

Group Code of Conduct, Article 8

Value and respect the different cultures and customs of foreign countries, and contribute to the development of local communities.

Encouraging Structural Reforms and Changes in Corporate Culture in China



“We are growing into a company with local ties in China, a country undergoing rapid change. I’m confident that we can accelerate the pace by improving communication with employees.”

Yoshiki Kurobe
Former Managing Director
Citizen Precision Guangzhou Ltd.

Relationship between Evolving China and Japanese Companies

The extremely rapid pace of change in China has resulted in many problems as well as heightened awareness for the Citizen Group, which has group companies and plants in China.

This evolution has not just been economic, but has extended to their thinking, lifestyles, and approaches to work. As they have changed, it has been necessary for us to make various responses.

In 2009, the management team at that time had misgivings about operations in China. Personnel expenses were rising rapidly in conjunction with high economic growth, and environmental regulations were being made stricter on a yearly basis, requiring various management measures. Under these rapidly changing conditions, it was necessary to determine

what types of structures and systems should be created to provide employee-friendly work environments and promote the development of Citizen Precision



CPGZ acquired “Cleaner Production Certification” under China’s Cleaner Production Promotion Law.

Guangzhou (CPGZ) in a way that will lead to the development of the Citizen Group as a whole. There were many problems to be addressed, but we believe it was also necessary to take measures for the benefit of the local workers.

Raising Organizational Capabilities: The Phoenix Plan

Under these circumstances, the key issue was how management can work with employees to enhance organizational capabilities. The Phoenix Plan was adopted with the aim of becoming a company that can survive until at least 2020. The plan calls for structural reforms (changes



Posters in corridors encourage participation in 3Q7S activities led by local employees.

in corporate culture) and production reforms in order to become a world-leading enterprise.

First, measures were taken to change the corporate culture with the aim of transforming local employees into human resources who were able to act more autonomously. Among the specific measures was localization of management by establishing organizations centered on local personnel. Another measure was the implementation of 3Q7S activities led by local employees. Also, employee conditions were reformed to improve yields, quality, and productivity by reducing employee separation and improving its stabilizing technical skills. In addition, 10 committees were established within CPGZ, taking into account the unique characteristics of Chinese employees, to listen to the comments and opinions of the employees and discuss them in executive officer meetings and establish systems regarding benefits, safety, wages, and so on that incorporate the employees’ perspectives to the greatest extent possible. Longtime employees were actively promoted to foreman and leader positions, outside consultants were hired, and training tailored to specific positions was conducted. The results have been a fostering of awareness as executives, reductions in costs, a reduction of leadtimes, and an overall improvement in efficiency throughout the plant.

Becoming a Locally-Recognized Company

Employees from other districts have a strong tendency to resign from their jobs at the time of the Chinese new year and return to their hometowns, and long-term employees are often locals. CPGZ is putting greater efforts into activities that support local regions with the aim of making contributions and becoming a company where employees can be proud to work for the benefit of such local employees. Improving CPGZ’s local reputation also serves to please the families of such employees and increases local residents who want to work for the company. I believe that this is one example of the beneficial coexistence and mutual development of the company and local communities.

Future Targets

Today at CPGZ, there is an awareness of the need to thoroughly implement the PDCA cycle, and we are adopting corporate policies for each year, setting priority tasks for each division and incorporating measures designed to carry those tasks into day-to-day activities. We have also started consulting with the government, attorneys, and labor bureaus to respond to rapidly changing laws in China.

Our targets for the future are to establish a corporate culture that enables employees to act autonomously, to respond to environmental regulations, to become a company understood by our stakeholders, and to coexist harmoniously and achieve mutual benefit with and be recognized by local communities. All employees are working together to achieve these targets.

Topics

Employment of Disabled Persons

CPGZ actively employs disabled persons. The company currently has 26 disabled employees and does not create any distinctions in the work content based on their disabilities and assigns the same work as non-disabled employees. Support is available, but disabled employees are given work with significant responsibilities and some individuals have even been promoted to team leader positions. CPGZ plans to hire even more disabled employees in the future and provide them with a positive work environment.



The Company as Seen by a Local Employee

I have worked for CPGZ since I was hired after graduating, and I currently work on improving worksites and managing employee conditions.

We have the highest respect to employee opinions. Women account for 90% of the workforce, and therefore, we work to create a work environment that is friendly to women employees. Local employees want to work even after childbirth. As a result, new mothers are granted 30 minutes each morning and afternoon for nursing, enabling employees with young children to work with peace of mind. Currently, about 100 pregnant women work for CPGZ, and most women return to work after taking maternity leave. In the future, I hope to enhance the childcare leave system and to establish a nursing room.

My role is to create ties between the company and its employees and to create an even better workplace, and I hope to make the company a good place to work including wages and benefits while taking into consideration the interests of the company.

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Voice