

# Compliance and Risk Management

Casio's effort to achieve total compliance management is based on the Casio Group Code of Conduct, a risk management system and the Whistleblower Hotlines.

## Casio Group Code of Conduct

Casio established the Casio Group Code of Conduct to make explicit its expectations that all executives and employees follow international norms, laws and ordinances applicable in each country and region, as well as all company rules, and also act with high ethical standards and good sense in their day-to-day work. On June 1, 2013, Casio revised the code, in order to better meet the expectations of the international community and capture trends in the social environment including the issuance of ISO 26000, the international guidance standard on social responsibility, in November 2010; Casio having joined the UN Global Compact in December 2010; and Casio having adopted the UN's Guiding Principles on Business and Human Rights in June 2011. Since then, Casio has been working to ensure everyone is fully aware of the revised code, group-wide. Here are the three main revisions to the Code of Conduct.

- (1) Points concerning issues of high concern to the international community such as human rights, supply chain management, and anti-corruption were revised
- (2) The respective roles of executives and employees were clearly stipulated
- (3) Content was improved to indicate common policies that apply to the worldwide group

Also, on November 1, 2016, Code of Conduct provisions for "respect for human rights" were partially revised. This was based on changes to international norms concerning human rights that affect the Casio Group, including enforcement of the UK's Modern Slavery Act in 2015.

The revised Code of Conduct was prepared in Japanese, English, and Chinese, and is translated into other employee languages as necessary. Education on the new code is carried out across the entire group, with the aim of further deepening understanding of its content. Along with this education, a compliance questionnaire is conducted once every two years. The results and identified issues then are shared group-wide to promote continued improvement.

## Provisions of the Casio Group Code of Conduct

### I. General Provisions

1. *Purpose*
2. *Scope*
3. *Compliance*

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## II. Code of Conduct

### 1. *Enabling Value Creation*

1-1. Provision of Products and Services Beneficial to Society

### 2. *Fulfilling Our Corporate Social Responsibilities*

2-1. Respect for Human Rights

2-2. Environmental Conservation

2-3. Sound Initiatives across the Entire Supply Chain

2-4. Harmony with Society

### 3. *Building Customer Trust*

3-1. Provision of Safety and Peace of Mind to Customers.

### 4. *Establishing Sound Workplaces*

4-1. Establishment of Employee-friendly Workplace Environments.

### 5. *Ensuring Correct Actions*

5-1. Compliance with Laws

5-2. Prohibition of Bribery and Restrictions on Business Entertainment and Gift-giving

5-3. Fair Competition and Transactions

5-4. Prohibition of Insider Trading

5-5. Thorough Security Trade Control

5-6. Prohibition of Involvement with Anti-social Forces

5-7. Separation of Personal Affairs from Business

5-8. Information Protection

5-9. Protection and Utilization of Intellectual Properties.

### 6. *Building a Relationship of Trust with Society*

6-1. Promotion of Communication with Society

## III. Maintenance

### 1. *Establishment, Revision and Abolishment of this Code of Conduct*

### 2. *Reporting of Violations*

### 3. *Handling Violations*

[Casio Group Code of Conduct](#)

## Misconduct by Former Casio Employees

It was recently discovered that former employees of the company were taking improper actions in transactions with business partners. Casio regrets that such a situation occurred at the company, and it deeply apologizes for any concern and inconvenience it may have been caused.

\*Click here for more information: [\(in Japanese\)](#)

## Education and Awareness Raising

Casio provides e-learning and other educational programs on corporate social responsibility (CSR) once a year to group employees worldwide. The objectives are to promote and instill understanding of the corporate creed and CSR and to ensure awareness of and compliance with the Casio Code of Conduct. In addition to the basic CSR approach, in fiscal 2017, the programs focused on materiality (significant CSR issues), namely, respect for human rights, anti-corruption including prohibition of bribery, and realization of low-carbon society. After the misconduct incident above, in April 2017, Casio conducted e-learning for group executives and employees worldwide, in order to promote awareness and understanding of the whistleblower hotlines.

Casio will continue to improve the CSR literacy of employees while promoting the corporate creed, through group-wide education and awareness raising activities.

## Risk management

Based on its Basic Risk Management Policies, Casio has built a system for efficient management of risks, with an emphasis on compliance risk.

To build this system, Casio identified 70 laws relating to its businesses and listed measures being taken to comply with each law. Casio determined priorities based on the possibility of a risk materializing and its potential impact on company management. Casio then planned and implemented individual measures and developed an overall management system.

In the risk management process at Casio, departments responsible for certain risks develop measures in a planned way to avoid and reduce these risks. The Risk Management Secretariat performs comprehensive management through the use of plan-do-check-act (PDCA) cycles. The Internal Audit Department also audits this entire mechanism. Accordingly, as of the end of fiscal 2011, it was confirmed that the relevant departments had the necessary measures in place for management of all risks, and an overview of the entire situation was obtained. Now, however, Casio is changing its method of implementing risk management for Japanese laws. It is transitioning to a system in which the Secretariat checks new and revised laws, develops themes and carries out measures on important issues.

Complementing this, the Secretariat takes inventory of risks as necessary, regularly monitors the risk management measures implemented to date, and confirms whether there are any deficiencies in their implementation. In addition, based on Japan's revised Companies Act that entered into force in May 2015, Casio is shifting the focus of risk management to overseas compliance.

## Risk management system



## Business Continuity Plan (BCP) initiatives

In order to respond to emergencies with the resources of the company organization, Casio has created a Crisis Management Manual for securing the safety of all employees, executives, and their families, preserving corporate assets. Sequential updates of the manual keep pace with changes in the business environment, and the company is taking practical initiatives at the same time. Specifically, the following measures have already been undertaken:

- Implementation of regular evacuation drills and general lifesaving classes for employees
- Distribution of emergency assistance kits to employees and additional disaster stockpiling
- Disaster prevention drill with the local community and provision of an open area for a temporary evacuation site

However, in the Great East Japan Earthquake, which struck in March 2011, circumstances were encountered that far exceeded previous expectations. Casio used the lessons learned to identify various points for improvement. These points were reflected in a largely-revised Crisis Management Manual based on the premise of responding to a major earthquake with Tokyo at its epicenter. Casio also produced the Disaster Handbook for the families of its employees to deepen understanding of disaster countermeasures in the home and promote disaster readiness.

Together with the initiatives above, Casio is working to enhance its business continuity plan (BCP). In the event of an emergency that interrupts business operations, such as a major earthquake with an epicenter in the Tokyo area, the plan outlines measures for the rapid confirmation of executive and employee whereabouts and well-being, as well as damage conditions, and the quick recovery and maintenance of operations. This mechanism is focused on Casio's global supply chain. For example, if the headquarters suffers a disaster, an emergency headquarters is set up at the appropriate key site, based on a priority determined in advance. Under the direction of the headquarters, the aim is to minimize damage by continuing to provide products and services to customers worldwide based on limited resources. Through rapid restoration of business operation, the confidence of business partners and customers is maintained.

## Information system disaster response measures

To ensure business continuity, it is vital to protect information systems against earthquakes and other disasters. In addition to an internal data center, Casio utilizes a secure external data center that features seismic construction and self-contained power generation.

As a measure to reduce disaster risk, Casio finished moving all its important servers, including those for mission-critical tasks, to external data centers and established an environment that can continue to operate even after a disaster. It also moved its e-mail system, an important means of communication, to an external provider.

The company also performs disaster drills in conjunction with the group-wide business continuity plan.

## Information security



Casio is aware of its important social responsibility to maintain the security of all Casio information assets, including information that it collects from customers and other stakeholders in relation to its business activities. Casio has established Information Security Rules and implemented regular education for employees to continuously raise awareness of information security and ensure the implementation of safety measures.

### Education and Awareness Raising

While information security relies on technical measures, it is also important for everyone handling information to know the required safety procedures, and to incorporate them into their work habits. At Casio, all officers and employees receive regular information security training through e-learning. The training covers general information security, as well as protection of personal information and other compliance matters, based on changes in society and in the company's business environment. Information security is being improved by providing this training content in a timely manner. Similar training is also provided for at Casio Group companies. This year an information security handbook was prepared for employees to raise awareness and further deepen their understanding of information security.

### Initiatives to prevent information leakage

By first establishing internal rules to prevent information leakage and then carrying out training as described above, Casio is strengthening organizational measures to prevent human error and improper information management. This is done by ensuring that safety procedures are well known and thoroughly utilized by all employees handling information. The procedures cover proper information disposal, limitations on sending emails externally, as well as preventing information or information devices from being taken off company premises.

Casio is strengthening its technical measures for information system safety through the introduction of mechanisms to block cyber-attacks at the company's Internet portals. They include measures to prevent targeted attacks, as seen in recent years, and other external attacks such as those from malware. Internal measures include the installation of security software and patches on company PCs, and a multi-layered defense has been created.

### Information security certification and initiatives

Casio has focused on established a system for prioritizing the protection of personal information, publically disclosed its Privacy Policy on its website, and remains committed to the safe and appropriate handling of personal information. In December 2005, Casio Computer Co., Ltd. obtained Privacy Mark<sup>\*1</sup> certification and has maintained it since.

Casio's Information Systems Department obtained information security management system (ISO 27001)<sup>\*2</sup> certification in November 2007. The aim of applying for certification was to evaluate fulfillment of responsibility by the department, which takes care of information assets for the entire company. Since then, the department has made continual improvements using PDCA cycles. The fitness and effectiveness of Casio's information security management system

was reconfirmed with a certification renewal audit in January 2017. This included an expansion of information security activities to cover all group companies.



Information Technology & Engineering Department Casio Computer Co., Ltd.  
Internal information systems at Casio Computer Co., Ltd. and each group company, and the network infrastructure of the Casio Group

JQA-IM0536

\*1 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.

\*2 A program whereby a company establishes a system for using, maintaining, and protecting information within the applicable scope (e.g., business, locations) based on international standards for information security management systems, and a certification body conducts audits of the system and issues certifications.

## Whistleblower Hotline

As a way to help ensure compliance, including respect for human rights, Casio set up a Whistleblower Hotline in April 2006. The hotline has been functioning with neutrality and fairness across all of its internal and external contact points.

Operating on a basis of impartiality, the hotline follows up on all whistleblower reports and consultations, and takes resolute measures against any improper behavior discovered. Effort is put into preventing issues before they grow into real problems.

In fiscal 2017, the hotline received five calls. The whistleblowers were interviewed, details were investigated, and corrective measures were taken. The issues were resolved with the whistleblowers' understanding. The company will continue to watch for any latent problems and strive to improve its corporate culture.

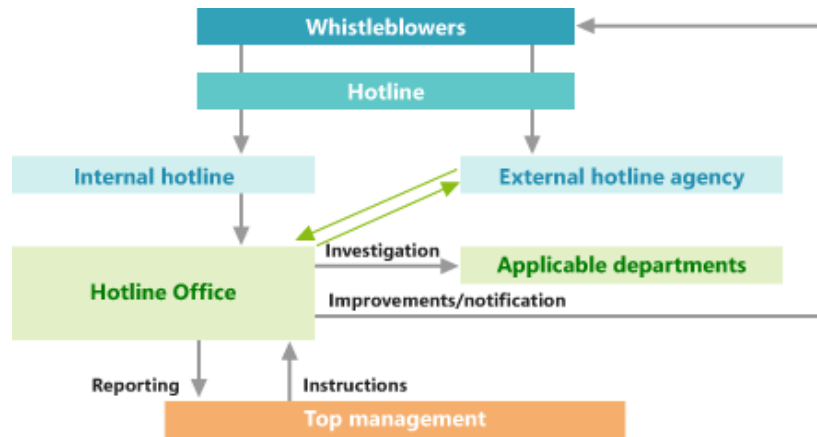
The contractor operating the external contact point of the Whistleblower Hotline was changed in April 2015. Now Casio employees can utilize online whistleblower consultation and report filing in English and Chinese, and telephone consultation and reporting is also available in English. This has given employees at group companies outside Japan better access to the hotline.

To ensure even greater hotline awareness, Casio will strive to further increase group-wide understanding of the system in fiscal 2016, using a special intranet site with information on whistleblower protection in Japanese, English, and Chinese.

In addition to internal hotlines, in fiscal 2018, an external whistleblower hotline will be established exclusively for suppliers. (Scheduled to be ready in October 2017)

Fiscal 2017 Report Details	Sexual harassment or power harassment	Violation of employment regulations
	3	2

## Whistleblower Hotline



## Export control

Export control, or security trade control, aims to maintain international peace and security. It involves regulations on the export of goods and technology that could be diverted for the development of weapons of mass destruction or other weaponry. The regulations are designed to prevent such goods and technology from reaching countries and regions of concern or terrorist organizations.

In 1987, the Export Control Security Program of Casio Computer Co., Ltd. (a compliance program) was established in order to make sure proper measures are taken to ensure the security of exports. The program has since been continually updated along with changes in the Japanese Export Control Regulation.

Casio has appointed employees responsible for export control in relevant departments as part of an internal system to ensure observance of the program.

As the Exporter Compliance Standards took effect in April 2010, Casio has been striving to maintain and manage its system by conducting voluntary annual audits while ensuring thorough legal compliance, in response to the revision of applicable laws and regulations. Efforts include the strengthening of training activities at group companies in Japan.

Casio has also established a management system for complying not only with Japanese export laws but also with US Export Administration Regulations. The company is working to improve global export management, including the implementation of export management training in fiscal 2013, at group companies in the UK and Germany, and in fiscal 2014 at a group company in the US.

The Center for Information on Security Trade Controls (CISTEC) is a Tokyo-based non-profit which conducts research and analysis. Each year, it sends research delegations overseas, alternating between Europe and the United States. Casio has dispatched employees to participate in these missions since 2012.

By meeting with officials at various export control organizations, government agencies, and major companies, Casio is participating in a social contribution activity that gathers useful information for export managers in Japan. In July 2015, it was discovered that Casio headquarters exported one covered item (with a total value of US\$37.62) to Iran without permission. Casio immediately reported this to the Ministry of Economy, Trade and Industry (METI). At the same time, Casio investigated the causes of the violation and launched measures to prevent a recurrence. It was determined that the causes of the violation were a problem with the operation of the company's IT system and human error on the part of the person who took the order. Steps were taken to prevent a recurrence and a final report was given to METI in

September. The issue was brought to a conclusion with the submission of a report in the president's name in November. Casio sincerely regrets this violation and will strive to ensure that no similar violation ever occurs again.

In October 2016, Casio received an onsite inspection by METI to check for compliance with laws and regulations. Despite a few indications to improve management methods concerning transaction audits and customer checks, the inspection confirmed Casio's good management and operations company-wide.

## Initiatives for compliance with fair trade and advertising laws

In order to promote proper transactions as well as fair, transparent and free competition, it is essential for sales employees to have a proper understanding of Japan's Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and Act against Unjustifiable Premiums and Misleading Representations. The sales offices of Casio Computer Co., Ltd., in Japan are strengthening their measures to ensure compliance with these laws.

A revision of Japan's Act against Unjustifiable Premiums and Misleading Representations in 2014 required companies to maintain and strengthen internal management systems. Casio Computer Co., Ltd. established a committee with members from all relevant departments tasked with ensuring compliance with the revised Act throughout the company. Casio is striving to ensure proper product representations and labeling through the establishment of rules for self-regulation and awareness-building programs such as intranet education. Internal guidance is also being provided by a consultation desk and improvement examples are being shared.

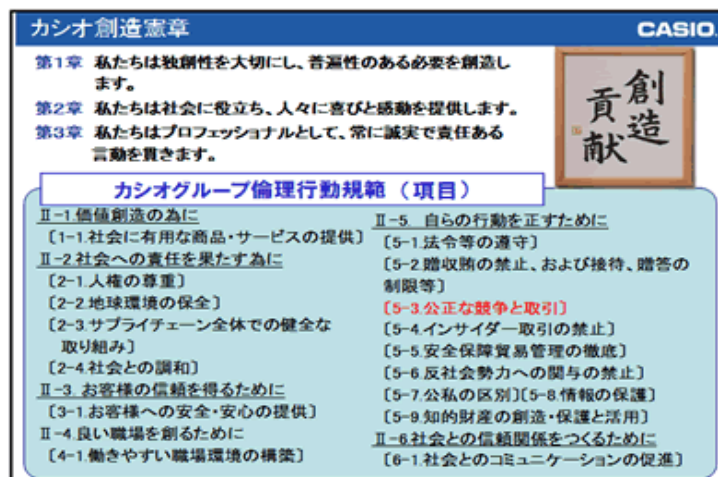
Sales departments at Casio have distributed a Sales Compliance Card to their employees as a tool to promote appropriate and fair competition and trade. These employees are required to carry the card, to help ensure understanding and familiarity with fair competition and trade. In addition to the Charter of Creativity for Casio and excerpts from the Casio Group Code of Conduct, the card contains a compliance test, as well as contact information for a consultation service, and the number for the Whistleblower Hotline. Whenever a salesperson is in doubt over a course of action during daily sales activities, he or she can use this card as a guide to quickly perform a self-assessment or consult with a knowledgeable expert.

Additionally, training sessions by internal instructors are held at sales locations in Japan, and persons transferred to sales departments outside Japan are given training on competition law in general, including cartel behavior, bid rigging, resale price restriction, and forced trade with exclusive conditionality. This training is implemented continuously.

A dedicated department conducts internal inspections to make sure that there is no unfair trade or action being taken not compliant with Japan's Antitrust Act and other laws, as a means of regular monitoring.

The department also strives to ensure that Casio provides appropriate product information by checking to make sure that there are no representations that could cause misunderstanding on the part of customers regarding product information, including in advertisements, catalogues, websites, and other messages from the company.





## Subcontract Act compliance initiatives

Casio has established a Compliance Committee on Japan's Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors (Subcontract Act) which includes group companies, and is striving to ensure all transactions comply with the law. Under the annual basic plan of the Committee, each group company in Japan drafts its own action plan, and maintains proper transactions with subcontractors based on the use of PDCA cycles.

In particular, employees that deal directly with suppliers and outsourcers are provided with the necessary knowledge through in-house seminars and classes sponsored by the relevant government authorities

In fiscal 2017, 3,602 Casio employees attended in-house seminars, and 24 people also participated in classes sponsored by the Japan Fair Trade Commission and by the Small and Medium Enterprise Agency. This training helped to raise compliance awareness and provided employees with the knowledge they need.

Various efforts were made to encourage understanding, such as conducting training sessions with original teaching materials prepared to suit the unique transaction conditions of various group companies.

The Compliance Committee also obtains the latest information from government websites and email notification services, and sends the information directly to committee members. The news is also posted on the committee's website, and shared with the entire group.

In offices where subcontract transactions are handled, independent audits are carried out on an ongoing basis. Casio confirms that proper, compliant transactions are executed, by inspecting the document record of the entire series of transactions from ordering to payment. The goal is to ensure that no problems occur. In fiscal 2011, group companies drew up their own action plans under the basic plan of the Subcontract Act Compliance Committee, establishing courses of action for maintaining proper subcontracting transactions using the PDCA cycle.

Casio will continue to promote understanding of the Subcontract Act among its employees, and work to strengthen its system for even better compliance.

The company will strive to promote even sounder transactions and create value with suppliers, based on revisions to the Subcontract Act compliance standards in fiscal 2017, along with the revised Act on the Promotion of Subcontracting Small and Medium-sized Enterprises and its standards, etc.

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## Corruption Prevention Initiatives

Based on ISO 26000, the international guidance standard for social responsibility, from 2012 to 2013 Casio took stock of the main CSR challenges facing each group company in and outside Japan, assessing and analyzing the status of their initiatives. The issue that rose to the surface as a challenge warranting priority attention alongside respect for human rights was fair business practices—in other words, corruption prevention initiatives.

The Casio Group Code of Conduct prohibits bribery and sets restrictions on business entertainment and gift-giving. Still, in light of recent developments including the ongoing globalization of business, the tightening of regulations, and more robust efforts to detect bribery, there is a need to further strengthen the handling of bribery risks throughout the Casio Group. Accordingly, Casio issued the Casio Guidance on the Prohibition of Bribery (for the Casio Group) in July 2014 and the Manual on the Prohibition of Bribery (for Casio Computer Co., Ltd.) in October 2014. The Casio Guidance on the Prohibition of Bribery articulates the Group's basic stance and philosophy on the prohibition of bribery, including the prohibition of facilitation payments. The Manual on the Prohibition of Bribery specifies the structure and mechanisms for the prevention of bribery, including the designation of persons responsible for compliance, education and training, auditing, and the Whistleblower Hotline, as well as specific rules such as a limit on the monetary amount of business entertainment and gift-giving. Additionally, Casio headquarters encourages each site to produce local rules and manuals in an effort to strengthen the mechanisms for the prohibition of bribery throughout the group.

Utilizing the knowledge of internal and external experts, in fiscal 2016 Casio prepared its own Corruption Risk Check Sheet with reference to the FCPA guidelines, and Bribery Act guidance, etc. The aim was to ascertain the corruption risk in each country where Casio operates, and to ensure thorough understanding of anti-corruption measures within group companies.

Using this tool, corruption risk was assessed at 29 group companies in fiscal 2017. Issues were identified and analyzed, and feedback was provided in order to promote improvements at the group companies concerned.

The recent survey revealed some variation between group companies concerning recognition of corruption risk in their own countries based on the Corruption Perceptions Index of Transparency International, use of education opportunities to prevent corruption, and awareness of facilitation payments. However, Casio will continue to promote anti-corruption efforts using this mechanism in the future.

## Tax Affairs

The Casio Group Code of Conduct stipulates that all officers and employees in the Casio Group must comply with international norms, applicable laws in each country and region, and company rules in their daily activities as the Casio Group engages in its global business.

This also applies to tax affairs. The Group strives to maintain its tax compliance by paying taxes appropriately in compliance with each country's tax laws, including transfer pricing taxation and anti-tax haven measures, as well as international rules and other statutes.