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#### Scope of this environmental report

●This Environmental Report 2005 describes the actions taken and results achieved by Citizen Electronics Co., Ltd. in environmental protection activities conducted in FY 2004 (from April 1, 2004 to March 31, 2005).

Some of the projects and results described include those most recently completed by Citizen Electronics Group companies.

# **Corporate Data**

Company name Citizen Electronics Co., Ltd.

Offices in Japan Headquarters/Main Plant:

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Tokyo Office:

1-23-9 Nishigotanda, Shinagawa-ku, Tokyo, 141-0031 Phone: (81) 3-3493-2081, Fax: (81) 3-5436-7921

Kansai Office:

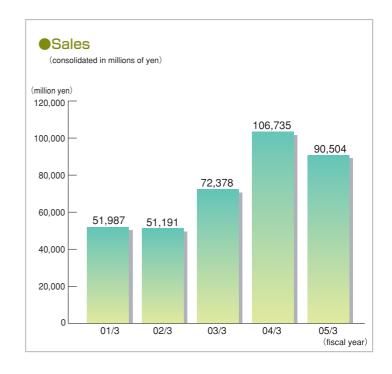
5-14-5 Nishinakajima, Yodogawa-ku, Osaka, 532-0011 Phone: (81) 06-6886-2402, Fax: (81) 6-6886-2403

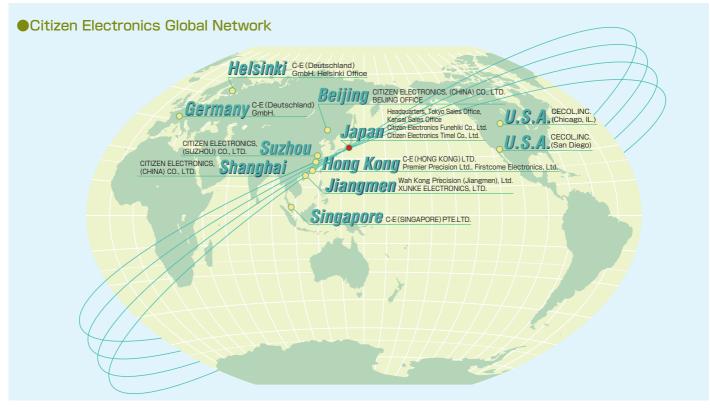
 Established
 June 23, 1970

 Paid-in Capital
 ¥1,988,550,000

Representative Takashi Masuzawa, President
Sales ¥90,504,000,000 (consolidated)

Employees 558 (nonconsolidated)





# Dear Readers

This globe is our small spaceship Earth floating in the infinite universe. The globe is the common airship Earth for all living things. Modern people have explored, developed, and modified our globe, leading to the destruction of Mother Earth even though the history of the human race is surprisingly short on the planetary scale of this small planet.

The period of several tens of years seems significantly long in our life spans, but it is only a moment in universe-based time. In this short period, we have rapidly destroyed our Earth.

Some countries are in the middle of a war at this moment. It is extremely important to cooperate with one another without confrontation because all of us, every single race, are members of a family on a small spaceship that exists even if there are differences in language, culture, and skin color. Accordingly, we must consider how to coexist harmoniously by concentrating the wisdom of mankind.

Stopping the destruction of our spaceship Earth and addressing the environmental protection issue among all races are essential conditions to create a peaceful world for future children and live together with all living things.

From this viewpoint, we will continue to place environmentally friendly product development and green procurement at the base of our environmental activities. We will disseminate Environmentally Friendly Activities as well as Environmentally Friendly and Popular Products from the foot of Mt. Fuji in all its natural beauty and splendor, utilizing the positive promotion activities described above.

Citizen Electronics Co., Ltd. became a subsidiary wholly owned by Citizen Watch Co., Ltd. on October 1, 2005. Citizen Group companies have promoted CSR activities with group-wide efforts.

We will fulfill our social responsibility as a 'reputable company' beyond reproach satisfy the demands and expectations of every stakeholder, and contribute to ongoing social development with other Citizen Group companies.

This environmental report and our home page provide an overview of our environmental activities in 2004. We would greatly appreciate it if you would take the time to look through the report and tell us your opinions.

We will do our best to continue to work to enhance our communication with you and improve our activities in order for these activities to be rooted in society and to respond quickly to society's needs.

With regards

Takashi Masuzawa, President
Citizen Electronics Co., Ltd.

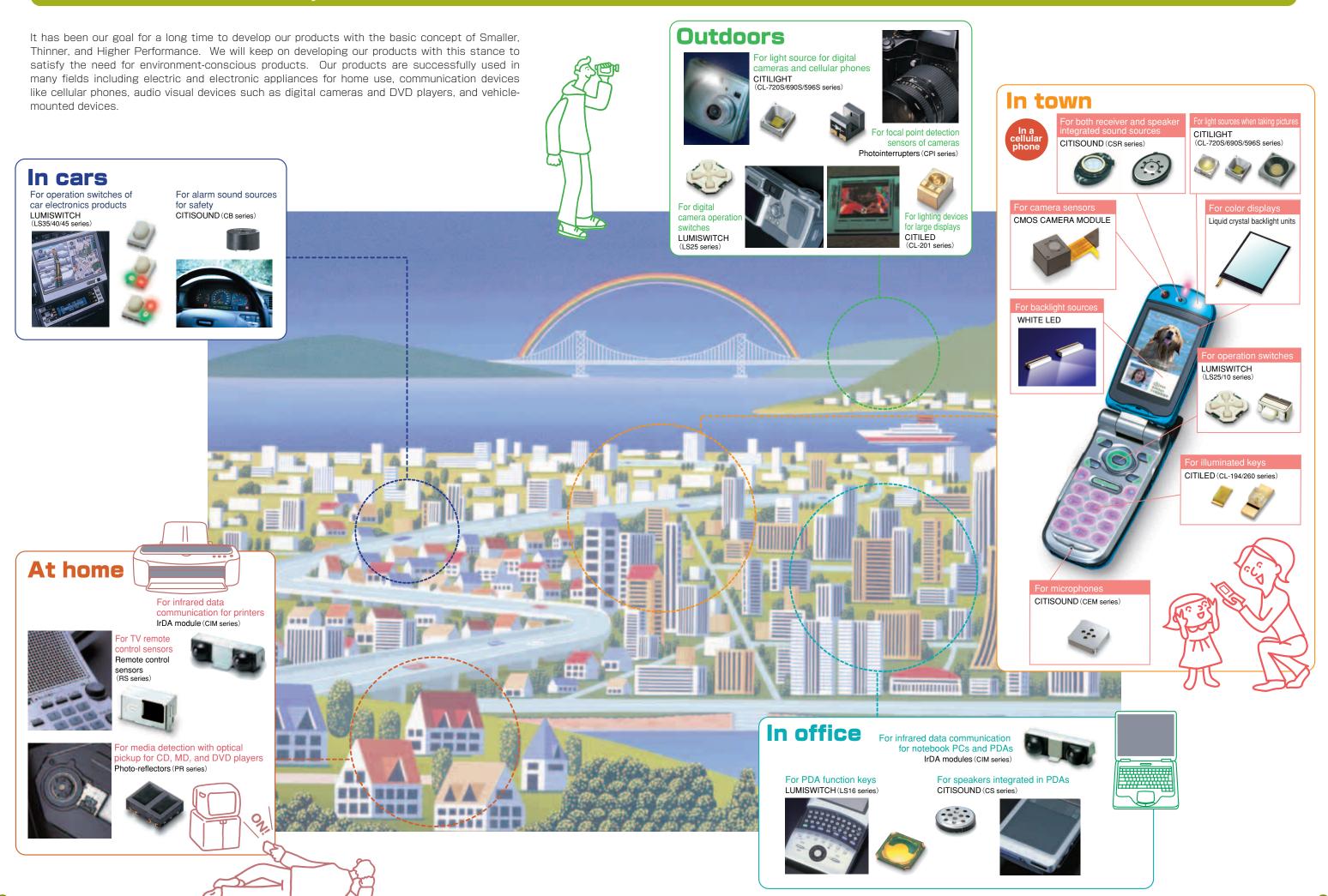








# Our Products' Commitment to Society



# **Environmental Policy**

# **Environmental policy**

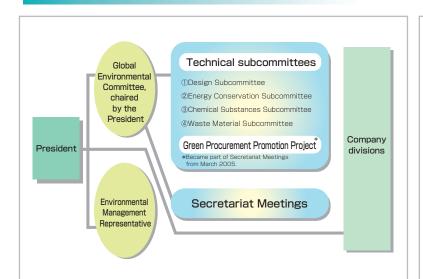
Based on our commitment to smaller, thinner, and higher performance product designs, Citizen Electronics manufactures and provides original electronic components, their applied products, and acoustic components for a variety of markets. Because while pursuing these corporate activities, we understand that environmental problems are one of humankind's most pressing issues, we are implementing the following policies as part of our ongoing effort to conserve the earth's environment.

#### Action policies

- 1.We will work hard in the following areas in order to protect the environment and prevent pollution at every stage of our business including product design and development, material procurement, production, and transportation.
  - ①We will work to achieve environmentally friendly design of products and production processes as well as green procurement
  - ②We will work to effectively use resources (energy and resource conservation, recycling, etc.) and to reduce waste.
- 2.We will observe legal regulations and agreements regarding the environment.
- 3. We will set and review environmental goals and targets while striving for continual improvement.

Revised on October 1, 2005.

# **Promotional Organization for Environmental Management**





Message from the director in charge of environment

Further promotion from the corporate social and managing view Executive director Tsuneo Miura

We say that the 21st century is the Century of the Environment. We take global environmental issues seriously, striving to reduce the burden on the environment by taking specific actions such as establishing a promotion organization and implementing our environmental management system.

From the viewpoint of corporate social responsibility and contribution as well as business efficiency, we will continue to pursue supplying environmentally friendly business activities and products. The effects of the affiliated companies have become significant due to the change in our business environment. We will furthermore promote activities to reduce the environmental burden throughout all of Citizen Electronics, including our affiliated companies

# **Environmental Education**

In fiscal year 2004, we increased the number of internal auditors. We also held a two-day training session for our internal auditors to improve their skills, enabling us to conduct improved internal audits. In addition, we held Secretariat Meetings to explain revisions to the laws and the ISO14001:2004 revised edition. We have also raised employees' awareness with annual emergency training for hazardous material leaks, by conserving energy in the environment month, and by implementing our waste separation patrol.



Environment month poster



Hazardous material handling training





Explanation at Secretariat Meeting

# Environmental Targets and Achievements in FY 2004, Environmental Targets in FY 2005

We selected themes expected to bring good results from the viewpoint of the burden on the environment from the operation activities (yield improvement, rationalization, etc.) of each division as our main environmental targets for FY 2004. We have had success in energy conservation, reducing waste and chemical materials, and in addition we almost met all of the operation challenges. We significantly reduced the environmental burden.

The energy conservation activities of our entire company such as our review of air conditioning equipment, electrical substation equipment, and other equipment, mainly handled by our Energy Conservation Subcommittee, have resulted in great success. In addition, we have completed our database of contained substances to comply with the EU's applicable laws and regulations such as the RoHS directive and to quickly respond to customers' requests for research. As environmental targets for FY 2005, we will continue to strive for division-specific targets and companywide energy conservation measures led by each subcommittee, review and enhance green procurement essential to environmentally friendly production, and address products and packaging materials with hazardous substances.

Environmental targets and achievements in FY 2004							
	Targets in FY 2004	Achievements in FY 2004	Evaluation				
1	Introduction and implementation of environmental impact substance management system  Target: January 2005 (open implementation)	Achievement rate: 100%	000				
2	Reduction of electrical power consumed by major facilities and equipment     Target: 7.5% reduction in FY 2004 (FY 2001 base)	Achievement rate: 147%	000				
	Activities for reducing power consumption in all divisions     Target: 2 cases of improvement implementation per year	Achievement rate: 95%	00				
3	Reduction in chemical substances used  Target: 100% of plan implemented rate  •Change to less risky substitutes  •Reduction in amount consumed  •Reduction in kinds (unification of kinds)	Implemented rate: 92%	00				
4	Specification and reduction of targeted wastes in all divisions Target: 2% reduction compared with achievements in FY 2003	Achievement rate (applicable divisions: 9) •100% in 7 divisions •90% or more in 0 division •85% or less in 2 divisions	00				
5	Implementation of division-specific environmental management activities  •Topics obtained from business activities in terms of effects on reducing the environmental burden  •Topics for activities that lead to environmental protection activities  Target: at least 1 topic	Achievement rate •85% or more in 12 divisions •84% or less in 3 divisions	11				
6	Participation in environmental protection activities of local communities at both corporate and family levels Target: 6 plans	Implemented rate: 100% •2 community activities Mt. Fuji Clean-up Operation Tree-planting ceremony •4 in-company activities Environment month, etc.	111				

,	Targets in FY 2005
	Targets in FY 2005
	•Enhancement of green procurement •Enrichment of environmentally friendly products
	•Promotion of energy saving activities and reduction in CO <sub>2</sub> emissions Promotion of reestablishing and introducing energy monitoring system
	Implementation of energy saving activities in all divisions  Target: 2 cases of implementing improvement per year
	*Reduction in use of solvents, cleaning liquids, chemical agents, etc.  Target: 1 case of implementing improvement per year
	Specification and reduction of targeted wastes in all divisions     Target: 3% reduction compared with achievements in FY 2004
	•Same as the target in FY 2004
	(No target in FY 2005, but activities continued)

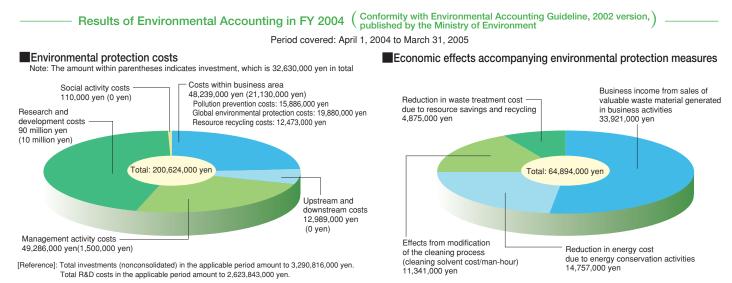






# **Environmental Accounting**

The amount of investment decreased due to settlement of the modification of the cleaning process and other matters. Costs have increased by 2.4 times resulting from increases in depreciation expenses and measurement costs of substances contained in products as well as budgeting development costs of products effective for energy conservation. With regard to environmental protection effects, the amount of consumed hazardous chemical substances has been significantly reduced thanks to the complete elimination of HCFC-141b and dichloromethane (2003). The economic effects have grown due to increases in valuable resources.

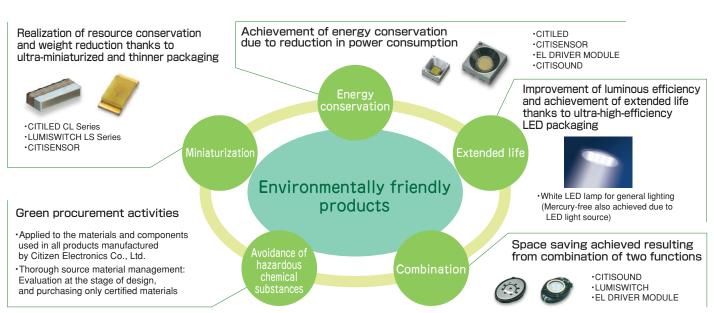


#### ■Environmental protection effects

Description		Type of indicator	Unit	FY 2003	FY 2004	Change
	①Effects relating to resources invested in business activities	Amount of energy consumed	GJ	177,085	183,031	5,946
(1) Effects corresponding to costs incurred in business area		Amount of chemical substances consumed	t	72	6	△66
	②Effects relating to environmental burdens and waste generated from business activities	Amount of carbon dioxide discharged	t-CO <sub>2</sub>	6,721	7,037	316
		Amount of green house gas discharged	kg-N <sub>2</sub> O		14.6	
		Total amount of waste discharged	t	421	290	△131
		Total amount of recycled resources	t	413	287	△126
		Resource recycling rate	%	98	99	1

# **Environmentally Friendly Products**

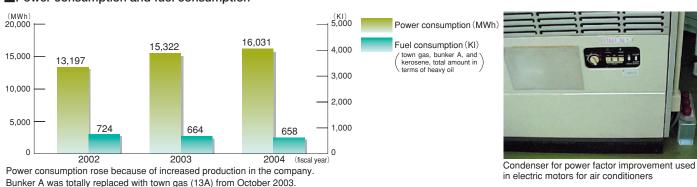
We have pursued creating products with our basic concept of Smaller, Thinner, and Higher Performance.



# **Energy Conservation Activities**

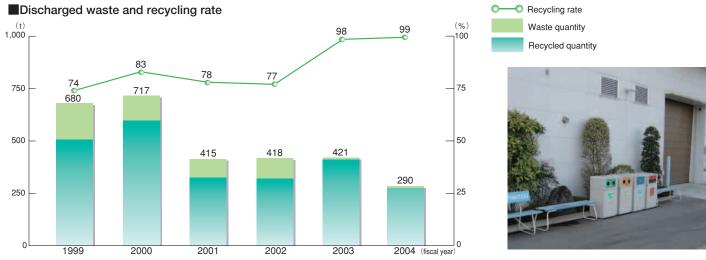
We have achieved approximately 400 MWh of energy saving in FY 2004 resulting with replacement of aging transformers, power factor improvement of air conditioners and compressors, reexamination of compressors' supply pressure, and more. Now, we are conducting activities with a focus on energy saving related to pneumatic equipment as the aim for FY 2005.

#### Power consumption and fuel consumption



# **Waste Reduction Activities**

We attained a 98% recycling rate in FY 2003. Therefore, we are now conducting activities focusing on reducing waste in each division. Given our level of achievements such as using recycled materials, reducing component boards, reducing material ends due to improvements in board designs and more, we will keep the same activities as an ongoing theme in FY 2005.



Industrial waste discharged from outsourced companies in Yamanashi Prefecture shall be treated by each company itself from FY 2004 except for a few kinds of waste fluid.

# **Chemical Substance Control**

#### ■Released and transferred quantities of substances applicable to the PRTR Law in FY 2004

The results of the released and transferred quantities of substances applicable to the PRTR Law at Citizen Electronics are shown below.

		Substance						
Contained substance	Substance No.	Annual amount acquired	Amount	Amount discharged into environment				
			transferred as products	Total amount	Amount transferred as waste	Amount released into the air	Amount released into water	Amount released into soil
Antimony and its compounds	25	27	7	20	20	0	0	0
Bisphenol A epoxy resin (liquid type)	30	3	2	1	1	0	0	0
Silver and its water-soluble compounds	64	2	1	1	1	0	0	0
Poly (oxyethylene) = nonylphenyl	309	9	0	9	0	0	9	0
Manganese and its compounds	311	23	9	14	14	0	0	0

## Citizen Electronics Funehiki Co., Ltd. (Fukushima Prefecture)

Citizen Electronics Funehiki Co., Ltd. obtained ISO 14001 certification in May 2003, and has continued to implement environmental management activities after setting environmental objectives and targets in accordance with the environmental policy. We are engaged in reducing the burden on the environment together with Citizen Electronics Co., Ltd. by targeting improvement of the production yield rate and manufacturing machine utilization rate. These are being targeted from FY 2005 as more effective measures in the manufacturing industry to reduce the amount of waste and conduct energy saving activities in addition to conventional measures.

#### ■An activity example

A total of 25 employees of Citizen Electronics participated in a planting project as environmental protection activity held in two locations in Tamura, Fukushima Prefecture, where our plant is located. The local community held events after the tree-planting ceremony, and we were able to improve our consciousness of the importance of communication with local residents and environmental protection through participating in this activity.

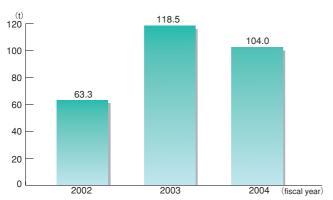


2002



2004 (fiscal year)

#### Amount of discharged waste





#### Consumed energy

(kWh)

12,000,000

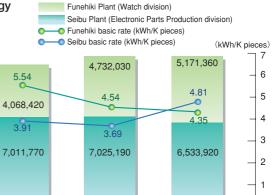
10 000 000

8.000.000

6,000,000

4,000,000

2,000,000



At Seibu plant, the basic rate has increased because the manufacture of products with more processes was began.

2003

# Wah Kong Precision Ltd./Jiang Xing Electronics Factory, Ltd. (China)



Director Kazuhiro Tanabe

# Report of environmental management activities

The environmental management activities of Wah Kong Precision Ltd./Jiang Xing Electronics Factory, Ltd. have been improved through ISO 14001 certification in February 2003. In our company, the ISO 14001 committee that consists of representatives from each division plays a central role in ISO activities. Although we effectively use waste in China, we have not traditionally disposed of waste after separation in the vicinity of our company. Now, waste separation has been established through the leadership of the committee. Recently we are concentrating on green procurement that is also required from customers in Japan, Europe, and elsewhere. We will continue ISO activities together with Citizen Electronics under conditions where the importance of environmental management activities are increasingly being understood here in China, too.

# Major activities

#### (1)Trash separation

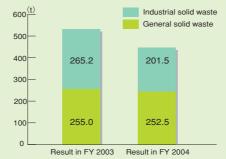
We separate trash to improve the recycling rate.



# ②Activities of reducing and managing solid waste

We have conducted activities with the target of reducing waste. The reduction of industrial waste was especially significant.

#### ■Amount of discharged solid waste



#### 3 Energy conservation activities

In general, we have utilized energy effectively.

# ■Power consumption



# **Declaration of Honesty**

The Citizen Group has characterized CSR as an important pillar for business strategy and worked on it. Citizen Electronics Co., Ltd. also aspires to be a 'reputable company' working on the basis of the concept of being a unified company, fulfilling its responsibility to society, and earning society's trust.

# Activities of Citizen Electronics Co., Ltd.

April, 2004 ·CSR Committee (measures and planning) established, President as a chief control officer

October, 2004 ·Citizen Electronics Code of Conduct revised

January, 2005 ·Standard on the in-company report system (hotline) enacted and established

·CSR education and training for employees conducted on an ongoing basis

March, 2005 ·CSR Promotion Committee (provides each division with CSR measures) established

·CSR news serialized in the company magazine CE Journal (quarterly) Others

·Citizen Electronics Code of Conduct and Commitment to Corporate Social Responsibility (CSR)

on our homepage for internal and external release

# **Employee Education and Training**

We will pursue environmental education and instructional activities for all employees in order to enhance everyone's awareness of CSR.

Training (video viewing regarding commitment to and compliance with Citizen Electronics Code of Conduct)

December, 2004 ·For managerial staff of

Citizen Electronics Funehiki Co., Ltd.

·For officers of Main Plant January, 2005

February, 2005 ·Tokyo Office

March, 2005 ·Kansai Sales Office

March, 2005 ·Main Plant (350 employees)/

Citizen Electronics Timel Co., Ltd.

(66 employees)

(in 6 separate training sessions)



# As a Community Member

We are very engaged in two big environmental protection events held annually by the local community to enhance communications with local residents. We also encourage all employees and their families to be involved in local environmental protection activities through our instructional activities resulting in the enhancement of employees' relationship with the local community





Mt. Fuji Clean-Up Operation We participated in the Mt. Fuji Clean-Up Operation to clean the 5th station area of Mt. Fuji with other groups in August 2004.





**Tree-Planting Ceremony** We participated in the 1 Million Woods Tree-Planting Movement held by Yamanashi Prefecture at Oshino-mura and planted zelkova trees with students of local elementary schools in May 2004.



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### Editorial postscript

This year marks the fifth issue of the Citizen Electronics Environmental Report. This report provides a summary of our philosophy regarding the global environment and an overview of our work towards environmental protection and social contributions along with the results that have been achieved.

This report has been compiled in an easily understandable format. It is hoped that this report will serve as a valuable information tool between Citizen Electronics and its readers. We would be grateful for any opinions or questions you may have.

• Issued in October 2005

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