Risk Management

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

Risk Management Structure

●Establishing Group-wide committees

In order to address the various risks inherent in the Citizen Group's business activities, we operate internal control systems and have established Group-wide committees for each important area. We will consider forming additional new committees in the future to accommodate changing circumstances.

●Security Trade Control Committee

The Citizen Group Security Trade Control Committee is responsible for implementing various measures and providing Group companies with advice, education and information so as to ensure that security export controls are enforced without exception throughout the Group, in accordance with the Citizen Group Security Trade Control Rules. In order to promote such activities, we have also established an Export Control Company Coordination Committee consisting of members from 15 Group companies.

●Committee on Appropriate Subcontracting

The Citizen Group Committee on Appropriate Subcontracting has continued to reinforce education regarding subcontracting legislation as one of our priority measures during fiscal 2008. In addition to existing basic seminars, the committee improved the contents of educational activities from a more practical standpoint in fiscal 2008, introducing new practical seminars aimed at highlighting incidents that have occurred within the Group in the past and teaching members of staff how to deal with such situations in an appropriate manner.

Seven basic seminars and nine practical seminars were organized during fiscal 2008, with a total of 620 Group employees taking part. Our aim is to reinforce subcontractor compliance systems through human resource development.

●Information Security Committee

The Information Security Committee has established a new subordinate organization in the form of the Information Security Coordination Committee. Whereas the Information Security Committee consists of management personnel from operational management companies, the Coordination Committee is made up of supervising personnel responsible for practical aspects of information security at individual Group companies. The Information Security Committee is responsible for approving proposals and dealing with any incidents that occur, from organizing initial meetings to resolving the relevant issue. The role of the Coordination Committee meanwhile is to discuss specific issues and request approval from the Information Security Committee in the case of key proposals, such as those relating to changes in security policy.

Formulating a BCP to Reduce Disaster Risks

We have had in place the necessary framework and emergency plans in the event of a disaster, including disaster prevention committees at all Citizen Group companies, for some time now. In fiscal 2008, the BCP Committee at Citizen Business Expert formulated a business continuity plan (BCP) in the event of an earthquake directly underneath Tokyo, compiling manuals detailing specific procedures in all areas and checklists to enable procedures to be implemented efficiently. BCP will be extended to all

Emergency drill at our Tokyo Office

Group companies in the future.

In terms of measures to guard against new strains of influenza, we have provided employees at all Group companies with information on how to prepare and protect themselves from infection and intend to work on a BCP in the future.

Efforts at Group Companies

●Introducing a safety confirmation system

The safety confirmation system is designed to be used by Citizen Electronics Co., Ltd. as an emergency contact network in the event of a disaster.

The system is essential from the standpoint of business continuity, as a means of quickly and effectively confirming that all employees (and their families and dependents) are safe in the event of a large-scale disaster. Other potential uses for the safety confirmation system include the following.
(1) Contacting all employees with urgent information, such as site closures due to heavy snow or changes to work hours
(2) Contacting specific employees with urgent information

●Including Relocation Detection Devices as a Standard Feature

In order to comply with the Foreign Exchange and Foreign Trade Act, we are working to prevent the illegal export, resale and relocation of machine tools via Citizen Machinery Co., Ltd. We fit relocation detection devices to all of our products in every series as standard, irrespective of whether they are bound for the domestic market or overseas markets. Such devices are designed to stop machine tools from working if they are relocated and can be used to control exports, by preventing the illegal use of machine tools for instance or verifying the location of machinery. We also license technology relating to such devices to other machine tool manufacturers.