



# Citizen Group CSR Report 2011

## Special Feature

The Citizen Group's CSR Initiatives  
Across the Globe

## Message from Management

Aiming to be a group of companies  
that sustain steady growth by  
responding flexibly to change



## **CITIZEN HOLDINGS CO., LTD.**

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# Citizen aims to pursue its corporate social responsibility “corporate group contributing to and striving to

We asked Citizen Group employees all over

# (CSR) with the participation of all employees as a be respected by the citizens of the world.”

the world. What does CSR mean to you?



An English translation of this message is available in the online edition of the Citizen Group CSR Report.

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## SPECIAL FEATURE

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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.

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#### Front cover



#### Assistance at an environmental workshop - CITIZEN HOLDINGS

Citizen Holdings Co., Ltd. offered cooperation and assistance to an event held at the Tanashi Forest of the University of Tokyo, located in the city of Nishitokyo. Titled "The Arts of the Forest & the Sea – Welcome to the Small Universe of Insects," the event provided participating children of employees of Tokyo Works with an opportunity to think about biodiversity through creatures close to them.

## Editorial Policy

The aim of this publication, CSR Report 2011, is to provide all of our stakeholders with a straightforward outline of the Citizen Group's business activities and the Group's approach and initiatives in relation to its social responsibilities. First, the report features employees from all over the world holding up cards answering the question "what does CSR mean to you?" This gives employees responsible for CSR a visible presence and creates a real feel for our approach to CSR, based on the participation of all employees.

The Special Feature reviews the Citizen Group's past CSR initiatives in its business activities and showcase CSR activities currently underway on a global scale.

Although designed to make the Citizen Group's CSR activities known to the general public, this report also serves as a guide for every employee in the Group, to help them understand and carry out CSR activities.

To provide details of the Citizen Group's activities in a more straightforward manner, we have since last fiscal year been offering this publication as a digest while featuring extensive details of all our initiatives on our website.

For full details of the Citizen Group's CSR activities, please refer to our website (see the URLs on the right).

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

In fiscal 2010, One Akiyama remarked that she hoped to see the Group, as a global enterprise, stepping up its overseas initiatives as quickly as possible, not least in the interests of risk management. In response, this report has a special feature on our international CSR activities, presents some of our CSR activities outside Japan and provides an in-depth coverage of risk management efforts. Ms. Akiyama also commented that she wanted to see some more in-depth evidence of the results of schemes and initiatives aimed at creating an environment in which employees can put their skills to the best possible use, rather than just the basic details, to learn how schemes were used and whether they helped increase levels of pride and motivation amongst employees and to see more feedback from employees themselves. This year's report has more pages featuring employees to show specific examples of our initiatives.

#### Citizen Group CSR Report online

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

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

#### Organizations covered in the report

**Economic and social data:** 85 domestic and overseas Citizen Group companies  
**Environmental data:** 31 domestic and overseas Citizen Group companies

#### Period covered by the report

Fiscal 2010 (April 1, 2010 to March 31, 2011)  
Some data from fiscal 2011 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)

#### Date of Publication

June 2011 (Previous report: June 2010 / Next report: June 2012)

#### 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.

# Aiming to be a group of companies that sustain steady growth by responding flexibly to change



Citizen Group Corporate Philosophy

**For the citizen**  
Contributing to and striving to be respected by citizens of the world

| Citizen Group Vision |

**To create new value and establish a group capable of continual, sustainable growth based on compact precision technology and reliable quality**

Objective of the Citizen Group Medium-Term Management Plan (FY2010-2012)

**To further reinforce corporate foundations and to strive to achieve new growth**

## Seeking the earliest possible recovery of all those affected by the Great East Japan Earthquake

We extend our deepest sympathy to all those affected by the Great East Japan Earthquake and our sincere wishes for the earliest possible recovery. All employees of the Citizen Group were unharmed, but we sustained significant damage at some of our production and sales premises. As a result of efforts and the cooperation of all staff, operations were almost back to normal by April.

During fiscal 2010, the Citizen Group was steadily

outperforming its plan in terms of financial results, until posting a loss due to the earthquake at the end of the period. The disaster had a significant impact on our business outcomes, but nonetheless on a full-year basis net sales and operating income surpassed projections. Fiscal 2011 does not allow for optimism in view of the deterioration of the circumstances surrounding procurement, energy supply shortages, slumping market sentiment, and other unpredictable changes in the environment.

## Towards a streamlined and flexible structure that can adapt to environmental change

The disaster struck just after we had finally moved beyond the worldwide financial crisis that began in 2008. The circumstances surrounding business will be harsher and more varied than ever. These changes have made us realize that we have many challenges to address. To adapt to any change in the operating environment, we must build up our own business standing. Our medium-term management plan has not changed: we still need to strengthen our corporate foundations and pursue a growth strategy. Indeed, we understand that we need to do this with an accelerated and more exhaustive approach.

## Striving to become a group capable of sustained growth

Our aim is to fundamentally improve our corporate capabilities on a long-term basis and maintain sustainable

growth in a bid to give back to the Citizen Group's stakeholders. The driving force behind that aim comes from the aspirations of all 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 fulfillment, which will enable us to create new value and become a corporate group capable of sustained growth.

I am delighted to present the completed Citizen Group CSR Report 2011. The entire Group is committed to continuing its CSR activities. I look forward to your understanding and support of the Citizen Group in the future.

June 2011

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

## Relief for victims of the Great East Japan Earthquake

To assist victims of the disaster to return to normal life as soon as possible, the Citizen Group has contributed a donation of 100 million yen through the Japanese Red Cross Society and offered a total of 3,000 electronic clinic thermometers to the Fukushima Red Cross Hospital.



# Harnessing world-leading compact, precision technology to continually offer true value and 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 parts essential to downsizing, higher precision, and low-power consumption in the devices and components sector while helping the electronic products sector offer greater convenience and comfort. As part of our industrial machinery business, we provide high-speed machinery capable of processing parts to micron precision.



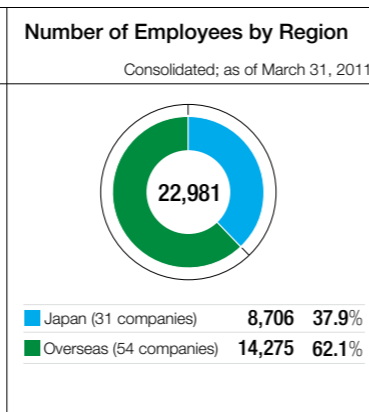
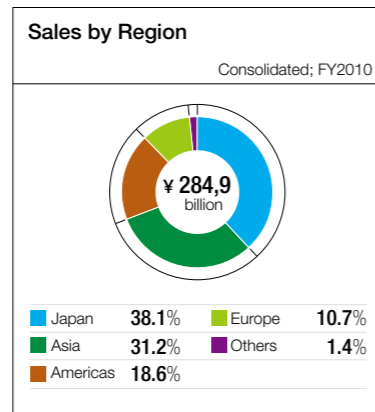
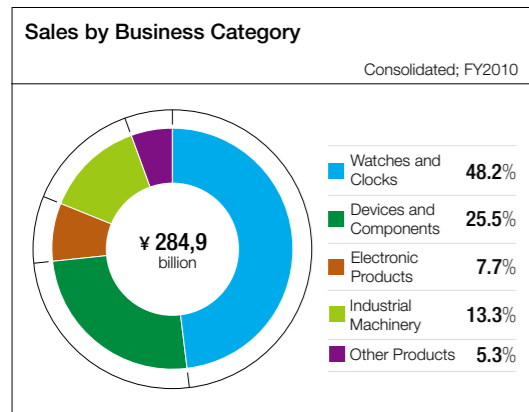
Eco-Drive radio-controlled watch

## Watches and Clocks

Based on the concept of combining technology with beauty, we blend the latest technology with exquisite beauty to create new value. Without that concept, there would be no Citizen watches. Our goal is to keep on manufacturing watches that are loved by people the world over, driven by the continual pursuit of new beauty and cutting-edge technology. We continue to refine and improve our watches with the aim of providing new value that will captivate all those who wear them.

### Corporate Profile

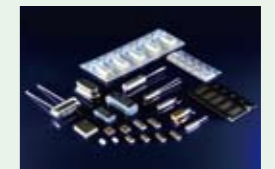
<b>Name</b>	Citizen Holdings Co., Ltd.	<b>Capitalization</b>	¥32,649 million (as of March 31, 2011)
<b>Establishment</b>	May 28, 1930	<b>Employees</b>	22,981 (consolidated; as of March 31, 2011)
<b>Location of Head Office</b>	6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511, Japan	<b>Sales</b>	¥284.9 billion (consolidated; FY2010)
<b>Representative</b>	Mitsuyuki Kanamori, President and CEO	<b>Listing</b>	Tokyo Stock Exchange, 1st Section



LED lighting

## Devices and Components

With devices becoming increasingly compact and offering ever more advanced capabilities, there is a need for precision technology that combines low-power consumption with outstanding reliability. We provide LEDs, crystal units, automotive parts, and other devices and components for services and systems that are crucial to society, based on compact, ultra-precision machining, low-power consumption, and other technologies infused with the Citizen DNA.



Crystal units



Automotive parts



Line thermal label printers

## Electronic Products

We harness the compact, precision, low-power consumption technology developed by the Citizen Group in the watch sector to offer commercial printers and other electronic equipment for professional use in a wide range of businesses. Our electronic clinic thermometers, digital blood pressure monitors and other healthcare devices incorporate the concept of universal design at an early stage in the interests of ease of use for all. We will continue to provide support to help people to lead easier, more convenient and more comfortable lives.



Wrist digital blood pressure monitors



Thermal printers



NC automatic lathes

## Industrial Machinery

Drawing on the expertise and technology we have developed for the equipment and machinery used to manufacture watches, we develop and supply industrial machinery that is essential to grinding. Constantly aiming to enrich our product lineup, to enhance our services to customers, and to build a business model for creating new customer value, we offer total solutions that transcend standalone products.



NC automatic lathes



Bridal jewelry

## Other Products

We plan, manufacture, and sell jewelry products, including bridal jewelry under the brand name Something Blue. We also produce and sell automated and labor-saving system devices for the amusement industry, and the food service industry. We also operate bowling alleys and other leisure services.



A bowling alley

# 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.

**25 Publication**  
Publishing technical books chiefly in fine arts and history and running the book section in the museum shop of the Tokyo National Museum and elsewhere




**24 Zirconia ceramic parts for optical communicator (Optical Network)**  
Used in connectors for fiber optic cables



**23 Highly reliable Liquid Crystal Display (Gas meters)**  
Durable specifications even at high temperature and humidity



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



**21 Digital thermometer**  
Instant readings approximately every 30 seconds  
Softer tip for more comfortable fit inpatients' armpits



**Digital blood pressure monitor**  
Easy to use health management support tools with clear displays



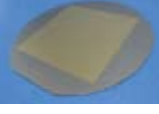
**20 Leisure Facilities**  
Providing multipurpose entertainment venues, from ice rinks to culture schools



**19 Wave Plate Optical Disk Drives**  
An optical device used in Blu-Ray optical pickups



**Submount (Optical Disk Drives)**  
A ceramic substrate with high radiation performance mounted with laser and diodes for optical disks



**1 Watch**  
Eco-Drive watches first watches to be granted Eco-Mark certification in 1996



**2 Quartz Crystal Devices (Home Electronics)**  
Reference signals used to ensure that electronic equipment is functioning correctly




**3 LED (Lighting)**  
Low-energy consumption, long life, mercury free, environmentally friendly lighting




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

**4 LCOS\* (Digital still camera)**  
Incorporated in electronic view finders that are more compact and slimmer than optical versions



**PN liquid crystal (Digital still camera)**  
Liquid crystal used to display focus area within viewfinders



**Compact switch (Digital still camera)**  
Used for shutter switches, etc.



**5 Marriage Ring**  
Scratch resistant rings that keep their shape



**6 Sports timer**  
High visibility magnetic reversal displays, essential during marathon broadcasts



**LED backlight unit (Car navigation)**  
Used in the development of slimmer, energy saving car navigation systems




**8 Electronic View Finders (Camcorders for professional use)**  
High resolution viewfinders capable of catching even fast movements during sporting events



**9 Time control system**  
Clocks fitted to buildings or other exterior surfaces, often cherished as symbols representing the local area




**10 LCOS\* (Projector)**  
Used in video engines due to high definition and picture quality




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


**11 Combustion Pressure Sensor (Ship)**  
Fitted inside engine cylinders to measure combustion pressure




**12 Self-service ordering system**  
Enables restaurant customers to order from menu touch screens at their tables



**13 POS Thermal Printer**  
Used to issue receipts, coupons and tickets



**14 Photo Printer**  
Enabling easy photo printing at locations such as supermarkets and photo stores



**18 Quartz Crystal Devices (Mobile Phones)**  
Used to produce regular signals in time with actions when on standby



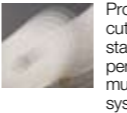
**LED (Mobile Phones)**  
Used for key lights, camera flashes and backlights on mobile phones, etc.



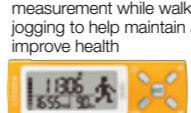
**Electronic Paper (Mobile Phones)**  
World's first electronic paper keypad, harnessing the memory capabilities and flexible properties of electronic paper



**17 Glass substrate (Hard Disk Drives)**  
Processed from glass by precision cutting, polishing, and cleaning for state-of-the-art hard disks used in personal computers, portable music players, and car navigation systems



**16 Digital Pedometer**  
Easy operation for measurement while walking or jogging to help maintain and improve health



**15 NC automatic lathe**  
Machinery used to grind metal to make high-precision components



**Measuring instruments**  
Instruments used to accurately measure small components



**Coreless Motor, Gear Head, Encoders**  
Used in electronic microscopes, radiotherapy equipment, robots, etc.




# The Citizen Group's CSR initiatives across the globe

History of CSR activities

## Inauguration

### Completion of the first wristwatch



This is the first mechanical wristwatch produced by Citizen Watch Co., Ltd. At the time, the market was shifting from pocket watches to wristwatches. Sales began to grow around 1932. With several revisions to improve its structure, the wristwatch was manufactured until around 1957.



1931

## Social contribution

### Release of Japan's first wristwatch for visually impaired wearers



In 1960, we released CITIZEN Shine, Japan's first wristwatch for visually impaired wearers. In 1967, we donated 215 of these watches to visually impaired people in 29 different countries with the aspiration of assisting the United Nations in promoting world peace and friendship. In 1975, to commemorate our 45th anniversary, we offered watches to all 10th to 12th graders, numbering around 5,000, studying at schools for visually impaired students all over Japan.



1960

## International assistance

### Technical assistance in watch making for India



In response to a request from the Indian government for assistance in watch making in 1960, we signed a technical assistance agreement for plant exports. From then until the fifth agreement in 1980, we offered technical guidance for India's domestic production of manual and automatic spring drive watches and quartz watches. Meanwhile, we entered into personnel exchange with India, as we accepted a large number of trainees from India and dispatched a significant number of engineers.



1960

## Human resource development

### A CITIZEN WATCH engineer wins the gold medal in the mechanical drawing category of the 12th World Skills Competition.



The World Skills Competition is an international competition aimed at promoting vocational training and exchanging international friendship. In the mechanical drawing category, the competition included three difficult challenges and lasted 30 hours. Contestants were reportedly happy to receive rice balls during the competition. During a break, a contestant from Germany pointed out an error, part of the congenial atmosphere that contributed to international friendship.



1963

As the world economy grows, the globalization of the corporate sector is gathering momentum.

Since its founding in 1930, the Citizen Group has always approached its business from an international perspective. Today, our overseas business accounts for more than 60% of our sales and employees and we have 54 overseas subsidiaries. Not surprisingly, then, the Group is steadily globalizing. Accordingly, our CSR activities have also become more international, especially since we signed the United Nations Global Compact in 2005.

The report looks back at the history of the Citizen Group's CSR initiatives across the globe and showcases ongoing activities in different parts of the world in the special feature section.

## Corporate philosophy

### Launch of the Citizen of the Year annual award scheme



Citizen of the Year is an annual award scheme that gives recognition to citizens who inspire local people and contribute to the development, happiness and all-round enhancement of their local communities. Prompted by a lack of wide-ranging recognition for deserving citizens, the scheme was set up in 1990 to mark Citizen's 60th anniversary, tying in perfectly with the spirit of company's name. As well as Japanese citizens, commendations have also been given to foreign citizens who have made a contribution to their local communities in Japan. The scheme has even received coverage in the press and on television.



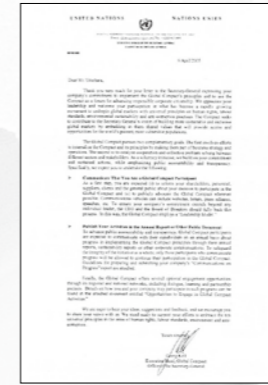
1990

## Internationalization

### Signing the United Nations Global Compact



We signed the United Nations Global Compact, after pledging to the Secretary-General of the United Nations to support its objective, to introduce its ten principles in corporate activities and to play a proactive role in actively fulfilling our responsibilities as a corporate citizen. This move is of great significance in the sense that we have pledged to address CSR issues through domestic and overseas business activities as an advanced CSR company.



2005

## Environment

### The solar-powered Eco-Drive becomes the first wristwatch to be granted Eco Mark certification



Back in 1995, before the word "eco" became commonplace in Japan, we came up with the name "Eco-Drive" for Citizen's range of watches fitted with solar cells. Ever since becoming the first watches to be granted Eco Mark certification in 1996, our Eco-Drive watches have continued to lead the solar-powered watch market.



1996

## Handing down techniques

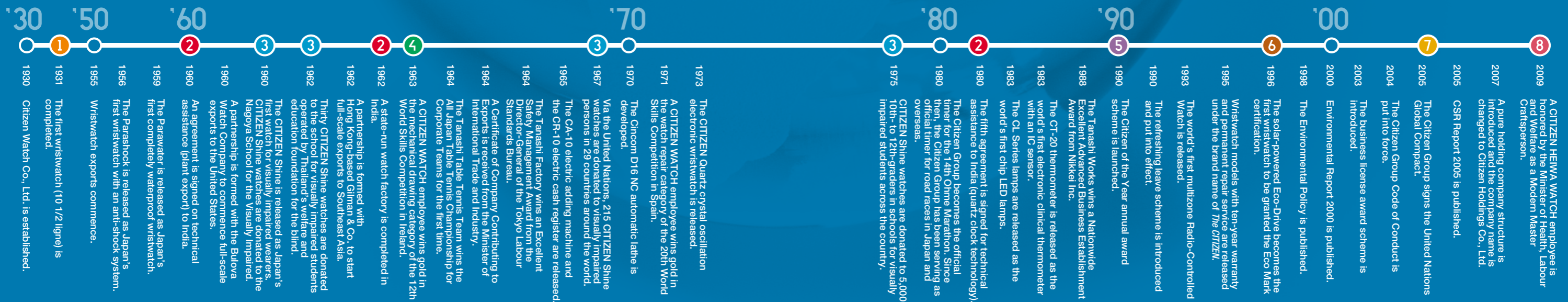
### A CITIZEN HEIWA WATCH employee is honored by the Minister of Health, Labour and Welfare as a Modern Master Craftsperson.



Joined Heiwa Tokei Manufacturing Co., Ltd. (now Citizen Heiwa Watch Co., Ltd.) in 1967. Subsequently worked on everything from the assembly of movements to finished products over a period of 43 years. In 2005, she was the only member of staff to be selected as a "Super-Meister," representing the highest level of skill based on the Company's regulations. In FY2009, received a Modern Master Craftsperson award from the Minister of Health, Labor and Welfare.



2009



# The Citizen Group's CSR Initiatives Across the Globe

**China**  
Walking for health and the environment



Since 2007, Citizen Watch (China) Co., Ltd. has been organizing annual walking activities called "Walk for Health, Walk for the Environment" in different parts of China. Each event includes tree planting and a workshop on environmental issues. For FY 2010, the event took place at Changbai Mountain in the province of Jilin. About 20 walkers took part, including people from outside the company.

**China**  
China phoenix activities



Citizen Precision Guangzhou Ltd. independently carries out a 7S initiative as part of its structural and production innovations. Seven S's consist of the original five S's (seiri, seiton, seiso, seiketsu, and shitsuke) and two additional S's, which are saho (good manners) and speed.

**Germany**  
A donation to the Gold Kraemer Foundation



In November 2010, Citizen Watch Europe GmbH offered a donation to the Gold Kraemer Foundation, a German foundation that supports children with physical disabilities, as well as to the United Nations Children's Fund (UNICEF) by means of purchasing Christmas cards.

**Thailand**  
Acceptance of interns



Royal Time Citi Co., Ltd. accepted interns for periods of between two weeks and four months to employ new graduates from universities and vocational schools in the Ayutthaya region of Thailand.

Europe

Asia

North America

**America**  
Donations to Jewelers for Children



Citizen Watch Company of America, Inc. has long been offering donations to Jewelers for Children, a charity that provides support for children suffering from serious diseases and abuses.

South America

**Taiwan**  
Supporting the Taipei Marathon



The Taiwan Branch of Citizen Watches (HK) Ltd. supports the Taipei Marathon as official timer.

**Mexico**  
Donations to Luz de Vida, a facility for children with pediatric cancer



Citizen De Mexico, S.A. De C.V. donates watches each year to Luz de Vida and other private-sector support organizations. They are sold at charity bazaars and the proceeds to go providing street children with food and clothing as well as to funding the medical treatment of pediatric cancer.

**India**  
Tree planting



On June 5, 2010, which was the World Environment Day, Citizen Watches (India) Pvt. Ltd. conducted a tree planting exercise at K. R. Puram in Bangalore. The number of young trees planted matched the number of Eco-Drive watches released across India.

## Action towards meeting the United Nations Millennium Development Goals

As a United Nations Global Compact participant, the Citizen Group takes part in various events held in Japan with a view to meeting the Millennium Development Goals (MDGs).

What are the Millennium Development Goals (MDGs)?

Eight goals to be met by the international community by 2015, developed by integrating the international development goals adopted in the United Nations Millennium Summit in September 2000 and earlier summits

1 ERADICATE EXTREME POVERTY AND HUNGER	2 ACHIEVE UNIVERSAL PRIMARY EDUCATION	3 PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	4 REDUCE CHILD MORTALITY
5 IMPROVE MATERNAL HEALTH	6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES	7 ENSURE ENVIRONMENTAL SUSTAINABILITY	8 A GLOBAL PARTNERSHIP FOR DEVELOPMENT

Icons : UNDP Brazil



Officers and 200 employees in the Tokyo Works gathered during a lunch break to stand up against poverty in a worldwide coordinated action campaign.

● STAND UP TAKE ACTION

● Offer toothbrushes to underprivileged children in the Philippines



Staff members from 34 Citizen Group companies participated in the initiative to offer a total of 3,075 toothbrushes to Hello Alison, which is a group offering free medical treatment in poor villages in the Philippines.



A charity walk event for eradicating hunger, entitled "End Hunger: Walk the World" took place under the auspices of the World Food Programme (WFP) and the Japan Association for the World Food Programme on June 6, 2010. Twenty eight members of the Citizen Volunteer Club took part in the event.

● End Hunger: Walk the World

● United Nations Population Fund (UNFPA) Tokyo Office's campaign for saving mothers' lives



We offered products in cooperation to the "Thanks Mother" Message Contest on Mothers' Day.

These activities provided us with opportunities to turn our eyes to global issues and to think about what we each can do to serve the society.

# Corporate Governance

## Basic Approach

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 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 developing management policies to optimize Group-wide management and to make effective use of resources to boost corporate value. Individual operating subsidiaries in turn operate independently based on the nature of their segments, in the interests of smoother 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 operating subsidiaries' 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, 2011), 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 operating 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, 2011).

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.

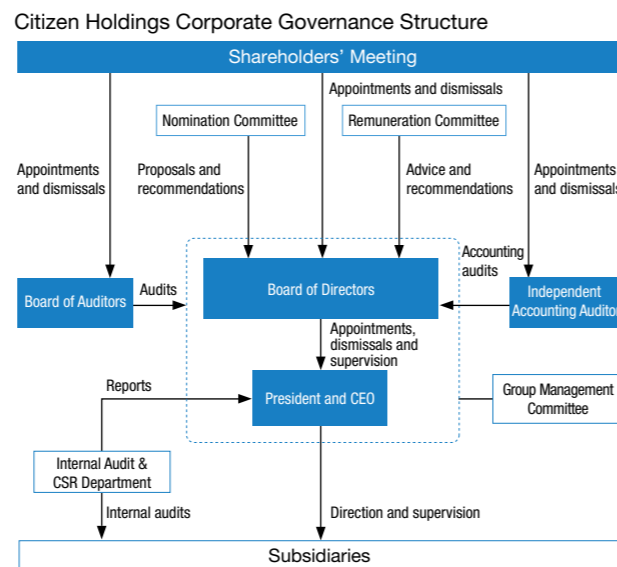
The Citizen Group Full-Time Auditor Coordination Committee, which consists of full-time auditors from Citizen Holdings and individual operating subsidiaries, is there to ensure that auditing capabilities are consistent between Citizen Holdings and operating subsidiaries and makes every effort to share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

## Internal Control System

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

To ensure proper and effective execution of the internal control system and reliable financial reporting, J-SOX Internal Control System Coordination Committee meetings are held with the participation of relevant personnel from Citizen Holdings and its consolidated subsidiaries. In collaboration with outside audit institutions, we work to constantly improve, operate and evaluate our internal control system.

To cater to the diverse range of needs anticipated as part of the internal auditing process, the committee also coordinates with auditing offices at operating subsidiaries and internal auditing managers at key subsidiaries.



For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Base of CSR > Corporate Governance](#)

# The Citizen Group's CSR and Risk Management

## Establishing the Citizen Group Code of Conduct

As part of the Citizen Group's transition to a pure 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

## The Citizen Group's CSR and Risk Management Promotion Structure

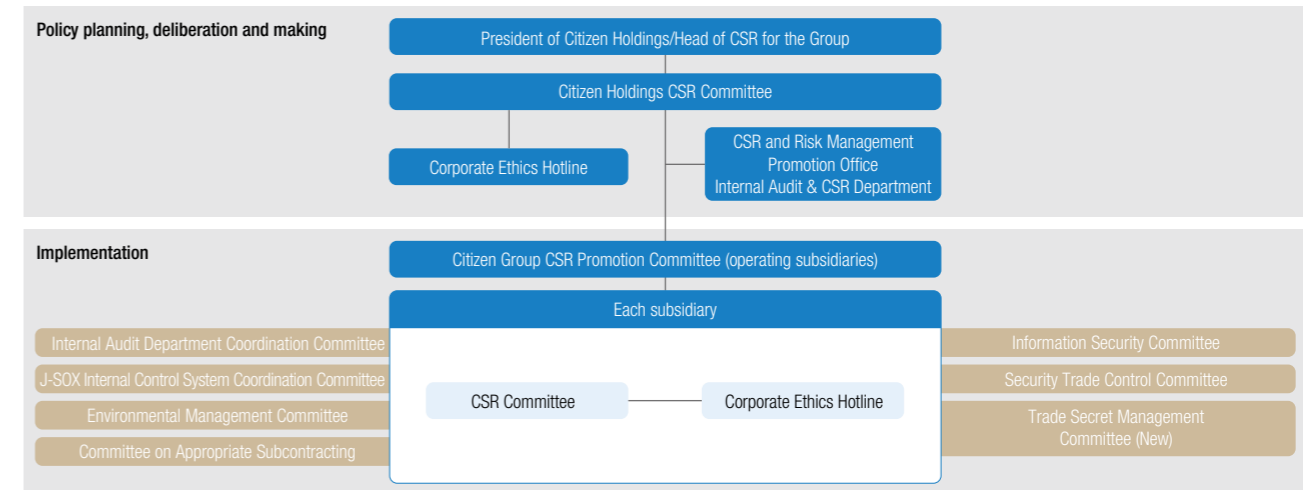
The president of Citizen Holdings has overall responsibility for the CSR activities and risk management in the Citizen Group. Immediately under the president, the CSR Committee consists of representative members of Citizen Holdings, developing and proposing strategies and policies for the Group.

As an executive body, the Group CSR Promotion Committee consists of supervisory personnel in charge of CSR selected at operating subsidiaries. Individual subsidiaries have their own CSR committees. With respect

to key issues to the Group, we have set up committees with Group companies to plan and execute measures.

Individual subsidiaries carry out activities to raise compliance awareness. They offer CSR education based on their own educational framework designed according to the 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.

### CSR Promotion Framework



For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Base of CSR > Citizen Group CSR/Risk Management](#)



## CSR Targets and Initiatives

### Fiscal 2010 initiatives

For fiscal 2010, we defined four major challenges: first, strengthening overseas CSR activities; second, developing business continuity plans (BCPs) for use in the event of

disasters; third, introducing CSR standards for purchases; and fourth, promoting social contribution activities. On the basis of these challenges, individual companies set CSR activity goals and took steps to meet them. The following explains some of our overseas activities and our actions related to the BCPs.

CSR targets and results during fiscal 2010 and issues for the future (excerpts) A: Target achieved B: Target mostly achieved C: Issues remaining D: Not implemented

Code of Conduct	CSR targets	Company	Results	Rating	Initiatives and issues for the future
1. Product safety and quality	Proper actions on business continuity plans ● Adopting an advance plan as a division model ● Developing a medium-term plan for the entire company	CITIZEN SEIMITSU	● The division model conducted activities mainly in intangible aspects to meet requests from customers. ● With respect to the development and proposal of business continuity plans for the entire company, manuals and procedures were prepared. ● A medium-term plan was drawn up for full implementation in the following fiscal year.	A	● Expansion of activities in the division model to the whole company ● Addition of power generators to the investment plan for the following fiscal year ● Revision of business plans, manuals and procedures in view of the issues on earthquake control measures
4. Environmental management	Energy efficiency improvement at factories ● A target of raising the LED lighting ratio to 50%	CITIZEN ELECTRONICS Subsidiaries in China	LED lighting was introduced to the entrance, lobby, corridors for visitors, reception room, meeting rooms, and offices. It now constitutes around 20% of all lighting in the new works.	C	Addition of LED lighting as soon as devices developed by CITIZEN ELECTRONICS arrive
8. Contributions to overseas local communities	Executing CSR activities at China-based plants in a bid to win respect from local communities ● Employees' safety ● Observation of laws ● Efforts on environmental improvement	CITIZEN TOHOKU Subsidiary in China	● Education with a focus on safe operations was provided in line with the quality education activity for a million employees run by the local government, leading to an 18% reduction in workplace injuries. ● Action for clean production will be continued. ● The subsidiary was honored with a cash award under the Pengcheng Jianfei initiative of the local city government.	A	● Safety: Removal of latent dangers in the workplace ● Welfare: Introduction of a housing reserve scheme ● Environment: Continuation of clean production activities (for reducing the generation of grinding dust) ● Production and quality improvement activities (for boosting customer confidence)
8. Contributions to overseas local communities	Compliance with laws and regulations and response to institutional reforms ● Compliance with environmental regulations (wastewater, atmosphere, etc.) ● Compliance with import and export regulations (international trade control) ● Response to institutional risks	CITIZEN SEIMITSU Subsidiary in China	● Environmental regulations: Readiness for wastewater and atmosphere regulations and measurement of environmental indicators and action on normal wastewater control and on reducing wastewater to zero. ● Import and export regulations: Somewhat insufficient in balance control ● Institutional risks: Purchasing of labor insurance in consultation with governmental authorities	B	● Continued enhancement for compliance with laws, regulations, and systems

### Summary of fiscal 2010 and issues for the future

For fiscal 2010, we focused our efforts on the four major challenges. For fiscal 2011, we will continue to improve

Group-wide levels in a sustained effort to produce positive results.

## Internal Reporting System

We have set up a Corporate Ethics Hotline in accordance with Internal Reporting System Rules for prevention or early detection of legal violations or misconduct stemming from dishonest actions and for improvement in the levels of self-regulation. Our Internal Reporting System Rules state that the reporting party's privacy must be respected. They also state that the subject of the report must be given the opportunity to refute claims made against them and that the reporting party must not be subjected to unfair treatment.

We have continued to foster a culture of reporting and have also had an external hotline in place since 2008 to enable employees to file reports anonymously.

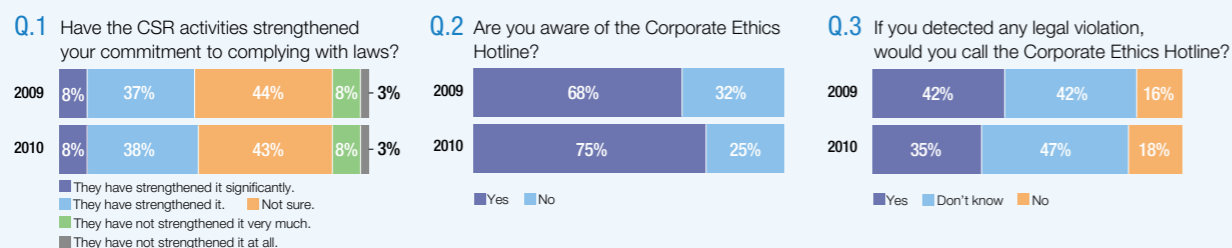
The fiscal 2010 CSR awareness survey shows that around 75% of employees were aware of the Corporate Ethics Hotline. When asked if they would use the Corporate Ethics Hotline, 18% said that they would not use the service, with a further 47% remaining unsure. The most common reason given was "That depends on the case," followed by "I am not convinced that my privacy would be protected." With these findings in mind, we will make every effort to further publicize and improve the reliability of our hotline service in the future.

### 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 have been conducting a CSR awareness survey targeting employees at subsidiaries (including temporary employees) every year.

[No. of respondents] FY2009: 6,605 out of 9,031 (73.1% response rate)  
FY2010: 6,651 out of 8,677 (76.7% response rate)



## Basic Approach to Risk Management

We are working on risk management for the purposes of properly controlling risks that may impede the realization of our Corporate Philosophy, the accomplishment of management plans, and the fulfillment of our social responsibility to achieve sustainable growth in corporate value.

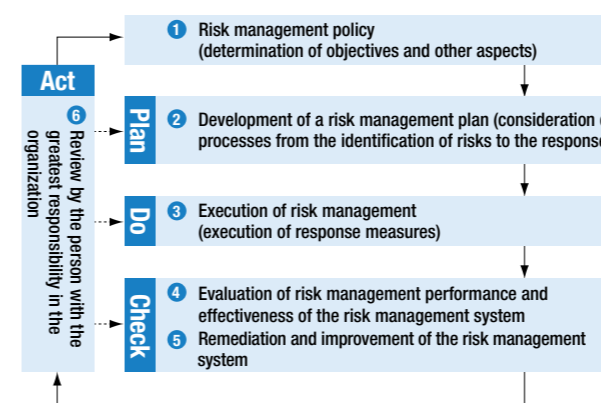
Risks involving the Group are classified into two types: strategic risks and operational risks. The strategic risks are dealt with by the Management Committee and by the Operational Management Committee, whereas the operational risks are addressed by all companies in the Group in an organized manner.

## Promotion of Risk Management

We have developed Basic Risk Management Rules. In the executive section, the Group CSR Promotion Committee monitors the operational risks of individual companies in the Group to determine whether they should be addressed by individual companies or by a Group-wide committee or equivalent body. A proposal is then made to the CSR Committee. Risks referred by the Group CSR Promotion Committee are considered by the CSR Committee. The resources needed to deal with the risks are then coordinated within the Group. If necessary, proposals are made to the Group Management Committee.

During fiscal 2010, risks were analyzed and evaluated mainly at individual subsidiaries. They studied their own actions for the following fiscal year. With regard to business continuity plans (BCPs) for use in the event of disasters, regarded as a high priority risk for the Group, individual companies took their own actions. We will review common issues to develop the BCPs. As trade secret management, a Group-wide initiative will commence in fiscal 2011.

### Basics of the Risk Management Process



## Overseas Risk Management

Fundamentally, operating subsidiaries should be in charge of overseas risk management. In fiscal 2010, we began by seeking to understand the circumstances in China and marshaling issues. In China, there are challenges of coping with risks associated with changes in different laws, regulations, and systems and risks in personnel management policies, including labor issues. In view of management strategies, we share three points with the relevant departments to address business risks. These are: first, the system for information gathering and sharing at Chinese works (risk of information inadequacy); second, the system for responding in the event of emergency (risk of slow emergency response); and third, the system of minimal necessary day-to-day management as a function of the headquarters or head office on the Japan side (risk of information confusion).

## Business Continuity Plans (BCPs)

We are working to develop business continuity plans (BCPs) to prepare for natural disasters, specified as a high priority risk in the risk evaluation carried out by individual Group companies. Given that actions vary from company to company depending on local conditions, the scale and structure of their businesses, and other circumstances, individual companies studied suitable plans and began taking action. Meanwhile, the Group is studying actions that are difficult for individual companies to take on their own for reasons of resource efficiency.

Priority actions in BCPs in the event of natural disaster include, first, clarifying the chain of command; second, clarifying the functions of the head office and other key workplaces; third, making information public; fourth, backing up information systems; and fifth, supplying products and services. To address these issues, Group companies act according to their own order of priority. In their actions, priority is placed on ensuring and confirming the safety of human lives.

Learning from the delays in confirming the status of employees and their families in the wake of the earthquake in March 2011, we have introduced a safety confirmation system designed to enable rapid confirmation of the safety of Group employees and their families and for providing quick instructions.



## Citizen and its Customers

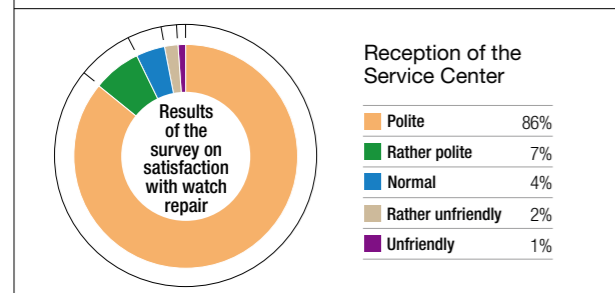
### Basic Approach to Customer Satisfaction

Customer satisfaction forms the basis of everything we do here at the Citizen Group. We constantly strive to provide products and services that offer top quality from the customer's perspective and take on board customers' comments to help us develop products and improve our services.

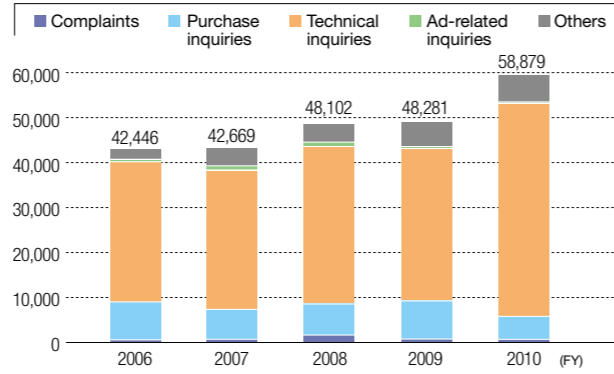
### Efforts to the Customer Service Desk

In order to continually improve customer satisfaction, we are currently implementing a range of initiatives designed to comprehensively enhance the quality of our operations at Citizen Watch Co., Ltd., including after-sales services as well as product capabilities in areas such as quality, functionality and design. New initiatives in fiscal 2010 include: first, the introduction of a text analysis tool called Text Mining to analyze customer comments gathered by the Customer Service Desk and create a system to better convey them to relevant departments; and second, a survey of customer satisfaction, with watch repair services as core business of the service center. The survey confirmed that 86% of the customers were satisfied with our repair service. We aim to improve our services to boost the satisfaction level.

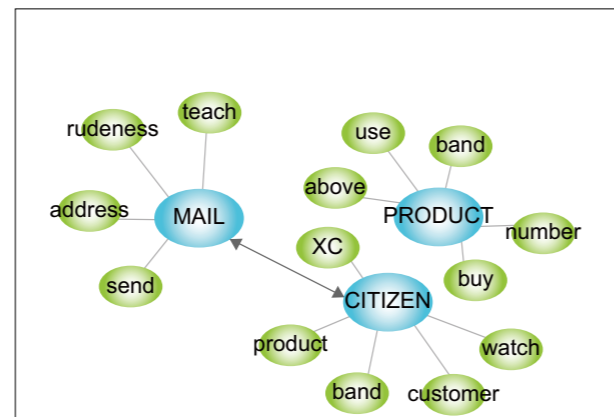
Results of the survey on satisfaction with watch repair



Inquiries to the Customer Service Desk



\* The massive growth in the number of inquiries in fiscal 2010 is attributable to our decision to include the number of inquiries received by a subsidiary, Citizen Customer Service, in addition to that of the Customer Service Desk.



#### Text Mining

The map has been drawn by analyzing inquiries made to our Customer Service Desk to represent the connection between words and how often they are used. Inquiries are classified into repair, operation methods, parts replacement, and product purchase. Numerous inquiries on operating methods and adjustments reflect market needs for user-friendly watches.

For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and Society > Citizen and its Customers](#)

# Interview

## Manufacturing based on customer feedback

Customer feedback helps create technologies that open the future.

CITIZEN WATCH

Our products reflect the many different comments from customers. The Attesa is characterized in that it is made of titanium. More than 20 years have passed since it hit the market. We are one of the very few manufacturers to have continuously mass produced general industrial products made of titanium. Then, becoming one of the first companies to start our initiative to protect the environment, we paid attention to the abundance of titanium reserves and to the non-allergic properties of this metal. To answer customers' needs for attractive watches that do not cause metal allergies, we created a sharp line and a gorgeous mirror finish using titanium, a material that is notoriously difficult to process.

The Direct Flight radio control, which corrects for time differences simply by turning the stem, and the Eco-Drive feature, which transforms light into electric power energy to eliminate the need to regularly replace batteries, have been developed to meet customer needs for simple operations for time difference correction, for trouble-free time setting, and

for freedom from cumbersome battery replacement. Despite difficulty in ensuring the balance between design appeal and functional utility, we endeavor to meet the demands of customers in every detail, visible and invisible, ranging from surface treatment to structural design. The point is to build real credibility and offer products that bring greater satisfaction by responding to customer needs. We will continue to seek technical innovation, harnessing our accumulated expertise and constantly maintaining a sincere attitude towards our customers.



**Jindai Yamakawa**  
 Manager  
 Development Center  
 Technical Development  
 Division

### Attentive care for customer satisfaction through products

CITIZEN SYSTEMS JAPAN

Citizen Systems Japan released a new digital pedometer called the TR-10 in the fall of 2010. Conventional pedometers incorporating acceleration sensors began emerging around 2005. They count the number of steps by monitoring waveform signals generated while walking.

However, they are unable to correctly count steps while jogging, because the act of jogging produces violently swinging waveforms. Many users wanted the ability to count steps accurately when they jogged and walked. We refined the waveform processing

technology so that the TR-10 could work well while jogging.

Customers who used their pedometers early in the morning or after work requested a display screen that was visible in the dark. Consequently, the TR-10 is equipped with a backlight. In addition, conventional models had a drawback in that sweat and rainwater got inside the device, corroding the internal circuit board.



A waterproof test for the TR-10

We upgraded the drip-proof feature of conventional models to a waterproof feature for the TR-10, to attain a structure more resistant to water and sweat.

These improvements have differentiated the TR-10 from its competitors, adding extra product value. It is clear proof of the importance of customer feedback to product development. At Citizen Systems Japan, the Customer Service, Quality Assurance, and other sections work together, exchange opinions and step up studies in an effort to product enhanced products. We will continue to manufacture products with care to detail, so that we can constantly increase customer satisfaction.



From left to right in the photo:

**Yasuhiro Kiuchi**  
 Manager, Planning Office Consumer Devices Division  
**Yasuhiro Hayashi**  
 General Manager, Engineering Division  
**Yuichi Nishizawa**  
 Manager, Quality Assurance Office



TR-10-GR



## Citizen and its Shareholders and Business Partners

### Citizen and its Shareholders

#### 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.

#### 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.

To make it easier to exercise voting rights, we have provided an electronic voting platform for institutional investors since our shareholders’ meeting in 2007. We try to structure meetings so that shareholders can easily voice their opinions and ask questions through initiatives such as these, thereby ensuring that meetings run smoothly.

#### Assessment 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 seven consecutive years.



For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and Society > Citizen and its Shareholders and Investors / Citizen and its Business Partners](#)

### Citizen and its Business Partners

#### Basic Approach to Purchasing

We regard building strong relationships with our suppliers to be one of our top priorities here at the Citizen Group and aim to work together so that we can grow hand in hand as business partners. To achieve this, we try to extend the policies developed by individual Group companies to our business partners through day-to-day communication, while listen to them in terms of market trends and suggested improvements in quality, pricing, and delivery of supplies purchased. Our aim is to create an environment in which supplies can be purchased on the basis of shared understanding by both parties.

#### Committee on Appropriate Subcontracting

The Committee on Appropriate Subcontracting focuses on education and auditing. Its education has two forms: basic education and practical education. It has so far trained cumulative total of 338 personnel. For auditing, the Committee conducted internal audits of ten companies, while seven companies were audited by their internal bodies. In collaboration with Group companies, we will continue our ongoing compliance efforts.

#### Efforts at Group companies

##### CSR Procurement at CITIZEN ELECTRONICS

To extend its CSR philosophy and the Citizen Group Code of Conduct to the whole supply chain, Citizen Electronics has revised its supplier approval rules, creating the CSR Procurement Guidelines, which contain new provisions for overall compliance added to the conventional green procurement provisions. Business partners are requested to submit written declarations to observe the CSR Procurement Guidelines. This declaration has been added to the supplier approval audit criteria.



## Citizen and its Employees

CITIZEN TOHOKU's nursery room - Bakke

### 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

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 have a scheme in place whereby employees on fixed-term contracts can be promoted to permanent employees, 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.

#### New Graduate Recruitment (16 Major Group Companies)

	FY2008	FY2009	FY2010
Male	91	100	68
Female	32	34	19
Total	123	134	87

#### Mid-Career Recruitment (16 Major Group Companies)

	FY2008	FY2009	FY2010
Male	51	14	29
Female	10	11	27
Total	61	25	56

#### Promoting Employment of People with Disabilities

We actively employ people with disabilities based on our basic policy of “working together.” Our employment rate at 16 major Group companies for workers with disabilities stood above the statutory rate for fiscal 2010, as specified in our statutory report (as of June 1). We will continue our focus on employing more workers with disabilities and increasing the scope of eligible job opportunities in the future.

#### Employment of People with Disabilities at 16 Major Group Companies

	FY2008	FY2009	FY2010
Employment rate	1.58%	1.69%	1.86%

\* Rate of employment as of June 1, 2010

### TOPICS FUJIMI

#### Honored by Yamanashi Prefectural Mental Health Association

Fujimi Company, a subsidiary of Citizen Seimitsu, received an award from Yamanashi Prefectural Mental Health Association in November 2010 for its initiative in employing workers with disabilities. On the occasion of boosting production traditionally outsourced to homeworkers in May 2005, Fujimi accepted five mentally disabled workers as trainees. At first, there was difficulty in choosing suitable duties, setting up the working environment, and facilitating exchange. Over time, however, all adapted well to perform their assignments. In December 2006, the subsidiary was registered as a business cooperative in the social adjustment training program. Some trainees continue to work three years after their training. During fiscal 2010, two trainees were accepted. Fujimi will continue to offer social participation support to workers with disabilities.



For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and Society > Citizen and its Employees](#)

## Citizen and its Employees

### Cultivating Human Resources

#### Group Policy

In the Citizen Group, individual operational companies are responsible for developing human resources capable of adapting to the business environment in accordance with their respective policies. We have a comprehensive environment for human resource development with two training options. One is tiered training organized by Citizen Holdings and the other is training organized by separate Group companies.

#### Human Resource Development Program

Our aim is to train human resources to suit their working environments, through basic human resource development at individual Citizen Group companies in combination with Groupwide tiered training organized by Citizen Holdings. Citizen Holdings organizes tiered training for new employees, new managers and new executives from a Groupwide perspective.

We also run the Citizen Business License scheme, which offers financial incentives to members of staff who have obtained national or public qualifications at Group companies such as Citizen Holdings and Citizen Watch, and are continually working to create a climate that is conducive to employee self-development.

#### Efforts at Group companies

##### ■ Encouraging capacity development

Citizen Watch remains continuously involved in the watch school initiative, aimed at developing employees' skills and techniques in collaboration with other Group companies operating the watch business. As many staff members undertake skill tests and internal examinations each year, Citizen Watch was honored by the Minister of Health, Labour and Welfare as a business excelling in occupational skill development in 2009, in recognition of its contribution to the expansion and promotion of skill testing initiatives.

The Company will continue to work on this initiative, which that leads not only to sophisticated watch technologies but also to greater motivation among employees.



##### ■ Emphasis on human relationships in the transfer of skills to the younger generation

Citizen Seimitsu places an emphasis on human relationships in its transfer of skills to younger workers and in human resource development. Long-serving employees with strong skills and techniques that need to be retained are acknowledged as instructors and Meister (masters). The relationship between an instructor and a young employee under his or her instruction is registered as "a relationship between master and apprentice." The development of apprentices is regularly monitored and the team of master and apprentice report their activities in company-wide meetings. This practice promotes the transfer of skills and techniques and stimulates human resource development.

#### TOPICS The Citizen Watch Group

##### Double championships won in watch-making skills competition

The 23rd National Watch Making Skill Competition took place in October 2010. A total of 11 contenders from six companies in the Citizen Watch Group competed in the first and second categories. In the first category, Masamichi Nakano of Citizen Watch won first prize and Kenji Fuyama of Citizen Heiwa Watch won third, whereas in the second category Naomi Shibuya of Citizen Tohoku and Kunihiko Yamaguchi of Citizen Watch Miyota won first and third prizes respectively. Winning a total of four prizes, the Citizen Watch Group will continue its efforts to develop the skills of every single employee.



By nature, I love making things. I think that the appeal of watch-making lies in the sense of accomplishment I feel when I see a finished watch work after assembling every single part. I was really happy that my long history of trial and error gave me the confidence that enabled me to display my strength to the fullest extent in the competition and produced such a good outcome.

**Naomi Shibuya**  
Assembly Department,  
Watch Division  
Citizen Tohoku Co., Ltd.



### Promoting a Work-Life Balance

#### A Range of Schemes Aimed at Creating Ideal Working Environments

We flexibly manage work patterns to suit conditions in the workplace at Citizen Holdings, Citizen Watch, and other Group companies. In doing so, we make every effort to create an environment in which employees can easily take leave via a range of different schemes. Reduced work hours are available for employees raising children up to the end of the third grade of elementary school.

Employees are entitled to reduce their work hours

by two hours for the purpose of nursing care. On other fronts, we have extended the eligibility for our pooled leave scheme, which is designed to support employees looking after and raising children, until the end of junior high school as a means of promoting flexible working.

#### Usage of Childcare and Nursing Care Leave Schemes (16 Major Group Companies)

FY2010	Male	Female	Total
Employee Usage of Childcare Leave Opportunities	3	42	45
Employee Usage of Nursing Care Leave Opportunities	0	0	0

#### TOPICS CITIZEN TOHOKU

##### Setting up an in-house nursing room

In constructing a new landmark building for Citizen Tohoku in April 2008, we incorporated many different ideas with an eye to 100 years into the future, following the examples of Shimpei Goto, a local hero who gave us the name Citizen. One of these ideas is the nursing room called Bakke, which means in the Iwate dialect "butterbur sprout." This embodies our dream and hope of providing support for employees caring for children, while giving the children nursed there a chance to experience watch-making at the Watch School and perhaps grow to support the future of our Company. As the nursing room is located next to the workplace, there is some exchange between children and employees. Staffed with two childcare workers to look after up to five children, the facility has few vacancies at the moment. In response to unmet needs, consideration will be given to secure space and hiring childcare professionals.



Children in the Bakke nursing room

#### TOPICS CITIZEN HEIWA WATCH

##### Male employees taking childcare leave

As part of its assistance in raising the next generation, Citizen Heiwa Watch encourages male employees to take childcare leave. In the past, male employees have been reluctant to take the leave because it was unpaid. After the scheme was revised to ensure five paid days during the leave, three male employees took childcare leave in fiscal 2010. Active efforts will be made to facilitate the involvement of male employees in childcare.

Now it is easier for men to take leave for childcare purposes. I took full advantage of it.



**Hideki Fujimoto**  
Modules Section,  
Watch Manufacturing Division  
Citizen Heiwa Watch Co., Ltd.

### Creating Healthy, Safe and Comfortable Working Environments

#### Initiatives for Maintaining and Promoting Health

The Citizen Health Insurance Society carries out activities aimed at promoting good health amongst employees and the families who support them. It is endeavoring to increase the percentage of families undergoing regular medical checkups. It also offers regular health advice to persons diagnosed with actual or potential metabolic syndrome in cooperation with individual premises.

In addition, it places emphasis on providing extensive support covering families by encouraging the use of generic drugs, organizing health workshops open to employees and their families, and providing Citizen Health Counseling Services that are available over the phone 24 hours a day.

#### Health and Safety Activities at our Tokyo Office

We continually explore measures and compile specific action plans to ensure employees' health and safety at our Tokyo Office, primarily through the Health and Safety Committee.

Safety activities depend fundamentally on eliminating risks in the workplace and on the ability of individual employees to detect and avoid dangers. We comprehensively improve safety standards via a dedicated facility safety assessment committee and carry out risk assessments and workplace swap patrols to eliminate risk

factors. The primary challenge for fiscal 2010 was to raise the health level amongst employees.

The practice of regularly doing exercises such as walking on the premises, walking stairs, and physical exercises during the lunch break was promoted as Midday Sports Club Activities in a manner that displays results in visible form in the workplace and boosts employee motivation. Two automated external defibrillators (AEDs) were added to ensure that at least one of the three AEDs is within three minutes reach from anywhere on the premises. After lifesaving training, 7% of the employees are now capable of operating AEDs.

#### Uptake of Regular Medical Checkups and Regular Health Advice (at 32 offices)

	FY2008	FY2009	FY2010
Uptake of regular medical checkups(employee + family)	77.2%	75.5%	75.6%
Rate of metabolic syndrome	10.4%	10.8%	11.5%
Rate of predicted metabolic syndrome	10.4%	11.9%	11.8%
Uptake of regular health advice	66.9%	31.3%	36.4%

#### Accidents Occurring at 16 Major Group Companies

	FY2008	FY2009	FY2010
No. of fatal accidents	0	0	0
No. of accidents resulting in lost work time	3	10	6

#### TOPICS CITIZEN ELECTRONICS

##### China-based works certified with OHSAS 18001

Xunke Electronics Ltd., a manufacturing subsidiary based in the Chinese province of Guangdong, obtained OHSAS 18001 certification for occupational health and safety management systems in February 2011. It has constructed and will control and operate its system for managing occupational health and safety. Including not only tangible measures such as capital investment but also intangible initiatives that consider human factors, it is designed for the prevention of diseases and accidents. Aiming to meet customers' requests in addition to CSR requirements, Xunke Electronics will seek to embed this system in its operations.



OHSAS training



**Assisting an Environmental Workshop**

**Citizen Holdings Co., Ltd.**  
The Company provided support for an event held at Tanashi Forest of the University of Tokyo, located in the city of Nishitokyo. The event was called "The Arts of the Forest & the Sea – Welcome to the Tiny Universe of Insects" (organized by Wonder Art Production).

**Citizen and Local Communities**

**CITIZEN OF THE YEAR**

What is Citizen of the Year?

**Every year, we select deserving individuals who inspire their communities and honor them for their actions and activities.**

Citizen of the Year is an annual award scheme that gives recognition to citizens who inspire local people and contribute to the development, happiness and all-round enhancement of their local communities. Prompted by a lack of wide-ranging recognition for deserving citizens, the scheme was set up in 1990 to mark Citizen's 60th anniversary, tying in perfectly with the spirit of company's name. As well as Japanese citizens, commendations have also been given to foreign citizens who have made a contribution to their local communities in Japan. The scheme has even received coverage in the press and on television.



**Contributing to Local Communities**

**Protecting schoolchildren at a crosswalk for half a century**

On the day of an elementary school's entrance ceremony in 1961, a car hit a new student at a crossing. This accident prompted him to volunteer as a crossing guard. He has since stood at the intersection every morning to monitor the safety of the schoolchildren. Spring 2011 marked his 50th year of service.

**Personal Achievement**

**Correcting the prevailing theory that ant lions do not excrete, following observation and experiments during summer vacation**

He discovered yellow liquid coming from an ant lion while observing it during independent research on summer vacation. Wondering if it might in fact be urine, he studied it carefully but failed to reach any convincing answer. He finally made the breakthrough following repeated experiments and observation.

**Civic Contribution**

**A decade of overcoming cancer and cheering cancer patients and their families through his rakugo performance**

Five years after surgery to remove his cancer, Mr. Higuchi gave a solo performance of rakugo comic storytelling to an invited audience of patients and their families who have supported and encouraged him. Since then, Mr. Higuchi has been offering a "Solo Performance in Appreciation of Being Alive," giving hope and courage each year through the new comic stories he creates.

**Mr. Morimatsu Yoshida**

Living in Aichi Prefecture



**Mr. Ryoto Yoshida**

Living in Chiba Prefecture



**Mr. Tsuyoshi Higuchi**

Living in Chiba Prefecture



**Towel Hat Workshop**

Citizen Tohoku held a towel hat workshop with Ms. Mikiko Yoshijima, winner of the 2009 Citizen of the Year, as instructor. Attracting 39 participants, the workshop enthusiastically crafted towel hats, including 52 donated on a later date to the Palliative Care Department of the Iwate Prefectural Chubu Hospital.



**Donating wristwatch to those leaving the orphanage**

The Citizen Volunteer Club donated a total of 69 wristwatch to NPO Bridge for Smile. These were both used and unused wristwatches collected from employees and given maintenance by the Citizen Customer Service prior to the donation.



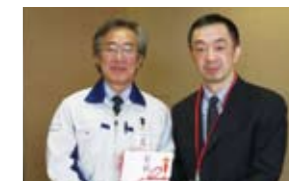
**Workshops by the Table Tennis Club**

Citizen Holdings' Table Tennis Club has a 45-year history of outstanding performance. The club holds table tennis workshops around the country. In fiscal 2010, 19 workshops took place at different parts of Japan, attracting 1,796 participants.



**Providing support for the Japan Deaf Table Tennis Association**

Citizen Holdings has been providing support for the Japan Deaf Table Tennis Association since 2007. Citizen Systems Japan donated thermometers that vibrate to signal the temperature to the 33rd National Deaf Table Tennis Championship.



**Manufacturing Class**

Citizen Holdings organized a Manufacturing Class for Kids with the participation of 41 elementary schoolchildren and parents in the city of Nishitokyo. The Citizen Heiwa Watch employee honored as a Modern Master Craftsman by the Minister of Health, Labor and Welfare in 2009 acted as instructor, providing participants with a watchmaking experience.



**Hands-On Workplace Experience Programs**

Citizen Group companies welcome junior high school children to take part in factory tours for a hands-on workplace experience, and also accepts student interns. As at March 2010, Citizen Tohoku had accepted a total of 1,545 participants in these programs from 48 schools.



**Visiting Lessons to Educational Institutions**

Citizen Tohoku is actively involved in a project run by the Kitakami River Basin Manufacturing Network to offer visiting lessons at different schools. Young and midlevel employees explore what students now want to learn and deliver lessons that are based on their experience and suited to students' needs.



**Dispatching Lecturers to Shinshu Craftsmanship Workshops**

Shinshu Craftsmanship Workshops are held by the Nagano Prefectural Watch, Jewelry and Glasses Commercial Cooperative, in cooperation with manufacturers and the Nagano Prefectural Government, in an attempt to develop mechanical watch repair skills. Two Citizen Heiwa Watch employees with Grade-2 Watch Repairer Certification are dispatched to the workshops to give instructions to those hoping to pass the test for Grade-3 certification.



**Preserving Biodiversity**

Since 2003, the Kitamimaki Works of Citizen Finetech Miyota has since been engaged in an initiative to preserve Shijimiaeoides divinus, a butterfly species designated as endangered. Today, natural proliferation of this butterfly can be observed as a result of these efforts to preserve and grow Sophora flavescens, its larval food plant, on site.



**Solar Bear-Citizen Joint Donation of Solar Power Generation Equipment**

Citizen Watch is contributing part of sales of its solar-powered Eco-Drive products to the Solar Bear Fund, and is helping to make solar power generation equipment available to kindergartens and nursery schools across the country. In fiscal 2010, three solar power generation systems were donated under this initiative.





# The Citizen Group's Environmental Management

## Citizen's Vision for the Environment and Society, Environmental Policies

We have revised the Citizen Group Environmental Policy in line with our Vision for the Environment and Society in 2025. We have also adopted the slogan "Small is Eco" in an effort to capture the common purpose spanning all of our Group companies.

We have long since focused on improving productivity within the Citizen Group, revolving primarily around our compact precision technology. From an environmental standpoint, this is based on the equation "improving productivity = reducing environmental impact = generating profit". Looking at it another way, you could regard this as environmental value, in terms of saving space, resources and energy. We realized that we were already implementing fairly extensive environmental activities on a daily basis as part of our manufacturing operations.

### 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 Group Environmental Policy Slogan

## "Small is Eco"

- Promoting downsizing**  
We will minimize environmental impact through production and technological innovation and reduce CO<sub>2</sub> emissions whilst also generating profits.
- Creating new environmental value through Citizen Environmental Products**  
We will identify new environmental possibilities through our products and components.
- Minimizing environmental risks**  
We will comply with worldwide environmental legislation (REACH regulations, US regulations, Chinese regulations, etc.)
- Enhancing communication with local communities through environmental and social contribution activities**

Revised April 1, 2010

By adding an environmental (ecological) dimension to our existing efforts to manufacture products that are as small as possible, we came up with the slogan "Small is Eco", a principle that we intend to establish as a form of environmental value throughout the Citizen Group.

### Targets and Results for Fiscal 2010

Evaluations: ○: Achieved  
△: Partly achieved  
×: Not achieved

Targets for FY2010	Results for FY2010	Evaluation
<b>1. Downsizing</b>		
<ul style="list-style-type: none"> <li>We will minimize our impact on the environment through production and technical innovation, reducing CO<sub>2</sub> emissions while generating profits.</li> <li>We will select environment-related objectives from our business targets (policy management): resource conservation, energy conservation, space saving, enhanced recyclability, reduced chemicals consumption, increased operation ratio, etc.</li> </ul>	Tokyo: Activities carried out to address 94 objectives Tokorozawa: Activities carried out to address 38 objectives Citizen Watch applies the concept of expected effect to calculations of the results of downsizing	○
<b>2. Creating new environmental value through Citizen Environmental Products</b>		
<ul style="list-style-type: none"> <li>We will identify new environmental possibilities through our products and components.</li> <li>We will create new value of the Eco-Drive (watch).</li> </ul>	<ul style="list-style-type: none"> <li>No specific actions were taken.</li> <li>Some premises replaced hazardous chemicals and maintained chemicals management.</li> <li>Overseas environmental certifications were obtained (Taiwan's Green Mark certification obtained in November 2010).</li> </ul>	△
<b>3. Minimizing environmental risks</b>		
<ul style="list-style-type: none"> <li>We will comply with worldwide environmental legislation.</li> <li>We will comply with the Act on the Rational Use of Energy, and specifically cut CO<sub>2</sub> emissions from power and gas consumption by 1% per annum in principle.</li> <li>Reduce CO<sub>2</sub> emissions at Tokyo offices by 50% (11,800 tons) compared with FY1999</li> <li>Reduce CO<sub>2</sub> emissions at Tokorozawa offices by 12.6% (10,900 tons) compared with FY1999</li> <li>Promoting waste reduction activities</li> <li>Reduce and manage industrial waste at Tokyo offices</li> <li>Reduce and manage industrial waste at Tokorozawa offices</li> <li>Achieve a 99% group-wide recycling rate</li> </ul>	Information on amendments to the REACH regulation, U.S. regulations, Chinese regulations, and other regulations was collected. Reduced CO <sub>2</sub> emissions by 54% compared to fiscal 1999 (10,803 tons) Reduced CO <sub>2</sub> emissions by 17% compared to fiscal 1999 (10,346 tons) Reduced 64% (100 tons) compared with FY1999 Reduced 50% (85 tons) compared with FY1999 99%	○
<b>4. Bolstering communication with local communities through environmental and social contribution activities</b>		
	Undertaken as part of CSR activities	○

For more detailed information, please refer to our website.  
 Citizen Holdings > CSR Activities > Citizen and the Environment >  
 Citizen's Vision for the Environment and Society / Environmental Policies

## Environmental Management

### 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 two meetings of the Group Environmental Management Committee each year, bringing together environmental managers at domestic offices to ascertain progress with activities at each company, review annual environmental management policies and common issues, and make decisions accordingly.

Our domestic production companies have obtained ISO 14001 certification and conduct environmental management based on the nature of their 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 Building Efforts

In practicing environmental management, it is essential that all Group employees are aware of the importance of the activities. For instance, Citizen Holdings' Tokyo Office incorporates environmental education into its training for new recruits. It also provides Environmental Personnel Training, Internal Auditor Training, and Environmental Statutory Compliance Assessment Training annually for personnel working on the environment in each department. Production departments handling toxic, harmful, and other hazardous substances conduct emergency drills.

We have introduced the Citizen Business License scheme, an original scheme that encourages and supports proactive efforts to acquire public qualifications such as those for pollution control managers and energy managers.

### Example Initiative

#### Introducing Environmental Accounting Book Scheme to Build Environmental Awareness amongst Employees

Based on the awareness that the sensitivity of individual employees is fundamental to action, Citizen Finetech Miyota runs an environmental accounting scheme. For fiscal 2010, the number of participants in the scheme surged to 433, or 61% of all officers and employees. While keeping records of their household lighting, fuel expenses, and other items, more and more employees are taking actions in their households, such as investing in solar power generation and other renewable energy, or switching from liquefied petroleum gas to utility gas and other sources of energy with reduced global warming potential, to reduce carbon dioxide emissions. Meanwhile, an increasing number of employees are involved in the CO<sub>2</sub> Reduction Action Campaign and the Shinshu Eco-Point Program run by the Nagano Prefectural Government. This initiative allows participants to use their existing environmental accounting books while

becoming involved in local community activities. To encourage family- and community-wide activities that are vital to today's society, we will strive to increase the use of environmental accounting.



An awards ceremony under the environmental accounting scheme

### 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.

## 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.

INPUT		
Total energy input (GJ)	Japan	2,358,062
	Overseas	1,062,238
Water resource input (km <sup>3</sup> )	Japan	1,676
	Overseas	1,998
Repeated use of water within the organization (km <sup>3</sup> )	Japan	384
	Overseas	7
Chemical substances input (tons)	Japan	574
	Overseas	2,547
Containers and packaging used (tons)	Japan	619
	Overseas	1,209



OUTPUT					
CO <sub>2</sub> emissions (tons-CO <sub>2</sub> )	Japan	94,198	BOD emissions (tons)	Japan	43
	Overseas	38,577		Overseas	19
NOx emissions (tons)	Japan	6	COD emissions (tons)	Japan	7
	Overseas	6		Overseas	79
SOx emissions (tons)	Japan	5	Waste generated (tons)	Japan	6,967
	Overseas	5		Overseas	2,906
Water drainage (km <sup>3</sup> )	Japan	1,343	Waste land-filled (tons)	Japan	22
	Overseas	1,377		Overseas	1,790

Input and output data does not include environmental impact at the distribution/sales, usage or procurement stages.  
 Period: April 1, 2010 to March 31, 2011  
 Scope: 21 domestic companies, 10 overseas companies

For more detailed information, please refer to our website.  
 Citizen Holdings > CSR Activities > Citizen and the Environment > Environmental Management / Business Activities and Environmental Impact  
 Citizen Group CSR Report 2011

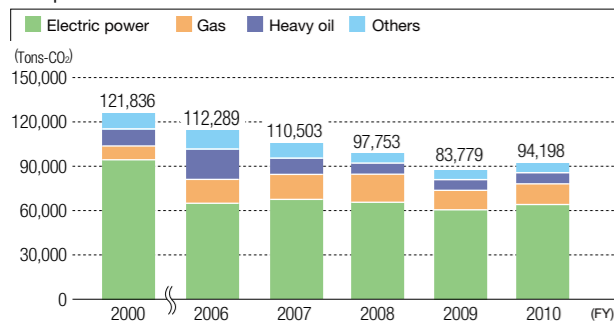
# The Citizen Group's Environmental Management

## Reducing Greenhouse Gasses

### Reducing Greenhouse Gas Emissions

We are vigorously pursuing energy conservation initiatives that incorporate effective activities conducted on separate premises to achieve efficiency and steady progress in reducing CO<sub>2</sub> emissions. In fiscal 2010, our energy-derived CO<sub>2</sub> emissions reached 94,198 tons, up 12% from the fiscal 2009 level. However, given that this emission figure is about 23% below our fiscal 2000 level, we managed to meet our goal of a 10% reduction from fiscal 2000, as set in our medium-term plan. Going forward, we will introduce more efficient equipment, adopt energy-saving controls, and take other actions.

Group-wide CO<sub>2</sub> Emissions

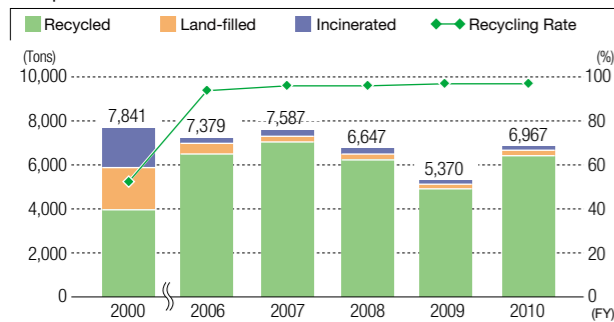


## Effective Utilization of Resources and Reduction of Waste

### Promoting Waste Reduction Activities

Our initiatives aim at eliminating rather than disposing of waste, in an effort to help build a recycling-based society. In fiscal 2010 we met our target of achieving a Group-wide recycling rate of 99% and completely eliminated garbage (a recycling rate of 99% or higher) at 17 domestic premises. The volume of waste\*<sup>1</sup> increased around 1,023 tons. For fiscal 2011, we will strive to achieve a goal of maintaining a recycling rate of 99% or higher (zero waste) on a Group-wide basis.

Group-wide Waste Production\*<sup>2</sup>



\*<sup>1</sup> Volume of waste = industrial waste + general waste  
 \*<sup>2</sup> Waste production = industrial waste + general waste + valuable resources

For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and the Environment > Reducing Greenhouse Gasses](#)

### Example Initiative

#### Installing solar panels

Citizen Seimitsu installed solar panels on the roof of the visitor reception building of its head office in September 2010 as part of its measures to reduce CO<sub>2</sub> emissions. The panels are expected to generate 15,000 kWh of electric power per year. The entrance to the visitor reception building is equipped with a display monitor that indicates sunshine duration, power output, and other data. That demonstrates to visitors its environmental considerations in business operations. Other environmental investments include the replacement of absorption water coolers with turbo refrigerators, which reduce CO<sub>2</sub> emissions by 400 tons a year. From fiscal 2011, our activities will aim at reducing the environmental impact and costs based on our medium-term environmental policy.

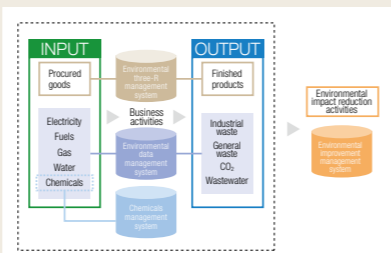


Solar panels

### Example Initiative

#### The Environmental Three-R's and Improvement Management Systems

Under a medium-term environmental target for fiscal 2010-2012 of generating 500 million yen in profit from the Three-R initiative, Citizen Seimitsu in fiscal 2010 undertook a number of environmental improvement activities in its manufacturing process and constructed a management system. To begin with, it erected an environmental three-R management system for monitoring the environmental impact of its business activities. This system computes the volumes and values of procured goods (or inputs) and of finished products (or outputs). Environmental improvement objectives are registered in the environmental improvement management system to tally the effect of the efforts to improve the environment in terms of reduction volume and amount. During fiscal 2010, 98 objectives were registered in the system and the effect amounted to 67.8 million yen. Going forward, the environmental three-R and improvement management system will be effectively used to step up environmental improvement efforts. To meet the target, the activities will be extended to encompass the company's three subsidiaries.



For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and the Environment > Effective Utilization of Resources and Reduction of Waste](#)

## Reducing Hazardous Chemical Substances

### Reducing Usage of Hazardous Chemical Substances

Having started to work on reducing the use of substances such as chlorinated organic solvents and chlorofluorocarbon alternatives (HCFCs) in fiscal 2003, we managed to entirely eliminate all such substances in 2008. The table below summarizes PRTR\*<sup>3</sup> substances reported by the Citizen Group overall during fiscal 2010. Following a legislative amendment and other events, the number of substances subject to reporting requirements increased from four to 11, while the volume handled jumped 2.8 fold to 92.5 tons.

Volume of PRTR substances released and transferred (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
Ferric chloride	33.9	0.0	0.0	0.0	0.0	0.0	30.0
1-bromopropane	16.2	3.9	0.0	0.0	0.0	0.0	9.2
Xylene	11.6	1.5	0.0	0.0	0.0	0.0	3.4
Nickel compounds	10.6	0.0	0.0	0.0	0.0	0.0	9.3
Methylnaphthalene	9.0	0.0	0.0	0.0	0.0	0.0	0.0
Hydrogen fluoride and water soluble salts	4.0	0.0	0.0	0.0	0.0	0.0	0.2
1,2,4-trimethylbenzene	2.3	0.2	0.0	0.0	0.0	0.0	0.6
Toluene	1.5	0.8	0.0	0.0	0.0	0.0	0.7
Inorganic cyanide compounds (except complex salts and cyanates)	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Lead	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Benzene	1.0	1.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>92.5</b>	<b>7.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>53.4</b>

\*<sup>3</sup>: PRTR Act

Officially called the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, this is legislation under which the national government, businesses, and other institutions monitor, compile, and publish data on emissions of hazardous chemicals into the environment from each source as well as on the presence of hazardous chemicals in waste carried away from manufacturing premises.

## Enhancing Products with Citizen Environmentally Friendly Products

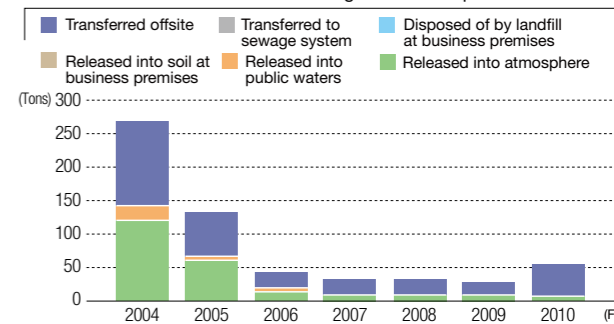
### Expanding Our Range of Environmentally-Friendly Products

We are taking steps to expand our lineup of eco-friendly products. 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. We launched a comprehensive initiative in fiscal 2005 to achieve our target of increasing eco-friendly products as a percentage of new models to 100% by the end of fiscal 2008. Since then, the number has been steadily increasing. Since fiscal 2009, almost all of our new models have been eco-friendly. In terms of compliance with REACH regulations and the RoHS directive, meanwhile, we have introduced a dedicated management system and are managing chemical substances accordingly.

For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and the Environment > Enhancing the Lineup with Environmentally-Friendly Products](#)

For more detailed information, please refer to our website.  
[Citizen Holdings > CSR Activities > Citizen and the Environment > Reducing Hazardous Chemical Substances](#)

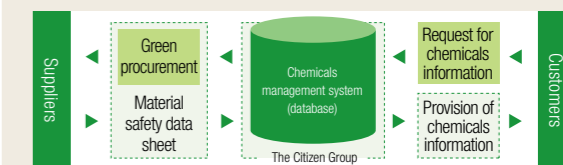
Amount of PRTR Substances Discharged and Transported



### Example Initiative

#### Active Use of Chemicals Management System

With regulations on hazardous chemicals being tightened around the world, including Europe's REACH regulation\*<sup>4</sup> and RoHS directive\*<sup>5</sup>, Citizen Systems Japan has built a system that manages chemicals contained in products. This system is now being used for centralized control of information on chemicals in product components and for calculating chemicals content, and has made it possible to respond rapidly to customer demand for environmental information.



\*<sup>4</sup>: REACH regulation  
 A European Union regulation on registration, evaluation, and authorization that has been in force since June 1, 2007, and which imposes obligations to identify controlled substances and to register hazard information on businesses handling chemicals at predetermined quantities.  
 \*<sup>5</sup>: RoHS directive  
 A European Union directive for restrictions on the use of hazardous substances, which has banned the sale of electric and electronic products containing six chemicals (lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB), and polybrominated diphenyl ethers (PBDEs)) within the European Union since July 2006.

### Example Initiative

#### Development of the Cincom environmentally-friendly NC automatic lathe

Machine tools are sometimes known as the "mother" machines. As such, they can play a very important role in the environment from the perspective of lifecycle evaluation. When Citizen Machinery developed the M32 VIII NC automatic lathe, the evaluation criteria included energy conservation and zero use of hazardous chemicals. Machine tools have numerous motors and heavy moving parts. Citizen Machinery identified the energy required for processing and visualized power consumption in an effort to completely cut wasteful energy use. Zero use of hazardous chemicals was attained by studying each of the approximately 3,000 components.



M32VIII

## Environmentally-Friendly Products

# The Eco-Drive Watch — Potential of design

On display at Tokyo Designers Week 2010  
— Environmental Design Exhibition

### Taking part in an event that foresees the future from the perspective of the environment and design

Tokyo Designers Week (TDW) is an urban design event organized by Design Association NPO. It is one of the few events in Japan with a 25-year history. At many different sites in Japan's capital, exhibitions and events take place based on the year's theme. The 2010 event started on October 29 and ran for six days under the theme of "The environment x design." It was a success, attracting as many as 72,000 visitors from around the world.

One of the reasons for our participation in the TDW as an exhibitor lay in the concept of the event, namely the environmental design exhibition, which matched the same corporate spirit that inspired us to offer the solar-powered Eco-Drive watch and other environmentally friendly products. Under a slogan of "combining technology and beauty," we engage in product manufacturing that creates design appeal, functionality, and environmental friendliness. We had long had an aspiration to make our earnest stance widely known to the public. Another objective of our participation was to further evolve our brand image inside and outside the Company. We consequently decided to become part of the TDW for the first time and to demonstrate our environmental efforts and our dedication to design.

### Combining technology with beauty and the environment with design towards the future

Located in Omotesando, the Citizen Design Studio is so close to the TDW's main venue Meiji Jingu Gaien that it was chosen as one of the shop exhibition sites. On October 28, the pre-opening party was held before the exhibition became open to the public. On the subject of "The Eco-Drive Watch: Potential of Design," five in-house designers delivered presentations. During the period, six collaboration watch models in commemoration of our 80th anniversary were also on display.

Prior to the presentations, we organized an internal design competition and broadly invited design entries. We chose five designs that earned particularly high marks from among more than 50 entries. During the presentations, the five designers spoke about the ideas infused into their designs. We had anticipated that a direct presentation of their flexible and innovative thinking, which usually cannot be heard, would help create an enhanced brand image as well as let many people know about our approach to design. For example, the surface treatment technology using titanium and the solar power generation technology had already earned strong praise. The exhibition provided us with an opportunity to create excellent products by combining these technologies with design through internal collaboration.

### After participation in the TDW

Our display in the TDW enabled us to receive valuable comments from general customers, designers in other industrial sectors, and others with whom we had little contact. It also renewed public awareness of our design dedication and efforts. We think the initial objectives behind our decision to participate were met.

We are endeavoring to protect the environment through our products, including the solar-powered Eco-Drive. Essentially, people are part of the natural environment. Watches are familiar industrial products that actually contact human skin, and as a company that offers such products, we should always seek designs that appeal to human hearts. In other words, combining technology and beauty is the sole approach to combining the environment with design and to reaching future products that we should pursue. It is meaningless unless this action continues into the long term.

We will continually carry out initiatives like this in an effort to achieve further development.

Yasuyuki Sakamaki

Creative Director, Design Center,  
Marketing Headquarters  
Citizen Watch Co., Ltd.

## Third-Party Comments

A company's CSR report is more than a simple report outlining CSR initiatives. It represents a commitment to undertake initiatives that seek to put the company's principles into practice. My comments this year are once again based on this same perspective.

One Akiyama

President of Integrex Inc.



### 1 Positive points

The Citizen Group has maintained a highly admirable stance of involving all of its personnel in initiatives aimed at putting into practice its corporate philosophy of "contributing to and striving to be respected by the citizens of the world" in every aspect of its business activities.

This year's CSR report is the third with an opening feature in which Group personnel around the world each display a board stating what CSR means to them. It also covers examples of initiatives in Citizen and Society and in Citizen and the Environment. They show the personality of the individual employees featured and convince me that the efforts of all employees to fulfill the Group's corporate social responsibility are real.

With respect to CSR targets and initiatives, the report explains that four challenges identified as future issues in the previous year's activities were adopted as major challenges for the current year and that individual Group companies set their own CSR targets and acted on those. Their results, evaluation, future initiatives, and challenges are presented. This indicates that the PDCA cycle is effectively practiced throughout the Group's consistent activities.

The special feature of this year's report focuses on global CSR activities. I am impressed to learn that social contribution activities geared to local needs are underway in different countries and to read the comment that "These activities provided us with opportunities to turn our attention to global issues and to think about what we each can do to serve the society."

The report also suggests that specific initiatives are undertaken and refined on the basis of feedback from stakeholders. For example, customer comments are incorporated into manufacturing. Relationships are built with business partners through dialogues. And different schemes are reviewed for creating ideal working environments.

As for environmental initiatives, the report refers to the target defined in line with the Citizen Group Environmental Policy revised last year as well as results and evaluation for fiscal 2010. It shows that the initiatives are steadily carried out under the slogan of "Small is Eco." I find it unique to the Citizen Group that employees are involved in these initiatives based on the notion that the sensitivity of every single employee is essential to taking action. This is, for instance, seen in introduction of the environmental accounting scheme at a Group company.

### 2 Potential improvements for the future

This year's report covers overseas initiatives in the Special Feature section. I hope to see more reports on initiatives for sharing the Citizen Group Corporate Philosophy as a foundation of activity promotion and more examples of contributions to overseas local communities, as stated in Article 8 of the Citizen Group Code of Conduct, in addition to reports on social contribution activities in different countries. I also look forward to seeing more faces and voices of overseas staff members being featured, given that more than 60% of the people of the Group are based overseas.

The report also covers initiatives for business continuity plans in the event of natural disaster, since these are defined as a priority risk in the risk assessment at Group companies. Going forward, it will be necessary to review how these initiatives were executed in the process of recovering from damage at some production and sales premises caused by the Great East Japan Earthquake and what problems were identified.

### 3 Looking ahead

In the wake of the Great East Japan Earthquake on March 11, the importance of the relationship between businesses and society and of the role of businesses as corporate citizens is greater than ever before. It is essential to combine the strengths of businesses and people, of businesses and communities, of different businesses, and of all players and to make them work together. I think that the philosophy of Sontoku Ninomiya is required. This Japanese moralist preached an idea of *ichi-en yuga*, according to which good results come solely from the state in which all things integrate into one, given that they interact with one another.

I hope that all individuals in the Citizen Group will think about what is needed and what they can do to build a truly sustainable society and work together as a corporate group, contributing to and striving to be respected by citizens around the world. I hope also that the Citizen Group will continue its initiatives based on integration between business and people or between business and society.