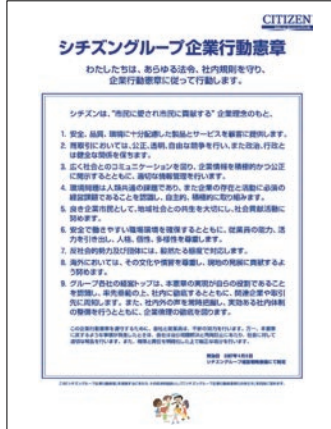


Compliance

As a priority of its CSR activities, the Group advances compliance-related risk management in a variety of ways.

Compliance Promotion Structure and Education

● Compliance and Risk Management Activities
 As a priority of its CSR activities, the Group advances compliance-related risk management based on the Citizen Group Code of Conduct.
 In conducting its activities, the Group emphasizes educational training and dialog with the central aims of raising awareness and improving the understanding of management and employees. We approach these efforts from socioeconomic aspects and ethical and aesthetic ones, striving to foster a corporate culture that enables lively debate and free discussion on compliance.



Code of Conduct poster

● Considering Clarification of Standards for Handling Compliance Violations
 As in the event of accidents or disasters, any compliance violations must be reported to the CSR Department at Citizen Holdings. We plan to clarify standards to enable consistent handling of violations at each Group company and to create a mechanism for compliance auditing.
 There were no major compliance violations at any of the Group companies in fiscal 2007.

Efforts at Each Group Company

- Utilizing CSR Activity Checklists**
 In fiscal 2007, Citizen Watch began checking compliance status by using CSR checklists. The items checked are reported and confirmed at the CSR Promotion Committee, which is managed by the CSR Promotion Department. From fiscal 2008, the items will be reflected in the audit plan for internal auditing purposes.
- Setting Up a Dedicated Webpage on the Corporate Intranet**
 In fiscal 2007, Citizen Electronics set up and launched a webpage dedicated to CSR compliance on the Citizen Electronics Group's corporate Intranet. We intend to establish a full-time organization aimed at planning the implementation of regular education and building an educational system.

Internal Reporting System

- Establishing Internal and External Hotlines**
 The Group has established an internal reporting system to forestall the eventualities of legal violations and misconduct based on dishonesty and to quickly identify cases in which a violation could occur to reduce all manner of risks.
 The Internal Reporting System Rules specify that whistleblowers' privacy be fully protected and that such employees not be treated unfairly. The rules also require fair and equitable investigations, opportunities for persons reported to refute the claims and reporting of the results of investigations back to the whistleblowers.
 In cases where employees find it difficult to consult their superiors—who are their normal reporting contacts—they may instead report violations to the hotlines at their respective company and at Citizen Holdings. In April 2008, we also set up an external hotline in light of the results of CSR awareness surveys and other research. We have worked to make an easier climate for reporting violations, such as by enabling anonymous reporting.
 To disseminate the internal reporting system within the Group, we provide contact information and precautions for reporting on the Group's Intranet. The intent and significance of the system is also explained in detail at training sessions for new recruits and newly appointed management staff.

Acceptance of Appropriate External Labor

In taking in external labor, Citizen Holdings transmits to each Group company the approach to compliance to keep in mind when hiring temporary employees and outsourcing, to ensure proper operations in line with employment contracts. The Company also monitors each Group company once a year to ascertain the status of temporary labor and outsourcing and encourages self-checks on the appropriateness of using external labor.