

# Compliance and Risk Management

Casio is executing CSR-driven management that emphasizes the complete integration of everyday business and CSR initiatives. This is the most direct, pragmatic route to realizing the corporate creed of “Creativity and Contribution.”

## Executing CSR-driven Management

As president Kazuo Kashio said in his message at the front of this report, Casio has been: (1) striving to realize its corporate creed of “Creativity and Contribution” since the very beginning; (2) working towards improvement of its corporate value by reinforcing its system of internal controls; (3) creating new value to help resolve various issues facing the global community; (4) implementing environmental innovations that integrate resource conservation and energy saving features; and (5) increasing transparency by creating interactive communication.

In order to realize these commitments, Casio is promoting various policies such as adherence to the Charter of Creativity for Casio and the Casio Common Commitment, effective compliance and risk management, environmental protection activities that include management of harmful chemical substances, and interactive communication with stakeholders.

In order to integrate everyday business with CSR activities, Casio set up a CSR Committee in 2004, consisting of the company directors and auditors. This committee discusses and mandates specific policies and strategies for each CSR issue.

Casio has also been working urgently to reinforce its system of internal controls, responding to legislation in the wake of the recent series of corporate scandals both in and outside Japan. The company is committed to meeting stakeholder demands for fair and transparent corporate management.

Each management department at Casio has long been independently engaged in preventive measures for anticipated risks and in ensuring compliance with all relevant laws, social norms, and corporate ethics. Now however, Casio is also pursuing a group-wide approach to strengthening compliance and risk management efforts.

## Compliance and Risk Management

Along with the establishment of the Charter of Creativity for Casio and the Casio Common Commitment in 2003, printed cards featuring both texts were issued to each employee. Every employee has signed one and carries it as a reminder.

Every year, company officers and department heads sign a pledge that they will observe these company policies and

take responsibility for educating their subordinates and colleagues about them. The previously established Casio Code of Conduct has also been revised, and serves as the basis for the good conduct of all employees.

In order to ensure that all Casio employees are well informed about and adhere to all compliance requirements, Casio has launched CASIO Style, an intranet site for its employees. The site includes messages from top management on the type of company Casio should strive to be.

In addition, subcommittees have been set up under the CSR Committee to deal with important laws that affect the entire company such as the laws on the protection of personal information and export management. This is part of a compliance system that also includes the group companies.

Meanwhile, Casio has established basic policies for risk management that include group-wide compliance, based on the corporate creed and the Charter of Creativity for Casio. The company is working to create a risk management system that complies with Japan’s Company Law, which took effect in May 2006, and the revised Securities Exchange Law, which was passed in June 2006 and will take effect in the near future.

### Recommendation from Japan Fair Trade Commission Following a Violation of the Subcontract Act

On September 22, 2005, Casio Computer Co., Ltd., received a recommendation from the Fair Trade Commission for a violation of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (the Subcontract Act) concerning a reduction in amounts paid to subcontractors.

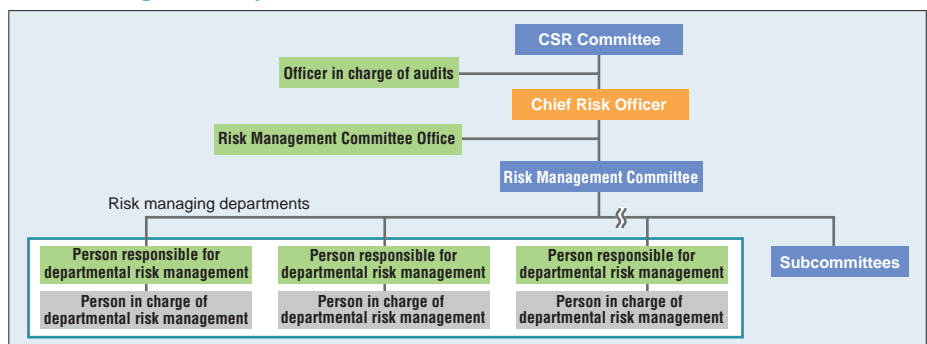
Casio Computer Co., Ltd., and certain suppliers had agreed in advance that, when the company ordered work exceeding a certain normal value within a given period of time, it would pay an agreed reduced amount, less than the actual value of the order. Despite the mutual consent of the parties, however, the Fair Trade Commission determined that part of this operation constituted a violation of the Subcontract Act.

Casio Computer Co., Ltd., regarded this recommendation with the utmost seriousness, and set up a Compliance Committee on the Subcontract Act that includes group companies. The company also re-inspected all of its subcontractor transactions, educated the persons involved, revised its procedures, and made other efforts to improve Casio’s compliance system. The company has taken thorough action to ensure legal compliance and prevent any reoccurrence of such an incident.



CASIO Style

## Risk management system



## Whistleblower Hotline

In April 2006, after Japan's Whistleblower Protection Act took effect, Casio established a Whistleblower Hotline and appointed an employee in charge of the whistleblower system at each of the group companies.

The hotline has been created to respond to opinions, questions and queries not only from current and retired full-time Casio employees, but also from contract, part-time, and dispatched workers, as well as subcontractors, and anyone else doing work for Casio in any capacity. The hotline enables Casio to discover problems in the early stages, so that measures can be taken to avoid incidents, with the goal of practicing fair and honest management. The confidential hotline has offices in and outside the company, and people with important information to report are able to call a special number, send an email, fax, or letter, or directly visit the offices in person. Accordingly, this hotline serves as a neutral and fair intermediary between the company and people with information to report. The information provided to the hotline is subject to factual confirmation by the Whistleblower Hotline Office, which is headed by an officer of Casio Computer Co., Ltd. The office checks whether the reported activity may be illegal, dishonest, or unethical. If any problems are discovered, an investigation team is immediately formed to check and verify the activity, and then appropriate measures are taken.

As the Whistleblower Hotline Office controls all the information obtained from the group companies in Japan regarding these activities, the privacy of those making calls and those that are the subject of the calls is thoroughly protected. Casio has also established Basic Regulations for the Whistleblower Hotline, which prohibit the dismissal of an employee for making a hotline report. They also prohibit demoting, or cutting the pay of such an employee, or ordering the employee to stay at home, discriminating against the person through pay, or forcing the employee to retire. The protection of hotline callers is carefully secured.

## Personal Information Protection

### Philosophy on personal information security

Casio is aware of its important social responsibility to keep secure information that it collects from customers and other stakeholders in relation to its business activities. Casio strives to maintain the highest level of information security. In anticipation of full implementation of Japan's Act on the Protection of Personal Information in April 2005, Casio launched its Protection of Personal Data Project in June 2004, to ensure that all employees of the group are able to manage personal information properly. At this time, Casio began formulating and implementing specific policies and procedures. Then, in February 2005, Casio established its Policies on Personal Information Protection to specify the methods of properly securing personal information. Casio has established all the rules needed to ensure full protection of personal information, and is ensuring that all its officers and employees have a thorough understanding of them.

### Personal information protection system

Casio Computer Co., Ltd., has appointed the Executive Vice President to the position of Chief Privacy Officer (CPO) and personal information manager and constructed a system for personal information protection under his direction. With the support of top management, all employees and officers are being urged to cooperate with measures to protect personal information. In March 2005, the company set up the Personal Information Protection Office, which inherited the functions of the Protection of Personal Data Project. Three positions were created in this office to handle customer service, information systems, and employee education, respectively. In addition, two leaders were appointed in each department to promote efforts relating to personal information protection at the department level.

### Privacy Mark certification

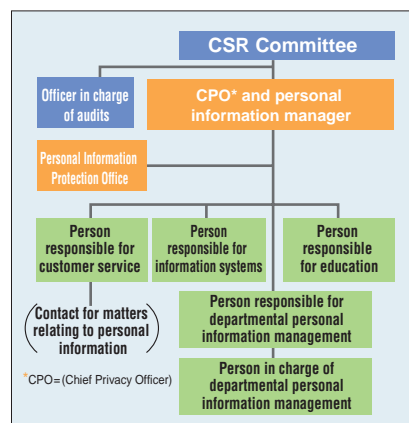
As part of Casio's drive to strengthen its system for safe and proper handling of personal data, Casio Computer Co., Ltd., has worked hard to qualify for the Privacy Mark\* certification. As a result of these efforts, the company received the Privacy Mark certification on December 27, 2005.

In fiscal 2005, all personal data held by the company was inventoried, rated, and subjected to a risk analysis, meeting the requirements of the JIS Q 15001 compliance program relating to personal information protection. Based on the results of this analysis, the company established various rules and took additional steps. These steps promoted as a PDCA cycle (plan, do, check, act) management system, including education for all employees and officers, tighter control of information system access and computer logs, reexamination of agreements on the handling of personal data signed with its business partners, and implementation of internal auditing, correction, and other improvements. After completing these efforts, Casio Computer Co., Ltd., filed an application for certification in March 2005. After a documentary audit and onsite inspection, the company was granted Privacy Mark certification in December of the same year.

Accompanying the Privacy Mark certification, Casio will continue to take further measures for the protection of personal information in and outside the company. By strengthening its information security and personal information protection, Casio strives to maintain the confidence of its customers.



### Personal information protection system



\*Privacy Mark: A program where the Japan Information Processing Development Corporation, a public-service foundation, evaluates the adequacy of corporate protective measures related to the handling of personal data. Companies that are found to have adequate protective measures in place are certified and permitted to display the Privacy Mark.