

The Citizen Group's CSR and Risk Management

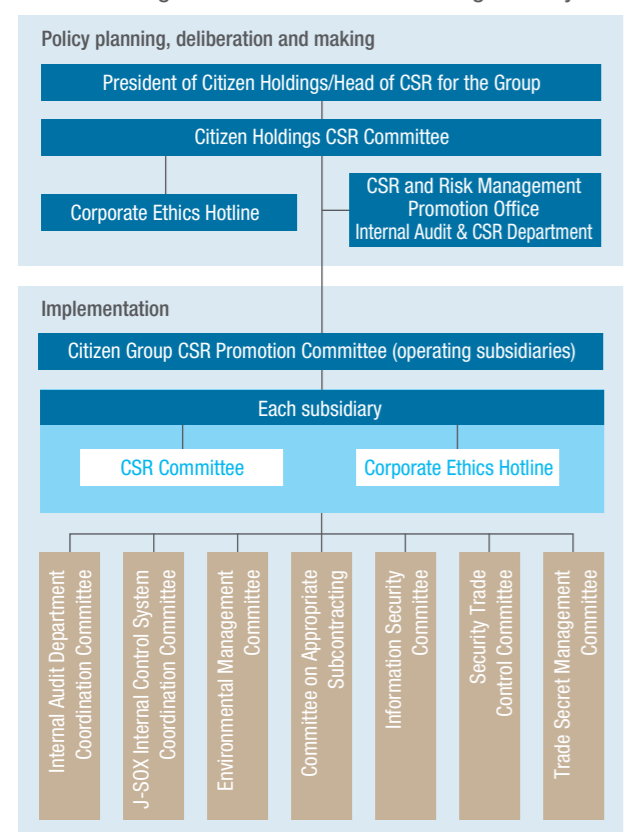
CSR and Risk Management Promotion Structure

Under the Citizen Group's CSR and Risk Management system, the president of Citizen Holdings bears overall responsibility, and the CSR Committee, composed of representative members of Citizen Holdings, reports directly to the president and plans and proposes guidelines and policies for the Group.

As an executive body, the Group CSR Promotion Committee consists of supervisory personnel in charge of CSR selected from the operating subsidiaries. Individual subsidiaries have their own CSR committees. In addition, committees are set up with the participation of the Group companies to plan and implement policies for concerns that are important to the entire Citizen Group. The auditing departments of these companies join forces to audit and evaluate the effectiveness and efficiency of these efforts in terms of governance, with the aim of improving the quality of corporate actions.

Individual subsidiaries carry out activities to raise awareness of compliance. They offer CSR education based on their own educational frameworks designed for according to the job classifications of their employees. If the need arises, we conduct CSR and compliance education for all the companies in the Group.

Schematic Diagram of Our CSR and Risk Management System



Relations with Stakeholders

The Citizen Group's business activities are built upon relationships of trust with a variety of stakeholders. Our aim is to communicate with our stakeholders and to bring our corporate philosophy to fulfillment.

The Citizen Group's Stakeholders



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.

CSR and Risk Management Efforts

The Citizen Group has developed Basic Risk Management Rules. The Citizen Group CSR Promotion Committee in the executive departments monitors operational risks in each Group company 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. The CSR Committee then considers the risks that the Group CSR Promotion Committee has referred. The CSR Committee coordinates the resources needed to deal with the risks within the Group, and if necessary, it makes proposals to the Group Management Committee.

In fiscal 2011, we continued work on a risk that the Citizen Group as a whole had designated as high priority in its fiscal 2010 risk evaluation: business continuity plans (BCPs) for use in the event of a disaster. We inspected and evaluated our manufacturing companies in particular. In addition, we formulated Group Trade Secret Management Rules for dealing with trade secrets and began implementing them throughout the Group.

The criteria for risk evaluation in fiscal 2011 were set up so that they could be stated in quantitative terms as much as possible. As a result of evaluations conducted throughout the Group companies, it was decided to position maintaining safety overseas and dealing with emergency situations as major issues for fiscal 2012.

Post-Disaster Business Continuity Plans (BCP)

The Citizen Group has been working on a post-disaster BCP for several years, but our experiences during the Great East Japan Earthquake of March 2011 prompted us to improve our post-disaster BCP to make it more effective.

In fiscal 2011, we focused on first saving human lives and then bringing manufacturing plants back on line. The manufacturing companies in particular examined and evaluated a set of questions that was uniform across the entire Group. As a result of these investigations, we uncovered the following two issues.

Recovery Systems

Each Group company has an emergency response system in place, but they have delayed in setting up recovery scenarios. In specific terms, this means setting up a timeline for recovery and positing procedures and methods for restarting operations in each department.

Alternative Production Facilities/Other Aspects of Business Continuity

We need to conduct further studies and investigations of these matters in terms of supply chain management.

Issues for Group Companies by BCP Implementation Status

- ① Companies that have been working on BCPs since before the 2011 earthquake: They will implement their plans laterally within their own Groups.
- ② Companies that began considering BCPs before the 2011 earthquake: They have accelerated their efforts since the earthquake, but they will inform and train their employees further, including conducting disaster drills.
- ③ Companies that began implementing BCPs after the 2011 earthquake: The entire company will accelerate its efforts.

In specific terms, these plans will be conceived and carried out with consideration for each company's regional characteristics, corporate structure, and size, as well as kinds of potential natural disasters and the degree of

damage. We will set up a framework in which activities that might prove useful to others can be actively shared throughout the Group, even as companies share information among themselves.

Internal Reporting System

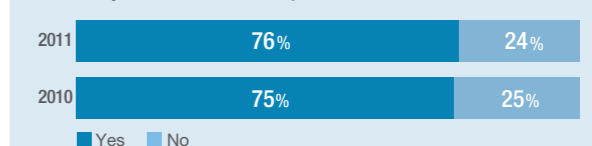
We have set up a Corporate Ethics Hotline in accordance with the Internal Reporting System Rules, both for prevention or early detection of legal violations or misconduct stemming from dishonest actions and for improvement in the levels of self-regulation. Our Internal Reporting System Rules state that 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.

Furthermore, since 2008, we have had an external reporting hotline in place, one that allows employees to file reports anonymously. This is just one of the ways in which we have created and operated an environment that encourages employees to report misconduct.

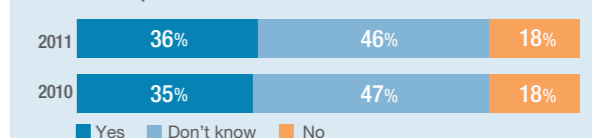
Results of CSR Awareness Surveys

The Citizen Group conducts a CSR awareness survey every year in order to determine the degree to which employees are aware of CSR and corporate ethics.

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



Q.2 If you detected any legal violation, would you call the Corporate Ethics Hotline?



* Response rate in 2011: 75.3% (6,849 of 9,097 persons), 2010: 76.7% (6,651 of 8,677 persons)

Topics Exchanging Opinions with Students at Musashino University

Students at Musashino University wrote an evaluation of our 2011 CSR Report from the perspective of job seekers considering joining the company as new employees. We took the opportunity of receiving the report to exchange opinions with the students. We received much valuable feedback, such as the dearth of information relevant to a prospective employee. We plan to create similar opportunities for exchanges with our outside stakeholders in the future.

