

## Compliance

### Compliance Promotion Structure

The CSR Committee at Citizen Holdings Co., Ltd. is responsible for promoting CSR activities on behalf of the entire Group and handles 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 to implement initiatives such as compliance awareness, education and training activities. 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 Structure

Citizen Holdings Co., Ltd. is responsible for formulating intellectual property policies on behalf of the entire Group and putting in place a Groupwide intellectual property management structure. It is through activities such as these that we make every effort to prevent infringements on third-party intellectual property rights, whilst also working to promote distinctive design and technology, protect our own intellectual property, ensure a reasonable level of freedom for our business activities and expand our operations.

We are also actively tackling trade in counterfeit goods in order to preserve the integrity of the Citizen brand.

### Internal Reporting System

We established the Citizen Group Corporate Ethics Hotline to enable the prevention or early detection of legal violations or misconduct stemming from dishonest actions and to improve levels of self-regulation. Our Internal Reporting System Rules state that the reporting party's privacy must be respected. They also state that the subject of the report must be given the opportunity to refute claims made against them and that the reporting party must not be subjected to unfair treatment. We have continued to foster a culture of reporting and have also had an external hotline in place since 2008 to enable employees to file reports anonymously. In response to a CSR awareness survey carried out during fiscal 2009, almost 70% of employees said that they were aware of the Citizen Group Corporate Ethics Hotline. When asked if they would use the Corporate Ethics Hotline, 16% said that they would not use the service, with a further 42% remaining unsure. The most common reason given was "I am not convinced that my privacy would be protected." With these findings in mind, we will make every effort to further publicize and improve the reliability of our hotline service in the future.

## Risk Management

### Risk Management Structure

To adequately manage the wide range of risks inherent in the Citizen Group's business activities, we have formulated a set of Basic Risk Management Rules and put in place a Groupwide risk management promotion structure. Having done that, the next step will be for the CSR Committee to determine specific policies and measures, which will then be rolled out to individual Group companies via the Citizen Group CSR Promotion Committee.

### Security Trade Control

We set out the Citizen Group Security Trade Control Rules in order to effectively enforce security trade controls within the Citizen Group. The Citizen Group Security Trade Control Committee meanwhile, which consists of five of the main companies that make up the Citizen Group, provides individual Group companies with advice, education and information and handles other operations such as auditing. In order to promote compliance activities, we also have in place the Export Control Company Coordination Committee, which is made up of 14 Group companies that export products on a daily basis.

### Information Security

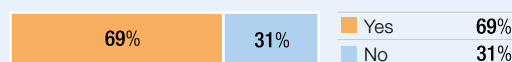
We established the Information Security Committee to ensure that information is handled adequately and securely and protected from threats, from both inside and outside the Citizen Group. In addition to revising the Citizen Group Information Security Policy, in fiscal 2009 we also discussed measures to prevent information leaks from USB memory devices, primarily via the Information Security Promotion Committee, a subdivision of the Information Security Committee. We intend to formulate a set of standard guidelines for the entire Group in the future. During fiscal 2009, we also organized online e-learning courses in information security and personal data protection.

TOPICS

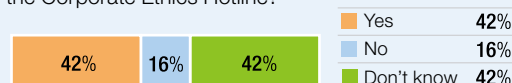
### Results of CSR Awareness Surveys

In an effort to ascertain the level of awareness of CSR and corporate ethics within the Citizen Group, we have been conducting CSR awareness surveys targeting employees at subsidiaries (including temporary employees) since fiscal 2007.

#### Q.1 Are you aware of the Corporate Ethics Hotline?



#### Q.2 If you discovered a legal violation, would you use the Corporate Ethics Hotline?



[No. of respondents]FY2009: 6,605 out of 9,031 (73.1% response rate)

