a number of walking and hiking events, including the Japan Three Day March in November and hiking along the Seibu Line. | A | Continuing to cosponsor and assist with events | Website |
| | Harnessing ties with local communities to promote exchange-based social contribution activities | TOKYO BIJUTSU | We took part in cultural activities as a patron of Tokyo National Museum. In July, the Citizen Volunteer Club took part in voluntary forestry activities, helping to cut back undergrowth at Hachikokuyama Park. | B | Continuing with activities whilst also looking into activities relating to core operations | — |
| 6. Employees | Securing suitable personnel to take over operations and planning training programs | CITIZEN SEIMITSU | We introduced a "meister" instructor scheme and certified three instructors. We also produced an instruction manual and launched instructor training classes. | B | Extending activities to all departments. Improving skill levels amongst instructors and appointing "meisters" | — |
| | Ensuring safety and mental health in the workplace | CITIZEN ELECTRONICS TIMEL | We organized safety patrols on four occasions to check that facilities are in safe working order and that the five Ss (seiri (organization), seiton (neatness), seiso (cleaning), seiketsu (standardization) and shitsuke (discipline)) are being implemented and took corrective action to rectify any issues. We organized mental health checks in November and counseling sessions in February. | A | Continuing with activities | — |
| 7. Antisocial behavior | Dealing with antisocial organizations or individuals | CITIZEN PLAZA | We re-examined and reinforced measures on a joint basis between all departments. We also stepped up antitheft and crime prevention measures and improved patrol procedures. | A | Continuing with activities | — |
| 8. Overseas local development | Improving welfare at Chinese plants | CITIZEN SEIMITSU | We completed company housing for 1,700 people, expanded canteen areas, improved hygiene in serving rooms and replaced air conditioners and other facilities. | A | Improving satisfaction with living environments and encouraging employees to sign up to social welfare schemes | — |
| | Health and safety and environmental activities at Chinese plants | CITIZEN TOHOKU | We organized self-assessment activities in all workplaces, primarily via the 6SE Committee (the five Ss + Safety + Environment), and implemented health and safety and environmental improvement measures. We also organized workplace patrols to check safety levels. On the environmental front, the Wastewater Committee took steps to reduce the volume of wastewater and BOD levels. | B | Extending improvements on a companywide basis, developing process water recycling technology, etc. | Website |
| 9. Management responsibilities | Responding to ideas submitted via suggestion boxes | CITIZEN FINETECH MIYOTA | To gauge opinion of companywide activities and make any necessary improvements, we installed suggestion boxes for comments, opinions, suggestions and proposals from staff on the shop floor. 22 comments were submitted and have been dealt with in conjunction with the relevant departments. | A | Continuing with activities | — |
| | Switching from 6S to 7S activities and upgrading improvement activities | CITIZEN SEIMITSU | We added Safety to our unique 6S activities (the five Ss + Saho (courtesy)) in an effort to eliminate all forms of unsafe conduct. 7S diagnosis produced an average score of 4.79 points (out of 5) on a companywide basis, taking us past our target. We also significantly reduced gaps between departments. | A | Building on established organized activities to produce solid results from activities in the future | Website |

Summary of fiscal 2009 and issues for the future

To monitor our progress with regard to each of the items in our Code of Conduct, we carried out a survey into CSR activities at 29 Group companies during fiscal 2009. By way of a summary of the findings and the results of our CSR

activities during fiscal 2009, our priority issues for the future include the following; (1) reinforcing overseas CSR activities (2) developing a business continuity plan (BCP) based on our responsibility to supply products (3) introducing CSR purchasing (procurement) standards and (4) promoting social contribution activities in the local community.

For more detailed information, please refer to our website.
Citizen Holdings > CSR Activities > Base of CSR > Citizen Group CSR

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