

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.

Human Resource Development in China



“Conveying manufacturing techniques raises motivation and generates pride in one’s work.”

Yoshitaka Nakayama
Managing Director
Guangzhou Most Crown Electronics Ltd.

Watch School Opened

Guangzhou Most Crown Electronics Ltd. (MCLG) made reforming the corporate culture and developing human resources priorities. As a part of its measures to address these issues, the company opened a watch school to raise technical skills.

At the watch school, which was established in 2011, a total of 24 local employees selected from various departments learn watch assembly skills and techniques (including theory) once each month with the aim of becoming watch professionals. The watch school provides a forum for employees who want to learn, and is intended to enable employees to experience the joys and difficulties of manufacturing, raise motivation, and support the development of human resources who are proud of their jobs.

In addition, the 3M Academy was established as a part of self-improvement activities to enable employees to study Japanese and Chinese and improve their communication skills. By undertaking these activities with objectives, not only are skills raised, but awareness is improved and the fundamental policy of the 3M group (Citizen Watch Miyota, MCLG, and Myoko Precision)—“Respect the field and people! Make the company better and dreams happen!”—is put into practice.

The hope is that future graduates will become instructors and the Academy can be operated by local staff only, and I am confident that we will achieve this objective.

Reforming Employee Awareness

Citizen Micro Devices (Suzhou) Co., Ltd. (CDLS)

People in China believe that it is possible to make advances by seeking a new environment, and personnel separation rates are high compared to Japan, and as a result, accumulating technical skills is an issue. In order to overcome this problem, CDLS made a major push to reform its corporate culture and change and raise employee awareness.

Employee training is conducted on quality, health and safety, 5S, and other topics. In addition, outside instructors were employed to conduct supervisor training, work methods and approaches, management techniques and so on with the aim of raising the skill levels of supervisors.

Based on the belief that communication is essential, efforts are also made to promote communication by holding social events and inter-departmental exchanges.



Takashi Mitsuishi, General Manager
Citizen Micro Devices (Suzhou) Co., Ltd.

Group Code of Conduct, Article ⑨

The top management of the Citizen group recognizes 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.

Corporate Governance

Basic Approach

The Citizen Group endeavors to improve business value and contribute to society through sustained corporate activities in harmony with local communities and the global environment under the corporate philosophy of “Contributing to and striving to be respected by the citizens of the world.” In the constant pursuit of this goal, we strive to reinforce corporate governance in recognition of the importance of ensuring management transparency and effectively supervising management from various perspectives.

Roles of the Pure Holding Company and Subsidiaries

We have clarified the scope of responsibility and authority of Citizen Holdings and each of the individual operating 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 more effective management and increased profitability.

Roles of the Board of Directors and the Board of Auditors

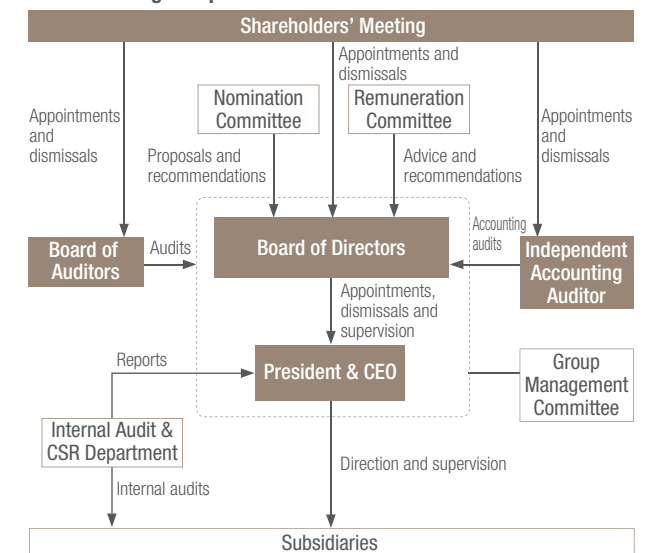
The Citizen Holdings Board of Directors consists of nine members (as of March 31, 2012), including two outside directors (registered as independent officers with the Tokyo Stock Exchange). The Board of Directors determines management policies and other important matters for Citizen Holdings and the Citizen Group and supervises the execution of directors’ duties.

The Citizen Holdings Board of Auditors consists of three members including two independent outside auditors (as of March 31, 2012). 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.

We have also established a Nomination Committee and Remuneration Committee—consisting of outside directors and the president—to provide advisory support.

Citizen Holdings Corporate Governance Structure



Internal Control Systems

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 systems and reliable financial reporting, J-SOX Internal Control System Coordination Committee meetings are held with the participation of relevant personnel from Group consolidated subsidiaries. In collaboration with outside audit institutions, we work to constantly improve, operate, and evaluate our internal control systems.

Comment from an Outside Director

There is no end to unfortunate incidents caused by an inward-looking management culture or a failure of management’s ethical viewpoints, and even more important than actively disclosing information is building structures that seek assessments from outside the company. In my opinion, the Citizen Group has outstanding corporate ethics and the group-wide efforts to carry them out lead to trustworthy management.

The Company’s corporate governance systems are appropriate for clarifying executive authority and responsibilities concerning business and strengthening audit functions to accelerate the pace of management and enhance its reliability while encouraging intra-group competition and rebuilding the Group’s overall high earning structures. As an outside director, I regularly make proposals and offer my opinions concerning management from an outside perspective and strive to raise the corporate value of the Citizen Group.

Kazumoto Yamamoto
Outside Director
Citizen Holdings Co., Ltd.

