



## CITIZEN HOLDINGS CO., LTD.

Internal Audit & CSR Department at Citizen Holdings Co., Ltd.  
6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511, Japan  
Tel: +81-42-468-4776  
Fax: +81-42-466-1280  
Website: <http://www.citizen.co.jp/english/>

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## Special Feature 1 Citizen Group Highlights 2009-2010

## Special Feature 2 20th Anniversary of Citizen of the Year

## Message from Management

Creating new value and  
establishing a group capable of  
continual, sustainable growth

## Citizen Group CSR Report 2010



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We asked Citizen Group employees all over the world.  
What does CSR mean to you?

## Guidelines Referenced

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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

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June 2010 (Previous report: June 2009 / Next report: June 2011)

### 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.

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### Front cover




Photo of the critically endangered Shijimiaeoides Divinus butterfly, a species that members of staff from Citizen Finetech Miyota Co., Ltd. are helping to protect through preservation activities

[See page 25 for full details](#)

The aim of this publication, CSR Report 2010, 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.

The first Special Feature in this year's report looks at some of the main highlights of our activities here at the Citizen Group from 2009 to 2010. As the Citizen of the Year scheme celebrates its 20th anniversary, the second Special Feature takes a look back at the last 20 years, focusing on the scheme's significance and priorities for the future. For the rest of the report, we have tried to outline the basis of individual activities, our CSR framework and our achievements in an easy-to-understand format.

providing individual Citizen Group employees with an understanding of the Group's CSR activities and sending out a message to encourage them to implement CSR as part of their respective duties.

Citizen Group CSR Report online

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

We have edited this year's report with the aim of ensuring "a simple structure to encourage more people to read," as suggested by Rivako Godai in our 2009 report.

## Scope of Report

Period Covered

Fiscal 2009 (April 1, 2009 to March 31, 2010)  
Some data from fiscal 2010 is also included.





## Creating new value and establishing a group capable of continual, sustainable growth

### — Celebrating our 80th anniversary

2010 marks the 80th anniversary of the Citizen Group. Although we have had to face numerous crises over the years, ensuring that it has been far from plain sailing up to this point, we have continued to overcome every adversity. The fact that we are here today to celebrate our momentous 80th anniversary is thanks to the support of all those with a stake in the Citizen Group, from our customers, employees, shareholders and business partners through to members of the local community. I would like to take this opportunity to once again extend our heartfelt appreciation.

### — Further reinforcing corporate foundations and striving to achieve new growth

Facing up to the recent economic crisis on the back of a worldwide recession has given us the opportunity to think long and hard and reexamine how we run our business here at the Citizen Group. The new climate that has emerged as a result of the recession has fundamentally altered the economic landscape from the ground up, to the extent that established practices in sectors across the board are no longer applicable. With that in mind, our vision for the Citizen Group as part of our medium-term management plan from fiscal 2010 onwards will be to establish “a group capable of continual, sustainable growth.” To make that a reality, we have set ourselves the target of effectively implementing the basics so as to

further reinforce our corporate foundations and achieve continual and genuinely sustainable growth.

Our decision to prioritize ongoing efforts to strengthen our foundations from a long-term perspective rather than focusing on short-term numerical targets is down to the fact that conditions within the Japanese manufacturing industry have changed almost unrecognizably. The competitive environment that established itself over the course of 65 years from the postwar years onwards is gone. From here on in, we are going to have to start competing on a brand new playing field. As “value” is such a wide-ranging proposition these days, companies are of no use to anyone unless they are

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 FY2010 Medium Term Management Plan

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

capable of supplying the market with the sort of value it genuinely wants. From the point of view of the Citizen Group, this also means that we have a golden opportunity to create new value.

### — Creating new value as only the Citizen Group knows how

Just as business conditions are changing, so too are people’s values. In order to create “new value,” we need to identify such changes as quickly as possible and effectively harness the Citizen Group’s strengths in order to work out what we can do and what we should be doing in response. Building on our core compact precision technology, here at Citizen we have continued to achieve growth founded on, and committed to, quality over the course of the last 80 years. There is a sense however that we have let discipline and our commitment to quality slip slightly in recent years as a result of the expansion of our manufacturing network. Nonetheless, we need to remember that quality will always be the cornerstone of growth for the Citizen Group, now and in the future. If we can establish a firmer footing and built that into solid foundations, we will be able to create new value. That value will be something genuinely unique to the Citizen Group and will set us apart from the competition.

### — The Citizen Group’s CSR vision

This year marks the 20th anniversary of the Citizen of the Year scheme, one of our key social contribution activities here at the Citizen Group. Taking place every year since 1990, Citizen of the Year is a commendation scheme that gives recognition to citizens who inspire local people and contribute to the development, happiness and all-round enhancement of their local communities. Rather than merely setting out criteria by which to judge people’s activities, the scheme is focused on the emotional side of things and is aimed at getting to the heart of why people do the things they do. This approach is based on the Citizen Group Corporate Philosophy “contributing to and striving to be respected by citizens of the world.” Similarly, corporate CSR activities aren’t all about results either. It is important to focus on the process as well, in terms of the attitude with which activities are carried out. Making a social contribution should revolve around activities that value a continual and sustained desire to make a difference. I believe that is the path to becoming a genuinely good company.

In terms of environmental activities meanwhile, I

believe that the age-old Japanese concept of eliminating waste is fundamental. As both CSR and environmental initiatives fall within the same code of conduct, the way in which individuals interpret those concepts is crucial. I hope that our employees here at the Citizen Group will get involved in CSR activities out of the joy and satisfaction that they get from contributing to the community and other people’s lives.

### — Striving to become a group capable of continual, sustainable growth

As mentioned previously, our aim is to fundamentally enhance our corporate capabilities on a long-term basis and maintain sustainable growth in order to give something back to the Citizen Group’s many stakeholders. The driving force behind that aim comes from the aspirations of individual 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 spiritual fulfillment, which in term will enable us to create new value and establish a corporate group that is capable of continual, sustainable growth.

I am delighted to present the completed Citizen Group CSR Report 2010. I would sincerely appreciate it if you could provide us with any comments or feedback and look forward to your continued understanding and support of the Citizen Group in the future.

June 2010

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

### | 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.



# Harnessing world-leading compact, precision technology to continually offer true value to 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 essential parts for electronic equipment in electronic device sector meanwhile and items such as printers and healthcare equipment in the electronic products sector. As part of our industrial machinery business, we provide high speed machinery capable of processing parts to micron precision.

### Watches

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.

Percentage of sales

49.0%



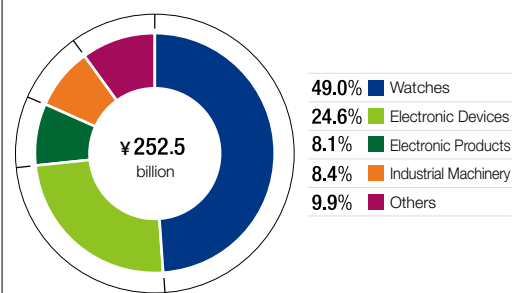
Eco-Drive radio-controlled watch

Corporate Profile

Name	Citizen Holdings Co., Ltd.	Capitalization	¥32,649 million (as of March 31, 2010)
Establishment	May 28, 1930	Employees	19,627 (consolidated; as of March 31, 2010)
Location of Head Office	6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511, Japan	Sales	¥252.5 billion (consolidated; FY2009)
Representative	Mitsuyuki Kanamori, President and CEO	Listing	Tokyo Stock Exchange, 1st Section

#### Sales by Business Category

Consolidated; FY2009

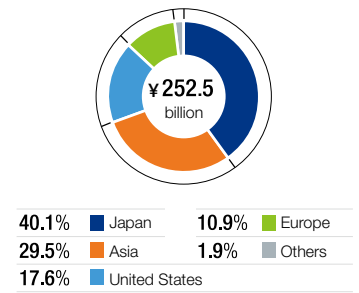


49.0% Watches  
24.6% Electronic Devices  
8.1% Electronic Products  
8.4% Industrial Machinery  
9.9% Others

¥252.5 billion

#### Sales by Region

Consolidated; FY2009

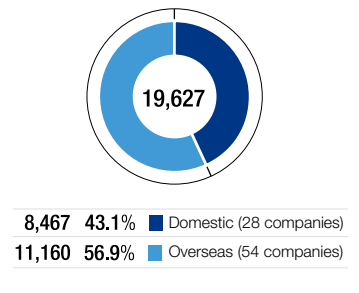


40.1% Japan  
29.5% Asia  
17.6% United States  
10.9% Europe  
1.9% Others

¥252.5 billion

#### Number of Employees by Region

Consolidated; as of March 31, 2010



8,467 43.1% Domestic (28 companies)  
11,160 56.9% Overseas (54 companies)

19,627

### Electronic Devices

With communication devices becoming increasingly compact and offering increasingly advanced capabilities, there is a need for precision technology that combines low power consumption with outstanding reliability. We provide electronic devices for services and systems that are crucial to our modern information society, based on compact, ultra- precise assembly technology infused with Citizen DNA and technology developed in the watch sector, such as quartz oscillator and liquid crystal technology.

Percentage of sales

24.6%



LED lighting



Quartz devices



A lobby lit using LED lighting

### 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 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.

Percentage of sales

8.1%



Line thermal label printers



Thermal printers



Wrist digital blood pressure monitors

### Industrial Machinery

Drawing on expertise and technology developed in-house for the purpose of equipment and machinery used to manufacture watches, we develop and supply industrial machinery that is essential to production processes such as grinding, assembling and measuring. We believe that it is the flow of shared feelings, from experiencing the joy of making something to seeing the things you have made inspiring other people, which makes the manufacturing industry such a richly rewarding one. We call this the value of inspiration and regard it as one of the most important elements of our business activities.

Percentage of sales

8.4%



NC automatic lathes

### Other Businesses

We apply compact precision processing technology, assembly technology, surface treatment technology and mounting technology on a cross-sector basis to independently develop products such as automotive safety components, precision control components for use in medical institutions and semiconductor devices and systems for amusement equipment. We also manufacture jewelry such as weddings rings and run ice-skating and other leisure services.

Percentage of sales

9.9%



Automotive components



Wedding rings

# 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** Zirconia ceramic parts for optical communicator (Optical Network Unit)




Used in connectors for fiber optic cables

**24** Highly reliable Liquid Crystal Display (Gas meters)




Durable specifications even at high temperature and humidity

**23** Electronic dictionary



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

**22** Digital thermometer




Instant readings approximately every 30 seconds  
Softer tip for more comfortable fit in patients' armpits

Digital blood pressure monitor



Easy to use health management support tools with clear displays

**21** Quartz Crystal Devices (Consumer Home Electronics)



Reference signals used to ensure that electronic equipment is functioning correctly

**20** LCD optical element (Blu-ray disc recorder)



Used to improve disc reading and writing performance

LD\* submount (Blu-ray disc recorder)




Ceramic substrates with superior heat radiation properties

**19** 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

**18** Glass substrates for Hard Disk Drives (notebook computer)



Cutting-edge glass processing (precision cutting, polishing and cleaning), also used for portable music players and car navigation systems

**17** Digital Pedometer



Used to help maintain and improve health, can be attached to a computer to manage data

**16** 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.

**15** Photo Printer




Enabling easy photo printing at locations such as supermarkets and photo stores

**4** Gyro Sensor (Digital still camera)



Image stabilization for Digital Still Camera

Liquid Crystal on Silicon\* (Digital still camera (Hi-zoom))



Used in viewfinders, slimmer and more compact than optical equivalent

Compact switch (Digital still camera)



Used for shutter switches, etc.

PN liquid crystal (single lens reflex camera)



Liquid crystal used to display focus area within viewfinders

**5** Marriage Ring



Scratch resistant rings that keep their shape

**6** Sports timer



High visibility magnetic reversal displays, essential during marathon broadcasts

**7** Automotive Components



Manufacturing components for use in ABS brakes, airbags, engines, etc.

LED backlight unit (Car navigation)



Used in the development of slimmer, energy saving car navigation systems

**8** Electronic View Finders (Professional AV Camera Recorder)




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

**11** LED (Lighting)



Low-energy consumption, long life, mercury free, environmentally friendly lighting

**12** Self-service ordering system




Enables restaurant customers to order from menu touch screens at their tables

**13** Memory Liquid Crystal Display (Electrical price tags)



Ultra low-power consumption technology that maintains display even without a power source

**14** POS Thermal Printer



Used to issue receipts, coupons and tickets



\* Laser diode (laser made from semiconductor diodes)



## Citizen's 80th Anniversary

The first pocket watch produced by Shokosha Watch Research Institute



The factory floor shortly after production restarted following the end of the war

The year 2010 marks the 80th anniversary of the establishment of Citizen, when the company took over from predecessor Shokosha Watch Research Institute, which had previously been established with the aim of manufacturing pocket watches domestically. Having taken its first steps as a company amidst growing momentum within the domestic watch industry, Citizen survived the ravages of World War II to steadily expand its operations after that point.

In the watch sector, we have always been at the forefront of the industry in terms of developing cutting-edge technology, from mechanical watches through to quartz, Eco-Drive and radio-controlled watches. As a result of our efforts to develop machinery to manufacture watches, we have also continued to supply a range of industrial machine tools.

Our manufacturing and precision technologies in the watch sector led to expansion into the electronics sector. Quartz crystal devices, liquid crystal, LED and other technologies meanwhile enabled us to enter the device market. This paved the way for the Citizen Group that operates today, with an ever-growing sales network throughout Japan and extending all over the world.

Our achievements underline the fact that our corporate philosophy of "contributing to and striving to be respected by citizens of the world" has remained unchanged ever since the company was first named Citizen and will remain unchanged in the future.

# Citizen Group Highlights 2009-2010

Our aim here at the Citizen Group is to enrich people's lives and contribute to industrial development through the provision of watches based on the principle of "Micro HumanTech" (ultra-small, ultra-precise, low-power consumption technologies), electronic devices and products, industrial machinery and wide range of other products.

We also engage in a number of activities designed to put our corporate philosophy into practice as a "corporate group contributing to and striving to be respected by citizens of the world." This section highlights some of the main events and news here at the Citizen Group from 2009 to 2010.

## Eco-Drive World-First Technology Developed by Citizen

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.

At BASEL WORLD in 2009, we unveiled an Eco-Drive concept model called Eco-Drive Dome. Demonstrating Citizen's potential for the future, in terms of expanding the possibilities of design and technology, this new model features an innovative design that envelops the watch face and Eco-Drive engine inside the casing and embodies the concept of actually wearing light energy on your wrist.



The Eco-Drive Dome model unveiled to mark Citizen's 80th anniversary

## Reducing Energy Consumption to Around One Tenth Through LED Lighting

We supply a wide range of LED packages for use in lighting via Citizen Electronics Co., Ltd. Our packages offer a similarly wide range of products ideally suited to different purposes, including world-leading high-power, high-efficiency products and superior color-rendering products that significantly improve the visibility of the color red in particular.

Released in 2009, our CL-L 103 Series lighting LEDs (6W) reduce energy consumption to around one tenth that of an incandescent light bulb of the same brightness (60W). In terms of CO2 emissions, this equates to a reduction of 907kg over the course of 40,000 hours in use.

There are high hopes that the outstanding environmental performance of LED lighting will help combat global warming, an issue that we need to tackle on a global scale, in various different ways in the future.



CL-L 103 Series lighting LED (6W)

## Modern Master Craftsperson: Manufacturing by Master Craftsmen and Women

I joined Heiwa Tokei Manufacturing Co., Ltd. (now Citizen Heiwa Watch Co., Ltd.) in 1967.

Having worked on everything from the assembly of movements to finished products during the 43 years since then, in 2005 I was the only member of staff to be selected as a "Super-Meister," which represents the highest level of skill in accordance with the company's regulations.

In addition to training junior members of staff ever since we started mass production, I also actively contribute to community activities aimed at sharing the joys of manufacturing. In 2006, I received an award for outstanding skills in the field of watch assembly and repairs (Shinshu Master Craftsperson) and in FY2009 I received a Modern Master Craftsperson award from the Minister of Health, Labor and Welfare.



Etsuko Hashiba

Super-Meister Watch Product Division  
Citizen Heiwa Watch Co., Ltd.

### Modern Master Craftsperson

Under the Modern Master Craftsperson scheme, the Minister of Health, Labor and Welfare gives out commendations to individuals who have outstanding skills and are the very best in their respective field every year. In addition to raising the profile of skilled individuals and helping to improve skill levels, the scheme is also intended to inspire young people to tap into their natural abilities and dedicate themselves to a profession, so that they can develop into skilled workers with a sense of pride and ambition.

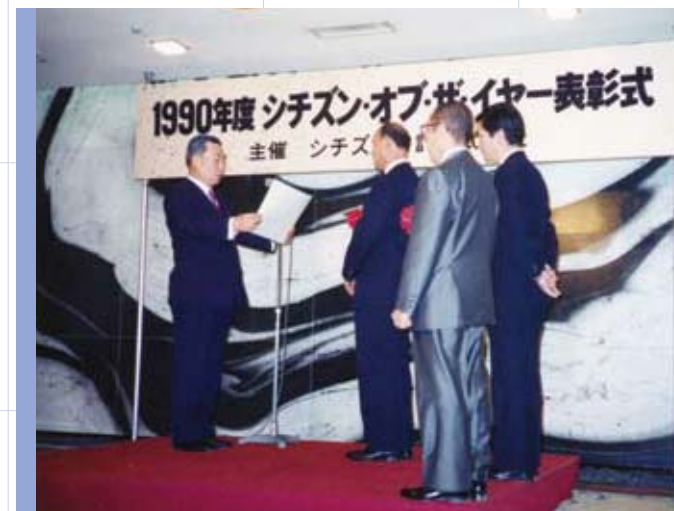
## 20 years of Continued Recognition for Inspirational Members of the Community

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.

The winners for fiscal 2009 were announced and an award ceremony held on January 27, 2010.

Taking place for the 20th time, this year's award ceremony was attended by the presidents of individual Group companies, 85 employees and 22 members of the media and turned out to be an even more heart-warming occasion than usual.

Please see the following page for full details.



The first Citizen of the Year award ceremony



# Citizen of the Year Celebrates its 20th Anniversary

# CITIZEN OF THE YEAR SINCE 1990

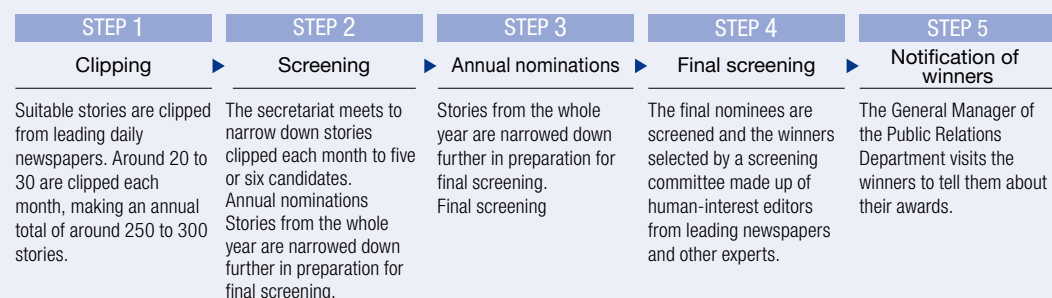
## What is Citizen of the Year?

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.

### Selection Procedure

The Citizen of the Year Secretariat nominates candidates based on stories published in leading daily newspapers over the course of the year. A screening committee then discusses the nominees and decides upon the winners.



The fiscal 2009 award ceremony

## Continually striving to be good company and support the actions of good citizens

20 years ago, then president Michio Nakajima suggested that we should come up with some sort of scheme to celebrate Citizen's 60th anniversary and put our corporate philosophy into practice as a "corporate group contributing to and striving to be respected by citizens of the world." The Public Relations Department, as it was known back then, responded by proposing the Citizen of the Year scheme. As Japan's bubble economy was at its peak, there was a general trend towards glitzy events under the banner of support for the arts. Here at Citizen however, we wanted to do something that would reflect the company, contribute to society and have a more lasting impact, even if it wasn't quite as glamorous. It was based on these three concepts that we came up with Citizen of the Year, as a scheme that would go down well with the public. It is precisely because the principles behind the awards are so closely linked to our philosophy and culture that they have kept going for 20 years.

Looking back at all the things that previous winners have done, you can't help but feel inspired by their individual heartwarming actions. It really makes you appreciate that a good community is always underpinned by a great many good citizens. Although some values may be rapidly changing these days, that spirit of goodwill and underlying consideration for other people still remains unchanged. As we celebrate the 80th anniversary of the Citizen Group, we will continue to strive to be a good company, as a member of the community, and support the actions of the good citizens with whom we share our name.

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



## Profile of the Fiscal 2009 Winners

### Contribution to society

#### Mikiko Yoshijima

(Born: June 1961,  
Hachinohe, Aomori Prefecture)  
Director, Iwate Hospice Association



**Creating and delivering paper patterns for towel hats for people concerned about hair loss due to cancer treatment**



Mikiko Yoshijima came up with the idea of making hats from towel material after hearing from a daughter, who was worried about her mother losing her hair as a side effect of cancer treatment. She produced a paper pattern and started sending them out along with sample hats. Yoshijima herself experienced hair loss as a side effect of treatment for leukemia and malignant lymphoma at the age of 30. In addition to working as a cook at a daycare center, she also set up the Iwate Hospice Association and began organizing local training sessions on how to make towel hats in June 2008. Users have told the association that the towel hats, which can be customized in different colors or patterns, are gentle on the skin and easy to wash. With more and more people, including medical professionals, getting involved outside the prefecture, Yoshijima's hat-making scheme is starting to sweep the entire nation.

### Self-actualization

#### Mizuki Taira

(Born: March 1975,  
Kamakura, Kanagawa Prefecture)  
Baker, Gateau d'Ange Bakery,  
Kitakamakura



**Serving as a source of inspiration by baking bread as a form of rehabilitation**



As a result of an accident during a cycle race in August 2005, Mizuki Taira was left completely paralyzed and unable to speak. After working hard to rehabilitate himself however, together with his recently married wife Fusako however, he made a miraculous recovery and was discharged from hospital by the end of the year. Having been told that it could help with the rehabilitation of his fingertips and brain, Taira began baking bread. He started taking online orders in the summer of 2008 and soon built up a following through word of mouth, with a reputation for producing the "bread of the angels" (Gateau d'Ange). Getting up at 4:00 in the morning, he makes three to five loaves of bread per day, made to order one loaf at a time. Many customers include comments about illness or concerns for their families when they send their orders by email. Taira also receives countless thank you letters from people who say his bread has made them feel better or has given them strength to carry on.

### Lifesaving

#### Yukio Shige

(Born: February 1944,  
Sakai, Fukui Prefecture)  
Representative, NPO Kokoro ni  
Hibiku Bunshu/Henshukyoku  
(Editorial Office: Anthology that  
Touches The Heart)



**Setting up a suicide consultation center, organizing patrols and helping people get a new start**



After retiring from Fukui Prefecture Mikuni Police Station, which has jurisdiction over the picturesque Tojinbo rock formation, Yukio Shige began working to prevent suicides in the area in April 2004. He was inspired by an experience during his time with the police force, when a couple in the early stages of old age who had been placed under his protection committed double suicide a few days later, leaving behind a note addressed to Shige. He established a nonprofit organization (NPO) with a group of around 20 friends and opened a consultation center in a rented storefront. Members of the NPO patrol the 1.4-kilometer path along the edge of the cliffs in two-hour shifts, once in the morning and again around sunset. As of the end of January 2010, they had assisted a total of 232 people. They have been seeing a lot of people considering suicide due to financial reasons recently, particularly men in their thirties, possibly due to the current economic downturn. The NPO is also working to provide care for people who have been prevented from committing suicide and is in the process of establishing a suicide prevention network on a national level.

## Sincere, worthwhile awards that shine a spotlight on citizens' activities

Comments courtesy of Riyako Godai, who has chaired the screening committee for 20 years

### 20 years of continual recognition for citizens' activities

Having been set up in 1990, the Citizen of the Year scheme marks its 20th anniversary this year. When I first heard about the awards, I remember thinking that it was a genuinely sincere initiative that epitomized Citizen. I felt drawn to the Citizen of the Year awards because, unlike other companies' showy efforts to support the arts, they shone the spotlight on citizens' everyday activities, including their contribution to society and achievements in terms of self-actualization. Whereas society and our way of life has changed almost unrecognizably over the last 20 years, the basis of the activities carried out by those honored by the Citizen of the Year awards has remained unchanged. The fact that the awards identify and recognize such activities is what makes them so worthwhile.

### Shining a light on young citizens' activities too

Having been part of the screening committee on 20 occasions, I have learnt the true power of a welcoming embrace, consideration for other people and the courage to stand up and take action. Even so, there are always lingering doubts after the final decision has been made, making me question which activities are the most deserving. It was an absolute delight to meet amazing people who cast all such doubts aside at every award ceremony.

I hope that the scheme will focus more purposefully on activities undertaken by younger people in the future. I hope that the Citizen of the Year awards will help raise the profile of the young citizens who get involved in a wide range of activities within their communities.

**Riyako Godai**  
Critic  
Chairman of the Citizen  
of the Year Screening Committee





# Citizen Group CSR

We communicate with our stakeholders based on the Citizen Group Code of Conduct in an effort to put the Group's corporate philosophy of “contributing to and striving to be respected by citizens of the world” into practice.

## Establishing the Citizen Group Code of Conduct

As part of the Citizen Group's transition to a 100% 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

## Citizen Group CSR Promotion System

The Citizen Group's CSR activities are presided over by the President of Citizen Holdings, with CSR-related policies and measures recommended by the CSR Committee, which in turn is run by the Internal Audit & CSR Department, a dedicated unit that reports directly to the President. The CSR Committee consists of representative members from Citizen Holdings Co., Ltd.

In order to promote CSR activities on a united

Group-wide basis, we have established CSR Committees at each subsidiary and a Citizen Group CSR Promotion Committee consisting of selected supervising personnel in charge of CSR at each company.

We have also established a range of special committees consisting of members from each Group company in order to formulate and implement measures relating to important issues affecting the Citizen Group as a whole, including internal control system management, security trade control, compliance with subcontracting legislation, information security measures and environmental management.

CSR Promotion Framework

President of Citizen Holdings/  
Head of CSR for the Group

Citizen Holdings CSR Committee

Internal Audit &  
CSR Department

Corporate Ethics Hotline

Citizen Group CSR Promotion Committee

Each subsidiary

Internal Control System Coordination Committee

Security Trade Control Committee

Committee on Appropriate Subcontracting

Information Security Committee

Environmental Management Committee

CSR Committee

Corporate Ethics Hotline

## CSR Targets and Initiatives

### Fiscal 2009 initiatives

We have been setting out and working towards specific annual CSR targets at all Citizen Group companies since fiscal 2007.

Having set out CSR targets in line with provisions contained in the Citizen Group Code of Conduct, we operate a PDCA (plan, do, check, act) cycle whereby we summarize our achievements at the end of each fiscal year in order to highlight issues for the future.

The table below outlines selected CSR targets and initiatives during fiscal 2009.

CSR targets and results during fiscal 2009 and issues for the future						
A: Target achieved B: Target mostly achieved C: Issues remaining D: Not implemented						
Code of Conduct	CSR targets	Company	Initiatives during fiscal 2009	Rating	Initiatives and issues for the future	Reference
1.Product safety and quality	Improving quality of Customer Service Desk	CITIZEN WATCH	We carried out activities with the aim of improving the framework for receiving and handling consultations. We also analyzed the contents of inquiries and introduced a feedback mechanism for related departments.	A	Continuing to compile example-based guidelines	P18,19
	Measures to reduce complaints and improve yield	CITIZEN FINETECH MIYOTA	We held quality improvement meetings to monitor the standard of complaints handling and progress with independent audits and extended information sharing activities on a companywide basis. Our efforts to improve yield successfully reduced the percentage of waste by 0.43%.	B	Ascertaining details of second-party audits and extending activities to other departments	P19
2.Business transactions	Reinforcing compliance with subcontracting legislation	CITIZEN ELECTRONICS	We carried out activities with the aim of eliminating violations entirely. Despite submitting an improvement report based on a number of issues highlighted by an onsite inspection conducted by the Small and Medium Enterprise Agency, no major violations were detected.	B	Continuing with committee-led compliance activities in conjunction with related departments	P21
	Adequately implementing security trade controls	CITIZEN HEIWA WATCH	We revised internal regulations in line with revisions to the Exchange and Foreign Trade Act and organized training sessions. We also carried out a classification inspection.	A	Maintaining and improving inspection framework and focusing on technology export controls	—
3.Communication and information management	Improving ability to deal with intellectual property rights	CITIZEN WATCH	We reinforced systems to prevent any newly introduced designs or technology from infringing on third-party intellectual property rights.	A	Maintaining systems and raising awareness of the importance of intellectual property	P17
	Implementing J-SOX internal controls	CITIZEN FINETECH MIYOTA	We put in place internal controls and evaluated their effectiveness, primarily via the J-SOX Evaluation Committee. Improvements to the specific contents of controls included revisions to Sales Management Regulations and Purchasing Management Regulations.	A	Working on revisions to other operational regulations	—
4.Environmental management	Reducing environmental impact by eliminating or reducing prototype production	CITIZEN WATCH	We reduced the volume and frequency of prototype production at the watch development stages by introducing a range of simulation procedures and promoting practical application. We also reduced development times and worked on detecting problems faster in order to minimize loss.	A	Promoting measures even more effectively and further reducing environmental impact	—
	Developing Citizen Environmental Products	CITIZEN MACHINERY	We devised an assessment checklist for Environmental Products. We then organized presentations all suppliers in order to explain guidelines specified in the list, with a particular focus on improving green procurement. Activities are underway with an eye to completing new Environmental Products by the end of fiscal 2010.	B	Continuing to develop Environmental Products	—
5. Social contribution	Cosponsoring walking events	CITIZEN SYSTEMS JAPAN	We cosponsored and assisted with a number of walking and hiking events, including the Japan Three Day March in November and hiking along the Seibu Line.	A	Continuing to cosponsor and assist with events	Website
	Harnessing ties with local communities to promote exchange-based social contribution activities	TOKYO BUJUTSU	We took part in cultural activities as a patron of Tokyo National Museum. In July, the Citizen Volunteer Club took part in voluntary forestry activities, helping to cut back undergrowth at Hachikokuyama Park.	B	Continuing with activities whilst also looking into activities relating to core operations	—
6. Employees	Securing suitable personnel to take over operations and planning training programs	CITIZEN SEIMITSU	We introduced a "meister" instructor scheme and certified three instructors. We also produced an instruction manual and launched instructor training classes.	B	Extending activities to all departments. Improving skill levels amongst instructors and appointing "meisters"	—
	Ensuring safety and mental health in the workplace	CITIZEN ELECTRONICS TIMEL	We organized safety patrols on four occasions to check that facilities are in safe working order and that the five Ss (seiri (organization), seiton (neatness), seiso (cleaning), seiketsu (standardization) and shitsuke (discipline)) are being implemented and took corrective action to rectify any issues. We organized mental health checks in November and counseling sessions in February.	A	Continuing with activities	—
7. Antisocial behavior	Dealing with antisocial organizations or individuals	CITIZEN PLAZA	We re-examined and reinforced measures on a joint basis between all departments. We also stepped up antitheft and crime prevention measures and improved patrol procedures.	A	Continuing with activities	—
8. Overseas local development	Improving welfare at Chinese plants	CITIZEN SEIMITSU	We completed company housing for 1,700 people, expanded canteen areas, improved hygiene in serving rooms and replaced air conditioners and other facilities.	A	Improving satisfaction with living environments and encouraging employees to sign up to social welfare schemes	—
	Health and safety and environmental activities at Chinese plants	CITIZEN TOHOKU	We organized self-assessment activities in all workplaces, primarily via the 6SE Committee (the five Ss + Safety + Environment), and implemented health and safety and environmental improvement measures. We also organized workplace patrols to check safety levels. On the environmental front, the Wastewater Committee took steps to reduce the volume of wastewater and BOD levels.	B	Extending improvements on a companywide basis, developing process water recycling technology, etc.	Website
9. Management responsibilities	Responding to ideas submitted via suggestion boxes	CITIZEN FINETECH MIYOTA	To gauge opinion of companywide activities and make any necessary improvements, we installed suggestion boxes for comments, opinions, suggestions and proposals from staff on the shop floor. 22 comments were submitted and have been dealt with in conjunction with the relevant departments.	A	Continuing with activities	—
	Switching from 6S to 7S activities and upgrading improvement activities	CITIZEN SEIMITSU	We added Safety to our unique 6S activities (the five Ss + Saho (courtesy)) in an effort to eliminate all forms of unsafe conduct. 7S diagnosis produced an average score of 4.79 points (out of 5) on a companywide basis, taking us past our target. We also significantly reduced gaps between departments.	A	Building on established organized activities to produce solid results from activities in the future	Website

### Summary of fiscal 2009 and issues for the future

To monitor our progress with regard to each of the items in our Code of Conduct, we carried out a survey into CSR activities at 29 Group companies during fiscal 2009. By way of a summary of the findings and the results of our CSR

activities during fiscal 2009, our priority issues for the future include the following; (1) reinforcing overseas CSR activities (2) developing a business continuity plan (BCP) based on our responsibility to supply products (3) introducing CSR purchasing (procurement) standards and (4) promoting social contribution activities in the local community.

For more detailed information, please refer to our website.  
Citizen Holdings > CSR Activities > Base of CSR > Citizen Group CSR

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# Citizen Group CSR

## Corporate Governance

### Basic Approach to Corporate Governance

The Citizen Group endeavors to improve business value and contribute to society through sustained corporate activities in harmony with the local community and the global environment, under the business philosophy of "Contributing to and Striving to be Respected by the Citizens of the World." It is with this goal permanently in mind that we strive to reinforce corporate governance, in recognition of the importance of ensuring management transparency and effectively supervising management from various different angles.

### Roles of the Pure Holding Company and the Subsidiaries

We have clarified the scope of responsibility and authority of Citizen Holdings and each of the subsidiaries that make up the Citizen Group. Citizen Holdings is responsible for formulating management policies so as to optimize Groupwide management. It is also responsible for supervising and overseeing operational management companies, which in turn are operated independently based on the nature of their respective industries, in the interests of more expedient management and increased profitability. Operations within the framework of Citizen Holdings, in areas such as human resources, finance, R&D, intellectual property management and brand management, have been configured so as to ensure that operational management company policies coincide with Group-wide policies.

### Roles of the Directors and the Board of Directors

The Citizen Holdings Board of Directors consists of nine members (as on March 31, 2010), including two outside directors (registered as independent officers in accordance with systems operated by Tokyo Stock Exchange). The Board of Directors determines management policies and other important items for Citizen Holdings and the Citizen Group, and supervises the execution of directors' duties. The presidents of key operational management subsidiaries are also appointed as part-time directors to enable decision-making from a comprehensive perspective, taking into account the views of individual companies. In addition, the management of the Group reflects the opinions of outside directors with abundant business experience in corporate management and related areas. We have also established the Nomination Committee and Remuneration Committee—consisting of outside directors and the president—to provide advisory support.

### Roles of the Auditors and the Board of Auditors

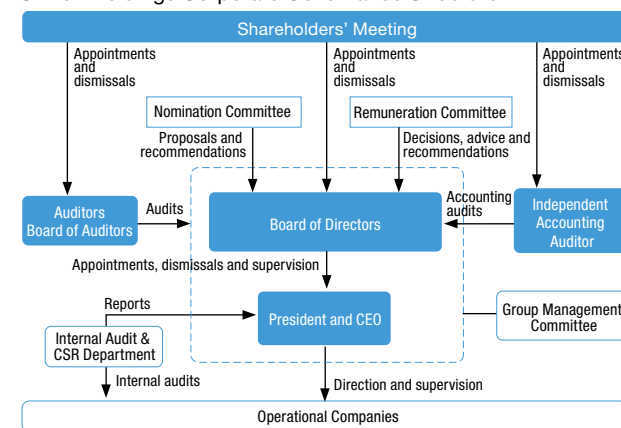
The Citizen Holdings Board of Auditors consists of three members, including two independent outside auditors (as of March 31, 2010).

In addition to checking the execution of directors'

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

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

Citizen Holdings Corporate Governance Structure



### Internal Control System

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

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

#### Assessment from outside organizations

##### RMG Corporate Governance Quotient

RiskMetrics Group (RMG) evaluates corporate governance capabilities at over 7,400 companies around the world and provides the results to institutional investors and other such organizations. As of April 1, 2010, RMG ranked Citizen's Corporate Governance Quotient (CGQ) in the top 1.2% of Japanese companies.

## Compliance

### Compliance Promotion Structure

The CSR Committee at Citizen Holdings is responsible for promoting CSR activities on behalf of the entire Group and handles all aspects of policy planning and recommendations in relation to CSR. Group companies each have their own independent CSR promotion departments, which work in partnership with Citizen Holdings Co., Ltd. to implement initiatives such as compliance awareness, education and training activities. Each company organizes group training and video training sessions based on their own educational framework, designed according to 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.

### Intellectual Property Management Structure

Citizen Holdings is responsible for formulating intellectual property policies on behalf of the entire Group and putting in place a Groupwide intellectual property management structure. It is through activities such as these that we make every effort to prevent infringements on third-party intellectual property rights, whilst also working to promote distinctive design and technology, protect our own intellectual property, ensure a reasonable level of freedom for our business activities and expand our operations.

We are also actively tackling trade in counterfeit goods in order to preserve the integrity of the Citizen brand.

### Internal Reporting System

We established the Citizen Group Corporate Ethics Hotline to enable the prevention or early detection of legal violations or misconduct stemming from dishonest actions and to improve 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. In response to a CSR awareness survey carried out during fiscal 2009, almost 70% of employees said that they were aware of the Citizen Group Corporate Ethics Hotline. When asked if they would use the Corporate Ethics Hotline, 16% said that they would not use the service, with a further 42% remaining unsure. The most common reason given was "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.

## Risk Management

### Risk Management Structure

To adequately manage the wide range of risks inherent in the Citizen Group's business activities, we have formulated a set of Basic Risk Management Rules and put in place a Groupwide risk management promotion structure. Having done that, the next step will be for the CSR Committee to determine specific policies and measures, which will then be rolled out to individual Group companies via the Citizen Group CSR Promotion Committee.

### Security Trade Control

We set out the Citizen Group Security Trade Control Rules in order to effectively enforce security trade controls within the Citizen Group. The Citizen Group Security Trade Control Committee meanwhile, which consists of five of the main companies that make up the Citizen Group, provides individual Group companies with advice, education and information and handles other operations such as auditing. In order to promote compliance activities, we also have in place the Export Control Company Coordination Committee, which is made up of 14 Group companies that export products on a daily basis.

### Information Security

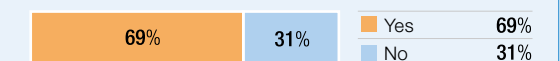
We established the Information Security Committee to ensure that information is handled adequately and securely and protected from threats, from both inside and outside the Citizen Group. In addition to revising the Citizen Group Information Security Policy, in fiscal 2009 we also discussed measures to prevent information leaks from USB memory devices, primarily via the Information Security Promotion Committee, a subdivision of the Information Security Committee. We intend to formulate a set of standard guidelines for the entire Group in the future. During fiscal 2009, we also organized online e-learning courses in information security and personal data protection.

TOPICS

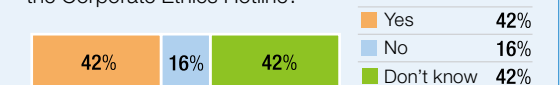
### Results of CSR Awareness Surveys

In an effort to ascertain the level of awareness of CSR and corporate ethics within the Citizen Group, we have been conducting CSR awareness surveys targeting employees at subsidiaries (including temporary employees) since fiscal 2007.

#### Q.1 Are you aware of the Corporate Ethics Hotline?



#### Q.2 If you discovered a legal violation, would you use the Corporate Ethics Hotline?



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



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



For more detailed information, please refer to our website.  
Citizen Holdings > CSR Activities > Base of CSR > Compliance / Risk Management





## Citizen and its Customers

Here at the Citizen Group, we believe it is vitally important that each and every employee is focused on customer satisfaction. That is why we incorporate customer feedback into every aspect of our operations and pursue ongoing initiatives in an effort to continually improve customer satisfaction.

## Continually Improving Customer Satisfaction

### Basic Approach to Customer Satisfaction

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

### Efforts at Citizen Watch

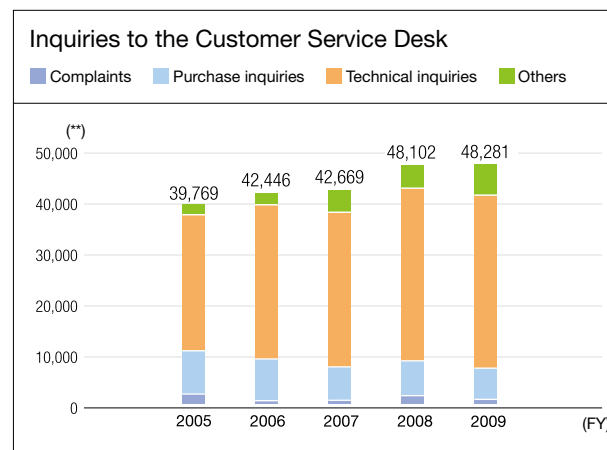
In order to continually improve customer satisfaction, we are currently implementing a range of initiatives designed to comprehensively enhance the quality of our operations at Citizen Watch Co., Ltd., including after-sales services as well as product capabilities in areas such as quality, functionality and design. Our Customer Service Desk is a particularly important point of contact with our customers and gives us direct access to customers' requests and questions. In addition to establishing the necessary framework for the Customer Service Desk to respond to customers' wide-ranging inquiries quickly and precisely, we are also looking into mechanisms to enable us to utilize customer feedback (VOC (voice of customer)) more effectively. On other fronts, we are working to improve the visibility and readability of our instructions and manuals and have posted animated operating guides on our website to enable customers to use our products correctly and safely.



Dealing with customers on the Customer Service Desk



Animated operating guides on our website



It is crucial to listen to customers' comments in order to get to the heart of the matter and respond quickly, whilst also incorporating experiences into future actions.

The Customer Service Desk at Citizen Watch does more than just respond to customer inquiries. It has a crucial role to play in terms of getting to the heart of what the customer wants and identifying underlying demand that we can tap into, by developing new products or improving our services.

For instance, if a fault or other issue occurs unexpectedly as a result of customers using a product in

different environments or in different ways, pinpointing the relevant causes and providing feedback to the relevant department really helps us to improve quality levels.

In terms of product development, such information obviously helps us to improve the functionality and design of our products, but it also enables us to create added value.

We will continue to share information based on from customer feedback as widely as possible so as to ensure that each and every employee takes on board customers' comments and adopts a customer-oriented approach to their work and will continue to make every effort to improve customer satisfaction.



**Jiro Matsuo**  
General Manager,  
Customer Service Desk  
CS Center, Citizen Watch Co., Ltd.

### Customer Satisfaction Surveys at Citizen Electronics

Having set ourselves the goal of always putting quality first in order to secure customers' trust and improve customer satisfaction as part of our ISO 9001 quality policy at Citizen Electronics Co., Ltd., we now conduct customer satisfaction surveys twice a year. Surveys are made up of detailed evaluation criteria divided into 14 categories, including product reliability, delivery and problem resolution support. The most recent survey, targeting 20 selected companies in February 2010, received more negative feedback than the previous survey on the whole. On a specific level, we were criticized in areas such as accuracy of delivery dates and speed of delivery. We believe that this was due to inventory liquidation and scaled back component inventories as a result of structural reforms. We will continue to conduct customer satisfaction surveys in the future and provide customer feedback on an in-house basis so as to take on board customers' comments and improve our capabilities in each area.

### From Customer Satisfaction to Customer Inspiration

We are committed to doing everything for the customer at Citizen Machinery Co., Ltd., based on our customer satisfaction-oriented approach to management. We have always been focused on the customer's perspective and have strived to achieve customer satisfaction ever since we started manufacturing machine tools. We have continued to translate that philosophy and our customers' needs into concrete solutions. You can never fully achieve customer satisfaction. Even if your products or services are 100%, some customers will always be unsatisfied. That is why our current focus is on "customer inspiration". We are committed to surprising and delighting our customers, in an effort to exceed their expectations, and to continually enhancing inspirational value.



**Hideo Ina**  
Manager, Domestic Sales  
Department  
Citizen Machinery Co., Ltd.

### Responding to Second-Party Audits

We attach a great deal of importance to customers' comments as part of our manufacturing operations at Citizen Finetech Miyota Co., Ltd. If complaints are the end result, then it is essential to improve

quality levels at an earlier stage in the process through customer communication. One of the ways in which we are committed to achieving this is through second-party audits. This involves customers visiting our



**Shinichi Kobayashi**  
Manager, Systems Management Department  
Citizen Finetech Miyota Co., Ltd.

premises in person in order to view the various processes here at Citizen Finetech Miyota through the eyes of a quality professional and highlight areas in need of improvement. We try to capitalize on invaluable opportunities such as these on a companywide basis.

Including documentary inspections, we underwent a total of 20 second-party audits during fiscal 2009. Although a number of areas in need of improvement were highlighted, we nonetheless passed all 20 audits. Details of audits, areas in need of improvement and remedial action taken are reported to monthly quality improvement meetings so as to share information with other departments and provide them with positive examples to help improve their own practices in the future. We are committed to activities aimed at improving built-in quality.





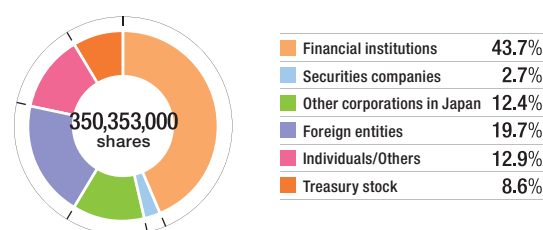
## Citizen and its Shareholders and Investors

Here at Citizen Holdings, we believe that day-to-day communication with our shareholders and investors helps ensure that the company's share price remains in line with its corporate value. We therefore make every effort to disclose highly reliable information as and when necessary to enable shareholders and investors to make decisions. We continue to create more and more opportunities for communication with our shareholders and investors and to actively expand the contents of our IR activities.

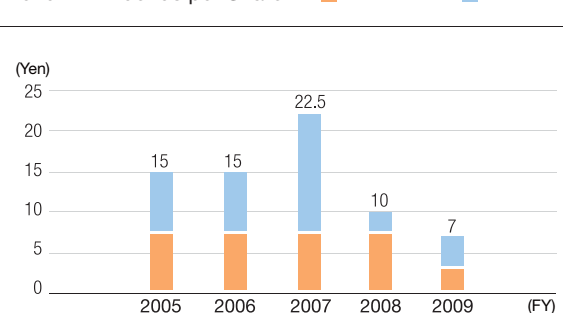
### Dividend Policy

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.

Composition of Shareholders by Category (pie chart)  
(As of March 31, 2010)



Trend in Dividends per Share



### 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.

### Preventing Insider Trading

We continue to formulate and revise regulations and implement any other necessary procedures to prevent insider trading throughout the Citizen Group. We operate an approval system for all transactions made by directors at Citizen Holdings and domestic consolidated subsidiaries and other members of staff potentially able to access important information. We also make every effort to improve levels of understanding amongst our directors and employees and ensure that procedures are effective through initiatives such as in-house seminars and e-learning activities.

#### 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 six 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

In the spirit of the Citizen Group Code of Conduct and the UN Global Compact, we work in close partnership with our suppliers to actively promote CSR in areas such as legal compliance, the environment and respect for human rights.

### Basic Approach to Purchasing

#### Striving to build relationships with suppliers based on mutual trust

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 policies formulated by individual Group companies to our business partners through day-to-day communication and take on board suggested improvements regarding the purchasing of supplies, with regard to market trends, quality, price and delivery. Our aim is to create an environment in which supplies can be bought and sold based on a shared understanding between both sides.

### Committee on Appropriate Subcontracting

In an effort to reinforce compliance with subcontracting legislation, the Citizen Group Committee on Appropriate Subcontracting focused its activities on education and auditing during fiscal 2009, based on the principle of understanding and complying with subcontracting legislation in order to earn the public's trust. At total of 370 Group employees took part in educational seminars, with basic seminars focusing on understanding and practical seminars on compliance. In terms of auditing meanwhile, internal audits were conducted by committee members and independent audits by in-house organizations at each company. We will continue to engage in ongoing compliance activities in close cooperation with Group companies in the future.

#### VOICE

#### Growing and Developing Hand in Hand with our Business Partners

To enable us to manufacture better quality products at Citizen Electronics Co., Ltd., we always try to grow and develop hand in hand as business partners with our suppliers. In addition to ensuring that our material and service procurement activities comply with all applicable legislation, we are also committed to fair and transparent transactions with our business partners in order to build mutually trusting relationships.

In the interests of legal compliance, we have established a Subcontractor Inquiry Desk to ensure that subcontractor transactions are carried out appropriately, an issue that has become increasingly important in recent years. This forms part of an overall framework that enables subcontractors to consult us regarding transactions whenever they want.

With regard to green procurement, we are calling on all of our suppliers to take on board our green procurement standards, which are compliant with legislation the world over, and continue to promote green procurement accordingly.

On other fronts, we are working on a system that will enable us to confirm the safety of our business partners in the event of a natural disaster or other major accident and quickly ascertain any impact on production activities.

We will continue to implement activities such as these in order to guarantee that we can supply components safely and reliably, thereby helping to improve customer satisfaction and making a greater contribution to society as a whole.



**Tsukasa Kajiwara**  
General Manager,  
Purchasing Division,  
Production Headquarters,  
Citizen Electronics Co., Ltd.



For more detailed information, please refer to our website.  
Citizen Holdings > CSR Activities > Citizen and Society > Citizen and its Business Partners





# Citizen and its Employees

We are committed to human resource development at each and every company within the Citizen Group and believe that it is our managerial duty to create an environment in which individual employees can put their skills to the best possible use. We respect the diversity of individual employees and continue to actively introduce a range of schemes aimed at creating an environment in which they can work safely and securely.

## Respecting Diversity

### ■ 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
Male	91	100
Female	32	34
Total	123	134

Mid-Career Recruitment (16 Major Group Companies)

	FY2008	FY2009
Male	51	14
Female	10	11
Total	61	25

### ■ Promoting Employment of People with Disabilities

We actively employ people with disabilities based on our basic policy of “working together.” Although our employment rate at 16 major Group companies for people with disabilities fell below the statutory rate for fiscal 2009, as specified in our statutory report (as of June 1), we intend to focus on employing more people with disabilities and increasing the range of eligible job opportunities in the future.

Employment of People with Disabilities at 16 Major Group Companies

	FY2008	FY2009
Employment rate	1.58%	1.69%

Rate of employment as of June 1, 2009

TOPICS

### Enabling smooth communication

At Citizen Electronics Co., Ltd., we implement a range of initiatives aimed at creating an environment in which employees with a disability can work safely and enabling smooth communication. In the case of hearing impaired employees for instance, we facilitate communication through workplace initiatives such as distributing manuals outlining commonly used sign language and installing lamps for the purpose of call signals. Such initiatives have helped improve motivation amongst employees with disabilities and raised awareness within the workplace.

Citizen Electronics employee Akira Osano has represented Yamanashi prefecture at the National Disabled Games on two consecutive occasions and won gold medals in two field events at the 2009 games, with distances of 15.52m in the shot put (a tournament record) and 4.71m in the long jump.

I never really experience any difficulty communicating on a day-to-day basis. I try to be cheerful and enthusiastic no matter what I'm doing and always take other people's feelings into consideration. I never feel that working with a disability handicaps me in any way either. If anything, it means that I always go about things with a positive attitude and do my very best so that I have no regrets. I believe that staying positive and spurring me on to produce better results led to my achievements at the National Disabled Games in Niigata.



Akira Osano  
Production Division,  
Production Headquarters  
Citizen Electronics Co., Ltd.

## Cultivating Human Resources

### ■ 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.

## 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 individual Citizen Group companies and make every effort to create an environment in which employees can easily take leave via a range of different schemes.

At Citizen Holdings, Citizen Watch and other Group companies, 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 meanwhile for the purpose of nursing care. On other fronts, we have extended eligibility for our pooled leave scheme, which is designed to support employees to looking after and raising children, until the end of junior high school in an effort to promote flexible working.

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

FY2009	Male	Female	Total
Employee Usage of Child Care Leave Opportunities	0	57	57
Employee Usage of Nursing Care Leave Opportunities	0	3	3

## Creating Safe, Secure and Comfortable Working Environments

### ■ Safety Activities at our Tokyo Office

We are continually exploring measures and compiling specific action plans to ensure employee safety at our Tokyo Office, primarily through the Health and Safety Committee.

Safety activities depend fundamentally on identifying and resolving risks in the workplace and the ability of individual employees to detect and avoid dangers. We both conduct and validate safety assessments via a dedicated facility safety assessment committee in order

to comprehensively improve safety standards. We also provide employees with training in RST (*rodosho* safety training set out by the former Ministry of Labor (*rodosho*)) and KYT (*kiken yochi* (risk prediction) training) to enable them to appreciate and deal with risk factors for themselves.

Accidents Occurring at 17 Major Group Companies

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

### ■ Health Promotion Initiatives

The Citizen Health Insurance Society carries out activities aimed at promoting good health amongst employees and the families who support them.

In its capacity as a health insurance union, it began organizing regular medical checkups and health advice sessions and working with individual premises to provide health advice to those suffering from metabolic syndrome in fiscal 2008. Whereas diagnoses improved the following year amongst those taking advantage of health advice, there were signs of deterioration amongst non-participants. This is an issue that will need to be addressed in the future.

Uptake of Regular Medical Checkups and Regular Health Advice (22 Major Group Companies)

	FY2008	FY2009
Uptake of regular medical checkups (employee + family)	10.4%	71.4%
Rate of metabolic syndrome	10.4%	10.8%
Rate of predicted metabolic syndrome	10.4%	12.1%
Uptake of regular health advice	66.9%	31.3%

VOICE

### Combating New Strains of Influenza

We set up a dedicated taskforce to deal with new strains of influenza at our Tokyo Office. In an effort to prevent infection, we encouraged employees to wear masks, wash their hands and gargle and implemented other measures such as distributing thermometers, producing instructional manuals, displaying posters on company premises, providing information via the Health and Safety Committee, in-house newsletters and the intranet and exchanging information with premises in other countries as well as those in Japan. We instructed any infected employees to remain at home for seven days and asked all those who had come into close contact with them, during meetings for example, to either stay at home or wear masks.

Initiatives such as these helped raise awareness amongst individual employees and enabled us to prevent infection both inside and outside the company, ensuring that nothing serious happened to any infected employees. As there are expected to be more highly virulent variations in the future, we intend to keep on expanding and improving our crisis management framework.



Motoko Shibuya  
Public Health Nurse,  
Tanashi Office Clinic  
Citizen Business Expert Co., Ltd.





## Citizen and Local Communities

Article 5 of the Citizen Group Code of Conduct states that the Citizen Group will always “value symbiosis with local communities and strive to contribute to society as a good corporate citizen.” As a member of society, we try to ensure that our business activities benefit society as a whole and make the most of the ties that Group companies have built up with local communities to help revitalize communities.

## Education

## Education

### Table Tennis Classes Run by Company Players

Having achieved great results in domestic competitions, Citizen's table tennis team now runs table tennis classes and courses at locations throughout Japan. Those who have taken part in classes, which were planned as an enjoyable activity for children to get involved in, have been delighted with the results, leaving comments such as “I have got much better than when I started” and “I can pull off a smash now”. 1,910 people took part in a total of 27 classes during fiscal 2009.



### Providing Teachers for Iwate University Die-Mold Classes

We provide support to help train highly skilled engineers in the local area by assigning experienced members of staff from Citizen Tohoku Co., Ltd. to the Die-Mold and Casting Engineering Department at the Iwate University Graduate School of Engineering to serve as teachers specializing in die-mold technology, which serves as a basis of manufacturing.

### Sharing the Joys of Manufacturing

In an effort to encourage the next generation to take on new challenges in the field of manufacturing, Citizen Group companies actively encourage participation in factory tours and schemes such as work experience and internships. A total of 928 people from 37 organizations took part in such activities at Citizen Tohoku Co., Ltd. during fiscal 2009.



### Organizing Parent and Child Experience Workshops

As part of a joint “super science” promotion project in partnership between the Iida City Board of Education in Nagano prefecture and Citizen Heiwa Watch Co., Ltd., we organized a parent and child experience workshop with the tagline “You Could Be a Master Craftsperson!” 30 people (15 parents with children) took part in the event, which included a picture book-based introduction to the company and its activities. After learning about watches, children and their parents got to experience the processes of attaching straps and changing batteries for themselves. After struggling slightly with tasks that they had never done before, seeing participants' faces light up when their watches started working was a wonderful sight.



## Welfare

## Welfare



### Volunteer Activities in Shinjuku-ku, Tokyo

As part of our volunteer activities in conjunction with a local power association users group, we invited single parent families to come and take part in parent

and child activities such as bowling, ice skating and making snowmen from snow produced by our ice machines at Citizen Plaza Co., Ltd. All of the parents and children who took part in the event had a great time and went away with fond memories.

### Pull-Tab Collection Activities

At Citizen Electronics Funehiki Co., Ltd., we help out with a local primary school's efforts to collect pull-tabs from cans and trade them in for wheelchairs

every year. Having taken part in the scheme for the eighth time this year, we have donated a total of 170kg to date. As it takes 600kg of pull-tabs to get one wheelchair, we will continue with our collection activities so that we may be of some help in the future.



## Environment

## Environment

### Preserving Biodiversity

Kitamimaki Works of Citizen Finetech Miyota Co., Ltd. is one of the habitats of the critically endangered Shijimiaeoides Divinus butterfly. As a member of the local Shijimiaeoides Divinus Preservation Society since 2003, we have transplanted 110 sophora plants, which produce the fruit eaten by the Shijimiaeoides Divinus, to our Kitamimaki site in an effort to save these butterflies from extinction. We continue to protect and grow food for the butterflies, a process that includes exterminating their natural enemy the pyralid moth.



### Solar Bear Fund

At Citizen Watch Co., Ltd., we donate part of the proceeds from sales of our Eco-Drive products to the Solar Bear Fund, through which we provide joint support for the installation of solar generation facilities at nurseries and kindergartens.

**WEB** Citizen Watch wrist watch website  
<http://citizen.jp/eco-drive/solarbear/index.html>



### Taking Part in the Million Trees Campaign



At Citizen Electronics Co., Ltd., we participate in the Million Trees Campaign organized by Yamanashi prefecture and the Yamanashi Prefecture Forestry Promotion Organization every year. The campaign revolves around community and volunteer tree planting activities and is aimed at creating a model forest for the 21st century. In May 2009, a group of employees, including some new recruits, took part in tree planting activities in a mountain village near the city of Fujiyoshida, planting Japanese cypresses.

### Taking Part in the Mount Fuji Cleanup Campaign

At Citizen Electronics Co., Ltd. and Citizen Seimitsu Co., Ltd., both of which have premises located near Mount Fuji, we take part in the Mount Fuji Cleanup Campaign organized by the Mount Fuji Beautification Foundation every year. In August 2009, a group of approximately 100 executives and employees took part in cleanup activities in the area around Mount Fuji's 5th Station.



## Overseas

## Overseas

### Tree Planting Activities in India

At Citizen Watches (India) Pvt. Ltd., we planted saplings in KR Puram in Bangalore on World Environment Day on June 5, 2009, planting the same number of trees as the number of Eco-Drive watches sold throughout India.



### Donating Watches for Visually Impaired People



At Citizen Latinamerica Corp., we donate watches for visually impaired people to the Panama Society for the Blind.

### Sponsoring Aldeas Infantiles SOS Panama

At Citizen Latinamerica Corp., we donated US \$4,000 to Aldeas Infantiles SOS (SOS Children's Villages) Panama, an organization that runs orphanages in Panama, to help fund orphanage running costs and child support activities. The organization has dubbed us amigos (friends) as a result of our efforts to support local communities.



### Actively Promoting Internships

We organize various training programs at Citizen Machinery Europe GmbH, ranging from one to four years in length. From teaching machine operating techniques for Cincom products and practical skills in areas such as personnel and sales to training international business management assistants, we actively welcome business trainees from a wide range of backgrounds and from all over the world.





# The Citizen Group's Environmental Management

Here at the Citizen Group, we have been working to achieve a 100% rate of Citizen Environmental Products and promoting green procurement since 2003. Having more or less achieved our 100% target and revised the Citizen Group Environmental Policy, we have started to implement a number of new initiatives.

## Our Vision for the Environment and Society and Environmental Policy

### 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

### Targets and Results for Fiscal 2009 ○: Achieved ×: Not achieved

1. Enhancing environmentally-friendly products			P29
Maintain systems for a 100% ratio of Citizen Environmental Products among new models	Achieved in 100% of electronic products and 100% of watches	○	
Develop Citizen Super Environmentally-Friendly Products	Completed assessment criteria Yet to reach planning and development stages	×	
Prepare for compliance with EuP Directive	Continued to gather information on an ongoing basis Yet to implement specific activities	×	
Establish management system for chemical substances contained in products in accordance with REACH regulation	Introduced management system in accordance with REACH regulation	○	
2. Environmentally-friendly business activities			—
Each department is to implement at least one theme (Tokyo, Tokorozawa)	87 themes implemented in 27 Tokyo departments/ 33 themes implemented in 9 Tokorozawa departments	○	
3. Reducing greenhouse gases			P28
Reduce CO <sub>2</sub> emissions at Tokyo offices by 50% (11,900 tons) compared with FY1999	Reduced CO <sub>2</sub> emissions by 58% compared to fiscal 1999 (9,997 tons)	○	
Reduce CO <sub>2</sub> emissions at Tokorozawa offices by 17% (10,080 tons) compared with FY1999	Reduced CO <sub>2</sub> emissions by 19% compared to fiscal 1999 (9,814 tons)	○	
Reduce group-wide CO <sub>2</sub> emissions per unit of sales by 1% compared with FY2008	10% compared to FY2008 (per unit of sales)	×	
4. Promoting waste reduction activities			
Reduce and manage industrial waste at Tokyo offices	Reduced 79% (116 tons) compared with FY1999	○	P28
Reduce and manage industrial waste at Tokorozawa offices	Reduced 52% (82 tons) compared with FY1999	○	
Reduce group-wide waste output per unit of sales by 1% compared with FY2008	4% compared to FY2008 (per unit of sales)	×	
Achieve a 99% group-wide recycling rate	99%	○	

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 ecological" 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. 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 ecological", a principle that we intend to establish as a form of environmental value throughout the Citizen Group.

### Citizen Group Environmental Policy

Slogan "Small is ecological"

- 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



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 Group Environmental Management Committee meetings twice a year, bringing together environmental managers at 18 domestic Group companies to ascertain progress with activities at each company, review yearly environmental management policies and common issues and make decisions accordingly.

All 27 of our domestic production companies have obtained ISO 14001 certification and promote environmental management activities based on the nature of their respective lines of 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 Auditing and Environmental Education

Our Tokyo and Tokorozawa Offices undergo an annual external audit conducted by an ISO assessment organization. We also conduct internal audits twice a year as a rule.

We organize a number of annual environmental education sessions. These include internal environmental auditor training, which is designed to equip internal auditing staff with essential skills, and environmental management and environmental compliance assessment training for members of staff responsible for environmental activities in each department.

We verify the results of environmental education through participant questionnaires and internal audits and provide feedback if necessary.

### 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.

We conducted surveys on the usage history of hazardous substances at all of our production bases, both in Japan and overseas, in fiscal 2006 and evaluated measures taken on a five-point scale. We are currently in the process of carrying out voluntary soil and groundwater surveys at sites deemed to be at high risk of contamination. If the relevant surveys reveal evidence of contamination at any of our bases, we will report the matter to the authorities and take steps to remedy the situation as instructed.

#### Example Initiative

### Soil Pollution Measures at Citizen Tohoku's Soma Office

An independent inspection confirmed the presence of soil and groundwater pollution on the site of Citizen Tohoku's Soma Office as a result of previously used metal cleaning agents (volatile organic compounds (VOCs)). In December 2009, we voluntarily undertook work to prevent the spread of polluted groundwater to downstream areas. We inserted steel sheet piles to a depth of 6.5 meters, down to the mudstone layer, and installed impermeable walls in three locations, covering a horizontal distance of 45 meters. We also used the EDC method of construction, which involves pouring nutrients between the impermeable walls to stimulate natural decomposition via bioremediation\*. This enabled us to carry out remediation in-situ, without stopping the flow of groundwater completely or excavating and removing the polluted soil. Although subsequent monitoring has confirmed the steady decomposition of the VOCs, we will continue to monitor the remediation effects of our measures on a regular basis and submit regular reports to the authorities.



Soil remediation work

\*Bioremediation is a soil remediation technique that uses microorganisms to break down pollutants.

## 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			Citizen Group's business activities	OUTPUT					
Total energy input (gigajoules)	Japan	2,098,796		CO <sub>2</sub> emissions (Tons-CO <sub>2</sub> )	Japan	83,779	BOD emissions (Tons)	Japan	34
	Overseas	831,845			Overseas	31,737		Overseas	16
Water resource input (thousands of cubic meters)	Japan	1,589		NOx emissions (Tons)	Japan	6		Japan	7
	Overseas	1,504		Overseas	3		Overseas	64	
Repeated use of water within the organization (thousands of cubic meters)	Japan	521		Japan	4		Japan	5,370	
	Overseas	11		Overseas	4		Overseas	2,276	
Chemical substances input (tons)	Japan	520		Water drainage (Thousands of cubic meters)	Japan	1,291	Waste generated (Tons)	Japan	34
	Overseas	2,048			Overseas	1,020		Overseas	1,634
Containers and packaging used (tons)	Japan	654					Waste land-filled (Tons)	Japan	
	Overseas	804						Overseas	

Input and output data does not include environmental impact at the distribution/sales, usage or procurement stages.

Period: April 1, 2009 to March 31, 2010

Scope: 18 domestic companies, 9 overseas companies

Input and output data does not include environmental impact at the distribution/sales, usage or procurement stages.  
Period: April 1, 2009 to March 31, 2010  
Scope: 18 domestic companies, 9 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



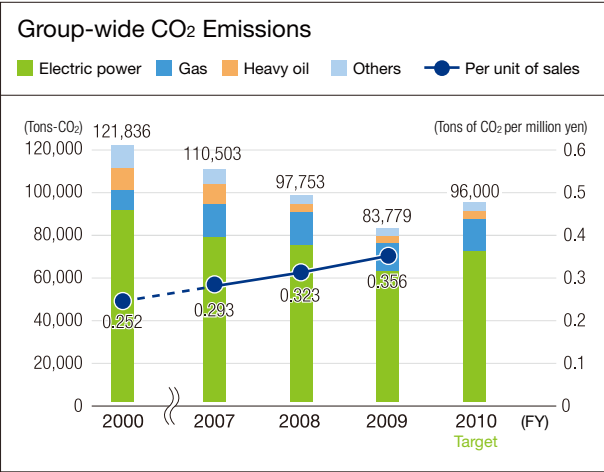
Reducing Greenhouse Gasses

Reducing Greenhouse Gas Emissions

In an effort to efficiently and consistently reduce CO2 emissions, we have set up the Subcommittee on Energy Savings as a channel for representatives from individual Citizen Group premises to report on their respective activities and take on board initiatives that have proven effective at other sites.

Our goal for fiscal 2009 was to reduce Groupwide CO2 emissions by 1% per unit of sales and by 1,500 tons overall compared to fiscal 2008. Although we managed to substantially reduce the total volume of emissions by approximately 14,000 tons due to deteriorating economic conditions, emissions per unit of sales increased by approximately 10% to 0.356.

Using sales as the basic unit denominator in this manner is not an effective indicator of the extent to which we have efficiently reduced environmental impact. As such, we intend to concentrate on reducing the total volume of emissions in the future.



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

Effective Utilization of Resources and Reduction of Waste

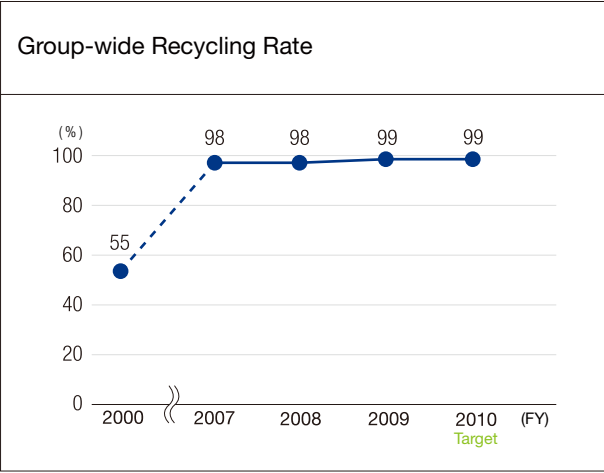
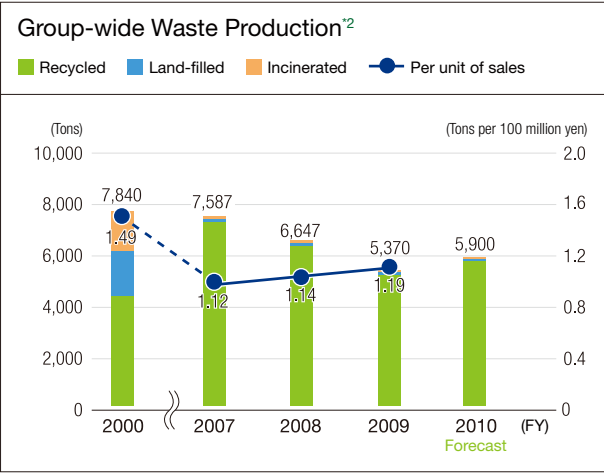
Promoting Waste Reduction Activities

We implement initiatives aimed at eliminating garbage rather than disposing of it as waste in an effort to contribute to the creation of a recycling-based society. During fiscal 2009 we worked towards the twin goals of reducing the volume of waste per unit of sales by 1% compared to fiscal 2008 and achieving a 99% recycling rate.

As a result, we were able to achieve a Group-wide recycling rate of 99% and completely eliminate garbage at 16 domestic premises (recycling rate of 99% or higher). In terms of waste reduction, the volume of waste<sup>\*1</sup> fell by approximately 660 tons due to current economic conditions. Waste per unit of sales on the other hand rose by 4% to 1.19 tons. Since fiscal 2007, basic unit management has ceased to be an effective indicator of the extent to which we have efficiently reduced environmental impact. As reductions are also starting to grind to a halt, we have set ourselves the target of maintaining a recycling rate of 99% or higher (zero waste) on a Groupwide basis for fiscal 2010.

\*1 Volume of waste = industrial waste + general waste  
\*2 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 > 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 substances reported by the Citizen Group as a whole during fiscal 2009. We used four substances that are subject to reporting requirements and handled approximately 33 tons in total, a reduction of 8 tons compared to fiscal 2008. The total volume of substances discharged or transferred during fiscal 2009 came to 22 tons, representing a 92% reduction compared to levels in fiscal 2004 (258 tons).

Volume of PRTR substances released and transferred in fiscal 2009

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
Xylene	13.8	2.6	0.0	0.0	0.0	0.0	4.7
Nickel compounds	9.4	0.0	0.0	0.0	0.0	0.0	8.2
Hydrogen fluoride and water soluble salts	8.2	0.0	0.5	0.0	0.0	0.0	6.1
Inorganic cyanide compounds	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	32.6	2.6	0.5	0.0	0.0	0.0	19.0

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

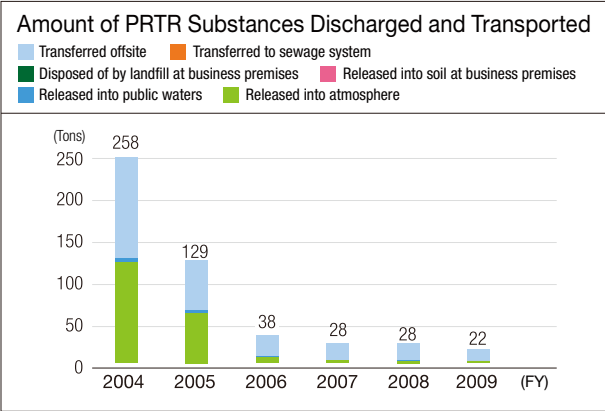
Enhancing Products with Citizen Environmentally-Friendly Products

Expanding Our Range of Environmentally-Friendly Products

We continue to promote environmentally-friendly product initiatives and carry out product assessments focusing on numerous different areas from the development stages onwards. 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. During fiscal 2008 we set out assessment criteria and started to work on Citizen Super-Environmentally Friendly Products, which will undergo even more rigorous assessments. On other fronts, we are ready to launch specific initiatives in compliance with the European EuP Directive and intend to take action in the future now that full details of the relevant regulations have been made clear.

In terms of compliance with REACH regulations

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



Launching COD Removal Facilities at Chinese Plant

The Chinese plant operated by Citizen Seimitsu subsidiary Walop Ltd. manufactures items such as watch components, HDD glass and liquid crystal components. This means that it has to treat wastewater from plating, grinding and cleaning processes amongst others. With wastewater standards becoming increasingly strict in China with every passing year, we were concerned that COD (chemical oxygen demand) emissions might not meet statutory requirements as a result of revisions to the law during fiscal 2008.

Given the limitations of our existing deposit removal facilities, we responded to revised legislation by expanding chemical treatment COD removal facilities to enable us to comply with the statutory requirement of 90ppm.

Of the 30 companies performing wastewater treatment operations in the area during fiscal 2009, we were chosen as one of the best three.

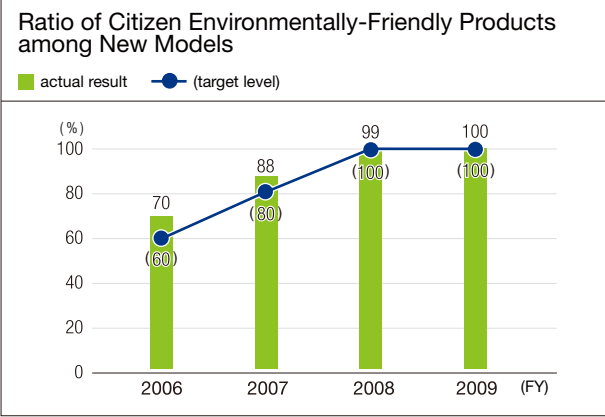


Chemical treatment COD removal facilities

meanwhile, we have introduced a dedicated management system and are managing chemical substances accordingly.

Ratio of environmentally-friendly products

We continued to work towards the target of achieving a 100% ratio of environmentally-friendly products as a percentage of all new models during fiscal 2008. We have successfully increased the ratio since 2005, when we began initiatives in earnest, and achieved a ratio of almost 100% in fiscal 2009.





A company's CSR report is more than a simple report outlining CSR initiatives. It represents a commitment to implement initiatives based on a cycle of planning, doing, checking and acting (PDCA), and reaffirming the results, in order to put the company's principles into practice. My comments this year are once again based on this same point of view.

One Akiyama  
President of Integrex Inc.



1 Positive points

The Citizen Group has maintained the highly commendable practice of getting its entire workforce involved in initiatives aimed at putting its corporate philosophy of “contributing to and striving to be respected by the citizens of the world” into practice in every aspect of its business activities.

Whereas the Citizen Group sets out and works towards targets in line with its Code of Conduct as part of CSR activities at each of its Group companies, the table featured in the CSR Targets and Initiatives section of this year’s report is more detailed than previously, including information on ratings, initiatives and issues for the future and reference page numbers for specific details of individual initiatives in addition to information on CSR targets and initiatives for the current year. This is a positive step as it indicates that the PDCA cycle is being effectively implemented throughout the Group’s activities.

The special feature on the 20th Anniversary of Citizen of the Year gives a feel for Citizen’s characteristic efforts to highlight the dedicated actions of members of the public. The fact that this scheme has been up and running for 20 years is an impressive example of the Group putting its corporate philosophy into practice.

A prime example of specific initiatives is the Group’s reporting framework, as outlined in the Base of CSR section. In addition to establishing internal and external reporting systems, the Group also conducts CSR awareness surveys to ascertain levels of awareness and usage of such services amongst its employees and identify issues for the future, so as to enable improvements to be made. The section on Citizen and its Customers meanwhile outlines the practice of conducting regular customer satisfaction surveys and efforts to incorporate customers’ comments into various aspects of the Group’s operations, demonstrating a commitment to making improvements whilst also welcoming input from stakeholders.

The section on Environmental Management outlines targets, results and evaluation ratings for the current year, along the same lines as last year, and indicates that the Group is continuing to effectively implement the PDCA cycle. The fact that the Group has revised its environmental policy, adopting the slogan “small is ecological” and focusing on its core compact precision technology, gives the impression that individual employees’ jobs are now more closely linked to the environment.

2 Potential improvements for the future

On the subject of overseas priorities and initiatives, the report includes the statement “the results of a survey on the Citizen Group’ s CSR activities indicated that we have fallen behind with CSR activities in other countries. As such, we have positioned overseas activities as one of our major challenges for fiscal 2010.” Although it is good to see that checks have been carried out, in the form of CSR surveys, and issues identified, the Group is nonetheless a global enterprise whose overseas operations account for almost 60% of its sales and workforce. I therefore hope to see the Group stepping up its overseas initiatives as quickly as possible, not least in the interests of risk management.

In the section dealing with Citizen and its Employees, the report outlines initiatives aimed at creating an environment in which employees, as the driving force behind the Group’ s full participation approach to CSR, can put their skills to the best possible use. Whereas such initiatives and the Group’ s various schemes are all commendable, I would like to see some more in-depth evidence of the results of schemes and initiatives rather than just basic details. I would like to know how schemes are used and whether they help increase levels of pride and motivation amongst employees for instance, and hear more feedback from employees themselves.

3 Looking ahead

The S in CSR is in the process of evolving from “social” to “sustainability” at the moment, with the R undergoing a similar transition from “responsibility” to “respect” for how things should be done. I hope that the Citizen Group will continue to make the most of its world-leading “Micro HumanTech” capabilities to help make the world a better place and enrich people’ s lives in the future, as a company “contributing to and striving to be respected by the citizens of the world” based on full participation from all employees.

Summary of Publication and Online Content

To enable a full understanding of the Citizen Group’ s CSR activities, extensive details of all initiatives that could not be covered in this publication are featured on our website.

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



© More detailed information available

Category	Section title	Heading	Online	Publication	Page	Category	Section title	Heading	Online	Publication	Page
Base of CSR	Message from Management		○	○	P4-5	Citizen and Society	Cultivating Human Resources				
	The Citizen Group	Corporate Profile	○	○	P6-7		- Group Policy		○		
		Citizen Products and Technology in Use Here, There and Everywhere	○	○	P8-9		- Human Resource Development Program		○	○	P23
	Special Feature		○	○	P10-13		- Activities at Each Group Company		○		
							Promoting a Work-Life Balance				
	Citizen Group CSR	Citizen Group Code of Conduct	○	○	P14		- Group Policy		○		
		Relationship with Stakeholders	○				- A Range of Schemes Aimed at Creating Ideal Working Environments		○	○	P23
		CSR Promotion System	○	○	P14		- Activities at Each Group Company		○		
		CSR Targets and Initiatives	○	○	P15		Creating Safe, Secure and Comfortable Working Environments				
		Participating in the UN Global Compact	○	○	P5		- Safety Activities		○	○	P23
Citizen and the Environment	Corporate Governance	History of CSR activities	○				- Health Promotion Initiatives		○	○	
		Basic Approach to Corporate Governance	○	○		Citizen and Local Communities	- Activities at Each Group Company		○		
		Roles of the Pure Holding Company and the Subsidiaries	○	○	P16		Basic Policy of Social Contribution Activities		○		
		Roles of the Directors and the Board of Directors	○	○			The Citizen Group's Social Contribution Activities		◎	○	P24-25
		Roles of the Auditors and the Board of Auditors	○	○			The Citizen of the Year		○	○	P12-13
	Compliance	Internal Control System	○	○		Our Vision for the Environment and Society and Environmental Policy					
		Assessment from outside organizations	○	○			Citizen's Vision for the Environment and Society in 2025		○	○	
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		Intellectual Property Management Structure	○	○			Targets and Results for Fiscal 2009		○	○	
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