Risk Management

Citizen has established groupwide committees for each important business theme, including security trade control, subcontracting and information security.

Risk Management Structure

● Establishing Groupwide Committees for Each Important Business Theme

In response to the various risks in its business activities, the Citizen Group has constructed internal control systems and has established groupwide committees for each important business theme, including security trade control, subcontracting and information security. We will consider forming additional new committees to accommodate changing circumstances.

● Security Trade Control Committee

The Citizen Group Security Trade Control Committee is responsible for revising and abolishing rules concerning security trade control, disseminating basic policies and advancing measures at each Group company and rectifying and auditing when problems occur. As a subordinate organization with members from 17 Group companies, we have established the Export Control Company Coordinating Committee to request and manage the implementation of Group's security trade control rules at each Group company.

● Citizen Group Committee on Appropriate Subcontracting

The Citizen Group Committee on Appropriate Subcontracting is a controlling body that promotes Group compliance activities pertaining to subcontracting laws. The committee was established in fiscal 2005 and makes decisions on policy related to compliance with subcontracting law for the Group.

Continuing its auditing activities from fiscal 2006, the committee audited 19 Group companies in fiscal 2007. These audits verifiably resulted in improved compliance structure and manuals at each company, a greater number of companies performing their own internal audits and an otherwise steady improvement in compliance levels.

To enhance the systems for compliance with subcontracting laws, in fiscal 2008 the committee will continue to visit all the Group companies to conduct training sessions and increase the number of Group companies subject to an audit. In fiscal 2008, the committee will continue to visit all the Group companies to provide training sessions, increase the number of Group companies subject to audit and work to enhance systems for compliance with subcontracting laws.

An audit

● Information Security Committee

To manage all kinds of information in an appropriate and safe manner, and to protect such information from threats from within and outside the Company, in January 2008 the Group established the Information Security Committee, which formulates and manages policies and measures regarding information security. We plan to radiate the committee's activities steadily outward to permeate and take root throughout the Group.

Formulating a BCP to Reduce Disaster Risks

The Group has for some time maintained disaster prevention committees at all of its companies, each with disaster plans in the event of a calamity. However, a string of major earthquakes, as well as typhoons and other wind and rain disasters, have inflicted serious damage in recent years, underscoring the urgency of formulating a groupwide business continuity plan (BCP).

In fiscal 2007, Citizen Business Expert established the BCP Committee and began creating a BCP. In fiscal 2008, we plan to compile manuals that include coverage of management structure and to provide related information to each Group company going forward.

Disaster drill

Efforts at Group Companies

● Strengthening Disaster Drills

Every year, our Tokyo and Tokorozawa offices conduct disaster drills building by building or block by block at member Group companies. In fiscal 2007, 13 of these drills we carried out in Tokyo and nine in Tokorozawa. In addition, the offices had private fire brigades conduct monthly fire engine inspections in Tokyo, and had employees practice operating fire extinguishers and hydrants.

● Including Relocation Detection Devices as a Standard Feature

In light of its business characteristics as a producer and seller of tooling machines, Citizen Machinery considers security trade control a substantial area of business risk. As part of measures to combat related risks, in 2001 the company started installing relocation detection devices in its tooling machines for customers in Asia—an industry first. These devices lock machinery when they detect that it has been moved inappropriately, and since April 2007 have been included in all models and products shipped by Citizen Machinery.