

Citizen Group CSR

Corporate Governance

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.” It is with this goal permanently in mind that we strive to reinforce corporate governance, in recognition of the importance of ensuring management transparency and effectively supervising management from various different angles.

Roles of the Pure Holding Company and the Subsidiaries

We have clarified the scope of responsibility and authority of Citizen Holdings Co., Ltd. and each of the subsidiaries that make up the Citizen Group. Citizen Holdings is responsible for formulating management policies so as to optimize Groupwide management. It is also responsible for supervising and overseeing operational management companies, which in turn are operated independently based on the nature of their respective industries, in the interests of 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 nine members (as on March 31, 2010), including two outside directors (registered as independent officers in accordance with systems operated by Tokyo Stock Exchange).

The Board of Directors determines management policies and other important items for Citizen Holdings and the Citizen Group, and supervises the execution of directors' duties. The presidents of key operational management subsidiaries are also appointed as part-time directors to enable decision-making from a comprehensive perspective, taking into account the views of individual 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

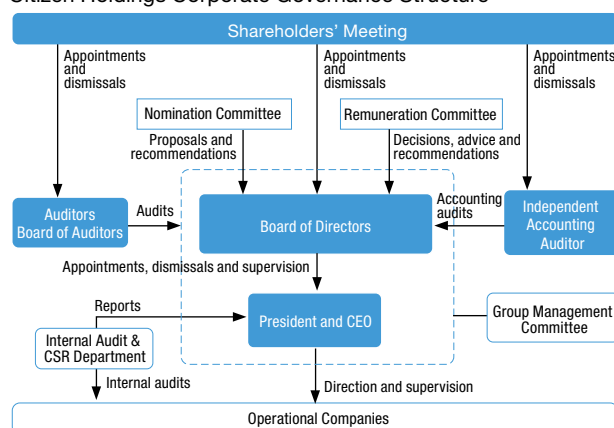
The Citizen Holdings Board of Auditors consists of three members, including two independent outside auditors (as of March 31, 2010).

In addition to checking the execution of directors'

duties in general through activities such as reviewing important documents, monitoring the company's operations and finances and attending meetings of the Board of Directors and other bodies, auditors are also responsible for auditing the implementation and management of internal control systems.

The Citizen Group Full-Time Auditor Coordination Committee, which consists of full-time auditors from Citizen Holdings and individual operational management companies, is there to ensure that auditing capabilities are consistent between Citizen Holdings and operational management companies and makes every effort to share information regarding auditing policies on behalf of the Citizen Group as a whole.

Citizen Holdings Corporate Governance Structure



Internal Control System

Having set out a basic policy on the establishment of internal control systems at Citizen Holdings Co., Ltd., we are now working to further enhance our internal control systems.

The Citizen Group Internal Control System Coordination Committee, which consists of supervising personnel from Citizen Holdings and consolidated Group companies, met in fiscal 2009 to ensure that our internal control systems function adequately and effectively and guarantee the reliability of financial reports. Working in conjunction with an outside auditing organization, the committee also made further progress in terms of establishing, operating and evaluating internal control systems. To cater to the diverse range of needs anticipated as part of the internal auditing process, the committee also coordinates with auditing offices at operational management companies and internal auditing managers at key subsidiaries.

Assessment from outside organizations |

RMG Corporate Governance Quotient

RiskMetrics Group (RMG) 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, 2010, RMG ranked Citizen's Corporate Governance Quotient (CGQ) in the top 1.2% of Japanese companies.



For more detailed information, please refer to our website.

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