



Citizen Group
CSR Report 2015

Corporate Philosophy

“Contributing to and striving to be respected by the citizens of the world”



Editorial Policy

This publication is intended to convey to stakeholders the Citizen Group's basic approach to corporate social responsibility (CSR), as well as its CSR-related activities during fiscal 2014, the year ended March 31, 2015. The Citizen Group understands CSR to mean conducting business in accordance with its corporate philosophy of “Contributing to and striving to be respected by the citizens of the world.”

In fiscal 2014, the second year of the “Citizen Global Plan 2018” medium-term management plan, we clarified the Citizen Group value creation framework anew. In this document, we will introduce our CSR activities focused on reinforcing the foundations for achieving our growth strategies. We hope to help our readers understand the invisible values that the Citizen Group has cultivated since the time of its establishment.

Contents



Cover image:
The Cal. 0910 movement used
in "The CITIZEN Automatic"

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>

Date of Publication

June 2015 (Previous report: June 2014/Next report: June 2016)

Guidelines Referenced

Sustainability Reporting Guidelines 2006 (GRI)
 Environmental Reporting Guidelines 2012
 (Ministry of the Environment, Japan)
 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.

Organizations Covered in the Report

Economic and social data: 28 domestic and 74 overseas companies (total 102)
 Environmental data: 32 domestic and 16 overseas companies (total 48)

Period Covered by the Report

Fiscal 2014 (April 1, 2014 to March 31, 2015)
 Some data from fiscal 2015 is also included.

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Corporate Profile

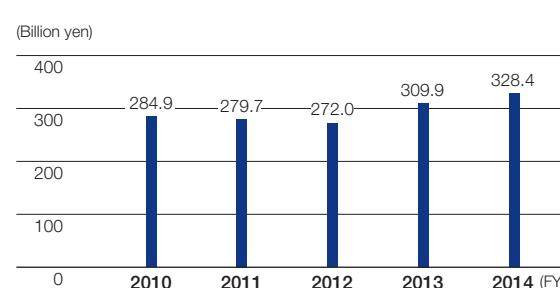
With the corporate philosophy of “Contributing to and striving to be respected by the citizens of the world,” the Citizen Group has been launching diverse businesses around the globe making use of the expertise in downsizing, precision, and power efficiency technologies built up in our watch division.

Corporate Data (Year ended March 31, 2015)

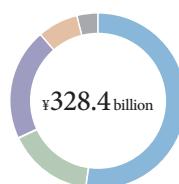
Name	Citizen Holdings Co., Ltd.
Establishment	May 28, 1930
Location of Head Office	6-1-12 Tanashi-cho, Nishitokyo, Tokyo 188-8511, Japan
Representative	Toshio Tokura, President and CEO
Capitalization	¥32,649 million*
Employees	19,173 (consolidated)*
Net Sales	¥328.4 billion (consolidated)
Listing	Tokyo Stock Exchange, 1st Section

*(As of March 31, 2015)

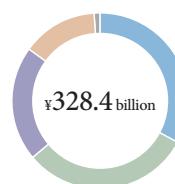
Net Sales (Year ended March 31)



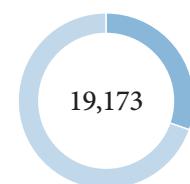
Net Sales by Business Category



Net Sales by Region



Number of Employees by Region



Principal Products

Watches and Clocks

“The fusion of technology and beauty.” We create new value by blending the latest technology with delicate beauty.



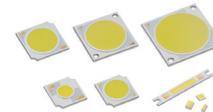
Machine Tools

We develop machine tools for small-diameter precision parts machining for the automotive, medical, and IT industries, and medium-diameter and short part machining for the oil and air hydraulics and construction equipment industries.



Devices and Components

With miniaturization and precision production technologies developed through watch manufacturing, we provide a variety of electronic components that are used in products that support society.



Electronic Products

We create new comfort and convenience all over, in business and daily life, from health management to information equipment.



Other Products

This division provides independent systems for recreational equipment, wedding rings and other jewelry, and ice-skating and other leisure services.



State of Progress on the Medium-Term Management Plan

The Citizen Group is currently pursuing a medium-term management plan called the “Citizen Global Plan 2018.”

Fiscal 2015, which corresponds to the third year of this plan, is our final year for building the strong foundations to pursue growth strategies. During the year, we will address remaining issues and push resolutely forward with structural and corporate cultural reforms with a view to our next stage of growth.

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

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.

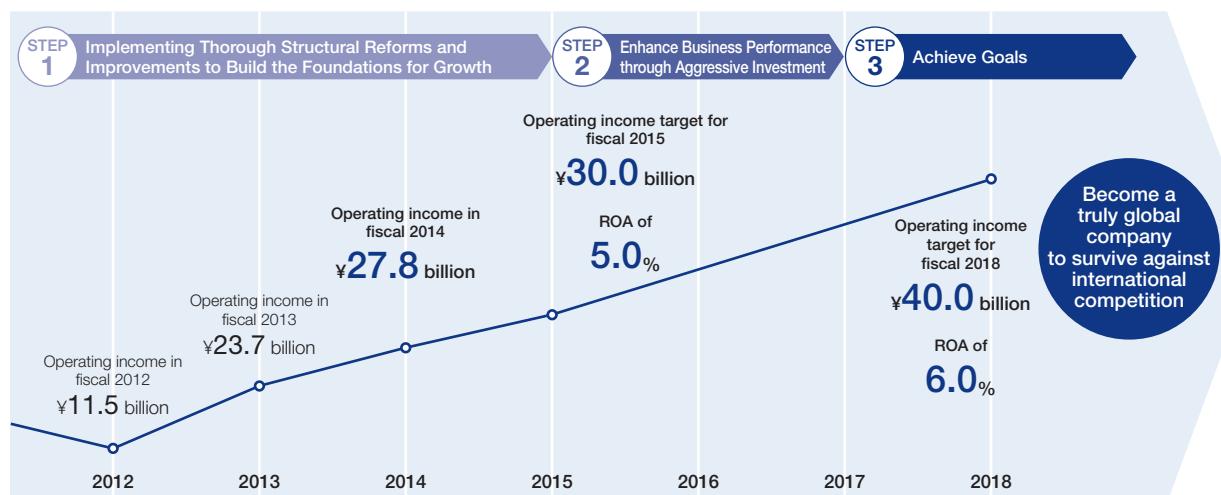
Tasks to Address

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

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

Overview of Stages in the Medium-Term Management Plan



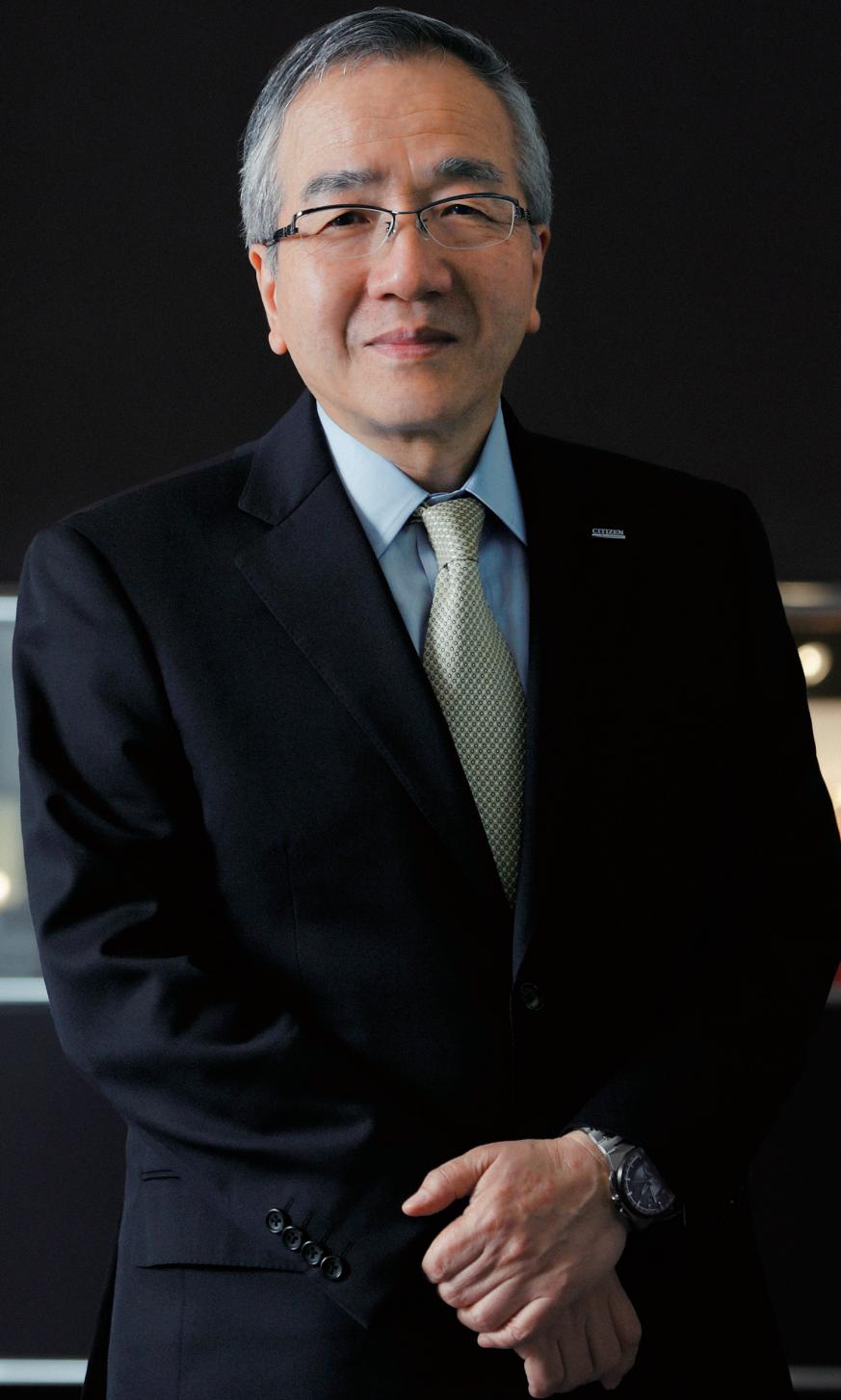
In fiscal 2014, we continued with efforts begun in the preceding fiscal year to “implement thorough structural reforms and improvements to build the foundations for growth.” We concentrated on the most important task of promoting efficiency in productivity and the development of human resources.

We introduced a new educational system focused on stratified training and undertook human resource development efforts, such as conducting career training for women and diversity training that targeted management-level employees.

In the watches and clocks business, which is central to the Group’s growth, we adopted a new slogan to express the Citizen brand: “Better starts now.” Based on this brand statement, all employees in the watches and clocks business will work in tandem to promote our brand strategies.

Fiscal 2015 is a bridging year, as we transition to the growth strategies to be introduced in upcoming years. This year is important, since it is a time for completing strong foundations for growth. All Citizen Group employees will work together unceasingly toward our goal of being a truly global company.

Message from the Management



“Citizen” is both our company name and the origin of our corporate philosophy. We also intend to continue operating as a company 100 years into the future.

Realizing Our Future Growth Strategies

Looking at the overall Group, I believe our activities for the two years in the first half of the medium-term management plan—organizational restructuring and human resource optimization, plant restructuring, and business portfolio revision—have been carried out largely according to plan. However, one aspect of our restructuring of overseas production bases—the liquidation of Citizen Precision Guangzhou Ltd., our production base in China—involved confusion in the early stages that led to inaccurate media reports. We apologize sincerely for any concern this situation may have caused our stakeholders. We are reinforcing our corporate governance structure to prevent this sort of situation from recurring. Although conditions in China are changing, we still see major possibilities in that market, so production bases there are a key component of our infrastructure. Personnel costs are rising sharply, which is an issue, but through manufacturing innovation and by introducing other measures, our marketing and production activities will continue to position China as an important region.

In fiscal 2015, we will allocate the profits generated through manufacturing innovation toward technology development and capital investment. Through the additional growth that results, we aim to realize the objectives of “Citizen Global Plan 2018.”

Cultivating Human Resources from a Long-Term Perspective

To become a truly global company, we need to foster ties with people in local communities. Doing so requires us to understand local cultures and customs. This understanding, plus language skills, should smooth communications. But in addition to skills, I believe that our appeal as individuals is important.

We have really only just begun our efforts to empower women. Recognizing that a change of awareness is needed to make further progress in this area, in fiscal 2014 we introduced career training for women and diversity training for department managers.

I believe that utilizing diverse human resources and providing opportunities for them to make full use of their skills will lead to innovation and value creation.

Resolving Societal Issues through Our Business

We have developed a host of socially and eco-friendly products, from 1976, when we introduced the world's first analog solar-powered watch, up to the present. We believe offering products that help resolve the societal issues we all face should be a matter of course for a company. Citizen believes that ultimately, companies play an extremely important role in society, and that companies need to rethink their raison d'être along the lines of creating shared value (CSV*) with society. Such initiatives take time, but we are convinced that our current efforts toward CSV are a natural part of the discussion that should take place at the marketing and development stages.

* CSV: Initiatives for creating new value that is shared by companies and society

Continuing Our Operations 100 Years into the Future

Given the dramatic pace of change, looking 100 years into the future is a difficult prospect. Companies need to adapt and progress in keeping with the times. We recognize the need to constantly reinvent ourselves and marshal our strengths to fit the needs of each era. We are convinced that this capability will lead to sustainable growth.

Maintaining a connection with society underpins and is essential to growth. At the same time, it goes without saying that employees are the core element supporting a company. Taking care of employees leads to the ability to deliver high-value-added products and services to customers. We believe that this truism must never be forgotten, as it forms the base for all business activity.

In keeping with our corporate creed, we aim to contribute to and be respected by citizens of the world.

June 2015

戸倉敏夫

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

Brand Strategy in the Watches and Clocks Business

To achieve its goal of being “a global company that can survive amid international competition,” Citizen needs to strengthen its footings as a global brand.

In 2014, we formulated a new brand statement—“Better starts now”—to convey the sense of ongoing progress that we have upheld during the 96 years since our establishment. This statement expresses our conviction that the time to begin making the world a better place is now.

Taking this creed to heart, we intend to keep developing our brand of “timepieces that build a path to the future.”

BETTER ST

ARTS NOW

Sending Signals to the World



Installation employing some 80,000 main plates



Trophies received at the Milano Design Award competition 2014

MILAN DESIGN WEEK 2014

Citizen participated in the Milano Design Award Competition, an international festival of design held from April 8 to 13, 2014. At the competition, we won prizes in two categories: "Best Entertaining" and "Best Sound."

The theme of the installation Citizen revealed at the venue was "LIGHT is TIME." This installation created a magical space by employing around 80,000 main plates, which are the foundations supporting all other components of a watch.

DGT architect Tsuyoshi Tane, based in Paris, and the Citizen design team worked on this installation. Representing the elements of light and time, the installation followed Mr. Tane's concept that "Light is time. Without light, the concept of time never would have arisen."

Directing light onto the plates that are proprietary to Citizen as a company that handles all process, from manufacturing to sales in-house, produced a fantastical space filled with dynamically shifting light and sound. The display of everything from Citizen's original pocket watches to the latest watches utilizing satellite signals, including the sophisticated components used to make them, captured the attention of exhibition-goers and sent them home with a novel impression of Citizen.

Citizen Group Value Creation

This section provides an overview of Citizen's value creation activities in the watches and clocks business.

Citizen recognizes human resources and technologies as its two most important drivers of growth. In pursuing our business model, we aim to augment the brand strength of our products and services and maximize the value we provide to customers, society, and employees.

Human resources achieving increases in brand value

Inventors of the Future

"Invent through creativity."

Imagine new methods, and have the courage to invent.

Diligent Artisans

"Create with passion."

Work with diligent passion, continuing to craft with great skill down to the smallest details.

People Who Strive for Ongoing Improvement

"Improve through aspiration."

Believe that all successes and failures contain the seeds of opportunity for improvement, and maintain forward-looking initiative.

The Citizen Group's Value-Creation Process

Research and Development

Design

Creating new value requires marketing skills and the ability to develop new technologies. This understanding is at the origin of manufacturing at Citizen.

Designing timepieces requires extreme precision, as impressions are different at the μm level. The Citizen brand personifies the imagination of our designers.

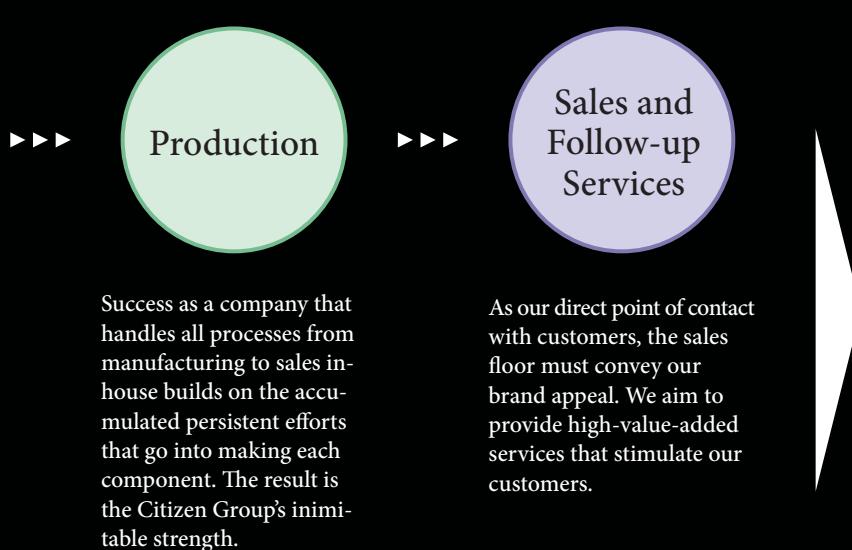
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VALUE



Augmenting Brand Strength



Customers
By augmenting brand value,
we provide value to customers.

Society
By enhancing brand value,
we deliver value to society.

Employees
By boosting brand value,
we offer value to our employees.

CREATION

The Citizen Group Value-Creation Process (as a true manufacture d'horlogerie)

01

Citizen the Manufacturer: Consistently Handling All Processes from Planning to Development and Production

“Manufacturer” is an aspirational word that describes consistent internal production. In this sense, Citizen is a true “manufacturer” of watches.

One example of this concept is the “Eco-Drive SATELLITE WAVE F100,” which we launched in 2014. Here we introduce the process.

As a company that handles all processes from manufacturing to sales in-house, we pursue possibilities at the forefront of customers’ needs and seek to turn this potential into reality.

|| Research & Development

The Role of R&D at the Origin of Value Creation

Since the time of its establishment, the history of Citizen has been one of consistently creating new technologies to match the changing needs of the times throughout the world, progressing from mechanical watches to quartz watches, and then on to solar-powered and radio-controlled watches.

Citizen Watch introduced the world’s first analog solar-powered watch in 1976. In 1993, we launched the first global radio-controlled watch capable of multistation reception. Our ongoing development of leading-edge technologies led in 2011 to the world’s first solar-powered watches controlled by satellite waves, with the launch of the “Eco-Drive SATELLITE WAVE.”

In 2007, we launched a full-fledged effort to develop the concept of using time information from artificial satellites. This effort led to the realization of the solar-powered “Eco-Drive” using our proprietary technology. The Citizen Group’s R&D department led the charge in this innovation.



The Ultimate in Speed, the “F100”

The “Eco-Drive SATELLITE WAVE” set a new standard for watches controlled by satellite waves. Whereas such watches previously received time signals every few seconds, the “F100” achieves the world’s fastest speed* in this category, checking signals as frequently as every three seconds.

The developers of this watch’s movement dedicated four years to the task, and the resulting product is testimony to the value of a ceaselessly inquisitive mind.

The people in charge of development held in their mind the desire to “turn a strong sense of the future into physical form.” They continue their development efforts in a bid to create additional new value.

* For analog solar-powered satellite-wave-controlled watches. According to a study by Citizen as of June 2014.



Eco-Drive SATELLITE WAVE F100 ▲

|| Design

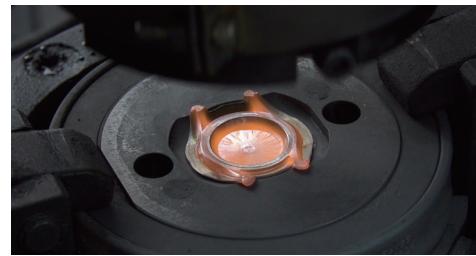
Design That Communicates the Citizen Brand

With the “F100,” we wanted to make satellite-wave-controlled watches a part of daily life. To achieve this aim, we conceptualized a design suited to everyday use that expressed a sense of speed befitting a satellite-wave-controlled watch.

Because the “F100” was designed to interact quickly with satellites, its design is inspired by artificial satellites.

Appearing simple at first glance, the “F100” design concept encapsulates a sense of the world.

When using the watch, the wearer becomes aware of the various attractions it offers from a design perspective. This watch conveys the spirit behind Citizen’s design and embodies the ideals of its designers.



Machining Technology Highlights the Design

We utilized a number of machining technologies to realize the design concept. The edges of the watch’s titanium case catch the light as it moves, creating a sense of flowing light. Citizen’s world-class titanium machining technology made this processing possible.

The Citizen Group Value-Creation Process (as a true manufacture d'horlogerie)

02

Production Technologies Bringing Ideas to Reality with Painstaking Dedication to Detail in All Parts and Processes

Watches comprise numerous components. Citizen makes each of these parts itself and insists on perfection down to the tiniest detail. The ability to develop and produce the equipment used to make these components is one of our corporate values, as it allows for high-quality watch production.

We believe that the deep roots of Citizen as a manufacturer is one reason for being the company of choice among its customers.

|| Manufacture

The Ultimate in Mold Production

Main plates are the bases that are essential to watch assembly; watches are completed by mounting a host of products onto these plates. Creating the molds used to make these essential main plates requires precision. For example, molds that have been produced through mechanical processing cannot be used as is. Rather, deft technicians adjust these molds down to the μm level, shaving away slivers of the molds with fingertip precision.

No effort is spared, even on parts that will never be seen unless a watch is disassembled. The expertise of artisans who have been making molds for watch base plates for 40 years is at the origin of these processes and constitutes one of Citizen's strengths.



Producing Components with Machines Made In-House

Watches contain a host of gear wheels and components. The gear wheels that transmit motion to the hands require metal processing ranging from pressing, machining, gear milling, heat treatment, surface processing, and assembly. The Citizen Watch Group achieves the high-quality levels required with precision machining technology employing automatic lathes.

The Company's lathe technology dates back to 1937, when an employee in charge of making the parts required for watch production established a machine tool department. In 1961, we began producing machines for sale to outside customers.

Our machine tools are used to make parts for automobiles, medical equipment, communications equipment, and other industrial products. Citizen Machinery Co., Ltd. has become known as a world leader today.





World-Leading Production Capabilities

Numerous watches are developed each year, and production lines must be tailored to each watch variety.

Once a schematic plan for a new watch is complete, we design a production line based on the plan. Equipment to supply the necessary materials and thus reduce labor requirements is also an important consideration. Automated assembly is not possible unless each of the small, complex-shaped parts is delivered to the next process in the proper orientation. In addition to assembly, supplying products in parallel is difficult yet important. Citizen has developed proprietary technologies for the component supply equipment used in this process.

These technologies are at the heart of our production capabilities for supplying parts to the world.

The “Meister” Charged with Finishing

Assembling a high-end watch is an extremely precise process requiring consummate skill. For this reason, highly skilled and experienced engineers who we call “meister” take charge of the last process in watch production: final product assembly. These professionals handle the most delicate assembly process of attaching the hands. This is finely tuned work, as tiny watch hands can bend with the slightest pressure. Concentrating intently on the deft movements of their fingertips, meisters perform their task with skill, while keeping in mind the customers who will ultimately wear their products.

This combination of automated assembly and skilled manual operations lies behind Citizen’s ability to create high-performance, highly sophisticated, highly functional watches.



The Citizen Group Value-Creation Process (as a true manufacture d'horlogerie)

03

Closeness with the Customer: The Trust Test of Value for Our Brand Strategy

The salespeople on the sales floor, our point of direct contact with customers, are Citizen brand ambassadors. In keeping with Citizen Watch's brand statement, that "Better starts now," we consistently communicate our design concept to sales locations around the world, ensuring that employees have a shared awareness of the Citizen brand.

We also consider listening to customer feedback after the sale to be part of the Citizen brand.

|| Sales and Follow-up Services

Opening Our First U.S. Flagship Store in New York's Times Square

In November 2014, Citizen Watch opened its first U.S. flagship store, located in New York's Times Square.

Times Square attracts tens of millions of people each year from all corners of the world. Launching a store in this location is therefore significant in terms of communicating the Citizen brand to numerous customers. The store is also a source of brand pride in the eyes of our employees.

The store conveys a sense of Japanese style through its construction materials and interior, and staff conversant in eight languages are on hand to welcome customers. Using tablet computers for interactive communication, we display our products and demonstrate Citizen's overall brand appeal. These approaches expose more customers than ever to the excellence of Citizen's products.

Consistent with the global brand strategy we have pursued since 2008, we now have nearly 100 flagship stores in operation throughout the world. These flagship stores play an important role as points for disseminating vital information about the Citizen brand's worldview. By communicating directly with customers, whether online, in stores, or through other means, we aim to convey Citizen's sense of presence.





Each Employee a Brand-Bearer

The salespeople who interact with customers play a key role in Citizen's branding. By offering the high-quality service to which Citizen aspires, they develop a sense of closeness with customers as they introduce products' functions and provide information about post-sales maintenance. Through this process, we aim to stimulate customers at the sales stage. Citizen Watch Company of America, Inc. (COA), fosters this level of service quality by conducting twice-annual training for its salespeople. Smaller meetings in each department and region are also held to provide more detailed, in-depth explanations about branding, new products, and sales methods. We provide this information in digital campaign books that salespeople can browse using specialized tablet computers.

Role of the Service Center

COA's after-sales service center fields more than 1,500 inquiries each day. The center has created a robust internal control system with close ties to related divisions so it can provide swift customer feedback and respond to needs for repairs. We believe that this structure for providing customer-satisfying service is unequalled among our competitors. We consider providing a high level of service that encourages repeat customers one of our most important missions. In addition to strong expertise, the employees who work in this center must be keenly in tune with customers' inclinations and possess a global perspective, as they embody Citizen's global brand.



CSR at the Citizen Group

Supporting the United Nations Global Compact

By realizing its corporate philosophy, the Citizen Group strives toward the sustainable development of society and Group growth, while aiming to be a company that is loved, respected, and truly needed by society. In 2005, we joined the U.N. Global Compact,* and we develop our business in accordance with the precepts of the Global Compact and through CSR activities based on the Citizen Group Code of Conduct. We consider conducting our management in keeping with stakeholder requests and expectations essential to maximizing the value we provide to society, and we are reinforcing stakeholder communications accordingly.



CSR Promotion

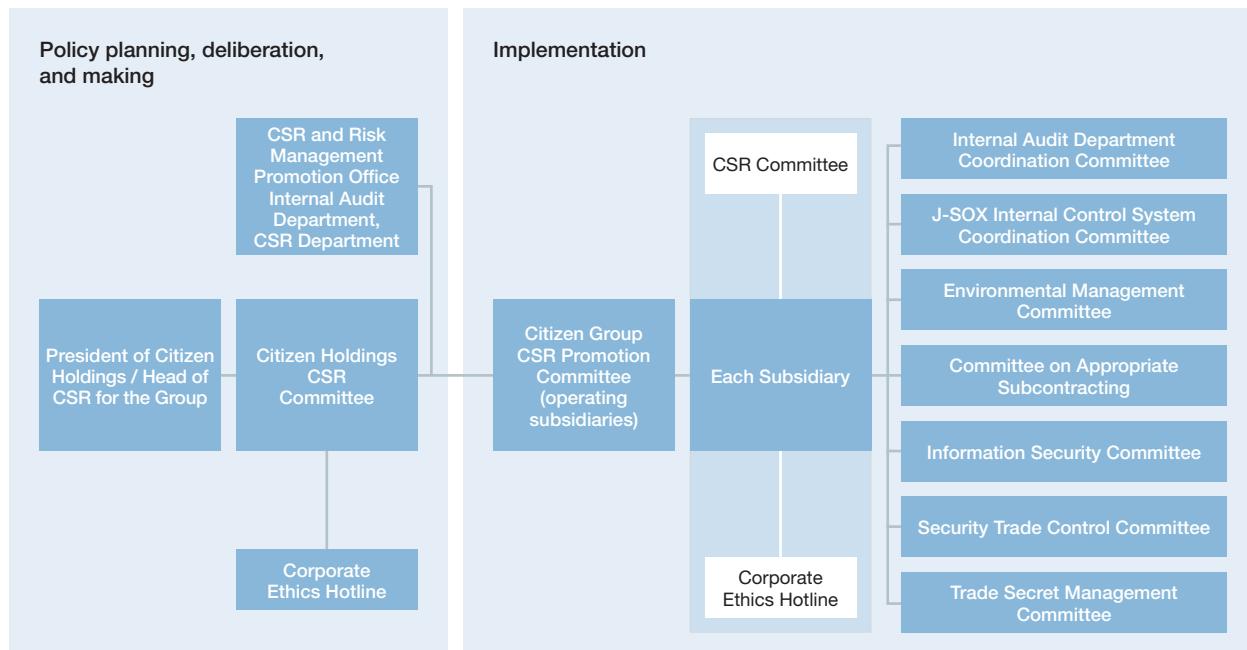
The Citizen Holdings CSR Committee, with the president of Citizen Holdings providing ultimate oversight, sets policies and drafts and proposes measures for the Citizen Group. Additionally, the committee partners with the auditing departments of Group companies to improve their CSR and risk management programs. Together, they perform audits and evaluations on program effectiveness and efficiency, focusing on governance. The committee also conducts seminars for management and Group-wide CSR training among other programs for raising awareness of these issues.

The 10 Principles of the U.N. Global Compact

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

* U.N. Global Compact: By demonstrating responsible and creative leadership, companies and other organizations behave as good members of society and participate voluntarily in an international framework to realize sustainable growth. Joining the compact indicates a company's dedication to initiatives to achieve the 10 principles, based on a commitment by top management.

Schematic Diagram of Our CSR and Risk Management System



Citizen Group Code of Conduct

CITIZEN GROUP CODE OF CONDUCT

- 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 all countries and regions, 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.

Taking the Citizen Group Code of Conduct Overseas

To maintain a firm international CSR perspective and ensure consistency throughout the Group in Japan and overseas, in March 2015 we translated the Citizen Group Code of Conduct into four languages—English, Chinese, Thai, and Vietnamese—and distributed it to Citizen Group companies.



CSV Seminars

In response to employee feedback in the 8th CSR Awareness Survey, Citizen Holdings conducted a CSV Seminar for 173 members of six key companies. Attendees learned from outside instructors using case studies about good relations among the economy, society, and the natural environment, thereby clarifying their understanding of CSV. Working in groups, employees discussed the possibilities for each of their businesses. The seminar provided an opportunity for incorporating the perspective of resolving societal issues into business. Participants' comments included, "I got a sense of new possibilities for business creation," and "I would like to see this training rolled out to other departments, too."



To communicate the variety of CSR initiatives Citizen is undertaking as a global company in an easy-to-understand manner, this report follows the core themes of ISO 26000,* the international standard for organizational social responsibility, explaining initiatives in light of these themes.

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* ISO 26000: An international guideline on social responsibility targeting a variety of organizations and issued by the International Organization for Standardization

Report on Activities Aligned with ISO 26000

Consumer Issues

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

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

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

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

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

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



Citizen Watch's Customer Watch Consultation Department

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

Machine Tools Business: Providing Total Support for Customer Factory Operation —

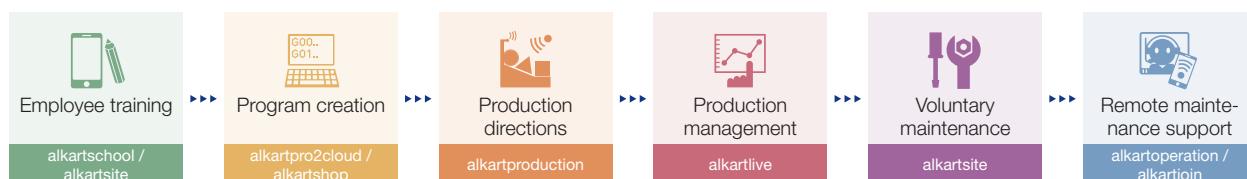
Citizen Machinery, which manufactures and sells machine tools, applies the expertise and knowledge it has accumulated in equipment maintenance and machining technology to help customers utilize their factories more productively. The company also supports personnel training efforts by providing a solutions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

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

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

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

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



Fair Business Practices

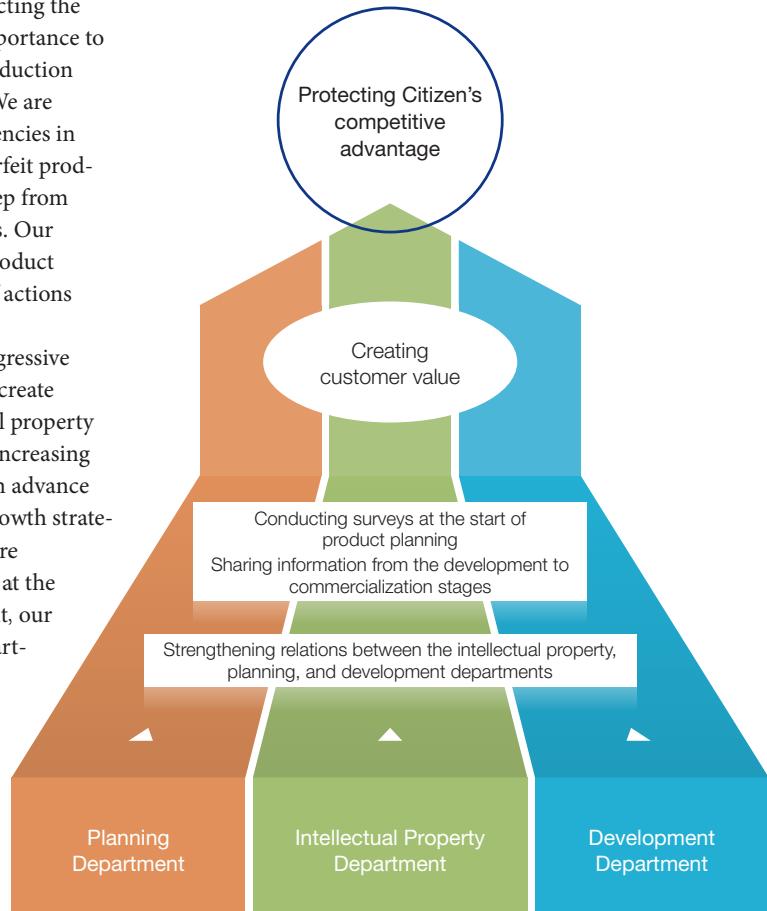
To promote sustainable business activities, the Citizen Group engages in fair, transparent, and open competition in business transactions, and it maintains healthy relationships with suppliers and government regulatory authorities. Our intellectual property activities respect the intellectual property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

Intellectual Property Strategy for Boosting Competitiveness

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

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

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



Business Connections with Welfare Centers for People with Disabilities

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



Counting under way at Murayamaen, a social welfare corporation

Report on Activities Aligned with ISO 26000

Environment

We recognize that environmental issues are a common concern for humankind and of topmost importance to companies. The Citizen Group strives to reduce environmental impact through its products and services. Extending beyond the production stage, these efforts include proactive measures to lower the environmental impact of our products during use by customers.

Aiming to Strengthen Environmental Management

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 our Eco-Action 100 plan and are pursuing activities toward medium-term targets. In fiscal 2014, we completed our transition to consolidated ISO 14001

certification for the Citizen Group by reinforcing governance and putting in place the framework for conducting environmental activities in a more effective manner. Fiscal 2015 is an important interim point in this plan, when we will assess our efforts during the first half of the plan since fiscal 2013, and strategize the plan's global rollout from fiscal 2016.

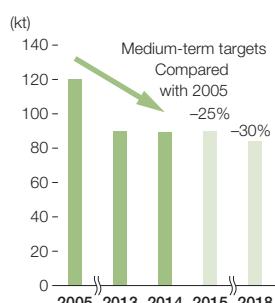
Citizen Group Medium-Term Environmental Plan 2018

		2015	2018
		Strengthen Group Environmental Management	Strengthen Global Environmental Management
Promoting Environmental Management	We have transitioned to consolidated Group certification under ISO 14001, which functions as a single system for the entire Group, and will promote more efficient and effective environmental activities.		
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 Eco-Products and Enhancing Product Brand Value	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.		
Promoting Eco-Communications			
Reducing Greenhouse Gases	We strive to determine appropriately the amount of greenhouse gases emitted over the entire product lifecycle and work 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.		

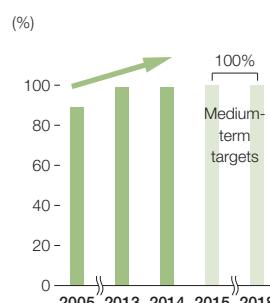
* JAMP, the Joint Article Management Promotion-consortium, is a supra-industry organization that aims to transmit chemical information.

Numeric Medium-Term Environmental Targets and Recent Successes

Greenhouse Gases



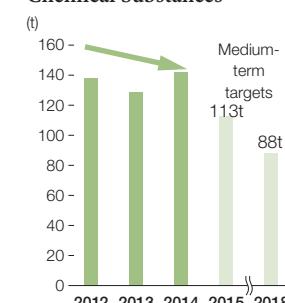
Recycling Rate



Water Resource Input



PRTR-Designated Chemical Substances (t)



Successes in Specific Initiatives

Promoting Environmental Management	Reducing Greenhouse Gases	Expanding Environmental and Social Contribution Activities
		
Consolidated Group certification screening	On-site investigations of waste-processing organizations	"Chiiki Gurumi" Environmental ISO Society for the Iida region of Nagano Prefecture
		Conducting environmental e-learning

Receiving the “Kitaguni Energy Conservation and New Energy Grand Prize”

In November 2014, Citizen Yubari received the Kitaguni Energy Conservation and New Energy Grand Prize, sponsored by the Hokkaido Bureau of Economy, Trade and Industry.

This prize was received for a highly energy-efficient ambient air cooling and displacement ventilation system the company introduced with cooperation from Hokkaido University. The system efficiently discharges waste heat and pollutants from factory equipment, creating a pleasant working environment, reducing the power needed to convey air, utilizing waste heat, and taking advantage of cool outside air. Compared with a previous factory, the new factory making use of this system has reduced annual energy use for air-conditioning by approximately 64%.



Ambient air cooling and displacement ventilation system

Citizen Watch Receives Gold Eco Mark Award

Citizen Watch received a gold at the “Eco Mark Award 2014,” organized by the Japan Environment Association. This award recognizes Citizen’s contribution to the improvement of consumer awareness about the environment through its Eco-Drive watches. The goals of the award are to help consumers make eco-conscious choices of products and recognize companies and other organizations that contribute to a sustainable society by making their products more eco friendly.

In 1996, Citizen received Eco Mark product certification as the first company in the watch industry to produce watches featuring “Eco-Drive.” This light-powered technology harnesses light from any natural or artificial source and converts it into energy for watches. Since then, Citizen has continued to lead the watch industry toward eco-consciousness through various efforts, such as making 99% of watches sold in Japan under the Citizen brand eco friendly. These efforts include improving the performance of the eco friendly Eco-Drive technology and fusing technology and beautiful design. The result is an attractive product lineup that allows consumers to choose a watch that matches their personal preferences and that they can use for a long period.

Citizen has also contributed to the exposure of Eco Mark in various consumer-facing materials, including its product catalog, website, and in-store tools. This exposure has improved name recognition of Citizen’s Eco-Drive technology and increased consumer consciousness about eco-friendly products.



Report on Activities Aligned with ISO 26000

Labor Practices

The Citizen Group endeavors to provide true value to stakeholders by ensuring a safe and pleasant working environment, encouraging the development of its employees' abilities and energies, and invigorating each of its workers. The Group conducts a variety of educational and training programs to augment skills and foster an environment where employees can further their personal growth.

Training Manufacturing Engineers

Pursuing its goal of "Building the World's Foremost Watch Factory," Citizen Watch Manufacturing has established a watch school to enhance manufacturing skills and develop its human resources. At this school, veteran employees instruct younger employees, who hone their skills and technical expertise as they work toward national certifications under a system operated by the Ministry of Health, Labour and Welfare, as well as the company's own certification system.

The Citizen Watch Group takes part in the National Skills Competition, which seeks to develop and pass along skills and manufacturing expertise. Held annually to uphold Japan's traditional prowess in manufacturing, skilled workers aged 23 or younger from around the country take part in this competition. The fiscal 2014 event included six competitors from Citizen Watch Manufacturing in the watch repair category and two in mechatronics. In the former category, employees earned gold, silver, bronze, and "Fighting Spirit" awards. The competition helps to motivate employees and reinforces the process of working dedicatedly toward goals, an important characteristic for a manufacturing professional.

Through efforts including the watch school and the National Skills Competition, we aim to continue passing on technology and other skills to young engineers and enhancing their knowledge.



Human resource development at the watch school



Winning a gold prize in the watch repair category at the National Skills Competition

Emergency First Aid Course (China)

Guangzhou Most Crown Electronics Limited conducted an emergency first aid course in November 2014. Held for 122 employees over a two-day period, the course aimed to foster a better understanding of emergency care and involved practice in cardiopulmonary resuscitation and the use of automated external defibrillators (AEDs).

Few factories in China conduct emergency first aid courses, which limits the number of people who are trained to act in medical crises. The Citizen Group began offering safety and health education at its factories in China in 2012 in an effort to raise health and safety levels at its overseas plants. We plan to continue these activities, as we believe we are contributing to local communities by cultivating an understanding of emergency first aid.



Human Rights

Recognizing itself as a member of international society, the Citizen Group values and respects the different cultures and customs of other countries and seeks to eliminate discrimination in all forms. Meanwhile, we accept and respect employees' characters, individuality, and diversity in our efforts to achieve further increases in corporate value.

Conducting Career Training for Women

Fully utilizing women's skills is essential to sustainable business activities. In recognition of this, we endeavor to provide an environment where women can continue working as they experience such life events as marriage, childbirth, and raising children.

In February 2015, Citizen Holdings held career training for women. This training session focused on women's unique ideas, perspectives, and skills; targeted ways to leverage these characteristics to reinforce corporate competitiveness; and set specific targets and action plans for future activities.

As a Group, we will continue enhancing such initiatives as we work toward true diversity and strive to further enhance corporate value.



Career training for female employees

Holding Diversity Training for Department Managers

Citizen Holdings conducts diversity training for department managers. Intended to deepen management awareness for responding to and succeeding in an era of increasing diversity and complexity, the course covered the basics of diversity and provided practical advice on managing for greater diversity in the workplace.



Diversity training for department managers

Personnel Information for Fiscal 2014

Target period: April 1, 2014, to March 31, 2015

(employees with disabilities: as of June 2014)

Scope of data: 13 principal Group companies in Japan

Percentage of female managers	3.27%
Percentage of employees with disabilities	2.03%
People taking childcare leave	
Men	0
Women	51
Total	51

Report on Activities Aligned with ISO 26000

Community Participation and Development

Based on its corporate philosophy of “contributing to and striving to be respected by the citizens of the world,” the Citizen Group values symbiosis with local communities and strives to contribute to society as a good corporate citizen. The Group endeavors to address societal issues through its business activities and, by fulfilling its responsibility as a member of the international community and achieving corporate growth, aims to help create a sustainable society.

Supporting Girls in Developing Countries

In 2013, Citizen Watch began participating in the “Because I am a Girl” campaign, conducted by Plan International, an NGO that offers support to girls and women in developing countries. The company encourages campaign activities by donating a portion of the proceeds from its “Citizen xC” watch sales.

On the International Day of the Girl Child on October 11, 2014, Citizen Watch launched a special campaign-model watch, the “Citizen xC for Because I am a Girl.”

Donations received in 2014 went toward a project to educate girls in Pakistan and a project to prevent child brides in Mali. The first project focused on improving the educational environment at an Islamic girls’ school in Pakistan by upgrading water supplies and sanitary facilities. Enrollment at the school has risen to 1,300, from 1,000 initially.

Citizen Watch plans to continue promoting the campaign’s growth through its product planning, advertising, and sales.



Female students learning in their new classroom



Islamic girls' school where donations funded upgrades

Plan Japan, a Public Interest Incorporated Foundation
<http://www.plan-japan.org/>

Holding a Private Film Screening

The CSR Department of Citizen Holdings communicates to employees the significance of the Company’s support for girls in developing countries through “Citizen xC” watches. In addition, in August 2014 the department held an in-house private screening of *Girl Rising—I Decide My Future*, a film aimed at cultivating awareness about resolving social issues for girls and women.

This film highlights some of the problems faced by many girls around the world, such as child marriage, destitution, and barriers to education for women, as well as portrays the potential girls have. The screening helped employees understand human rights issues related to girls and women and elicited such comments as “I was proud that we support the ‘Because I am a Girl’ campaign.”



Citizen Group employees participate in “Raise Your Hand”*

* People participate in this action campaign by raising their hands in an effort to put pressure on global society to prioritize education and the empowerment of girls around the world.

The 25th “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. The 25th award ceremony took place in January 2015.

The program was established in 1990 to mark Citizen’s 60th anniversary, tying in with the spirit of the Company’s name. The awards are meant to recognize contributions that are in line with Citizen’s corporate philosophy.

To date, awards have been presented to 76 individuals or groups for a wide range of activities, including social contribution, international contribution, self-actualization, human rescue, and environmental protection.

By highlighting citizens who inspire their communities, we aim to encourage similar efforts.



25th “Citizen of the Year” Award Recipients

Hitomi Sakai

Providing Homes to Support the Lives of People Who Need Society’s Help

For the past 19 years, with a particular focus on people with mental disabilities, Ms. Sakai has worked with those who need society’s support, including people with physical disabilities, ex-convicts, homeless people, victims of domestic violence, and seniors with no place to go. Through ties with medical personnel, welfare workers, attorneys, realtors, and government officials, she has helped these people to find housing, become autonomous, and foster peace of mind in communities. To date, she has helped some 450 people in these ways.



Kinichi Honma

Applying Ample Experience and Expertise toward Saving the Lives of Sea Bathers for 40 Years

Every year, more than 100,000 people go to bathe in the coastal waters of Senami Onsen, in the city of Murakami, Niigata Prefecture. And despite his age of 87 years, Mr. Honma is present each year to protect the bathers’ lives. He has ample experience at the task, having saved approximately 50 people over the years. Mr. Honma is also enthusiastic about teaching others and has so far trained more than 120 lifeguards.



Ryotaro Harada

Helping Former Sufferers of Hansen’s Disease Improve Their Lives and Overcome Discrimination and Prejudice

For the past 10 years, Mr. Harada has led a work camp to help people in China who, as former sufferers of Hansen’s disease, live in quarantined villages in dismal circumstances, often in old homes with undependable electricity, gas, and water and without toilets. Volunteer students are dispatched to the work camp to interact with the residents, taking part in such tasks as building roads and waterways, installing toilets, and repairing homes.



Ryoji Takayama

Former Member of Japan’s Self Defense Forces Helps Clear Away Land Mines and Unexploded Ordnance, as Well as Build Infrastructure and Conduct Training

With the participation of local residents, Mr. Takayama promotes a project that helps to clear away land mines in the Cambodian village of Tasaen, which was ravaged by civil war, contributing to the community’s safety and reconstruction. Among other rebuilding efforts, he also works with local citizens to build wells and roads, nurture local industry, erect schools and other infrastructure, and conduct education and training.



Report on Activities Aligned with ISO 26000

Organizational Governance

The Citizen Group strives to create effective internal systems, with responsibility resting with top management of each of its Group companies, and ensure thorough corporate ethics.

In fulfilling our corporate social responsibility, we endeavor to build and implement systems that provide value to stakeholders, reinforcing our governance to ensure accountability, transparency, and fairness.

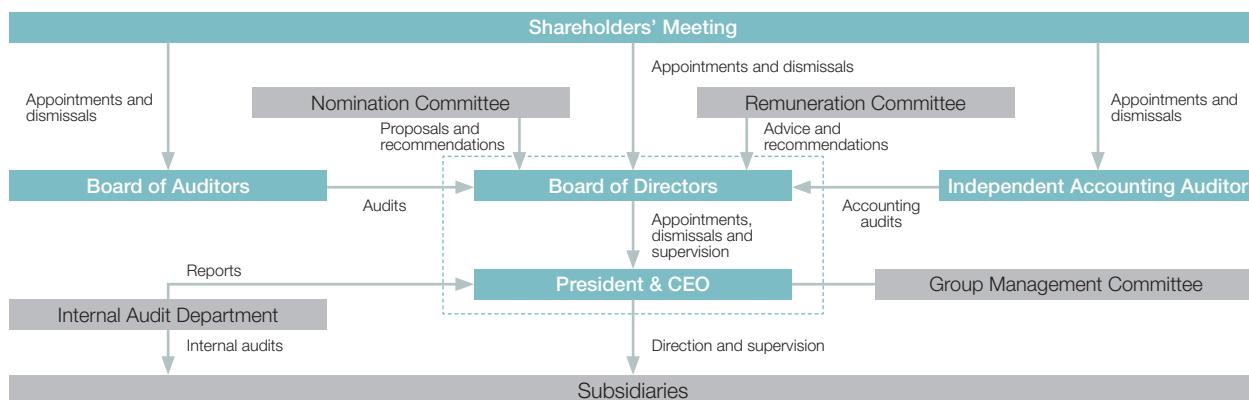
Corporate Governance

The Citizen Group aims to contribute to society and improve business value through sustained corporate activities that are in harmony with the local community and the global environment, under the corporate 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 enhance corporate governance, in recognition of the importance of

ensuring management transparency and effectively supervising management from various different angles.

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

Citizen Holdings Corporate Governance Structure



Internal Control System

Having in place a complete internal control system is one of the leading management priorities for the Citizen Group. In addition to ensuring the reliability of our financial reporting,

we fulfill our corporate responsibility by sustaining appropriate operational processes in our principal business. Specifically, the following basic policies for our internal control system have been resolved by the Board of Directors.

Basic Policies

- 1 Systems to ensure that the execution of operations by directors and employees conforms to the law and our Articles of Incorporation
- 2 Systems related to the storage and management of information concerning the execution of operations by directors
- 3 Regulations and other systems related to the risk of loss
- 4 Systems to ensure the efficient execution of operations by directors
- 5 Systems to ensure the appropriateness of operations by the Citizen Group
- 6 Items related to employees assisting auditors in their duties
- 7 Systems related to reporting to auditors
- 8 Systems to ensure the effectiveness of audits by other auditors

Message from an Outside Director

Existing at the Nexus of Society and the Company

Kenji Ito

Outside Director

[Profile]

Mr. Ito joined TOTO Kiki Ltd. (currently TOTO LTD.) in 1974. In 2000, he was appointed as a corporate officer of the company, later serving as an executive officer and director, and then senior executive officer and director. In 2011, he became executive vice president and director and stepped down in 2013. Currently, he serves as an advisor to the Company.



Impressions of Citizen

I have been employed as an outside director of Citizen since 2013. One of the things that has impressed me most about Citizen is its wealth of assets. I refer not only to financial assets; the Company also has an abundance of historical assets, meaning accumulated technologies and expertise, as well as superior human resources. I recognize making effective use of these assets to achieve abundance from a long-term perspective as a task for Citizen going forward.

The Company Name as the Key to Becoming a Truly Global Company

Society determines a company's ongoing existence. For that reason, rather than managing themselves to achieve excessive profits, companies need to strike a balance among all stakeholders, including customers, employees, business partners, and members of the local community. I believe CSR activities and corporate governance are essential to achieving this balance.

As its name suggests, throughout its long history Citizen has made it a practice to grow as a company by providing value to society. As society determines a company's ongoing existence, "contributing to and striving to be respected by the citizens of the world" is both an ongoing corporate responsibility for Citizen and the essence of the Citizen brand. The ability of Group management to ensure that each of the Company's tens of thousands of employees have the same regard for the "Citizen" name is the key to becoming a truly global company.

CSR Activities That Connect with Society

The "R" of CSR stands for "responsibility," which seems to me too one-sided. I think it would be better to interpret that letter as standing for "relationship." Companies exist on the strength of their connectedness with society, and in that sense CSR refers to the existence of a company itself—an activity that is essential to management.

My role as an outside director is to stand back from the nexus between society and the Company. To make certain the Company is not headed in the wrong direction, I see my responsibility as being to offer a variety of information from outside the Company and create opportunities to know and learn. By providing all types of outside information, such as case studies and a sense of the market, without differentiating between "right" and "wrong" information, I consider my role as helping to create balance within the Company and encourage consideration for its connection with society.

Report on Activities Aligned with ISO 26000

Risk Management

The Citizen Group encounters a variety of risks in the course of its business activities, and it conducts activities designed to appropriately identify and manage these risks.

Stance on Risk Management

The objectives of risk management activities are, in addition to compliance, practicing corporate ethics and undertaking initiatives to prevent corporate misdeeds. Through activities of this nature, we aim to fulfill our social responsibilities and achieve ongoing increases in corporate value.

Citizen Holdings gathers risk information from each of its companies in accordance with the Basic Risk Management

Regulations. The Citizen Holdings CSR Committee deliberates this information, which is shared with each company through the Group CSR Promotion Committee. This committee also makes proposals to the Group Management Committee, as needed.

Fiscal 2014 Initiatives

In fiscal 2014, we confirmed the status of our risk management system throughout the Group. Through surveys, we identified and evaluated the risks for individual companies, formulated and introduced countermeasures, and conducted monitoring activities. Thanks to these efforts, we worked to determine whether our current activities were having the expected results. Having undergone this exercise, going forward we will work to improve the structures we build and operate, as we create a framework for stable and sustainable business operations.

Business Continuity Plan (BCP*)

In addition to the conventional focus on countermeasures in the event of a large-scale disaster, such as ensuring the safety of employees, protecting factories, and restoring the affected region, the Citizen Watch Group has formulated a BCP that concentrates on either continuing to provide products and services or recovering quickly if disaster strikes.

In April 2015, Citizen Holdings, Citizen Watch, and Citizen Watch Manufacturing conducted an emergency response drill with a focus on confirming information-gathering and reporting procedures, which are an important part of our BCP.

* BCP: Business Continuity Plan



Three-company joint drill

Overseas Subsidiary Management Manual

In an effort to standardize management operations at its overseas subsidiaries, the Citizen Watch Group has created a manual for local managers. The manual is intended to strengthen governance at manufacturing locations and create and reinforce risk management systems.

By issuing this manual, the Group has redefined the roles and responsibilities of headquarters and subsidiaries in relation to managing local subsidiaries' operations to promote more standardized and sophisticated management of these companies.



Handbook for managers of production bases

Compliance

The Citizen Group undertakes compliance measures based on the Citizen Group Code of Conduct as a priority issue within its CSR activities. We aim to act in accordance with ethical and moral principles as the foundation of legal compliance.

Internal Reporting System

We have set up a Corporate Ethics Hotline in accordance with the Internal Reporting System Rules, both for prevention or early detection of legal violations or misconduct stemming from dishonest actions and for improvement in the 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. Since 2008, we have had an external reporting hotline in place to allow employees to file reports anonymously. This example is just one of the ways in which we have created and operated an environment that encourages employees to report misconduct.

CSR Awareness Surveys

To determine the state of CSR and corporate ethics, each year the Citizen Group conducts CSR awareness surveys of the executives and employees of its 39 Group companies, including temporary employees. Responses reveal that although awareness of the Corporate Ethics Hotline is gradually increasing, the number of people indicating they are not sure they would use the hotline has not changed. Responses to the current survey, which was undertaken for the eighth time, were as follows.

- Increasing level of trust in the hotline
- Additional harassment education
- CSV*-related requests (See page 18 for details.)

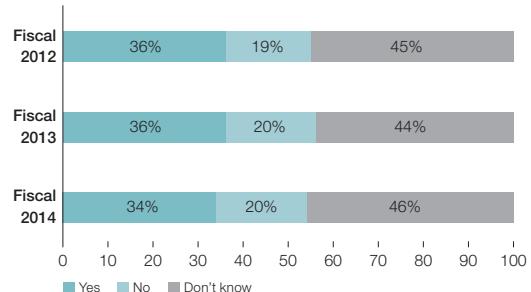
* CSV: "Creating shared value." Initiatives for creating new value shared by the Company and society.

Internal Reporting System Usage Frequency

Fiscal year	Times
2012	24
2013	17
2014	28

Q

Would you use the Corporate Ethics Hotline (CSR Hotline) if you detected a legal violation that was difficult to discuss with your superior?



7,132 / 8,472 people (response rate of 84.2%)

Training for Corporate Ethics Hotline Respondents

Citizen Watch Manufacturing brought in outside instructors to provide training for hotline respondents. We plan to continue with efforts to raise awareness of the hotline and increase its trustworthiness.



Initiatives to Prevent Harassment

The Citizen Group works to prevent harassment in the workplace. In one such effort, Citizen Systems held a workplace harassment seminar taught by outside instructors that was attended by executives, upper-level managers, and all general employees. Going forward, we will continue disseminating information to cultivate an accurate understanding of and awareness for preventing harassment.



Data

Environment

Fiscal 2014 Results on the Citizen Group Medium-Term Environmental Plan 2018 (Excerpt)

		Evaluations		
		Target		Evaluations
		FY2013	FY2014	FY2015
Promote environmental management	Consolidate Group environmental management system	<ul style="list-style-type: none"> Obtain consolidated Group environmental certification Strengthen Group environmental management system 	<ul style="list-style-type: none"> Acquired consolidated ISO 14001 environmental certification (Japan) Increased precision of overseas environmental data 	○
	Provide eco-friendly products and services	<ul style="list-style-type: none"> Study how to build brand value with an "eco-angle" Practice green procurement and expand range of eco-friendly products 	<ul style="list-style-type: none"> Received gold Eco Mark Award Expanded operation of system for managing the chemical content of products 	○
	Respond to environmental laws and regulations	<ul style="list-style-type: none"> Respond to global environmental laws and regulations, including chemical regulations 	<ul style="list-style-type: none"> Conducted SDS activities and revised items contained in products at overseas production bases Introduced waste recycling governance 	○
	Help create low-carbon society and recycling-oriented society	<ul style="list-style-type: none"> Control greenhouse gas emissions and help prevent global warming Reduce waste and promote recycling Reduce chemical risks 	<ul style="list-style-type: none"> Represented CO₂ emissions graphically Represented waste volumes graphically Represented chemical substance transaction volume graphically 	○
	Protect nature and conduct community activities	<ul style="list-style-type: none"> Conduct nature protection and regional environmental initiatives 	<ul style="list-style-type: none"> Conducted regional nature protection and environmental initiatives 	○

Business Activities and Environmental Impact

		Japan	Overseas
INPUT	Total energy input (GJ)	2,263,327	1,762,571
	Water resource input (km ³)	1,512	1,031
	Repeated use of water within the organization (km ³)	70	53
	Chemical substance input (tons)	142	2,542
	Containers and packaging used (tons)	574	1,243
OUTPUT	CO ₂ emissions (tons-CO ₂)	89,118	75,517
	NOx emissions (tons)	4	2
	SOx emissions (tons)	1	2
	Water drainage (km ³)	1,176	1,250
	BOD emissions (tons)	42	63
	COD emissions (tons)	11	169
	Waste generated (tons)	7,442	10,272
	Waste land-filled (tons)	24	2,984

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

Period: April 1, 2014 to March 31, 2015 Scope: 32 domestic companies, 16 overseas companies

Employees

Recent Graduates Hired

	FY2012	FY2013	FY2014
Male	83	73	38
Female	32	18	12
Total	115	91	50

Employees Hired Mid-Career

	FY2012	FY2013	FY2014
Male	33	61	32
Female	16	25	4
Total	49	86	36

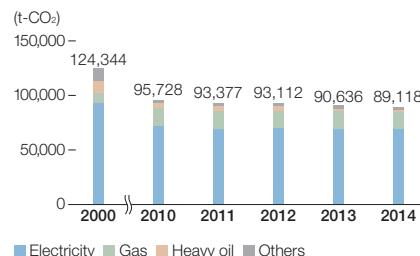
Average Age

	FY2014
Male	42.1 years
Female	40.0 years
Total	41.7 years

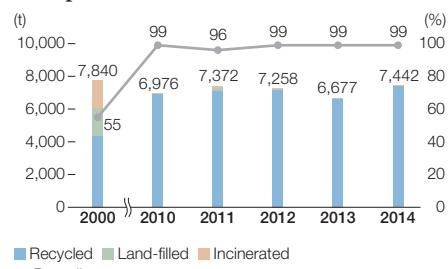
Average Years of Service

	FY2014
Male	17.8 years
Female	16.6 years
Total	17.6 years

Group-wide CO₂ Emissions

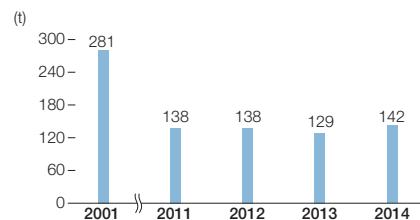


Group-wide Waste Production*



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

Citizen Group Transaction Volume of Chemical Substances Covered by PRTR Law*



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

Use of Nursing Care Leave Scheme

	FY2012	FY2013	FY2014
Male	0	0	1
Female	1	2	1
Total	1	2	2

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

	FY2012	FY2013	FY2014
Specified medical examination rate (employee & family)	79.3%	80.1%	81.9%
Metabolic syndrome rate	12.1%	11.9%	12.1%
Pre-metabolic syndrome rate	11.5%	12.5%	12.4%
Specific counseling guidance rate	36.0%	26.8%	30.0%

Occurrence of Accidents

	FY2012	FY2013	FY2014
Fatal accidents	0	0	0
Accidents resulting in employee absence	9	9	7

Scope: Fiscal 2012: 18 principal Group companies in Japan
Fiscal 2013: 14 principal Group companies in Japan
Fiscal 2014: 13 principal Group companies in Japan

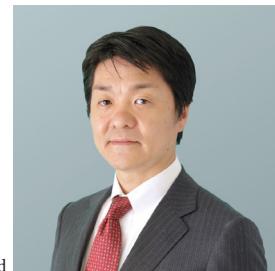
Third-Party Comments

As its company name suggests, the Citizen Group follows a corporate philosophy of “contributing to and striving to be respected by the citizens of the world.” The “Citizen of the Year” award program is entering its 25th year as an ongoing initiative, the Company is offering branded products targeting women, and Citizen is linking its marketing activities with efforts by an international NGO to support girls and women in developing countries. I believe these distinctive undertakings reflect the spirit of the Citizen philosophy.

Also, the more than 1,000 thank-you letters received from customers in conjunction with the initiatives of the Customer Watch Consultation Department suggest to me that the Company is successful in taking citizens’ perspectives seriously.

Value creation and creating shared value (CSV) are central themes raised in this report. Creating corporate value through a business model hinging on brand strength has a certain appeal. On the other hand, the fundamental significance of CSV lies in applying business processes in approaching social problems that have not been resolved. Business links with welfare centers for people with disabilities may be one example of these activities, but their significance is not altogether clear to me. Going forward, I would like to see the Company create shared value by adopting a more “Citizen-like” approach to addressing social problems from a citizen’s perspective.

One point I found noteworthy in this report was the frank reference in the management message to the backlash surrounding the closure of a production base in China. This candor is in keeping with Citizen’s goal of becoming a truly global company. In the future, I believe the Company will face a growing number of opportunities to consider the social and environmental impact of its business decisions. Separately, the results of the employee awareness survey concerning the corporate ethics hotline leave me a little concerned whether employees accurately understand the role the hotline plays. Given the diverse risks Citizen faces as a global company, from a risk-response perspective this result is not necessarily reassuring.



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This report follows the seven core themes of ISO 26000, but considering the risks mentioned above, in addition to revising existing activities I believe it would be helpful to analyze activities on the basis of more all-encompassing guides to social responsibility, such as ISO 26000 and the United Nations Guiding Principles on Business and Human Rights, making a close examination of the Citizen Group’s activities a priority issue. I believe Citizen then needs to proactively reflect these results in its management strategy and business continuity plan (BCP) from such socioeconomic angles as climate change and human rights risk.

I strongly applaud Citizen for its efforts as a global company to enhance its disclosure. The introduction of a Japanese stewardship code is leading to significantly higher interest in environmental, social, and governance (ESG) investing in Japan, as well as with overseas investors. By responding actively to CDP Worldwide, the Global Reporting Initiative (GRI), and other international disclosure initiatives, Citizen will be making steady strides toward becoming a company that stakeholders hope to continue operating 100 years into the future.

Response to Third-Party Comments

Thank you for your thoughtful comments.

As Citizen aims to become a truly global company, we deeply appreciate your many suggestions.

Companies are called upon to help resolve social issues and contribute to society through their businesses to achieve growth over the medium-to-long term, and we recognize we have many topics to address in the areas of ESG responsiveness and enhanced disclosure.

Based on our corporate philosophy of “contributing to and striving to be respected by the citizens of the world,” we will redouble our efforts to become a corporate group that is trusted by our stakeholders.



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