



Citizen Group  
CSR Report 2014

**CITIZEN HOLDINGS CO., LTD.**

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Editorial Policy

This publication is intended as a communication tool for conveying to stakeholders the Citizen Group's basic approach to corporate social responsibility (CSR), as well as our CSR-related activities during fiscal 2013, the year ended March 31, 2014. We aim to address CSR through our business endeavors in accordance with our corporate philosophy of “Contributing to striving to be respected by citizens of the world.” At the same time, we recognize the importance of efforts contributing to the realization of a sustainable society.

For fiscal 2013, the first year of our current medium-term management plan, we have indicated relationships between this plan and our efforts to realize such a society. Furthermore, we have introduced domestic and overseas initiatives in accordance with the Group Code of Conduct.

Corporate Profile (as of March 31, 2014)

With the corporate philosophy of “Contributing to and striving to be respected by the citizens of the world,” the Citizen Group has been launching diverse businesses around the globe making use of the expertise in downsizing, precision, and power efficiency technologies built up in our watch division.

Name	Citizen Holdings Co., Ltd.	Capitalization	¥32,649 million
Establishment	May 28, 1930	Employees	18,046 (consolidated)
Location of Head Office	6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511, Japan	Net Sales	¥309.9 billion (consolidated)
Representative	Toshio Tokura, President and CEO	Listing	Tokyo Stock Exchange, 1st Section
Organizations Covered in the Report		Date of Publication	
Economic and social data: 27 domestic and 73 overseas companies (total 100)		June 2014 (Previous report: June 2013/Next report: June 2015)	
Environmental data: 30 domestic and 12 overseas companies (total 42)		Guidelines Referenced	
Period Covered by the Report		Sustainability Reporting Guidelines 2006 (GRI)	
Fiscal 2013 (April 1, 2013 to March 31, 2014)		Environmental Reporting Guidelines 2012 (Ministry of the Environment, Japan)	
Some data from fiscal 2014 is also included.		Environmental Accounting Guidelines 2005 (Ministry of the Environment, Japan)	
		Disclaimer	
		This publication 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.	



Cover Photo  
The original Citizen watch—our origins (made in the 1920s)

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The Citizen Holdings CSR Site

The site provides the same content as this publication as well as other comprehensive CSR information

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



- Working hard for you, me, and the planet
- Developing harmony between individuals, companies, and society
- Delivering quality and services that can be used for a long time
- A circle of caring
- Building watches that customers love!
- Creating and extending peace
- Being a workplace where dreams can take flight
- Making ongoing improvements during development
- Making people-friendly products
- Making safety your friend
- Try, speak and listen, encourage to try, praise to spark people to action
- Creating products that are environmentally friendly and designed to global standards
- Having a true heart
- Building ties of friendship
- Showing a smile to everyone!
- Equality, candor, fairness
- Creating economic value through business activities that meet society's needs
- Contributing to the global community
- Using the five circles to top world quality levels
- Moving forward, one step at a time
- Shepherding resources
- Touching the sensibilities of people who love art
- Being a company that is proud of the world



# Advances by the Citizen Group

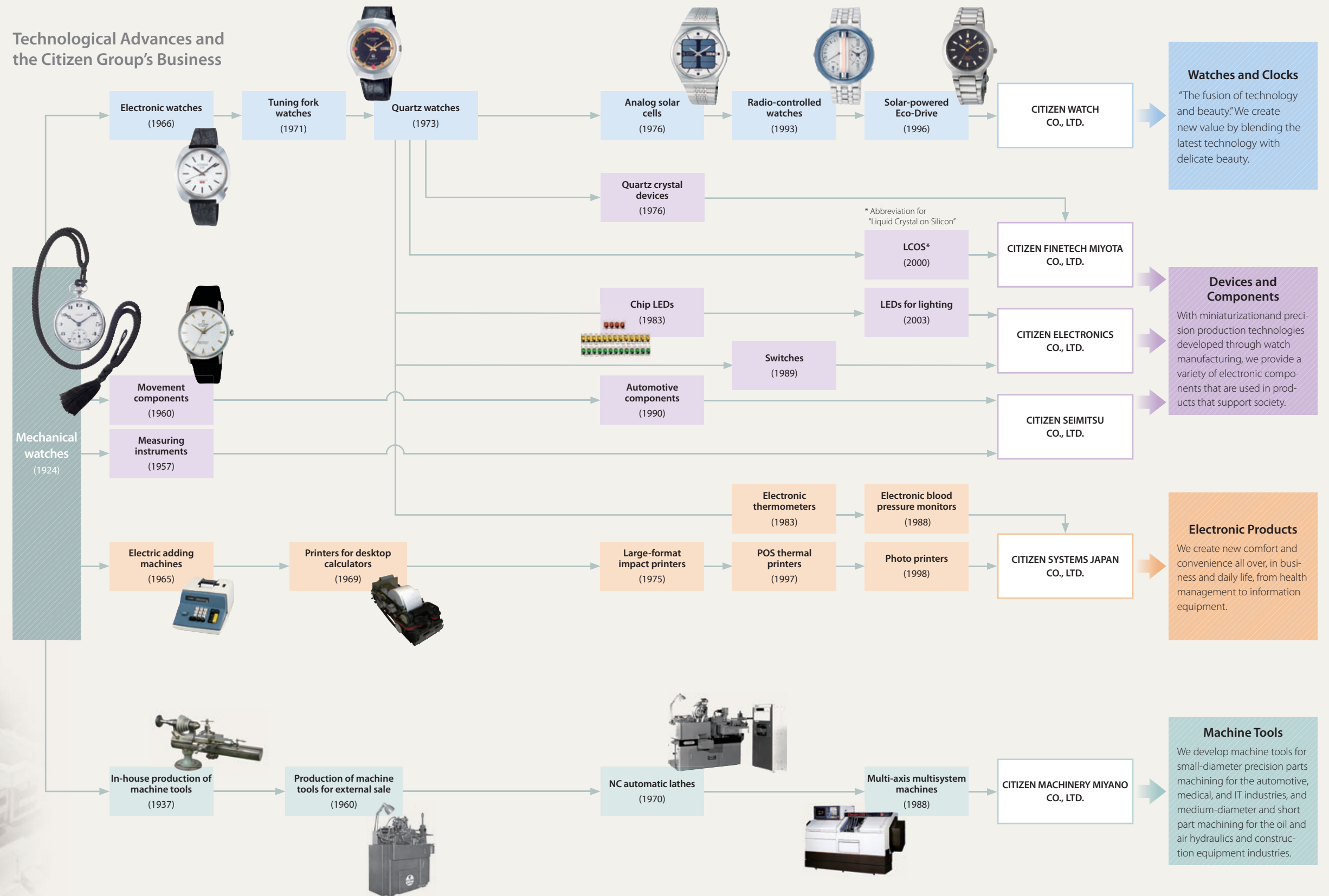
## Imbuing the Future with the Spirit of the Past

In 1924, Citizen's predecessor, the Shokosha Watch Research Institute, developed its first pocket watch. Reflecting its desire to build a watch "loved by citizens," the institute named it the "CITIZEN."

"We try to help enrich people's lives around the world by producing products that are loved and favored by worldwide citizens." This corporate philosophy clearly embodies the mission that has been handed down to us at the Citizen Group. In our aim to be a truly global company capable of providing the value the global market demands on an ongoing basis, we have transformed ourselves by leveraging the expertise cultivated in our watches and clocks business and through watch manufacturing.

As a company "contributing to striving to be respected by citizens of the world," the Citizen Group will apply its sense of speed and dynamism toward achieving further growth. We will continue to do our utmost for customers throughout the world.

## Technological Advances and the Citizen Group's Business



# Current Corporate Ideals of the Citizen Group

## The Citizen Group's Business Foundations

The Citizen Group traces its origins to the manufacture of mechanical watches. By leveraging the technology cultivated in this business, the Group has developed new products to meet the demands of the times, generating corporate value in the process.

Our operations currently comprise five divisions: Watches and Clocks, Machine Tools, Devices and Components, Electronic Products, and Other Products. By taking advantage of expertise in miniaturization, precision manufacture, and reduced power consumption, we strive to provide clear value

that meets the expectations and aspirations of people throughout the world.

The medium-term management plan we announced in 2013 defines our objective of becoming a truly global company, sets priority issues to address along the path, and promotes initiatives for all Group companies. Recognizing that CSR activities serve as an important foundation for realizing our business strategy, we have set forth engagement themes based on our Group Code of Conduct as we endeavor to create sustainable value.

Throughout the world, the Citizen Group will marshal its energies, "contributing to striving to be respected by citizens of the world."

## Principal Products

### Watches and Clocks

Eco-Drive Satellite Wave

Eco-Drive radio-controlled watches

### Machine Tools

NC automatic lathes

### Electronic Products

Line thermal label printers

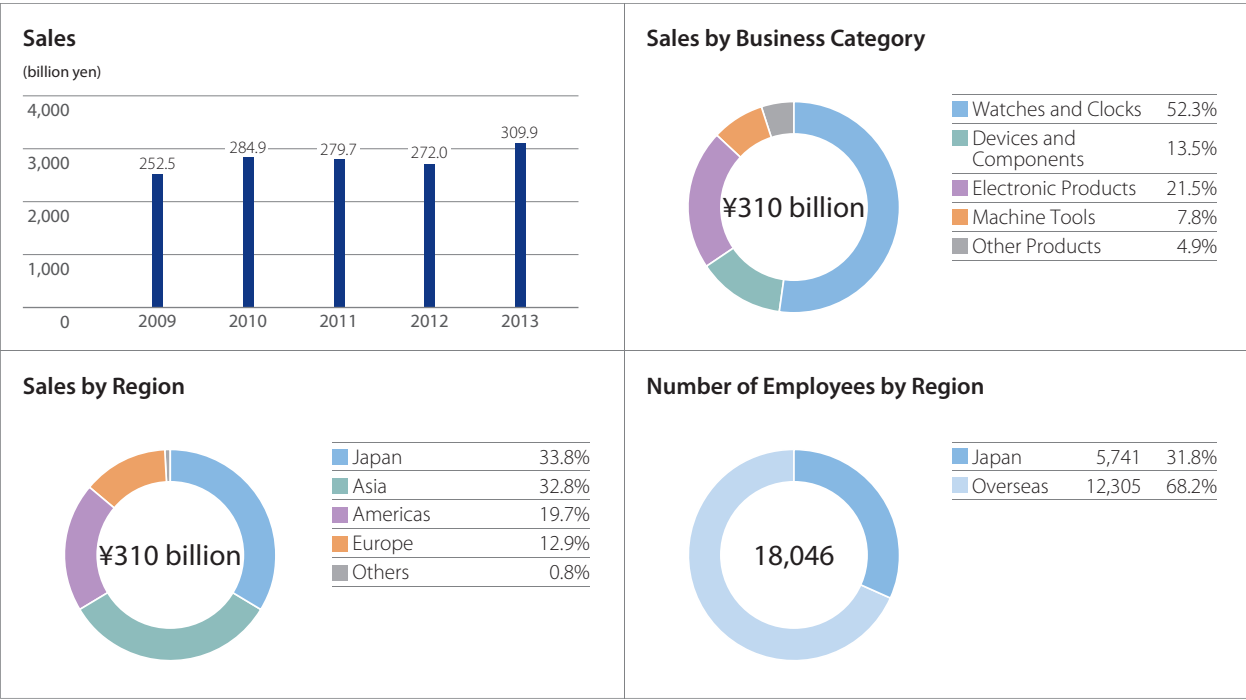
### Devices and Components

LED packages for lighting

### Other Products

Bridal jewelry

## Corporate Data



## Business Strategy and CSR Activities

The Citizen Global Plan 2018, the current medium-term management plan for the Citizen Group, defines four strategies to pursue on our path to becoming a truly global company.

1. "Clarify the business portfolio" calls for us to employ selectivity and focus, concentrating our management resources on fields that take advantage of our strengths.
2. We will "strengthen production capabilities" by combining individual watch manufacturing companies in the Citizen Group into a new company, Citizen Watch Manufacturing Co., Ltd. Establishing this company should reinforce the Group structurally and promote innovation in the area of production.
3. We will "enhance human resources and improve productivity" by introducing a new personnel system. By having a system

that rewards people who take on challenges, we have begun fostering human resources who relish new challenges and can thrive in the global business world.

4. We will "market strategically to meet growing Asian market demand." We are swiftly drawing up strategies that will enhance our presence in the Asian market, where economic growth is forecast to continue for some time.

Central to the success of these strategies will be CSR initiatives, such as cultivating human resources and nurturing our brand, putting in place an organization that develops people, and fostering a workplace that embraces diversity. We will pursue CSR endeavors with renewed vigor, based on the realization that they serve as our foundation for generating sustainable corporate value through our business activities.

Aiming to Be a Truly Global Company  
A Corporate Group Marked by Speed and Dynamism

Realizing Our Corporate Philosophy  
"Contributing to striving to be respected by citizens of the world"

### Medium-Term Management Policy

1. We will focus on business domains where we can leverage the strengths cultivated in the watch and clock business, aiming to become a business conglomerate that is a globally competitive category leader.
2. Positioning China and other emerging economies in Asia as a strategic marketplace, we will simultaneously pursue sales expansion and enhanced efficiency as we work to accelerate profit growth.

### Tasks to Address

1. Clarify the business portfolio
2. Strengthen production capabilities
3. Enhance human resources and improve productivity
4. Market strategically to meet growing Asian market demand

### CSR Initiatives for Realizing Specific Strategies

1. Develop and manufacture eco-friendly products
2. Cultivate human resources
3. Embrace diversity
4. Build even stronger relationships with local communities

## Citizen Group Code of Conduct



Bringing forth  
on a world stage the  
ideals inherent in the  
Citizen company name  
will allow us to achieve  
sustainable growth  
and development.



### Becoming a Truly Global Company

The Citizen Group unveiled the Citizen Global Plan 2018 in February 2013. This plan defines the path that the Group will take as it strives, in a rapidly changing market environment, to achieve sustainable growth and develop into a truly global company by fiscal 2018, the final year for the plan.

During fiscal 2013, the first year of the global plan, we undertook thorough efforts to reinforce our business structures. We introduced large-scale organizational restructuring and optimized human resources, revising core compensation and human resource systems. By pushing through with these initiatives, we aim to transform Citizen into a new company prepared to address the challenges of a new era. During the year, all employees drew together and assiduously sowed the seeds of this transformation.

### Transforming Ourselves through the Strength of Our Human Resources

We must promote the globalization of our human resources, not just our manufacturing and sales functions. The Citizen Group believes that the personnel needed for it to become a truly global company must have three essential qualities: they must take the lead and not be afraid to act; they must be cognizant of potential problems as well as highly aspirational; and they must have a strong sense of volition. I believe that invigorating employees who have these characteristics will transform us into a truly global company. To achieve these aims, we will invite lecturers from outside the Company to conduct training and expose our people to other industries, encouraging outward-directed measures giving our employees new resources to encourage their growth.

### Promoting Environmental Initiatives from a Global Perspective

Our environmental initiatives are based on the Citizen Group Medium-Term Environmental Plan 2018, which aims to enhance environmental management from a global perspective. We have formulated an action plan we call Eco-Action 100, and are pursuing activities toward medium-term targets. As part of these initiatives, we are reinforcing Group governance and promoting more-efficient environmental management by transitioning to consolidated Group certification under ISO 14001. Through consolidated certification, we expect to slim our systems and review and improve monitoring and supervision. Going forward, we will continue to strengthen our environmental management activities from a global perspective.

### Realizing the Ideals Inherent in the Citizen Company Name

Our company name clearly illustrates our desire to be a citizen of society. By this, we refer to people with a spirit of freedom who embody a culture that promotes reform—people who continuously effect change by taking on challenges on a daily basis. We have named our company Citizen to underscore our ideal of contributing to the development of such people. The company name of Citizen represents the point of origin for all we undertake and serves as an unswaying reference in times of indecision. We believe that retaining this awareness as we go about our daily business is in itself a CSR activity. I would ask all employees to carefully consider the meaning of our company name.

### Providing Value to Society through Our Business Activities

In addition to conventional CSR activities, social expectations have evolved toward an expectation of CSV, for “creating shared value.” Since the time of its establishment, the Citizen Group has been active in grassroots initiatives, promoting activities that contribute to society. From here on out, I believe it will also be important to consider how such actions link to corporate value. Looking back, efforts to meet customers’ needs led us to develop the world’s first solar-powered analog wristwatch, the solar-powered Eco-Drive, which greatly reduces power consumption; and Japan’s first wristwatch for people with visual disabilities. Ultimately, each of these products addressed a societal issue, and in this sense I would say they delivered CSV. Put another way, I believe that acting as a “citizen” in the course of our business activities leads to the creation of corporate value.

From here on out, to address the issues society faces from a more global perspective I would like to see us create value through our businesses by providing products and services as the Citizen Group through collaboration both inside and outside the Company. I will be entirely behind employees driven by a love of challenge as they undertake these endeavors.

June 2014

戸倉敏夫

**Toshio Tokura**  
President and CEO  
Citizen Holdings Co., Ltd.



CSR Initiatives That Realize Business Strategies  
Strengthening Production Capabilities

Harnessing Our Power to Become the World’s Foremost Watch Factory

# The Birth of Citizen Watch Manufacturing

Citizen Watch Manufacturing Co., Ltd., will consolidate into a single company Citizen Heiwa Watch Co., Ltd., Citizen Tohoku Co., Ltd., Citizen Micro Co., Ltd., Citizen Watch Miyota Co., Ltd., and Citizen Watch Kawaguchiko Co., Ltd., as well as Citizen Watch’s manufacturing functions. Funneling our expertise in watch manufacturing into one entity should result in more robust manufacturing functions and set the stage for us to become a truly global company.

## Hideo Ogiwara

President and CEO  
Citizen Watch Manufacturing Co., Ltd.



### Slogan

Becoming the World’s  
Foremost Watch Factory

### Management Philosophy

We aim to be a company that is genuine,  
working with employees toward shared dreams.

### Strengthening Production Capabilities in Japan

In the past, the watch manufacturing divisions within the Citizen Watch Group have grown as a result of competition between Group companies. This healthy competition also came with downsides, however, such as a lack of sharing of expertise among competing companies in the same group, the failure to develop efficient manufacturing structures, and no sharing of personnel. To grow beyond the current state, we recognize the need to break through these barriers by merging into a single group handling the watches and clocks business. We have undergone this organizational restructuring in order to emerge with a system capable of competing with the world’s leading manufacturers.

### Becoming the World Leader by Cultivating Human Resources and Carrying on Technology Traditions

Cultivating human resources is the single most important theme to address if we are to become the world leader. Watches exist at the nexus of high-tech products that rely on leading-edge technologies and the craftsmanship of skilled artisans. For this reason, it is essential to marry the most advanced technologies of the day with time-honored designs. Specifically to this point, we are reinforcing our watch school, which is attended entirely by employees who aim to become watch professionals. People are also needed to connect engineers and technical experts with the organizations that can maximize their skills. Our proactive efforts to cultivate human resources aim to foster personnel with these management attributes and leadership skills.

### Benefiting from the Merger

Pooling the expertise cultivated individually into a single Group company will allow us to share the best elements of each former company. In a manner that was not possible before, we look forward to optimizing the location of our manufacturing structure, increasing efficiencies, optimizing personnel placement, and accelerating communications. These improvements should enable us to maximize and accelerate progress toward our numerical and other targets. By setting “turning Citizen Watch Manufacturing into the world’s foremost watch factory” as the rallying point for all employees, we will move toward the Group objective of becoming a truly global company.

### Benefiting All Employees Who Work Here

Transforming our recently established company into the world’s foremost watch factory all comes down to our employees. My most important mission is to ensure that the people who work here are happy. I am convinced that this factor will inspire the company to reach world-beating levels. The overarching question for those of us in management is how to go about building a company with a bright future in which employees play a leading role.  
It will be no easy task to channel the 2,000 people working at companies that have grown as separate entities for the past 50 years toward the same goals. For that very reason, it is essential to develop a corporate culture that is forward-looking and embodies a sense of challenge. In addition to success on the work front, achieving this objective will lead to happy employees and a world-leading company.



# CSR at the Citizen Group

## CSR Principles

By embodying our corporate philosophy, the Citizen Group seeks to achieve sustainable development for society and growth for itself, being a company that is loved, respected, and truly needed by society. In conducting our business, we pursue CSR with the participation of all our employees based on the Citizen Group Code of Conduct, itself inspired by the

spirit of the United Nations Global Compact. Moreover, to maximize the value we bring to society, we think it important to incorporate our stakeholders' wishes and expectations into our management and to respond accurately to them. Therefore we strengthen communication with stakeholders.

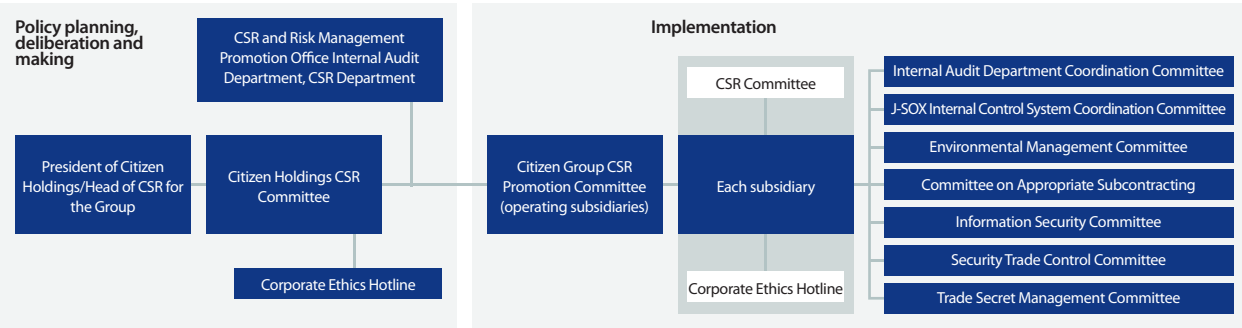


## CSR Promotion

The Citizen Holdings CSR Committee, with the president of Citizen Holdings providing ultimate oversight, sets policies and drafts and proposes measures for the Citizen Group. Additionally, it partners with the auditing departments of

Group companies to improve their CSR and risk management programs. Together, they perform audits and evaluations on program effectiveness and efficiency, focusing on governance. The committee also conducts CSR seminars for management and whole-Group CSR/compliance training among other programs for raising awareness of these issues.

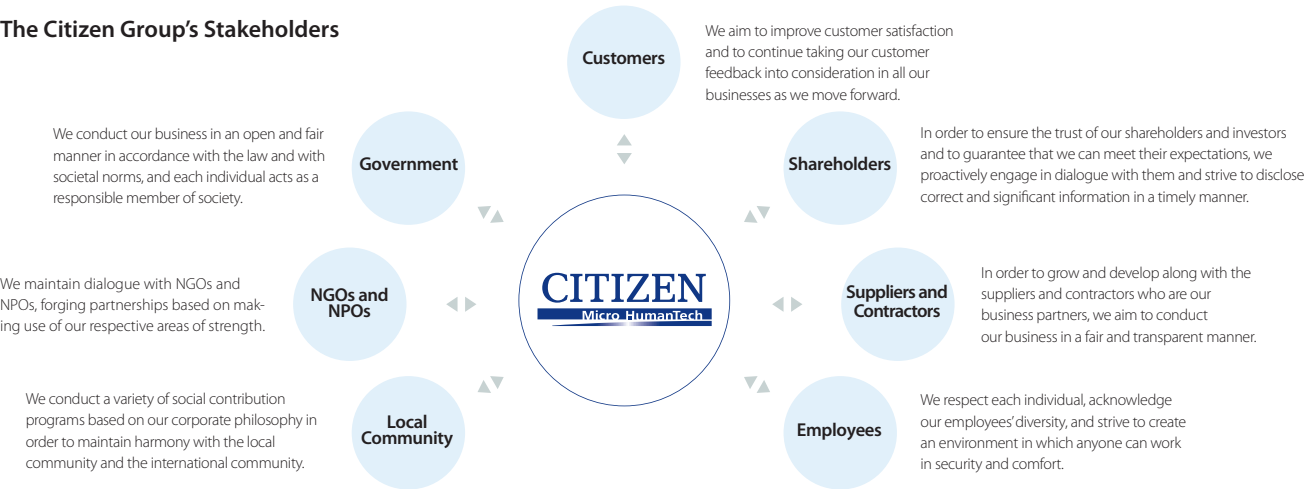
Schematic Diagram of Our CSR and Risk Management System



## Relations with Stakeholders

The Citizen Group's business activities are built upon relationships of trust with a variety of stakeholders. Our aim is to communicate with our stakeholders and to bring our corporate philosophy to fulfillment.

The Citizen Group's Stakeholders



## Citizen Group Code of Conduct

The Citizen Group formulated the Citizen Group Code of Conduct to coincide with its transition to a pure holding

company structure on April 1, 2007. The Group conducts its business activities in accordance with this code, as it strives to fulfill its corporate social responsibility and contribute to the development of a sustainable society.

### 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.

The company and its employees will make untiring efforts to observe this Code of Conduct. If a situation that contravenes this Code of Conduct arises, the company will strive to resolve it and prevent its recurrence, and make an appropriate public report. The company will also take strict disciplinary measures upon determining the responsibility and authority of those involved.

Effective April 6, 2007



# Products and Skills, Know-how, Data Promoting Solution Businesses

The Japanese market for the machining of precision parts faces a number of issues, including the need to curtail costs in response to the rise of emerging markets and a shortage of engineers. Resolving these issues and providing customers with value-added services requires a new approach. This belief is behind the decision at Citizen Machinery Miyano—which develops, manufactures, and sells machine tools—to combine the extensive know-how and data it has amassed over the years with products to provide customers with new “solution business” services that address their needs.

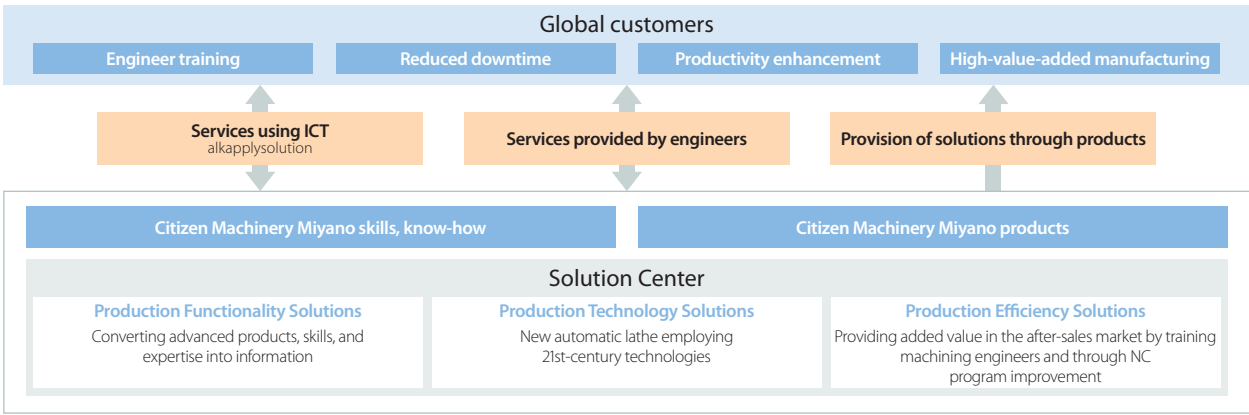
## Shigeo Yanagidaira

General Manager  
Solution Business Development Dept.  
Citizen Machinery Miyano Co., Ltd.

## Providing New Value via Solutions Businesses

The rise of emerging economies has led to fierce price competition in the Japanese market for machine tools. But rather than become embroiled in this competition, we believe a better approach is to elevate Japanese manufacturing itself to a new level. Japan's edge derives from its utilization technologies. Our company has amassed skills, know-how, and data over more than 30 years in the areas of equipment maintenance and machining technology. By combining these assets

with products, including machines that are already in operation, we should be able to deliver increases in equipment utilization rates and productivity, as well as contributing to the cultivation of human resources. In addition to equipment, our competitive advantage lies in the answer to the question of how we employ utilization technology, making additional high-value-added business initiatives possible for our customers. The sort of solution business that Citizen Machinery Miyano envisions involves solutions that provide new added value to customers and transform utilization technologies and production systems.



## Operating as a New Type of Manufacturing Company That Conducts “Individual Mass Production”

Our “alkappliesolution” service makes effective use of accumulated skills and expertise. This service employs information and communication technology (ICT) to provide customers in remote locations with support in restoring operations and offer advice on ways to boost productivity. This approach contributes to the sharing of know-how and reduced downtime. We also customize our technologies to address each customer’s needs.

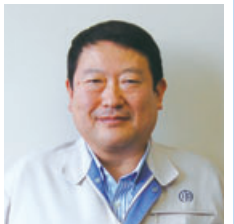
We believe that we offer one of the world’s most leading-edge innovative production solutions, realizing our mantra of “individual mass production.” By “individual mass production,” we refer to innovative manufacturing that at once separates and fuses the contradictory notions of “individual” and “mass.” Expressing new value created with an innovative manufacturing system, this approach provides the foundation for the new type of manufacturing company Citizen Machinery Miyano aims to become.

Going forward, we aim to form sustainable partnerships with our customers, provide added value, and contribute to Japanese manufacturing.

## VOICE

### By “contributing to society through products,” Citizen seems to be answering our wishes.

We have used Citizen’s machine tools for many years, and upon hearing that the company’s solutions business is focusing on the production of higher-value-added products, I am convinced that Citizen must be listening to our thoughts. Specifically, we hope to pare down the massive operating manuals and use video to augment personnel training. We will introduce this system for front-end products, adding on the spirit of our company’s know-how. We will take advantage of the time and cost savings to concentrate on the manufacture of high-value-added products. Because I know of Citizen’s past successes, such as its full servo system that does not use hydraulic pressure and its leading-edge, eco-friendly products, I feel certain that its solution business will have a positive impact on our operations.



**Mr. Yukinori Ideta**  
President and CEO  
Ideta Seisakusho Co., Ltd.



# Responding to Conflict Minerals and Human Rights

The Citizen Watch Group recognizes that tantalum, tin, gold, and tungsten (“conflict minerals”) produced in DRC countries\* represents an important source of funding for armed insurgents in these countries. Recognizing this issue to be of major international importance, we and our business partners pursue responsible procurement to ensure against complicity in human-rights abuses.

We have asked Ms. Taniguchi, from Amnesty International Japan, to explain the situation regarding conflict minerals and producing countries.

## Realizing a Society without War Initiatives to Protect Human Rights

The concept of “conflict minerals” ballooned into a major international issue due to the role these minerals have played in providing funds to support protracted conflict by armed insurgents in the Congo. Extended conflict prompts declines in public safety, and attracts a host of human-rights abuses, such as the use of child soldiers and the abuse of women. Stamping out the use of conflict minerals is akin to helping protect the human rights of children and women.

In the past, global companies have been keen to reduce their environmental impact and eliminate practices such as child labor, and have taken an early stance in these areas. Awareness of conflict minerals remains low, however, and the link between using such minerals and contributing



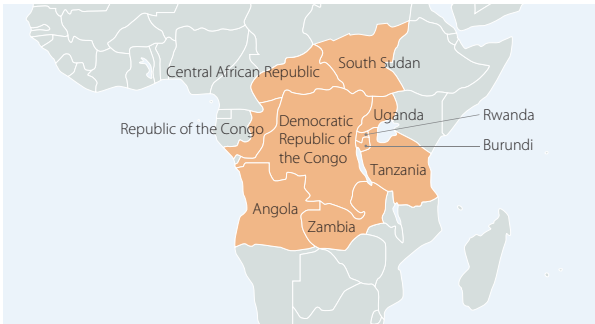
Children working in tin mines

to human-rights abuses in conflict-plagued areas is not well recognized. The fact that the term “conflict minerals” has even emerged suggests an increase in awareness and a small step forward to resolving this international problem.

I believe that if global companies address the issue of conflict minerals head on, consumer awareness will change. Consumers will then become willing to pay slightly more for “conflict-free” products that do not employ conflict minerals. Once society accepts “human rights expense” as a cost incurred in the same manner as raw materials, labor, and advertising expenses, the issue of conflict minerals will surely fade away. Being involved in this process is also certain to generate corporate trust.

As a global company, I hope that Citizen will continue to eschew the use of minerals throughout the Group.

(Ms. Reiko Taniguchi, Amnesty International Japan)



\* DRC countries: The 10 countries identified in the Dodd-Frank Wall Street Reform and Consumer Protection Act as being producers of conflict minerals

## Promoting CSR Procurement

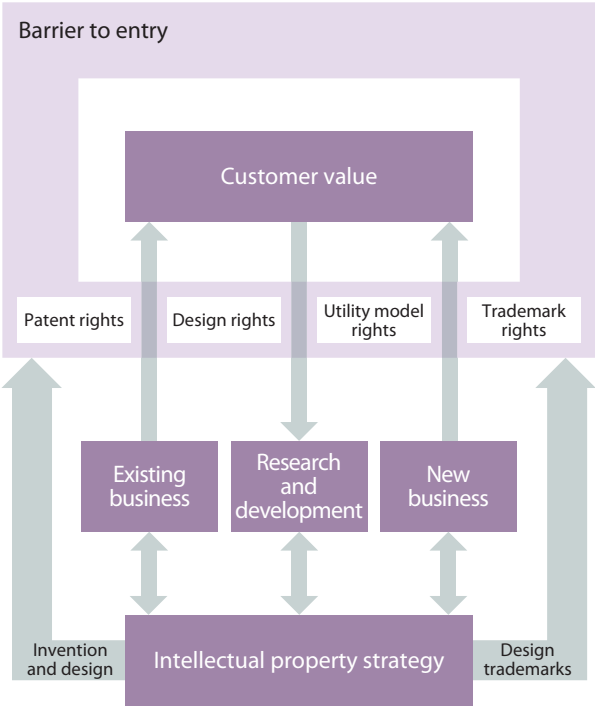
The Citizen Electronics Group promotes CSR procurement to fulfill its social responsibility throughout the supply chain. Specifically, it asks suppliers to comply with the CSR Procurement Guidelines, a statement of requirements concerning observance of human rights, environmental protection, occupational safety and health, fair trade, and so on in accordance with the United Nations Global Compact and the Citizen Group Code of Conduct. We will continue strengthening partnerships with our business partners to ensure social responsibility is practiced throughout the supply chain and our craftsmanship is loved and favored by customers.

# Leveraging the Intellectual Property Strategy

## Implementing Intellectual Property Strategy for Sustainably Protecting Customer Value

The Citizen Group conducts research and development based on market information with the aim of creating additional customer value. We have created a structure that enables collaboration between operating companies, R&D departments, and intellectual property departments. This collaboration determines which intellectual properties generated by R&D departments, new and existing businesses, and operational departments contribute to the stability and expansion of ongoing business, and allows activities that lead to the registration of intellectual property rights, to be carried out.

The Intellectual Property Division at Citizen Holdings has constructed an intellectual property portfolio that prevents vital customer value from being emulated by other companies. To this end, we promote an intellectual property strategy for protecting intellectual property rights. Furthermore, when planning new product developments and new research themes, we value the intellectual property rights of third parties and strive to prevent any breaches of these rights. At the same time, we strive to augment customer value by creating distinctive technology and designs.



## TOPICS

### Creating Space for Customer Communication and Demonstrating the Citizen Brand Citizen Fan Meetings

In June 2013, Citizen Watch began holding Citizen Fan Meetings to give customers an early look at new Citizen-brand products, letting them touch and experience the products firsthand. Although in the past we had held events of this nature for members of the press, this was the first such event targeting the general public.

At the event, Citizen Watch introduced flagship models it had unveiled at Baselworld in 2013, showed new products scheduled for launch, and generally fostered communication with fans of Citizen. The event gave employees a valuable opportunity to hear customers’ reasons for loving Citizen watches, as well as their expectations. Recognizing this as an important new way to communicate with Citizen fans, we plan to hold these events again in the future.



A talk session between J-WAVE navigator Piston Nishizawa and Citizen Watch designer Hideki Inoue at the event



# Reinforcing Environmental Management

## Identifying the Group’s Priority Themes this Fiscal Year for Addressing Environmental Issues

Based on the Citizen Group Medium-Term Environmental Plan, which the Citizen Group put in place to enhance its environmental management from a global perspective, the Group has formulated action plans to promote its efforts toward realizing its medium-term targets. For fiscal 2014, these plans are to promote environmental management, reduce chemical risks, create products with outstanding environmental performance, promote eco-communications, reduce greenhouse gases, reduce waste, and expand environmental and social contribution activities.



Promoting Environmental Management	To reinforce governance and conduct environmental activities in a more efficient and effective manner, we are transitioning to consolidated Group certification under ISO 14001, which will then operate as a single system for the entire Group.
Reducing Chemical Risks	At our production bases, we are working to reduce the use of substances targeted by the PRTR law. We have also introduced the management standards recommended by JAMP* on the chemical content of products as part of our response to global laws and regulations.
Creating Products with Outstanding Environmental Performance, Promoting Eco-Communications	We promote environmental communications with the marketplace to ensure that customers can be confident in selecting our eco-friendly products that make use of energy-saving technologies. These efforts also lead to the creation of new brand value.
Reducing Greenhouse Gases	We strive to determine appropriately the amount of greenhouse gases emitted over the entire product lifecycle and strive to reduce these greenhouse gases.
Reducing Waste	We are taking consolidated Group certification for ISO 14001 as an opportunity to re-verify waste management for the Group as a whole in the aim of curtailing this waste.
Expanding Environmental and Social Contribution Activities	In addition to environmental contribution activities at each of our offices that are solidly rooted in their communities, we are undertaking initiatives to determine the impact of our operations on biodiversity and conducting preservation activities.

\* JAMP, the Joint Article Management Promotion-consortium, is a supra-industry organization that aims to transmit chemical information.

## Introducing the Environmental Management Department

In addition to functioning as the secretariat for promoting environmental activities throughout the Citizen Group, the Environmental Management Department aims to be an expert organization that Group companies can turn to. At Japanese and overseas production bases alike, environmental regulations and regulations on managing the chemical content of products grow more stringent every year. As well as

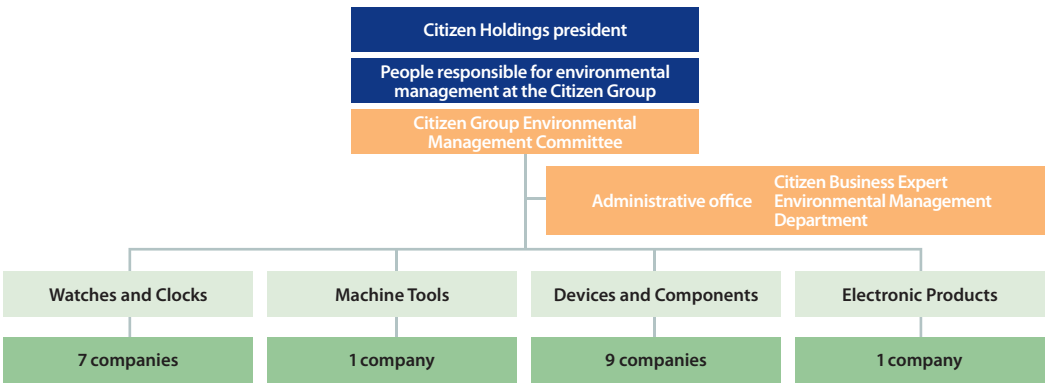
inconveniencing customers, a single environmental mishap can cause significant damage to corporate trust and brand value. This department gathers information about a situation that is changing on a daily basis and pays attention to the detailed responses that are required. Rather than simply protecting the Group, this department strives to remain a step ahead of the curve in environmental activities so that the products that the Citizen Group delivers to the world can be used with peace of mind, make people’s lives more bountiful, and contribute to the realization of a sustainable society.

## Outlining Specific Initiatives

### Promoting Environmental Management

To reinforce governance and conduct environmental activities in a more efficient and effective manner, we are transitioning to consolidated Group certification under ISO 14001, which will then operate as a single system for the entire Group. As a first step, in December 2013 we published the Group Environmental Manual and began conducting activities based on this manual. Whereas in the past each site had created its own secondary documents based on the Group Environmental Manual, we have streamlined this system in an effort to make it consistent throughout the Group. From Group companies in Japan, we have selected internal auditors, who conduct internal Group environmental audits. Mutual discussions following on from these audits have helped to clarify Group strengths and weaknesses. Going forward, we will reinforce environmental management activities in anticipation of the global roll-out of the revised ISO 14001 standard that is slated for 2015.

Consolidated Certification for the Citizen Group



### Reducing Chemical Risks: Managing the Chemical Content of Products

Countries around the world are tightening regulations for appropriately managing the chemical content of products. These efforts are designed to reduce the risk of poisoning or allergic reaction due to chemical substances contained in products and ensure that people can use products with confidence. In addition, they aim to minimize environmental impact due to soil and water pollution following disposal. Each year, the number of chemical substances that must be managed increases. To be certain of the items contained in our products, in April 2014 we revised the Citizen Group Green Procurement Standard. For this new procurement standard, we have adopted JAMP’s recommended organization for sharing information. On this basis, throughout the supply chain we promote the sharing of information about contained chemicals at the raw material and component level.

### Using Ecology as Angle for Enhancing Brand Value: The Eco-Products 2013 Exhibition

Citizen Watch displayed its solar-powered Eco-Drive watch at Eco-Products 2013, a leading Japanese environmental exhibition. The company’s white-themed booth was designed to call attention to “light” as being representative of sustainable energy. Citizen Watch displayed six new models intended to showcase its convictions about and adherence to the ideal of a sustainable society under the theme of “sensible lives connecting to a beautiful future.” As well as being eco-friendly, Citizen Watch earned accolades from many of the 7,500 people who visited the booth during the course of the exhibition for the watches’ uncompromising functionality and performance, attractiveness, and sense of fun. We are convinced that ecologically sensitive Citizen Watch will continue to create new value through the union of technology and beauty.





## Resolving Societal Issues through Our Business

### Showing How Citizen Helps—Now and into the Future Participating in the “Because I am a Girl” Campaign



Citizen Watch supports the “Because I am a Girl” campaign, through which the NGO Plan International helps provide the “strength to live” to girls in impoverished areas of the world, by introducing campaign activities in its Citizen xC watch advertisements.

As part of its drive to address societal issues through its business activities, Citizen Watch uses its shop sales and Web advertising sites to communicate to customers that their consumer activities can contribute to other people in the world. In this way, the company seeks to spark interest in conditions in developing countries. The company also contributes a portion of its sales to help fund the organization's projects.

#### The “Because I am a Girl” Campaign

Plan International, an NGO, conducts this global campaign in an attempt to impart the

“strength to live” to girls living in difficult circumstances at the margins of society.

Girls and women in developing countries are often bereft of the chance to acquire an education, being compelled to do housework from an early age. Frequently marrying when they are themselves in their teens, the lives of these “child brides” are often shortened by early pregnancy and childbirth. Plan International endeavors to provide educational opportunities for girls and women in difficult circumstances, thereby addressing the global problem of poverty.

#### Plan Japan, a Public Interest Incorporated Foundation

Plan Japan, a public interest incorporated foundation and part of the NGO Plan International, was established through certification by the Cabinet Ministry in 1983.

Supporters: Approximately 60,000

<http://www.plan-japan.org/>



## Supporting the Next Generation, Who Hold the Keys to the Future

### Holding Table Tennis Networking Events with Business Organizations

Citizen Holdings' table tennis club organizes table tennis-based networking events at cities throughout Japan in locations where the Citizen Group has bases. In 2013, the team visited Citizen Yubari, located in the city of Yubari, to participate in a fun and fast-paced table tennis rally attended by the city mayor and students from local elementary, junior high, and senior high schools, among others.

Funds collected through the Click Bokin function were donated to the city of Yubari, which is restructuring its municipal finances.



### Setting up Citizen Watch Scholarships

With backing from the National Merit Scholarship Corporation, a not-for-profit organization offering scholarship assistance, Citizen Watch Co. of America, Inc., has established a new scholarship program, the National Merit Citizen Watch Scholarships. Under this program, one academically and athletically promising high school student from each of the 50 U.S. states is awarded an educational scholarship, along with a wristwatch. In fiscal 2014, the company began hosting internships for scholarship winners, smoothing the entry into society of the young people who hold the keys to the future.



## Supporting Individuals Who Inspire Others

### Announcing Citizen of the Year Awards

Citizen of the Year is an annual award program that recognizes citizens who have inspired local residents and made significant contributions to the development, happiness, and all-around enhancement of their local communities. Prompted by a lack of wide-ranging recognition for deserving citizens, the program was established in 1990 to mark Citizen's 60th anniversary, tying in with the spirit of the company's name. In 2012, the following individuals were selected for recognition.

For more information about Citizen of the Year, please see our website at: <http://www.citizen.co.jp/coy/index.html>



### Making Unique Cloth Toys for Children with Disabilities for 30 Years

In 2013, the TOY Workshop Donguri celebrated its 30th anniversary of continuous production of unique cloth toys for children with disabilities. The group traces its start to activities by a group of housewives who enjoy handicrafts. The members learned by watching each other and initially sent the toys they made to children's homes. They launched into full-fledged production of cloth toys after receiving a request to that effect from on-site facility personnel, who noted there were few toys for children with disabilities and asked the group to make some. So far, the group has made more than 200 types of cloth toys. Each toy is made while incorporating the opinions and desires of the requester. Each is also tailored to the disability of the particular child, with a view to having the toy support his or her growth and independence. As such, each is truly a one-of-a-kind toy, without equal anywhere in the world. As a future objective, the group is considering the production of toys for children with severe physical or mental disabilities and entertaining tools for adults with mental disabilities.



TOY Workshop Donguri

### Realizing a Child's Dream by Collecting Money for Zoo without Giraffe

Because of strained financial circumstances, the Kushiro City Zoo had been without a giraffe for some time, when local housewives mounted a campaign in response to a child's request. Although stunned to learn that some ¥40 million would be needed to acquire a male and a female giraffe, they formed a group to collect the necessary funds through donations. The group launched its campaign to collect a total of ¥50 million in May 2012, and the members solicited donations on street corners and at various events. Their activities immediately struck a sympathetic chord, and the circle of support widened from ordinary citizens to schools, companies, and organizations. Within only a year, the group had reached its target, and giraffes returned to the Kushiro City Zoo in October 2013.



Child's Angel

### Attending Night School as Senior Citizen and Taking Active Part in Study and Extracurricular Activities

Ms. Kaminakabeppu was born in 1930, on a farm in Kagoshima Prefecture. Because it was during the war, she was unable to receive decent schooling and abandoned ideas of going to high school. Change came after the death of her husband in 2004. At first, she was overwhelmed by the feeling of tremendous loss and unable to do much of anything. Realizing that she could not go on like that, the urge to learn again welled up inside her. In 2007, at age 76, she enrolled in evening classes at Nishinakahara Junior High School in Kawasaki. Still eager to study after graduating, she took and passed the entrance exam for night school at Takatsu High School, which she entered in 2010 at age 79. Ms. Kaminakabeppu readily makes friends with all sorts of people, and swiftly blended in, becoming a favorite with her classmates, who were younger than her grandchildren. In addition to studying, she joined intramural clubs in calligraphy and flower arrangement and even joined the baseball team, standing on the mound during a game for the first time at the age of 83.



Chie Kaminakabeppu



# Embracing Diversity and Sensitivity

Recent years have seen increasing diversity in the human resources active in the workplace, including women, foreigners, seniors, and people with disabilities, and subsequently diversity management has become a consistent theme of corporate strategy. We believe that maintaining stable development requires us to embrace diversity management. In particular, we recognize the need to create workplaces that are welcoming to female employees. To this end, we asked female employees of different ages to discuss current conditions and the needs of the Citizen Group going forward.



**Kyoko Tsukada**  
Manager,  
Development Division  
Citizen Holdings Co., Ltd.  
40s, married, with children



**Yuki Suganuma**  
Product Development  
Department  
Citizen Watch Co., Ltd.  
20s, married



**Ying An**  
New recruit,  
Accounting Division  
Citizen Watch Co., Ltd.  
20s, single

## Question

Do you find the Citizen Group an easy place for women to work?

**Tsukada** I understand that nearly 100% of women return to work following maternity leave because it is possible to work reduced hours and easy to take off time for child-rearing. I don't know that the systems here are particularly better than at other companies, but I have twice taken child-rearing leave. I attribute the fact that I am still working here to the understanding and cooperation of the people around me.

**Suganuma** Many of my superiors are understanding, so it is easy to take advantage of these systems. I think this is a good place to work.

**An** I almost think women are coddled. I am still in my study phase, but I would like to be given more work from the beginning.

## Question

How should the Company be improved so that women could play a greater role?

**Tsukada** First of all, there are few female employees. It seems to me that the number of women in management is particularly low.

**Suganuma** I agree that there are few women. Fewer than 10% of the employees in my division are women.

**Tsukada** Systems are in place, but I believe there is room for improvement in the system for returning after taking maternity leave. I think the productivity of female workers is high, as they are working against limited time.

**An** I think the fact that these things exist is important, as it indicates the source of a problem.

**Suganuma** For many women, I think that it might even cause problems.

**Tsukada** During that time, you are so busy worrying about raising your child that your brain kind of ceases to function.

**Suganuma** There is an appropriate time for bearing children, and there are also limits. I think it is difficult to match timing and opportunity. Women who want to work often put off marrying.

## Question

Do you have any specific proposals?

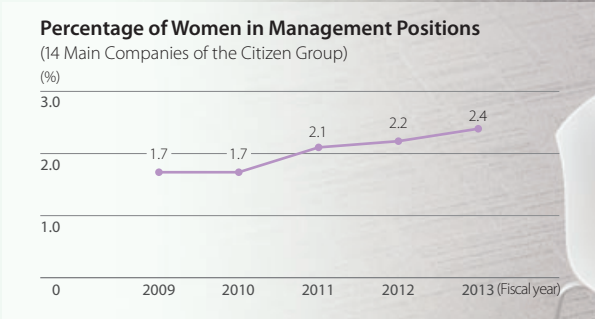
**Tsukada** I think the point to bear in mind—and not only for women—is to imagine marriage, child-rearing, and nursing care, and consider whether it is possible for you to continue working given the current systems.

**An** It would be nice if there was a childcare facility within the company. That wouldn't be unusual for a company of this size.

**Tsukada** Yes, we have so much extra space on the grounds (laugh).

**Suganuma** However, I would like to avoid creating the misunderstanding that women should be given special priority. Taking various factors into account, I would just like to see that things are fair.

**Tsukada** Diversity is an essential part of competing as a global company. Companies that are actually growing have a high percentage of female managers. In this sense, we are significantly behind the curve globally. We won't be able to compete at a global level unless we have this awareness. Particularly for this reason, I believe it is important to create opportunities for people who have experienced childbirth and child-rearing to share their experiences inside the company. As society ages, we are going to be having similar sorts of issues with nursing care.



## Question

What closing message would you like to share with Citizen Group employees?

**Tsukada** Company work involves transfers. And although we may experience conflict, we should maintain a positive outlook as we persevere, recognizing that there are also many opportunities to benefit from working with good superiors and colleagues.

**Suganuma** My first objective is to be able to continue working for a long time. I know that there will be times when opportunity and timing do not coincide ideally, but I think that as you work longer, eventually those two will come together. Pushing forward is vital, and we need to create an environment that will allow us to continue working.

**An** Citizen Watch is truly a good company. It even has a good ambiance. But I don't want to just take advantage of the positive things. Rather, I hope to express my opinions with the aim of making this an even better company where I can work for a long time. I hope that other women who join the company will put their all into their work and find that this is a company that they enjoy working in, as well.





## Cultivating Global Human Resources and the Future



**Saori Sakurai**

Previously,  
CITIZEN WATCHES (H.K.)

### Gaining Important Experience in Environments Different from Japan's

I had hoped to work outside Japan, so it was opportune that I got to know and then joined Citizen Watch, which offered overseas work possibilities. But I hadn't realized I would be given a chance to work overseas so soon. Being sent to work overseas as a young employee was truly a valuable experience for me.

As the company that oversees operations throughout Asia, CITIZEN WATCHES (H.K.) has the role of connecting countries in Asia and the Middle East with headquarters, so I had the chance to get involved in many different types of work. Working with staff in Hong Kong who were not shy about voicing their opinions meant that I needed to have a firm grasp on the meaning of and necessity for the work I was doing; it wasn't simply a manner of giving orders from above. I learned how to think of tasks myself and understand things before taking action.

In Hong Kong, there is very little difference in the way men and women work. Even when they marry or give birth, it is normal for women to continue working. I think the fact that this is typical and that



everyone understands it to be so, has contributed to Hong Kong's economic growth.

### Observing the Citizen Group, Viewed from the Outside World

I believe that Citizen Watch has some quite advanced technologies and is involved in some very interesting things. But the company's excellent technologies and initiatives are not being adequately communicated. In Hong Kong, brand competition in watches is fierce, and the Citizen brand has to compete on a daily basis to survive. I realized that we need to do more than we are at present to communicate the positives about the Citizen brand. To increase the brand's presence at all points of the globe, I think we need to quickly deploy young people who have developed overseas experience early on to generate new types of promotional strategies that we haven't tried in the past.

Citizen Watch is the sort of company that provides a chance to young employees like myself. I believe it is my mission to pay the company back for this opportunity. I also look forward to becoming a mentor for future employees who enter the company and have this same sort of opportunity.

I look forward to all of us—men and women, regardless of nationality, including all employees and people at distributors and retail shops—pulling together to make this an excellent place to work.

## Designing Citizen's Technologies, Quality, and Ideals

### Designs the World Loves

Many of Citizen Watch's overseas products are designed at the Hong Kong Design Studio. We start from scratch in designing watches to meet many different countries' requirements.

I consider it our mission to design watches that are appreciated throughout the world. In the process, we have to consider whether my designs are appropriate for the Citizen brand and be certain the designs are fresh. We have created image movies and image boards to cultivate designers who can achieve these goals. Involving all of us in discussions allows us to be consistent in our concepts and hone our senses.

Hong Kong is a place where the cultures of the east and the west meet, and production locations are also nearby.



**Benjamin Chan**

Hong Kong Design Studio  
Citizen Watch MERCHANDISING DIVISION HONG KONG OFFICE

These factors make Hong Kong a good place to access both design and technology. I look forward to fully leveraging these advantages to create watches that will be loved the world over.

## Concentrating the Repair Center Leads to Global Service Quality

### Providing High-Quality After-Sales Services

As Citizen has become a high-value-added brand, its products have grown more sophisticated. As a result, the level of sophistication required by watches brought to the repair center has grown extremely high. In the past, repair centers were dispersed, making it difficult for watch technicians to pass on their knowledge and work on highly sophisticated products. To address this problem, in 2012 we established the Asia Repair Center, bringing together personnel and equipment in the aim of improving efficiency and building an organization capable of handling highly sophisticated products. This new arrangement also made watch technicians' skills



more visible, which led to the introduction of a level-based compensation structure. Employee motivation increased as a result, and I believe that this in turn will

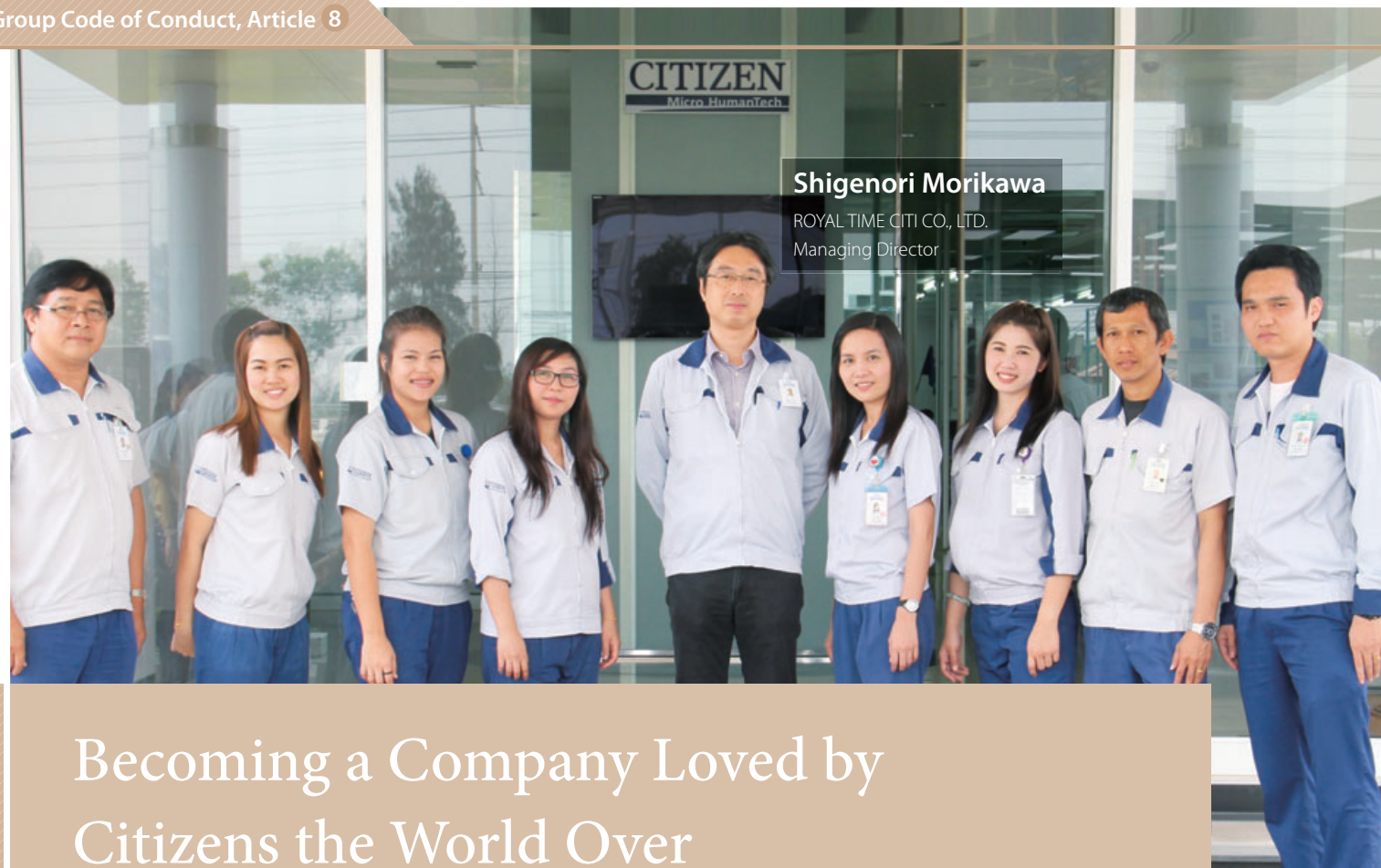


**Yuji Katayama** (Center of photo)  
Asia Repair Center, CITIZEN WATCHES (H.K.)

lead to further technological advances.

Going forward, I envision a call center and other developments that will raise our service level and contribute to our emergence as a global brand.





**Shigenori Morikawa**  
ROYAL TIME CITI CO., LTD.  
Managing Director

# Becoming a Company Loved by Citizens the World Over

The Citizen Group continues to reinforce its Thai manufacturing base, which is positioned as a key overseas factory and an important site in terms of further overseas development.

## Developing Key Site for Overseas

Since its move into Thailand 25 years ago, ROYAL TIME CITI CO., LTD. (RTC) has mainly been involved in the manufacture of watches and the processing of watch components. Numerous overseas manufacturers in automotive and other industries have plants in Thailand. This situation is largely due to the Thai government's proactive efforts to introduce preferential policies that encourage companies from overseas. The country suffered major damage due to flooding in 2011, but since that time the wave of foreign companies moving into Thailand has continued unabated.

The Citizen Group moved into Thailand early on, building several manufacturing bases in the country. Eventually, we plan to make Thailand our second-largest production hub, following China. For this reason, we recognize the importance of developing our operations in Thailand, enhancing productivity, and shifting to high-value-added products.

## Training Human Resources to Achieve Higher Levels of Sophistication

RTC is shifting its operations toward more-sophisticated products. The base it has built up over more than 20 years allows the company to create the foundations for handling highly sophisticated products. Going forward, cultivating human resources will be a topmost priority for the company's further development. Based on the mantra that "making things starts with building up people," the company is moving aggressively ahead with its human resource development. Initially, Japanese staff will be needed to provide guidance, but once technologies have been transferred all such tasks can be performed by local Thai staff. Stepping up the pace by providing instruction through interpreters, the company is accelerating the virtuous circle of training it has created in a bid to achieve even higher quality levels.



Local staff providing guidance to new employees

## Creating Learning Environment for Employees

I interviewed all employees over a period of approximately two years, and I was frequently told "I want to study more." This emotion brought home to me clearly our need for training. This has led to our current efforts, which aim to provide a learning environment that is fair for all employees.

Specifically, we use a mentor system for training new employees; offer training sessions on CAD, lathes, and other technologies in cooperation with an external institution, the Ayutthaya Labor Bureau; and conduct internal training through highly skilled personnel within the company. In the past, most of our training was conducted on the job, but recently I have seen an increase in the number of people taking a more proactive approach toward their work and pursuing training even on their own time after regular working hours.



On-the-job training



Training through classroom lecture

## Supporting the Female Employees Who Underpin Watch Production

Around 80% of RTC's 800 employees are women. Many are expectant mothers, and we meet their needs by offering work breaks five minutes ahead of other staff, providing dedicated resting areas, and setting up locations where mothers who have just returned from maternity leave can express milk.

Two of our six locally hired department managers are women, and women make up a large portion of section chiefs. Having in place systems that cater to working women as well as female managers makes it clear to female employees that this is a place where they can work with peace of mind. We know that we have many improvements still to

make, but we plan to continue addressing these from an employee's point of view in our efforts to make this a company that employees appreciate.



RTC is a workplace dominated by women

## Providing Healthy Working Environment for Employees

We promote a variety of initiatives aimed at employee health management. The incidence of weight gain is increasing as the Thai diet becomes more westernized and people gravitate toward larger volumes of highly spiced foods. In 2013, through a tie-up with a local general hospital we listed up and began providing offering guidance to employees with metabolic syndrome. The program began by promoting an understanding of the negative health benefits associated with weight gain, and we brought in health nurses to explain the meaning of the various figures provided during medical exams.

Our efforts to improve the workplace environment are far from over, but I believe that diligent ongoing efforts will

certainly lead us in a positive direction. I think that paying attention to results and being motivated is important for managers, too.



Employees on break





In recent years, rapid globalization and the shift toward international CSR standards have given rise to the concept of creating shared value, or CSV. This idea suggests that sustained growth requires the addition of proactive CSR to those activities that have been conducted to date. The time has come to take a more aggressive approach, thinking about what CSR means for the Citizen Group and what value the Group can provide to society through its business activities.

## Conducting CSR Seminars for Management

### Leading the Sustainability Management Revolution

As a global company, the Citizen Group's CSR activities involve the promotion of new initiatives in response to social changes. As the first such effort, in December 2013 and April 2014 we held CSR Seminars for Management, calling together presidents and executives from five principal Group companies, including Citizen Holdings.

We invited outside CSR experts to lecture at these seminars, where attendees had the opportunity to consider how the Citizen Group should address changes occurring on a

global scale against the backdrop of a rapidly changing global economy, resolve societal issues through its core business, and listen to detailed explanations on the concept of creating shared value, or CSV. Citizen Holdings president Toshio Tokura and other top managers of operating companies posed numerous questions, providing an important opportunity to heighten management's understanding of the importance of CSR activities.

We plan to continue providing this sort of forum for discussion going forward, as we believe it enables us to remain abreast of social changes and further promote groupwide CSR activities.

### VOICE

#### Toward the Aim of Realizing Sustainability

The Citizen Group projects a corporate image of being extremely earnest and sincere. The Group has made steady progress through its CSR and environmental activities, as well as in its risk management initiatives to date. Seminars like this provide an opportunity to take the Group's accumulated achievements to the next level, adopting a global perspective, considering how to resolve societal issues through its business activities themselves. In other words, it conveys to attendees the importance of the strategic concept of CSV.

I look forward to seeing how the Citizen Group further develops the CSR activities it has steadily pursued to date from a global perspective, how the Company engages with society, how it understands society's expectations, and how it puts them into practice.

As one of its first initiatives in this regard, the Citizen Group has commenced activities with "Because I am a Girl." (See page 19.) I look forward to observing the Citizen Group's endeavors moving ahead.



**Ms. Ayako Sonoda**  
President  
Cre-en Inc.

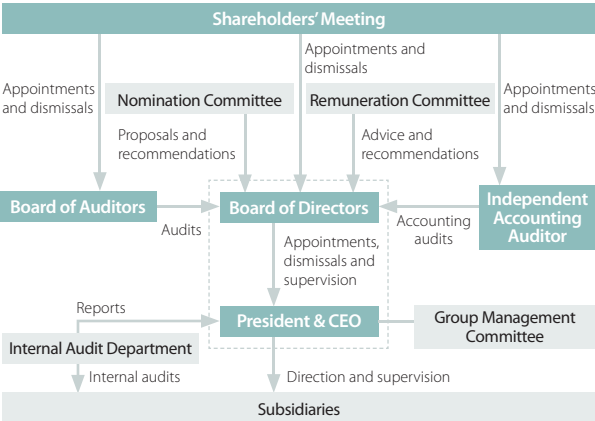
## Enhancing Corporate Governance

### Basic Approach

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

We have also established a Nomination Committee and a Remuneration Committee—consisting of outside directors and the president—as an advisory board.

### Citizen Holdings Corporate Governance Structure



## Promoting Compliance and Risk Management

### Compliance Measures

The Citizen Group undertakes compliance measures based on the Group Code of Conduct as a priority issue within its CSR activities. Each group company periodically conducts compliance training and e-learning and encourages employees to act in accordance with ethical and moral principles as the foundation of legal compliance. To prevent legal violations and improper conduct and improve self-regulation, internal and external corporate ethics hotlines were established, rules adopted to protect the confidentiality of reporting parties and ensure that they do not suffer any detriment, and a reporting environment that ensures anonymity was created.

### Risk Management Measures

The Citizen Group conducts risk management with the objectives of putting into practice its corporate principles, properly managing risks that could become factors preventing the implementation of management plans, meeting the Group's corporate responsibilities, and contributing to higher corporate value. In fiscal 2013, we conducted follow-up activities at four key operating subsidiaries with respect to business continuity plans (BCPs) for use in the event of disaster that we had inspected and evaluated in 2011. Individual subsidiaries conducted risk management that takes into consideration regional characteristics and business formats, and in the field took measures to ensure safety in response to emergency situations.

## Responding Decisively to Anti-Social Forces

### Responses to Anti-Social Forces

The Citizen Group has a fundamental policy of responding decisively to demands for inappropriate gains from anti-social forces and organizations, and we establish and

reinforce systems to completely eliminate all interactions with anti-social forces such as including exclusion provisions in all contracts entered into by Group Companies. We also maintain regular contact with local companies and outside organizations such as the police to exclude anti-social forces.

Environment

Targets and Results for Fiscal 2013

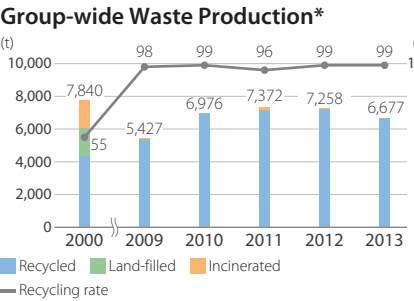
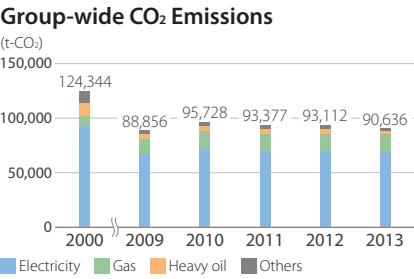
Evaluations ○: Achieved △: Partly achieved ×: Not achieved

Targets for FY2013	Results for FY2013	Evaluation
<b>1. Promoting Environmentally Friendly Business Activities</b>		
Conducting activities according to 91 themes at our Tokyo and Tokorozawa works		
Initiatives toward the realization of a low carbon society	• Reduce power used in manufacturing and air conditioning • Conduct checks for air leaks	○
Reduce CO <sub>2</sub> (electricity and gas) (generally, 1% annually)	• CO <sub>2</sub> reduction Tokyo Works: 3.7% reduction Tokorozawa Works: 2.2% reduction	○
Initiatives targeting a recycling oriented society	• Reduce footprint of equipment for making clock faces • Reduce waste liquid by rationalizing band washing • Reduce percentage nonconformance	○
Create eco-friendly products, promote the development of environmentally friendly products	• Develop highly efficient charging system • Promote conversion to lead-free raw materials	○
Initiatives to reduce environmental risk, prevent pollution	• Respond to updated RoHS directive, REACH regulations • Revise the group green procurement standard • Completely phase out and reduce hazardous chemical substances	○
<b>2. Conducting Environmental and Social Contribution Activities</b>		
	• Practice CSR activities	○

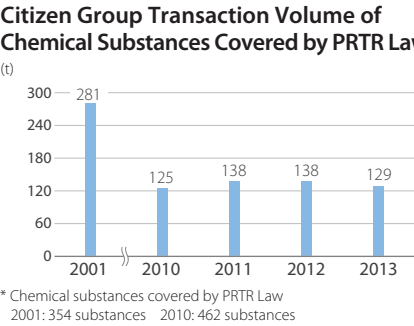
Business Activities and Environmental Impact

	Japan	Overseas
INPUT	Total energy input (GJ)	2,288,964
	Water resource input (km³)	1,578
	Repeated use of water within the organization (km³)	52
	Chemical substance input (tons)	129
	Containers and packaging used (tons)	650
OUTPUT	CO <sub>2</sub> emissions (tons-CO <sub>2</sub> )	90,636
	NOx emissions (tons)	3
	SOx emissions (tons)	2
	Water drainage (km³)	1,192
	BOD emissions (tons)	21
	COD emissions (tons)	7
	Waste generated (tons)	6,677
	Waste land-filled (tons)	28

Input and output data does not include environmental impact at the distribution/sales, usage or procurement stages.  
Period: April 1, 2013 to March 31, 2014 Scope: 30 domestic companies, 12 overseas companies



\* Waste production = industrial waste + general waste + valuable resources



\* Chemical substances covered by PRTR Law  
2001: 354 substances 2010: 462 substances

Third-Party Comments

The most noteworthy item in the current report is its reference to creating shared value (CSV). The BOP business demonstrates the concept of CSV, or proactive CSR. In addition to their environmental contribution effects, these activities generate appropriate earnings in a business context, making them sustainable operationally. Top management voices its resolve to address the issues society faces from a more global perspective and create value through the Company's businesses. This comment conveys a strong sense of understanding about the importance of the responsibility the Citizen Group's business activities bear for society as a whole.

Also, this fiscal year the Company began conducting CSR seminars for top management. For these seminars, Citizen invited outside experts to share their understanding about the changes in social responsibility and organizational responses that society is calling for from companies. Sharing this information at the management level demonstrated a recognition of the importance of governance in CSR, and I expect to see this understanding reflected across the organization's activities. I believe that CSV is also a reflection of these efforts. I look forward to observing as the Citizen Group serves as an industry frontrunner for organizational CSR activities.

Labor problems in emerging markets are a priority issue for global companies. At its company in Thailand, ROYAL TIME CITI CO., LTD., Citizen has put in place and made operational a host of training programs designed to meet employees' needs. The Company has created a working environment that is friendly to women, who make up a majority of its work force, is encouraging employee health management, and is addressing many of the other labor-related issues faced at overseas bases.

These activities are reported in combination with Citizen's corporate endeavors to address priority items mentioned in its medium-term management plan, of "strategic marketing to meet the needs of the expanding Asian market" and in line with its corporate philosophy, of "contributing to and striving to be respected by the citizens of the world." Last year's report highlighted activities at Citizen's operation in China, showing



Tomohiro Tokura

Lead Auditor  
Sustainability Services Division  
SGS Japan Inc.

the company's deep roots in the local community and its sustained organizational development. I commend these efforts. I would like to see other regions featured in this manner in future reports.

The section on diversity adopts an interview format to solicit opinions about the challenges faced by women of different ages, covering the benefits the Group offers to female employees, and reporting on points for improvement. It was the points for improvement that particularly struck me with their frankness. I believe that recognizing that weaknesses currently exist and identifying them for improvement contributes to the report's overall level of trustworthiness. The Company should clarify its activities on a PDCA basis, indicating in future reports what has been done to address the improvement points identified in this interview.

I believe the data volume at the end of the report shows improvement from last year's report in its use of data and graphs related to the environment and employees to show changes over time. Going forward, I would like to see further efforts to achieve consistency among reporting organizations, clarify the data boundaries, and provide data for overseas sites.

Looking at the scope of reporting and data contained in this year's report, I would say that demand is increasing for third-party verification of activities such as those for the Carbon Disclosure Project (CDP), from the perspective of enhancing reliability and accuracy. I give the Company high marks on its integrated EMS certification, but would like to see more third-party verification of CSR. I think this is something to keep in mind going forward.

Employees

Recent Graduates Hired

	FY 2011	FY 2012	FY 2013
Male	90	83	73
Female	26	32	18
Total	116	115	91

Employees Hired Mid-Career

	FY 2011	FY 2012	FY 2013
Male	37	33	61
Female	13	16	25
Total	50	49	86

Use of Childcare Leave Scheme

	FY 2011	FY 2012	FY 2013
Male	4	3	0
Female	39	48	35
Total	43	51	35

Employment of Disabled Persons

	FY 2011	FY 2012	FY 2013
Employment rate	1.89%	1.88%	1.88%*

\* Employment rate as of March 31, 2014

Use of Nursing Care Leave Scheme

	FY 2011	FY 2012	FY 2013
Male	0	0	0
Female	1	1	2
Total	1	1	2

Implementation of Specific Health Checkups and Specific Counseling Guidance (at 40 worksites)

	FY 2011	FY 2012	FY 2013
Specified medical examination rate (employee & family)	79.50%	79.30%	80.40%
Metabolic syndrome rate	12.10%	12.00%	12.20%
Pre-metabolic syndrome rate	11.80%	11.80%	12.40%
Specific counseling guidance rate	32.60%	28.30%	35.60%

Occurrence of Accidents

	FY 2011	FY 2012	FY 2013
Fatal accidents	0	0	0
Accidents resulting in employee absence	8	9	9

★Scope: Fiscal 2011-2012: 18 principal group companies  
Fiscal 2013: 14 principal group companies

Response to Third-Party Comments

I would like to thank Mr. Tokura for his valuable opinions. We have only just begun our CSV promotion activities, but we intend to move forward proactively with these efforts, taking into account social issues from a global perspective. To become a truly global company as described in our medium-term plan, the Citizen Global Plan 2018, we recognize the importance of cultivating human resources and promoting diversity as CSR actions that go hand in hand with our corporate activities. We have included coverage of overseas initiatives in this report, but after taking the comments that we have received into consideration, we will continue working to create reports that encourage even better understanding from our stakeholders.



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