

Compliance and Risk Management

Compliance Measures

The Citizen Group undertakes compliance measures based on the Group Code of Conduct as a priority issue within its CSR activities. Each group company periodically conducts compliance training and e-learning and encourages employees to act in accordance with ethical and moral principles as the foundation of legal compliance. To prevent legal violations and improper conduct and improve self-regulation, internal and external corporate ethics hotlines were established, rules adopted to protect the confidentiality of reporting parties and ensure that they do not suffer any detriment, and a reporting environment that ensures anonymity was created.

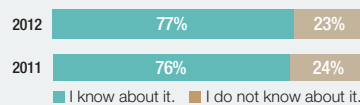
Example of Measures

Measures to Improve Reporting Hotline Functions

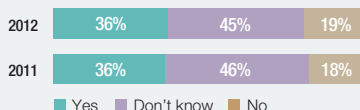
The CSR awareness survey conducted each year of all group employees including temporary employees reveals that a majority of employees respond to the question “Do you make use of the corporate ethics hotline?” by answering “I do not use it/I don’t know if I will use it.” Many of the respondents indicate that the reason for this is they are insecure whether confidentiality will be ensured. In response to this result, the Group is continuing its efforts to raise awareness of and confidence in the ethics hotline.

Results of the CSR Awareness Survey (excerpts)

Q.1 Do you know about the corporate ethics hotline?



Q.2 If you discovered a violation of law, would you use the corporate ethics hotline?



Response rate 2012: 81.1% (7,540 out of 9,297 employees)
2011: 75.3% (6,849 out of 9,097 employees)

Security Trade Controls

Citizen Machinery Miyano installs relocation detection functions on all products and is reinforcing export controls to prevent improper use of machine tools. It will continue to comply rigorously with the Foreign Exchange and Foreign Trade Act and to take measures to prevent improper export of machine tools and improper resale or re-export overseas.

Risk Management Measures

The Citizen Group conducts risk management with the objectives of putting into practice its corporate principles, properly managing risks that could become factors preventing the implementation of management plans, meeting the Group’s corporate responsibilities, and contributing to higher corporate value. In 2012, the Group continued its work from the previous year on business continuity planning (BCP) to prepare for disasters and on implementation and establishment of management of confidential information (see page 16). Individual subsidiaries conducted risk management that takes into consideration regional characteristics and business formats, and overseas business sites took measures to ensure safety in response to emergency situations.

Example of Measures

Disaster-Response Business Continuity Planning

In response to its experiences following the Great East Japan Earthquake, the Citizen Group is working to establish more effective disaster response BCP systems. In fiscal 2012, the results of the BCP diagnoses conducted group-wide last year were reported in the Group Management Committee, and individual subsidiaries were called on to address issues. Periodic confirmation by the Citizen Group CSR Promotion Committee supports steady implementation. Subsidiaries are located in various regions around the country, which makes it important to take measures that give specific consideration to individual business formats, scale of operations, types of potential natural disaster, and the degree of damage. The Group is also working to improve functions for sharing information within the Group concerning measures that can serve as reference for other subsidiaries.

Reinforcing Measures Against Counterfeit Products

Citizen Holdings is putting significant efforts into measures against counterfeit products as a part of increasing corporate value. Ignoring counterfeit Citizen products would not only harm the Citizen brand and public confidence in the company, there is a risk that customers will purchase low-quality products. Accordingly, Citizen Holdings is working with public agencies in various countries to provide warnings to manufacturers, distributors, and retailers of counterfeit products and detect counterfeits in accordance with the law. We also investigate and demand cessation by major online sellers of counterfeit products and are working to exclude counterfeit products by eliminating imports and exports at customs in various countries and regions.