

# Compliance and Risk Management

## Casio's Approach to Compliance and Risk Management

Compliance is the foundation for all corporate social responsibility. The Charter of Creativity for Casio, the Casio Common Commitment, and the Casio Code of Conduct form the foundation that governs the behavior of all Casio employees, and the company promotes risk management focused on compliance while constantly working to reinforce the relevant mechanisms.

Casio has also established a Whistleblower Hotline, and has put in place a framework for responding appropriately to internal alerts. This three-in-one approach represents a robust means of ensuring compliance.

“Without compliance, there is no CSR.”



**Makoto Kobayashi**

CSR Operations Section

“Naturally, companies should comply with laws and observe social norms, but in the real world, all sorts of problems arise, and there are many examples of corporate scandals in the past that attest to this fact.

Although it is unspectacular work, I think it is vital that we always have our feet planted solidly on the ground to ensure compliance.”

## Compliance and Risk Management

Casio established the Risk Management Committee under the CSR Committee, and a system is in place that brings together the main risk management departments and the committee secretariat, which is the principle executor of risk management activities under the committee. The activities of the Risk Management Committee are also monitored by the Internal Audit Department.

At the start of the fiscal year, the main risk management departments lead the effort to take an inventory of risks, analyzing and evaluating risk using indicators such as probability of occurrence and level of potential impact, with the aim of better visualizing risks. In fiscal 2008, Casio focused particularly on risks related to compliance, setting an order of priority for measures in order to prevent legal violations or misconduct. While confirming the progress and results of individual measures against risk, the Risk Management Committee convened periodically to discuss the countermeasures, and to ensure that the relevant activities extended through the entire organization.

In the final months of the fiscal year, Casio evaluated the performance of the measures, and undertook an evaluation of the effectiveness of the system, and the Internal Audit Department also carried out an audit.

By these means, the company identified all outstanding issues, which will be addressed in the activities for the next fiscal year, resulting in continuous improvement of the system.

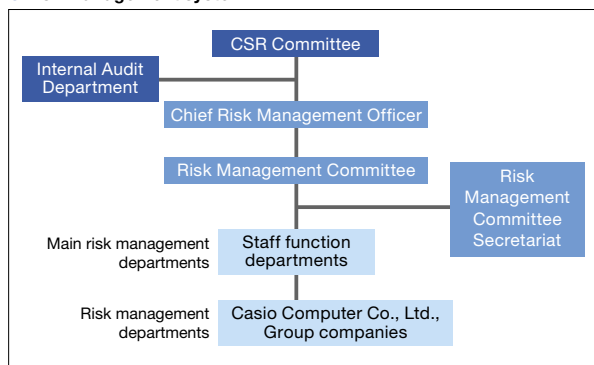
## Responding to Emergencies

The environment in which companies operate presents a variety of risks, and responding to incidents quickly and flexibly is a crucial aspect of business management. In the event of an emergency, saving human life takes first priority, and this requires an initial response that is both rapid and appropriate. In order to respond to these contingencies with the resources of the company organization, Casio has created a Crisis Management Manual for securing the safety of all employees, directors, and their families, preserving corporate assets, and maintaining business activities.

Sequential updates of the manual keep pace with changes in the business environment, and the company is taking specific practical initiatives at the same time. These initiatives include evacuation drills for employees, development of disaster prevention support tools and distribution within the company, and the building of a structure to eliminate any possibility of influence from antisocial groups.

In addition, at the main sites for Casio Computer Co., Ltd., the company cooperates with community leaders, the local government, police and fire departments in periodic exchanges of information concerning disaster prevention, as well as discussion of approaches to improving cooperative structures in the region. These exchanges are reflected in specific measures such as regional disaster prevention training and stockpiling of relevant equipment and supplies.

### Risk management system



### Kochi Casio Earthquake Disaster Prevention System

Kochi Casio Co., Ltd., has taken the pioneering step of adopting a real-time earthquake disaster prevention system. This system has a function for sounding an alarm before a major earthquake occurs. The system is expected to have a significant impact on ensuring the safety of employees and plant facilities, for example by allowing potentially dangerous operations to be stopped in advance.



## Information Security

Casio is aware of its important social responsibility to maintain the security of 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. With the full implementation of Japan's Act on the Protection of Personal Information, Casio launched the Protection of Personal Data Project. Furthermore, as part of Casio's drive to strengthen its system for safe and proper handling of personal data, Casio Computer Co., Ltd., worked to qualify for the Privacy Mark<sup>1</sup> certification and received it in December 2005.



After qualifying for the Privacy Mark, Casio Computer, Co., Ltd., carried out appropriate measures including education for all employees and officers, control of information system access and computer logs, signed agreements with business partners on the handling of personal data, and internal auditing. Along with the revision of JIS Q 15001 in May 2006, the company revised its applicable rules in April 2007, and worked to strengthen supervision of information consignees, receiving renewed certification on March 11, 2008.

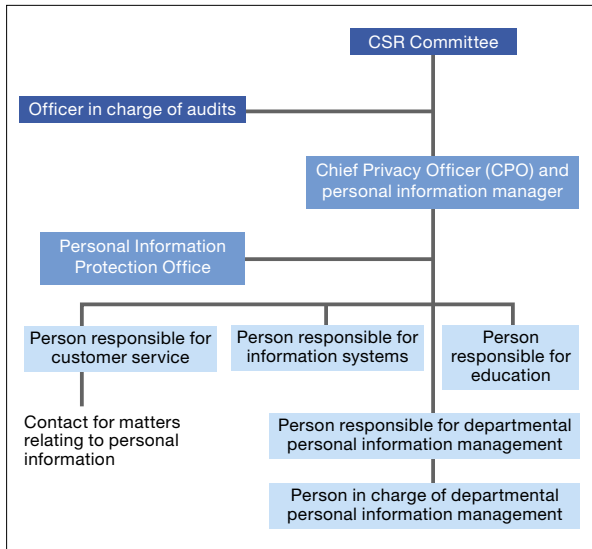
Furthermore, in fiscal 2008, the Information System Department, which manages Casio's critical information assets including personal data, worked to obtain ISMS<sup>2</sup> (ISO 27001) certification as part of the company's efforts to establish a framework for maintaining information security. The department received certification on February 28, 2008. Casio will continue to implement comprehensive security measures, in order to maintain the trust of its customers.



\*1. 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.

\*2. A framework which companies or organizations can adopt to ensure and maintain personal information security by setting security levels based on rules (security policies) and implementing continuous risk management. ISMS became a global standard (ISO 27001) in October 2006.

### Personal information protection system

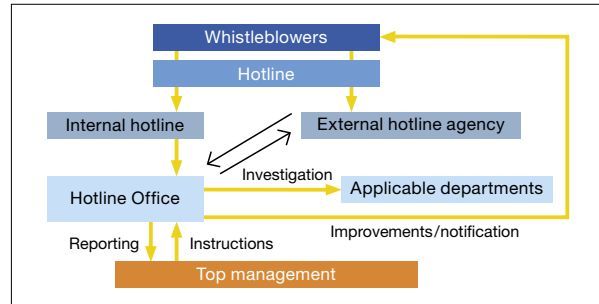


## Whistleblower Hotline

In April 2006, Casio set up a Whistleblower Hotline to add yet another mechanism for guaranteeing compliance.

The hotline is available to anyone doing work for Casio in any capacity, and offers an outside access point operated by a third party, as well as an internal access point, in order to serve as a neutral, fair intermediary. The hotline received 27 contacts in fiscal 2008. Much of the content of the contacts involves matters close to each whistleblower, but Casio takes all the reports with the utmost seriousness. Investigations are made to confirm the situation leading to each contact, and Casio works to resolve each issue in a thorough manner.

### Whistleblower Hotline



## Activities of Casio's Compliance Committee on the Subcontract Act

Casio has set up a Compliance Committee on the Subcontract Act, which includes group companies, to ensure that all transactions are conducted fairly as required by Japan's Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors (Subcontract Act).

In fiscal 2008, the main departments and group companies carried out an autonomous audit. This involved inspecting documentary records of all transactions from order to payment, while filling in a worksheet concerning the state of compliance. Through this procedure, Casio further developed the problem discovery process. In addition, employees who are involved in transactions with subcontractors undergo an e-learning course on compliance with the Subcontract Act. This has proved to be both an efficient and an effective method of training.

Moreover, the committee obtains the latest compliance information by actively participating in courses sponsored by the Japan Fair Trade Commission and monitoring government websites. This information is then shared throughout the group.



Information concerning Japan's Subcontract Act is shared throughout the company.