

CSR Targets and Initiatives

Fiscal 2010 initiatives

For fiscal 2010, we defined four major challenges: first, strengthening overseas CSR activities; second, developing business continuity plans (BCPs) for use in the event of

disasters; third, introducing CSR standards for purchases; and fourth, promoting social contribution activities. On the basis of these challenges, individual companies set CSR activity goals and took steps to meet them. The following explains some of our overseas activities and our actions related to the BCPs.

CSR targets and results during fiscal 2010 and issues for the future (excerpts) A: Target achieved B: Target mostly achieved C: Issues remaining D: Not implemented

Code of Conduct	CSR targets	Company	Results	Rating	Initiatives and issues for the future
1. Product safety and quality	Proper actions on business continuity plans ● Adopting an advance plan as a division model ● Developing a medium-term plan for the entire company	CITIZEN SEIMITSU	● The division model conducted activities mainly in intangible aspects to meet requests from customers. ● With respect to the development and proposal of business continuity plans for the entire company, manuals and procedures were prepared. ● A medium-term plan was drawn up for full implementation in the following fiscal year.	A	● Expansion of activities in the division model to the whole company ● Addition of power generators to the investment plan for the following fiscal year ● Revision of business plans, manuals and procedures in view of the issues on earthquake control measures
4. Environmental management	Energy efficiency improvement at factories ● A target of raising the LED lighting ratio to 50%	CITIZEN ELECTRONICS Subsidiaries in China	LED lighting was introduced to the entrance, lobby, corridors for visitors, reception room, meeting rooms, and offices. It now constitutes around 20% of all lighting in the new works.	C	Addition of LED lighting as soon as devices developed by CITIZEN ELECTRONICS arrive
8. Contributions to overseas local communities	Executing CSR activities at China-based plants in a bid to win respect from local communities ● Employees' safety ● Observation of laws ● Efforts on environmental improvement	CITIZEN TOHOKU Subsidiary in China	● Education with a focus on safe operations was provided in line with the quality education activity for a million employees run by the local government, leading to an 18% reduction in workplace injuries. ● Action for clean production will be continued. ● The subsidiary was honored with a cash award under the Pengcheng Jianfei initiative of the local city government.	A	● Safety: Removal of latent dangers in the workplace ● Welfare: Introduction of a housing reserve scheme ● Environment: Continuation of clean production activities (for reducing the generation of grinding dust) ● Production and quality improvement activities (for boosting customer confidence)
8. Contributions to overseas local communities	Compliance with laws and regulations and response to institutional reforms ● Compliance with environmental regulations (wastewater, atmosphere, etc.) ● Compliance with import and export regulations (international trade control) ● Response to institutional risks	CITIZEN SEIMITSU Subsidiary in China	● Environmental regulations: Readiness for wastewater and atmosphere regulations and measurement of environmental indicators and action on normal wastewater control and on reducing wastewater to zero. ● Import and export regulations: Somewhat insufficient in balance control ● Institutional risks: Purchasing of labor insurance in consultation with governmental authorities	B	● Continued enhancement for compliance with laws, regulations, and systems

Summary of fiscal 2010 and issues for the future

For fiscal 2010, we focused our efforts on the four major challenges. For fiscal 2011, we will continue to improve

Group-wide levels in a sustained effort to produce positive results.

Internal Reporting System

We have set up a Corporate Ethics Hotline in accordance with Internal Reporting System Rules for prevention or early detection of legal violations or misconduct stemming from dishonest actions and for improvement in the 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.

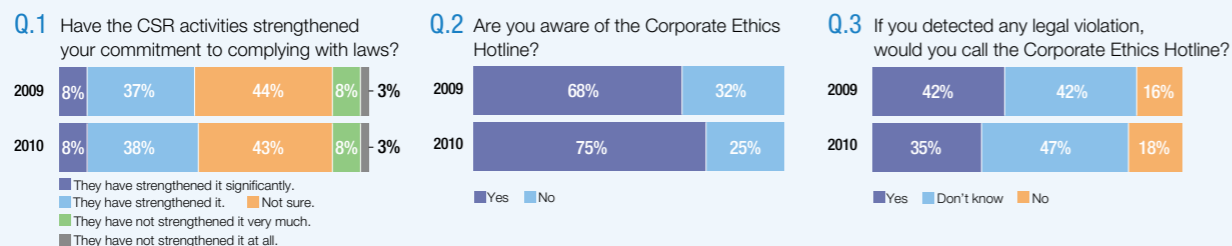
The fiscal 2010 CSR awareness survey shows that around 75% of employees were aware of the Corporate Ethics Hotline. When asked if they would use the Corporate Ethics Hotline, 18% said that they would not use the service, with a further 47% remaining unsure. The most common reason given was "That depends on the case," followed by "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.

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 a CSR awareness survey targeting employees at subsidiaries (including temporary employees) every year.

[No. of respondents] FY2009: 6,605 out of 9,031 (73.1% response rate)
FY2010: 6,651 out of 8,677 (76.7% response rate)



Basic Approach to Risk Management

We are working on risk management for the purposes of properly controlling risks that may impede the realization of our Corporate Philosophy, the accomplishment of management plans, and the fulfillment of our social responsibility to achieve sustainable growth in corporate value.

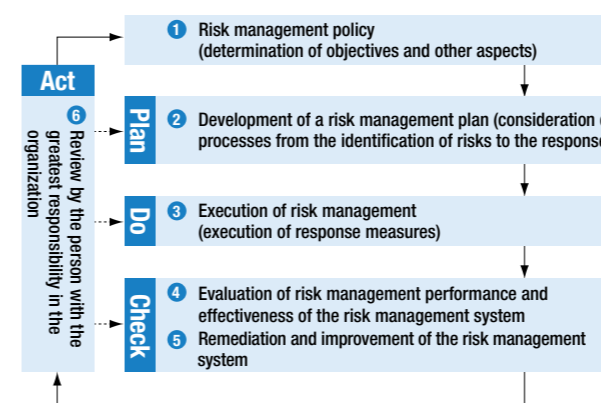
Risks involving the Group are classified into two types: strategic risks and operational risks. The strategic risks are dealt with by the Management Committee and by the Operational Management Committee, whereas the operational risks are addressed by all companies in the Group in an organized manner.

Promotion of Risk Management

We have developed Basic Risk Management Rules. In the executive section, the Group CSR Promotion Committee monitors the operational risks of individual companies in the Group to determine whether they should be addressed by individual companies or by a Group-wide committee or equivalent body. A proposal is then made to the CSR Committee. Risks referred by the Group CSR Promotion Committee are considered by the CSR Committee. The resources needed to deal with the risks are then coordinated within the Group. If necessary, proposals are made to the Group Management Committee.

During fiscal 2010, risks were analyzed and evaluated mainly at individual subsidiaries. They studied their own actions for the following fiscal year. With regard to business continuity plans (BCPs) for use in the event of disasters, regarded as a high priority risk for the Group, individual companies took their own actions. We will review common issues to develop the BCPs. As trade secret management, a Group-wide initiative will commence in fiscal 2011.

Basics of the Risk Management Process



Overseas Risk Management

Fundamentally, operating subsidiaries should be in charge of overseas risk management. In fiscal 2010, we began by seeking to understand the circumstances in China and marshaling issues. In China, there are challenges of coping with risks associated with changes in different laws, regulations, and systems and risks in personnel management policies, including labor issues. In view of management strategies, we share three points with the relevant departments to address business risks. These are: first, the system for information gathering and sharing at Chinese works (risk of information inadequacy); second, the system for responding in the event of emergency (risk of slow emergency response); and third, the system of minimal necessary day-to-day management as a function of the headquarters or head office on the Japan side (risk of information confusion).

Business Continuity Plans (BCPs)

We are working to develop business continuity plans (BCPs) to prepare for natural disasters, specified as a high priority risk in the risk evaluation carried out by individual Group companies. Given that actions vary from company to company depending on local conditions, the scale and structure of their businesses, and other circumstances, individual companies studied suitable plans and began taking action. Meanwhile, the Group is studying actions that are difficult for individual companies to take on their own for reasons of resource efficiency.

Priority actions in BCPs in the event of natural disaster include, first, clarifying the chain of command; second, clarifying the functions of the head office and other key workplaces; third, making information public; fourth, backing up information systems; and fifth, supplying products and services. To address these issues, Group companies act according to their own order of priority. In their actions, priority is placed on ensuring and confirming the safety of human lives.

Learning from the delays in confirming the status of employees and their families in the wake of the earthquake in March 2011, we have introduced a safety confirmation system designed to enable rapid confirmation of the safety of Group employees and their families and for providing quick instructions.