

Report on Activities Aligned with ISO 26000

Consumer Issues

The Citizen Group provides products aimed at resolving issues that customers face and making their lives more enjoyable. The products the Citizen Group manufactures take safety, quality, and the environment into consideration. In addition, rather than considering our responsibilities to be complete once products are sold, we offer thorough product support and follow-up services in an effort to develop long-term customer relationships.

Testament to Our Customer Relations in the Watches and Clocks Business: 1,000 Customers Each Year Say “Thank You!”

An important element of realizing our corporate philosophy is building long-term relationships with our customers. To this end, we strive to respond swiftly to customers' inquiries and requests, and we work continuously to improve the general quality of our responses, including timeliness.

Our Customer Watch Consultation Department fields consultations about product functions and quality prior to purchase. After purchase, the department answers questions about functions and operating methods and responds to other requests. The appreciation our employees receive from customers when they address a source of dissatisfaction or resolve a problem is a strong motivator.

In fiscal 2014, the 14th year since the launch of the Customer Watch Consultation Department, we received more than 1,000 letters from customers who gave us full marks for satisfaction with our e-mail responses.

We plan to continue conducting regular training for the operators who field inquiries at this department to impart the



Citizen Watch's Customer Watch Consultation Department

technical understanding and expertise they need to increase customer satisfaction further.

Machine Tools Business: Providing Total Support for Customer Factory Operation

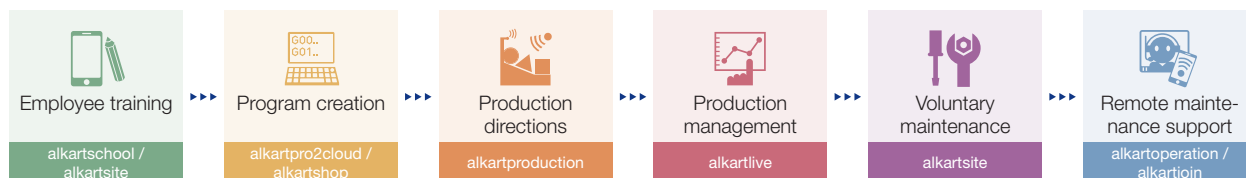
Citizen Machinery, which manufactures and sells machine tools, applies the expertise and knowledge it has accumulated in equipment maintenance and machining technology to help customers utilize their factories more productively. The company also supports personnel training efforts by providing a solutions business that concentrates on creating high added value.

Our “alkapplysolution” service employs information and communication technology (ICT) to give support to customers in remote locations in restoring operations and advice on

ways to boost productivity. We also offer e-learning to assist with personnel training. We customize our service to address each customer's needs, and we believe we offer one of the world's most innovative production solutions. Since we launched the service in December 2013, 15% of our customers in Japan have joined.

Going forward, we aim to strengthen ongoing partnerships with our customers and contribute to the world of manufacturing.

Main functions of the alkapplysolution service in supporting operations at customers' factories



Fair Business Practices

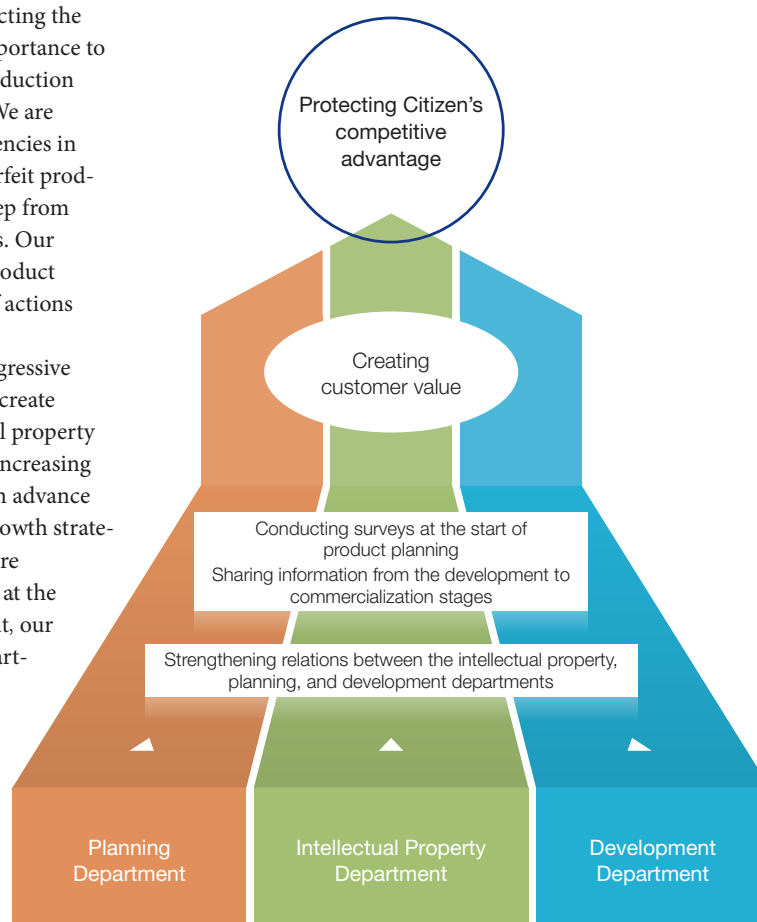
To promote sustainable business activities, the Citizen Group engages in fair, transparent, and open competition in business transactions, and it maintains healthy relationships with suppliers and government regulatory authorities. Our intellectual property activities respect the intellectual property rights of third parties, and we protect our own intellectual property, which is essential for creating customer value. We also promote an intellectual property strategy to protect the Citizen Brand and gain competitive advantage.

Intellectual Property Strategy for Boosting Competitiveness

As a company conducting business globally, protecting the intellectual property it has generated is of vital importance to Citizen. We take firm measures to counter the production and sale of counterfeit products by third parties. We are reinforcing our relationships with government agencies in various countries in an effort to stamp out counterfeit products. At the same time, we work assiduously to keep from breaching the intellectual property rights of others. Our efforts include research into patent rights at the product development stage, as we wish to avoid any risk of actions that could damage our company name.

Our intellectual property activities have an aggressive aspect, in that through these activities, we seek to create barriers to entry for others and acquire intellectual property rights to protect Citizen's competitive advantage. Increasing opportunities to strengthen the Citizen business in advance of competitors are connected with our business growth strategies. In this sense, intellectual property activities are inextricably linked with our business. Particularly at the initial stages of product planning and development, our intellectual property team liaises with related departments to objectively verify the advantages of our own plans against competitors' products so we can clearly pursue our strengths.

In short, the Citizen Group's intellectual property strategy is a concrete measure for enhancing corporate value.



Business Connections with Welfare Centers for People with Disabilities

For more than 40 years, Citizen Watch has outsourced such tasks as packaging and counting watch components and parts for after-sales services to Murayamaen, a social welfare corporation. The organization has proven to be a highly reliable outsourcing partner, producing few defects and achieving zero-complaint status in 2010. In February 2013, we received a "Cooperating Company Award" and a certificate of appreciation from the Japan National Council of Social Welfare. We plan to continue undertaking socially responsible activities such as these in our supply chain.



Counting under way at Murayamaen, a social welfare corporation