Compliance

We enforce compliance as one of our top priorities as part of the Group's CSR activities, based on the Citizen Group Code of Conduct. Taking legal compliance as a starting point, we aim to promote activities that encourage morally and ethically sound practices.

Compliance Promotion Structure and Education

●Compliance Activities

We have established a CSR Committee at Citizen Holdings Co., Ltd. in order to promote CSR activities on behalf of the entire Group and to handle all aspects of policy planning and recommendations in relation to CSR. Group companies each have their own independent CSR promotion departments, which work in partnership with Citizen Holdings Co., Ltd. to implement initiatives such as compliance awareness, education and training activities. On an individual level, each company organizes group training and video training sessions based on their own educational framework, designed according to level of their employees.

We also organize separate educational CSR and compliance sessions for eligible members of staff at all Group companies as part of training for new recruits and induction training for new managers and new directors.

●Intellectual property management

Working in conjunction with intellectual property departments at Citizen Group subsidiaries, Citizen Holdings Co., Ltd.'s Intellectual Property Department operates a centrally controlled system for the development of the Group's intellectual property portfolio. On a specific level, this means that all intellectual property resulting from joint development undertaken by Citizen Holdings Co., Ltd.'s R&D Division and Citizen Group subsidiaries or development undertaken single-handedly by subsidiaries is coordinated from an overall perspective and centrally managed by Citizen Holdings' Intellectual Property Department.

Efforts at Each Group Company

●Monitoring compliance

Citizen Watch Co., Ltd. has set out departmental requirements in the form of CSR Activity Checklists to check the status of activities carried out by all departments and ensure compliance with the Citizen Group Code of Conduct.

The results are rated according to three levels, with audit plans then drawn up and internal audits carried out for all activities rated at the two lower levels. If there are still any items that are non-compliant or in need of improvement, the relevant department is instructed to implement corrective measures.

We intend to provide specific advice and make ongoing improvements in the future to enable a better understanding of the current status of activities and improve coordination between departments so as to improve standards and raise awareness of CSR activities.

●Setting up a dedicated CSR compliance webpage

In fiscal 2007, Citizen Electronics Co., Ltd. set up and launched a dedicated CSR compliance webpage on the Group intranet. In addition to the 12 domestic and overseas companies under the umbrella of Citizen Electronics, the webpage features details of Citizen Holdings' corporate philosophy, management, environmental and quality policies and annual CSR targets and is intended to establish a stronger sense of solidarity within the Group. Employees can also access the internal reporting system and Corporate Ethics Hotline via the same page.

Internal Reporting System

●Establishing internal and external hotlines

We established the Citizen Group Corporate Ethics Hotline in an effort to prevent any legal violations or misconduct stemming from dishonest actions and quickly identify issues that could potentially result in such a violation, thereby minimizing risks and helping to foster a self-regulating organizational culture.

The Internal Reporting System Rules state that the reporting party's privacy must be respected. They also state that all charges must be investigated in an open and fair manner, that the subject of the report must be given the opportunity to refute claims made against them, that the reporting party must be notified of the outcome of any investigation and that the reporting party must not be subjected to unfair treatment. In addition to the existing system, in April 2008 we also set up an external hotline to enable employees to file reports anonymously.

Having publicized internal hotline services extensively, we have created an environment in which it is easier for employees to seek advice, resulting in an increase in the number of reports, as outlined below (see CSR Awareness Questionnaire Q3, p17).

We dealt with reports during fiscal 2008 by verifying the facts in accordance with internal reporting regulations, taking any necessary action and providing the reporting party with feedback as appropriate.

Breakdown of internal reports (Fiscal year)

	2007	2008
Relationships in the workplace	1	6
Violations of internal rules	2	3
Communication with superiors	1	2
Suspected compliance violations	1	2
Mental health	—	2
Abuse of authority	—	2
Customer relations	—	2
Methods of disclosure	2	—
Information security	1	—
Other matters	—	1
Total	8	20

(Reports)