

# Governance



> **Corporate Governance**

> **Corruption Prevention Initiatives / Compliance**

> **Risk Management**

## Corporate Governance

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### Corporate Governance System

To promote sustainable growth and medium- to long-term improvements to our corporate value, we position swift decision-making, the proper performance of duties, and strengthening our management oversight functions as core issues for the Company. To ensure appropriate responses to these issues, we are strengthening the Board of Directors' oversight functions. To accelerate and optimize business execution based on appropriate supervision by the Board of Directors, with a resolution passed on June 27, 2019 at the General Meeting of Shareholders, we switched from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee structure. The total number of directors increased from seven to eight, and the percentage of outside directors from 28.6% to 37.5%.

### Board of Directors

The Board of Directors is chaired by the President & CEO, and is comprised of the eight members including three outside directors.

- Five directors (excluding directors serving as Audit & Supervisory Committee members and of whom, one is an outside director)
- Three directors serving as Audit & Supervisory Committee members (of whom, two are outside directors)

The term for directors (excluding directors serving as Audit & Supervisory Committee members) shall be one year in order to clarify management responsibilities and enable them to respond to rapid changes in operating environments.

The Board of Directors is responsible for the function of decision-making and overseeing business execution by management. The Board discusses and makes decisions on important management matters specified in laws and regulations, the Articles of Incorporation, and the Rules on the Board of Directors. To increase efficiency and agility in the execution of business, the Board of Directors delegates executive authority to executive officers on matters that do not meet the standards set for referral to the Board of Directors in laws and regulations, the Articles of Incorporation, and the Rules on the Board of Directors.

### Audit & Supervisory Committee

The Audit & Supervisory Committee is comprised of three directors who are Audit & Supervisory Committee members. An inside director shall serve as committee chair and two outside directors are committee members.

In order to ensure the soundness and transparency of business management, Audit & Supervisory Committee members attend Board of Directors' meetings and other important meetings and committee meetings and voice their opinions, as necessary, to ensure appropriate decision-making.

Audit & Supervisory Committee members also exercise strict oversight by meeting regularly to communicate with the President & CEO of the Company, soliciting information and reports from directors (excluding directors who are Audit & Supervisory Committee members) and others, and reading the documentation for resolutions on important matters.

## **Nomination and Compensation Committees**

We have established voluntary Nomination and Compensation committees as advisory bodies under the Board of Directors to increase the transparency and appropriateness of the processes for nominating directors and determining their compensation.

When requested by the Board of Directors, the Nomination Committee submits proposals to the Board of Directors concerning the agenda for the General Meeting of Shareholders such as the appointment and dismissal of directors and recommendations on selection standards for director candidates.

When requested by the Board of Directors, the Compensation Committee deliberates on and submits proposals to the Board of Directors concerning the agenda for the General Meeting of Shareholders such as compensation for directors and recommendations on such matters as policies related to the director compensation system and its framework.

## **Executive Officer System and Executive Officers**

Executive officers are delegated certain authority to execute business according to the policies established by and under the supervision of the Board of Directors. Matters important to the execution of business are discussed at committee meetings that are attended by relevant executive officers and directors.

Executive officer candidates are nominated based on competence and performance history and are selected by the Board of Directors from among elite human resources capable of contributing to the further growth of consolidated operations. The term for executive officers shall be one year.

## **Composition of the Board of Directors**

We believe that it is necessary for the Board of Directors to be comprised of members with diverse perspectives, experience, and skills in order to ensure effective management and oversight functions. As such, in addition to inside directors who are familiar with the Company's business, our Board of Directors is comprised of outside directors possessing broad knowledge and extensive experience in corporate management, science, administration, finance and accounting, law, and other fields. Outside directors bring in external perspectives and increase management transparency. The Company also appoints outside directors to further strengthen the oversight function regarding the execution of business. They are experts who can provide opinions and advice from a wide variety of perspectives, including that of stakeholders, and are invited to Board of Directors' meetings and other meetings.

The three outside directors comment and state their opinions as necessary to ensure adequate and appropriate decision making by the Board of Directors.

## Positions and Responsibilities of Directors

Position	Name	Nomination Committee	Compensation Committee	Attendance at Board of Directors' meetings	Years of service as director (or Audit & Supervisory Board member)
President & CEO	KASHIO Kazuhiro	○	○	14/15 (93%)	9
Director and Executive Officer	YAMAGISHI Toshiyuki	○		15/15 (100%)	7
Director and Executive Officer	TAKANO Shin		○	15/15 (100%)	5
Director and Executive Officer	KASHIO Tetsuo			11/11 (100%)	1
Director (Outside)	OZAKI Motoki	●		9/11 (82%)	1
Director and Full-Time Audit & Supervisory Committee Member	UCHIYAMA Tomoyuki			15/15 <sup>*1</sup> (100%)	3 <sup>*2</sup>
Director and Audit & Supervisory Committee Member (Outside)	CHIBA Michiko	○	○	15/15 <sup>*1</sup> (100%)	2 <sup>*2</sup>
Director and Audit & Supervisory Committee Member (Outside)	ABE Hiroto		●	11/11 (100%)	1

□: Outside Director ●: Committee Chair ○: Committee Member

\*1 Including attending four times as Audit & Supervisory Board member.

\*2 Years of service as Audit & Supervisory Board member and director of the Company. Appointed as director in June 2019.

## Directors' Training

Based on the belief that directors must continue to advance their skills and knowledge to sufficiently fulfill their roles, we actively promote self-improvement by directors. The Company continuously offers the support, including the provision of information, opportunities, and cost reimbursements, necessary for self-improvement. We continuously offer information to promote a better understanding of our business operations, particularly for outside directors. This includes planning and providing opportunities, both at the time of appointment and throughout the term of their appointment, to participate in important internal meetings, tour domestic and overseas plants and offices, and attend internal research seminars.

Directors who are members of the Audit & Supervisory Committee are provided opportunities for skills improvement necessary for their roles and responsibilities through information provision by the Japan Audit & Supervisory Board Members Association and participation in seminars.

## Outside Directors

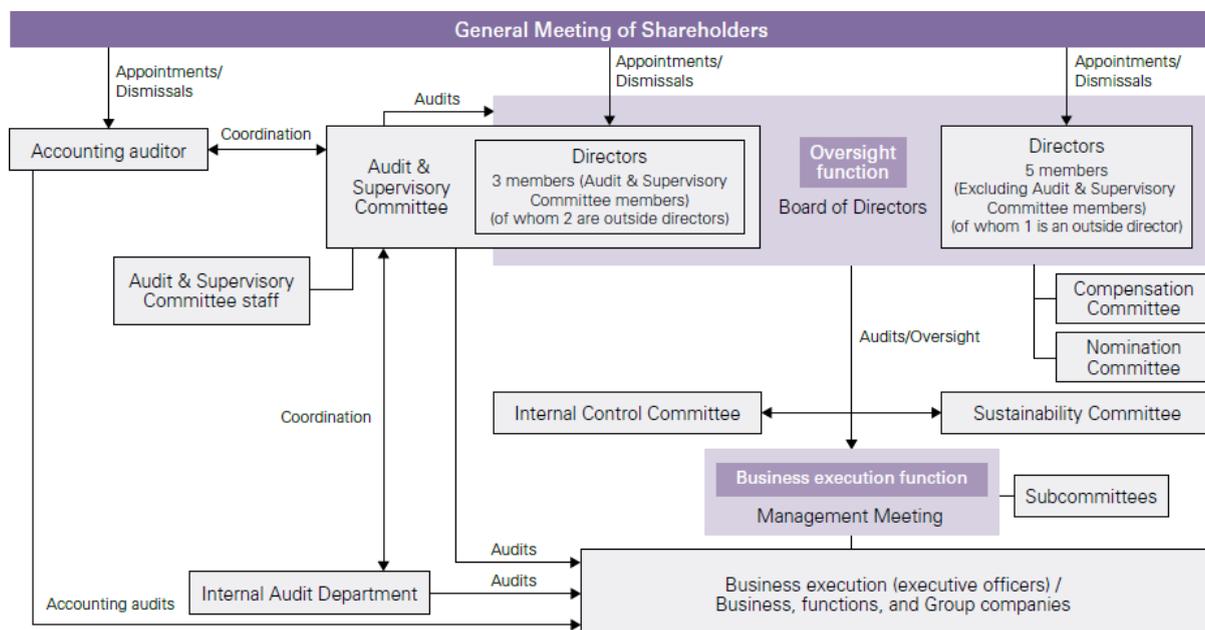
Outside directors are appointed in order to enhance corporate transparency by incorporating external perspectives into management and further strengthening oversight of operations. The Company appoints experts who are able to provide opinions and advice from stakeholder and other diverse perspectives to the Board of Directors meetings and other meetings.

The three outside directors make suggestions as needed to ensure the validity and appropriateness of decision-making by the Board.

### Reason for Appointment as an Outside Director

OZAKI Motoki	Independent Director	Nomination Committee Chair	Mr. Ozaki was appointed for his numerous years of management experience at major corporations and to utilize his objective perspective based on his vast experience and knowledge in overall Company management.
CHIBA Michiko	Independent Director	Audit & Supervisory Committee member Nomination Committee member Compensation Committee member	Ms. Chiba possesses expertise in finance and accounting and extensive auditing experience as a certified public accountant. Ms. Chiba was appointed to provide audits and oversight of general management at the Company as an outside director from a fair and neutral position as a highly professional and objective third party.
ABE Hirotomo	Independent Director	Audit & Supervisory Committee member Compensation Committee Chair	Mr. Abe possesses rich experience from working overseas for a sogo shosha (general trading company) and special knowledge based on his research and work in the legal field as a graduate school professor. He was appointed to provide audits and oversight of general management at the Company as an outside director from a fair and neutral position as a highly professional and objective third party.

### Diagram of Corporate Governance System



## **Internal Auditing**

The Internal Audit Department consists of four auditors who audit the status of organizational management based on common Group standards and work to strengthen internal controls. Dedicated staff have been allocated to directors who are members of the Audit & Supervisory Committee (including outside directors) to assist them in their work and they exchange information on a daily basis and hold regular quarterly meetings. They also plan internal audits, provide a summary report based on the items audited after internal audits have been conducted, and work together to improve the efficiency and effectiveness of the audit function. The results of internal audits are reported to directors (excluding directors who are members of the Audit & Supervisory Committee).

## **Analysis and Evaluation of Board of Directors' Effectiveness**

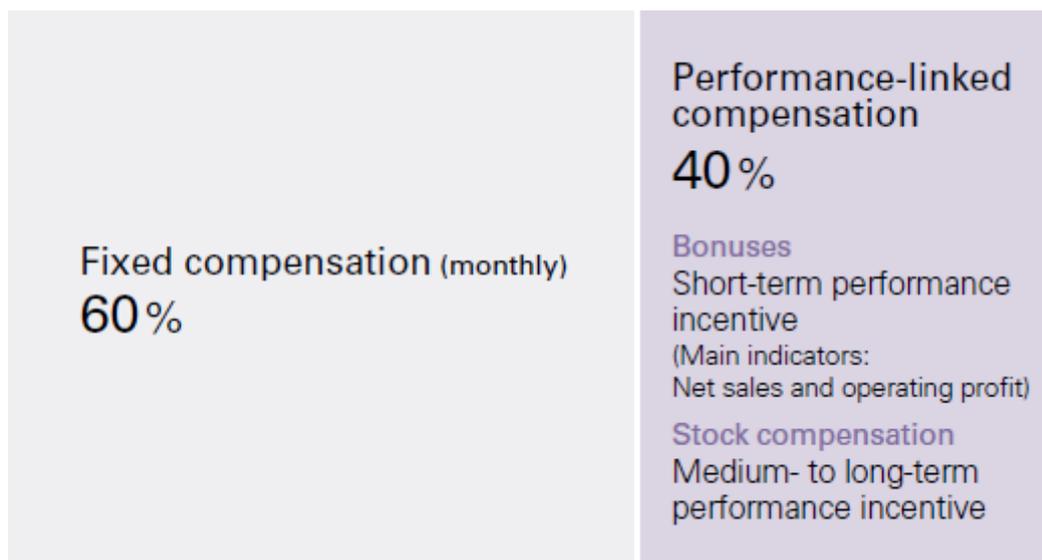
With an awareness of the changes in the roles expected of the Board of Directors, we evaluate the effectiveness of the Board of Directors and conduct reviews aimed at strengthening organizational and operational governance. In fiscal year ended March 2019, we conducted interviews of outside directors regarding points of improvement related to the role, function, and implementation of the Board of Directors' meetings. From these interviews, we received opinions such as the need to review standards for meeting agendas, and to enhance meeting materials. We are working to address these opinions. In fiscal year ended March 2020, we conducted a survey of directors (including Audit & Supervisory Committee members) and received opinions such as the need to propose agenda items earlier and discuss them from a more strategic and long-term standpoint. Based on these opinions, we will work on further increasing the effectiveness of the Board and making continuous improvements.

## **Director Compensation**

To ensure the sustainable growth of the Company, our basic policy for director compensation is to offer incentives that ensure competitive compensation levels while promoting a healthy entrepreneurial spirit. In principle, this policy applies regardless of position. Compensation is comprised of fixed compensation (monthly) and performance-linked compensation (bonuses and stock compensation), but in principle, to place greater emphasis on performance-linked compensation, the percentages are 60% and 40%, respectively. This percentage may be adjusted based on individual role. Performance-linked compensation is comprised of bonuses (short-term performance incentive) and stock compensation (medium- to long-term performance incentive). Of the aforementioned performance-linked compensation, bonus levels are set based primarily on net sales and operating profit for the fiscal year because we believe that these best reflect the results of management efforts to improve business performance. Specifically, they are based on performance relative to net sales and operating profit goals and actual figures. Business conditions and other qualitative factors are also reflected in bonus amounts. A restricted stock compensation plan has been introduced since fiscal year ended March 2020 to provide incentives for continuously improving the corporate value of the Company and to promote further value sharing with shareholders.

The process for determining compensation is for the structure and general framework to be deliberated on at meetings of the Compensation Committee chaired by an outside director after benchmarking with competitors for each position and the results to be submitted to the Board of Directors. The Board of Directors reviews the report to make their decision.

## Director Compensation Composition



## FYE 3/2020 Compensation

Executive category	Total compensation amount	Total amount by compensation type		Number of applicable executives
		Fixed compensation		
Directors (Excluding Audit & Supervisory Committee members and outside directors)	317 million yen	Fixed compensation	74 million yen	7
		Performance-linked compensation		
		Bonuses Restricted stock compensation	14 million yen 28 million yen	
		Special reward for service	200 million yen	
Audit & Supervisory Committee members (Excluding outside directors)	11 million yen	Fixed compensation	11 million yen	1
Audit & Supervisory Board members (Excluding outside Audit & Supervisory Board members)	3 million yen	Fixed compensation	3 million yen	1
Outside directors	32 million yen	Fixed compensation	32 million yen	7

### Notes:

1. Amounts paid to directors do not include employee wages paid to directors with managerial duties.
2. At the 63rd General Meeting of Shareholders held on June 27, 2019, a resolution was passed setting the maximum compensation amount for directors (excluding Audit & Supervisory Committee members) at less than a total of 400 million yen per year (less than 30 million yen per year for outside directors). This does not include employee wages paid to directors with managerial duties. At the same meeting, within the above maximum compensation amount for directors (excluding Audit & Supervisory Committee members and outside directors), the maximum amount for restricted stock compensation was set at less than 100 million yen per year (and a maximum of 80,000 shares).
3. At the 63rd General Meeting of Shareholders held on June 27, 2019, a resolution was passed setting the maximum compensation amount for directors (Audit & Supervisory Committee members) at a total of less than 70 million yen per year.

4. At the 51st General Meeting of Shareholders held on June 28, 2007, a resolution was passed setting the maximum compensation amount for Audit & Supervisory Board members at a total of less than 70 million yen per year for four members. However, this does not include the provision for retirement benefits for directors (and other officers).
5. As of June 27, 2019, we switched from a company with an Audit and Supervisory Board to a company with an Audit & Supervisory Committee structure.
6. Based on the resolution at the 63rd General Meeting of Shareholders, the late KASHIO Kazuo, former representative director, was offered a special reward for service of 200 million yen.

## Takeover Defense Measures

Takeover defense measures have not been established.

## Dialogues with Shareholders

We recognize that it is crucial to build a long-term, trust-based relationship with our shareholders and investors through proactive dialogue, so we have a dedicated executive officer responsible for IR activities under the direction of our President & CEO.

Our internal structure promotes a common awareness of the importance of dialogue with shareholders. We collaborate on IR activities by gathering and accumulating necessary information from the networks linking relevant departments. Directors or executive officers directly engage in IR activities as necessary depending on theme and content. In addition to sharing opinions received through shareholder interactions with the Board of Directors, we also share information at executive officer meetings as necessary to reflect those opinions in measures aimed at increasing corporate value.

To ensure the management of insider information during IR activities, we have outlined rules concerning the handling of important undisclosed information and work to ensure strict implementation of those rules. Part of our response measures includes requiring that meetings are attended by multiple people.

In addition to communication through individual meetings, other measures for IR management include holding quarterly earnings briefings for institutional investors and securities analysts where the President & CEO or executive officer responsible for IR provides a summary of financial results, introduces earnings forecasts, and explains operations. To promote further understanding of our Company, we are enhancing external communications by listing various IR information on our website and have established a help desk for receiving inquiries from shareholders.

## Basic Views on Internal Control System and Progress on System Development

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The Casio Group has established the Charter of Creativity for Casio, Casio Common Commitment and Casio Code of Conduct based on the corporate creed of "Creativity and Contribution." The following systems have been implemented to ensure proper business operation.

1. System to ensure that performance of duties by directors and employees of the Company and group companies comply with the Articles of Incorporation and relevant laws and regulations
  - a. Based on laws, the Articles of Incorporation, and rules for the Board of Directors, the Board of Directors decides important issues relating to legal requirements and management of the Company and group companies, and prevents violations of the law or the Articles of Incorporation by monitoring the performance of duties by the directors.

- b. In order to comply with relevant laws and regulations regarding the performance of duties, specific documents such as policies and rules are prepared. Awareness of these are promoted throughout the Company and each group company after various committees, such as the Internal Control Committee, have examined and deliberated on them.
- c. The Whistleblower Hotline has been established with internal and external channels and operates as the point of contact for inquiries and reporting on problems related to legal violations and other compliance matters. The Company ensures that whistleblowers are not penalized.
- d. The Company and group companies are not involved with antisocial forces, which pose a threat to social order and public safety, in any way, and the entire organization is resolute in refusing any improper demands.
- e. The validity and operational adequacy of the above-mentioned rules are improved through internal audits and continual review, in order to prevent any misconduct.

2. System for retaining and managing information relating to performance of duties by directors and employees of the Company and group companies

Each department retains and manages information relating to the performance of duties by the directors and employees concerned, based on the Document Management Rules and other rules.

3. Risk management rules and other systems at the Company and group companies

- a. The Company and group companies have a system to manage risks that can have a significant impact on management. The system is promoted in a unified way by the relevant departments and the Secretariat for the Internal Control Committee, based on the Risk Management Rules.
- b. Fundamental Policies on Product Safety and an implementation system have been established with an understanding that maintaining customer confidence in product safety is an important management issue.

4. System to ensure the efficient performance of duties by directors and employees of the Company and group companies

- a. Board of Directors meetings are held to discuss important management issues facing the Company and group companies and make decisions swiftly and in a reasonable manner. Such meetings are held at least once a month in principle.
- b. The Company's executive officers, directors (including Audit & Supervisory Committee Members) attend meetings of the executive officers to discuss and decide on the execution of important business matters. They ensure group-wide coordination and smooth implementation of measures.
- c. Detailed execution procedures are outlined in the Executive Decision Making Authority Rules and the Group Company Decision Making Authority Rules.
- d. Group companies have created a system for performance of duties based on consolidated management plans, the Group Company Decision Making Authority Rules, and various basic group policies.

5. System to ensure proper operations at the Company and group companies

- a. To ensure proper operations, the Company and group companies have various rules based on the Charter of Creativity for Casio, Casio Common Commitment, and Casio Code of Conduct.
- b. The Company assigns certain directors or executive officers based on a system under which directors and officers are responsible for specific group companies. The relevant directors and executive officers perform group company management through a system that requires reporting to and approval by the Company, in accordance with the Group Company Decision Making Authority Rules. They also perform monitoring as necessary.

c. The Company and the group companies have built a system to ensure the adequacy and reliability of financial reporting. After internal controls related to business flow and financial reporting are inspected, they are documented and evaluated, and revised to improve them.

6. System for employees that assist Audit & Supervisory Committee in the performance of their duties, and the independence of those employees from the directors (excluding directors who are Audit & Supervisory Committee Members)

- a. Employees are appointed to assist Audit & Supervisory Committee in their duties.
- b. Matters concerning the appointment, transfer, evaluation or discipline of employees who assist Audit & Supervisory Committee require prior consent from the Audit & Supervisory Committee.

7. System for the Company's directors and employees and group companies' directors, auditors, and employees to report to the Audit & Supervisory Committee; other systems for reporting to the Audit & Supervisory Committee; and systems to ensure that audits by the Audit & Supervisory Committee are performed effectively

- a. Whenever something that is likely to cause significant damage to the Company or group companies, facts pertaining violation of the law or the Articles of Incorporation, or facts pertaining to illegal conduct of business are discovered, the Company's directors and employees must immediately report it to the Audit & Supervisory Committee.
- b. Whenever something that likely to cause significant damage to the Company or group companies, facts pertaining to a violation of the law or the Articles of Incorporation, or facts pertaining to illegal conduct of business are discovered, the directors, auditors and employees of a group company must immediately report it to the Company officer in charge of the group company, and that officer must immediately report it to the Audit & Supervisory Committee.
- c. Whenever a group company's directors, auditors and employees determine that a management action or guidance from the Company may violate the law, or may present a compliance issue, they must report it to the Audit & Supervisory Board Members.
- d. The Company's directors and employees and the directors, auditors and employees of group companies will provide reports and information in response to requests from Audit & Supervisory Committee.
- e. The Company's Internal Audit Department periodically reports the results of audits of the Company and group companies to the Audit & Supervisory Committee.
- f. The Whistleblower Hotline Secretariat reports the status of whistleblower reports and measures taken to the Audit & Supervisory Committee.
- g. The Company and group companies ensure that people who have made a report to the Audit & Supervisory Committee are not penalized.
- h. The Company promptly processes any requests it receives for the prepayment or reimbursement of expenses arising from the performance of duties by the Audit & Supervisory Committee.
- i. Audit & Supervisory Committee Members may attend any important internal meeting of the Company.
- j. Important ringi approval documents of the Company and group companies are reported to the Audit & Supervisory Committee after approval.

> [Corporate Governance Report](#) 

## Corruption Prevention Initiatives / Compliance

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### 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**

#### 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](#)

## Compliance Risk Management

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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. Moreover, in 2019, Casio's Internal Control Committee conducted compliance risk management to strengthen internal controls. Given the sharp changes in the environment, fiscal 2021, the Committee is currently working to take stock of risks facing the Group worldwide. This includes identifying and analyzing risks, and reinforcing the Casio Group's compliance risk management system.

## Education and Awareness Raising

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Casio regularly provides educational programs on sustainability to group employees worldwide. The objectives are to promote and instill understanding of the corporate creed and sustainability and to ensure awareness of and compliance with the Casio Code of Conduct.

In fiscal 2020, Casio held lectures and workshops on the SDGs for new hires. It also held lectures and workshops for about 100 sustainability leaders selected from each division at Casio Computer Co., Ltd. and from Group companies in Japan.

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

## Whistleblower Hotline

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As a way to ensure compliance, including respect for human rights, and to maintain sound governance, 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.

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 was established exclusively for suppliers in October 2017.

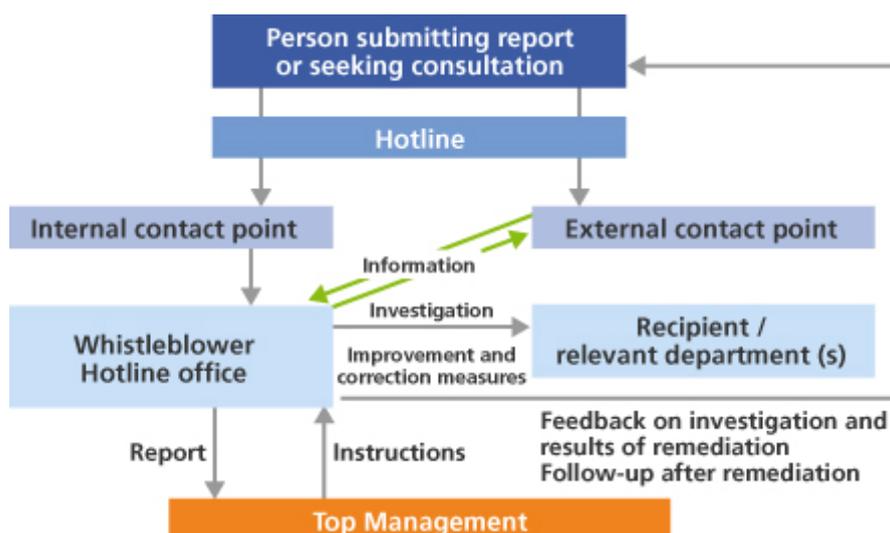
In May 2019, the Internet-based external whistleblower hotline was overhauled to comply with Europe’s GDPR and to enable whistleblowers to interact directly with the Whistleblower Hotline Office on a half-anonymous basis (actual name given to external whistleblower hotline but anonymous to the company).

In fiscal 2020, seven issues were reported to the Hotline. Of these, three concerned harassment, three were reports of violations of internal rules, and one was a report of a privacy violation. All of the reports were addressed properly, and the issues resolved.

**Fiscal 2020 cases reported to Whistleblower Hotline**

Breakdown of whistleblower report	Harassment	Internal rule violation	Privacy violation
No. of cases	3	3	1

**Whistleblower Hotline**



## Export Control

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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.

In June 2019, Casio brought in a lecturer from the Japan Machinery Center for Trade and Investment for a session on “managing exports to guarantee safety” at the Hamura R&D Center. Fifty-four employees working in fields related to exports from the Development Headquarters, Global Marketing Headquarters, CS Headquarters, Business & Technology Development Center and Yamagata Casio, a Group company, attended. They not only learned the basics, but also grew their understanding of non-applicability case studies and other companies’ case studies.

Under today’s increasingly sophisticated trade situation, Casio always collects the latest information and strives to ensure safe export control.

## Fair Competition and Trading

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For any responsible company, engaging in fair competition and transactions is essential. Casio is strengthening its compliance system to ensure that employees have an accurate understanding of Japan’s Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and Act against Unjustifiable Premiums and Misleading Representations, and comply with these laws thoroughly. (Casio Group Code of Conduct: 5-3. Fair Competition and Transactions)

### **Initiatives for Compliance with Competition Laws (Anti-monopoly Laws) in Each Country**

In fiscal 2020, Casio established the Competition Law Compliance Program for Group companies in and outside Japan. Casio is working to prevent risks by carrying out training as part of its global compliance system and conducting compliance surveys, among other initiatives.

## Initiatives for Compliance with Advertising Laws

In order to prevent inappropriate descriptions and labeling as well as excessive premium giveaways, Casio provides guidance via a consultation desk staffed by experts. It also offers ongoing education for employees and employs opinions from customers as feedback to ensure that product descriptions and labeling are all proper.

Sales departments at Casio have distributed a Sales Compliance Card to their employees as a tool to promote fair competition and trade. These employees are required to carry the card. 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.

In addition, a dedicated department conducts internal inspections to make sure that no unfair trade or action violating Japan's Antitrust Act and other laws are being taken and that product labeling and information would not cause misunderstanding on the part of customers, as part of regular monitoring.

### Casio Sales Compliance Card (revised version)

The image shows a Casio Sales Compliance Card. At the top left, it says "カシオ創造憲章" (Casio Charter of Creativity) and "CASIO". Below this are three chapters:

- 第1章 私たちは独創性を大切にし、普遍性のある必要を創造します。
- 第2章 私たちは社会に役立ち、人々に喜びと感動を提供します。
- 第3章 私たちはプロフェッショナルとして、常に誠実で責任ある言動を貫きます。

On the right side, there is a framed calligraphic logo that says "創造 貢献" (Creativity Contribution).

Below the chapters is a section titled "カシオグループ倫理行動規範 (項目)" (Casio Group Code of Conduct (Items)). This section is divided into two columns:

II-1 価値創造のために	II-5 自らの行動を正すために
[1-1 社会に有用な商品・サービスの提供]	[5-1 法令等の遵守]
II-2 社会への責任を果たすために	[5-2 贈収賄の禁止、および接待、贈答の制限等]
[2-1 人権の尊重]	[5-3 公正な競争と取引]
[2-2 地球環境の保全]	[5-4 インサイダー取引の禁止]
[2-3 サプライチェーン全体での健全な取り組み]	[5-5 安全保障貿易管理の徹底]
[2-4 社会との調和]	[5-6 反社会勢力への関与の禁止]
II-3 お客様の信頼を得るために	[5-7 公私の区別][5-8 情報の保護]
[3-1 お客様への安全・安心の提供]	[5-9 知的財産の創造・保護と活用]
II-4 良い職場を創るために	II-6 社会との信頼関係をつくるために
[4-1 働きやすい職場環境の構築]	[6-1 社会とのコミュニケーションの促進]

## Subcontract Act Compliance Initiatives

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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 2020, 3,557 Casio employees attended in-house seminars, and 49 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.

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, and will take all necessary steps to address the consumption tax hike in Japan, which went into effect in fiscal 2020.

In fiscal 2020, Casio received no warnings or fines under the Subcontract Act.

## Corruption Prevention Initiatives

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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 including restrictions on illegal and improper 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.

In fiscal 2021, Casio's Internal Control Committee is taking stock of compliance risks, and the secretariat will analyze any issues identified, provide feedback on the results to the Group companies, and encourage improvements.

## Tax Affairs

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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.

Casio Computer Co., Ltd. transitioned to a "Company with an Audit & Supervisory Committee" structure in June 2019. This separation of oversight and execution will strengthen corporate governance functions. The Company is also working to build an execution system that ensures a prompt, flexible response to changes in the business environment and helps to raise corporate value. Casio promotes compliance by regularly providing education to ensure understanding of and familiarity with the Casio Code of Conduct. However, in fiscal 2020, Casio Electronics Co., Ltd. (a subsidiary in the UK) was inspected by the UK's Competition and Market's Authority, and the company was assessed a fine for violating competition law. In addition, in fiscal 2020, it was discovered that a former employee of Casio Europe GmbH (a German subsidiary) had fraudulently transferred money. The Casio Group takes these incidents very seriously, and in addition to once again improving its compliance measures, the Group will further strengthen its internal management system and do its utmost to prevent any recurrence.

# Risk Management

## Basic Policy

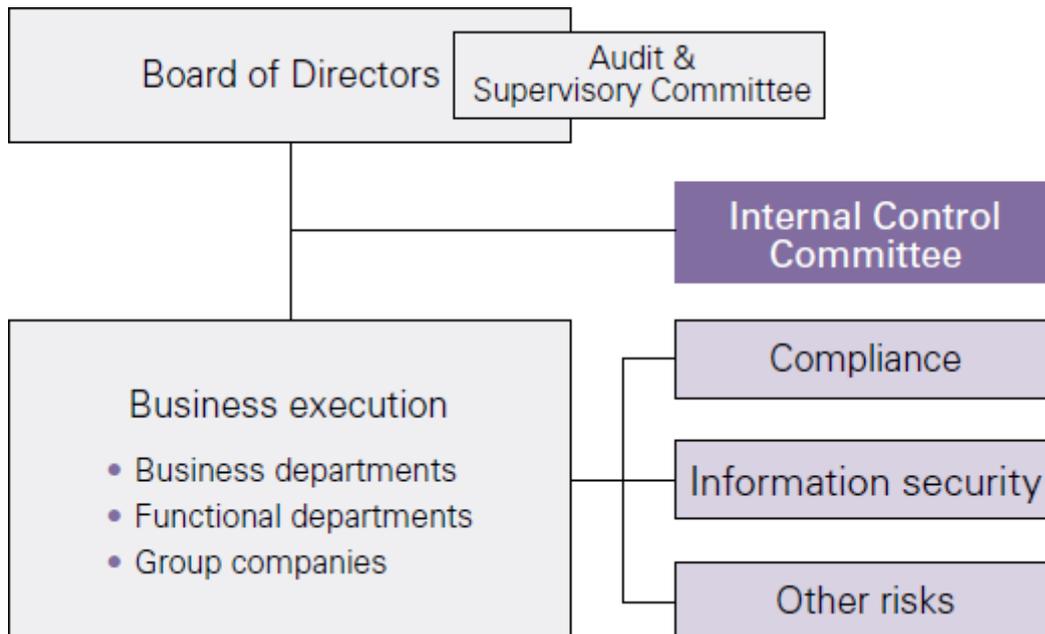
At Casio, we are promoting risk management under the basic policy to predict risks, implement preventative measures to minimize potential losses, and, if losses are incurred, implement effective follow-up measures to ensure business continuity.

Moreover, we have established the Casio Group Code of Conduct for all officers and employees to act with high ethical values and good sense in addition to obey international norms, applicable laws in each country and region, as well as company rules.

## Internal Control Committee

The Internal Control Committee is established as an independent organization under the Board of Directors that will deliberate and make decisions on policies and tasks concerning internal control in general within the Casio Group in order to realize an effective, streamlined, and fail-proof risk management structure which carries out cross-sectional integration of compliance, information security, and other risk management functions.

### Compliance and Risk Management Structure



## **Risk Management Structure**

Risks that pose a serious impact on management are managed following the structure below based on the Risk Management Rules through collaboration among relevant organizations under the supervision of the Internal Control Committee.

### **Basic Structure**

We will continue to develop education, training, and procedural manuals that serve as the foundation of Companywide risk management to prevent losses and minimize the impact on Company operations in the event of an incident.

### **Response Implementation Structure**

This will serve as a total structure that ensures stable business continuity by enabling effective initial response, including prompt status assessment and information communication, and appropriate decision-making in the event of an incident.

## **Implementation of Global Risk Survey**

In order to effectively conduct risk management, we predict various risks that may involve the Casio Group, and conduct global risk surveys to identify the frequency and impact of risks occurring and assess if appropriate measures are taken. Currently, we have identified three important risks—competition law, privacy law, and cybersecurity—and are implementing the following measures.

### **Competition Law**

We have established the Antitrust Compliance Program to be shared and promoted at all global locations and are conducting employee education. In Japan, the Act against Unjustifiable Premiums and Misleading Representations Compliance Committee was established by relevant departments, and awareness promotion activities, including development of self-management regulations and education, are being implemented. Moreover, we are striving to provide guidance through the responsible staff office, share customer opinions and feedback, and share case studies from self-audits and improvements implemented in relevant departments. Going forward, we will conduct regular audits based on the implementation status of education, and further enforce this program.

### **Privacy Law**

As laws and regulations concerning personal information become more stringent globally, in order to promote business using data worldwide, we must adhere to the privacy laws of each country. To this end, we have established the DPO Team, which tracks legal trends of each country, ensures the appropriate handling of personal information—from acquiring to storage, usage, and disposal—and conducts employee education and regular audits.

### **Cybersecurity**

We have established the Computer Security Incident Response Team (CSIRT) so that we can take accurate response to information security incidents that are on the rise and take rapid action in the case of an incident. While implementing technical measures within the Group backed mainly by the Information Technology & Engineering Department, we are working on defining rules and conducting education among employees.

## Response to the COVID-19 Pandemic

The COVID-19 pandemic has significantly affected Casio's business, severing the supply chain of components from China for a time and requiring sales stores to pause operations around the world. Casio launched a task force in late January 2020 tasked with ensuring the safety of customers, business partners, and employees and their families, and is making preventing the spread of the virus a top priority. Casio is also working with related divisions both within and outside the Company, and doing all it can to minimize the impact of the pandemic on its business. As a specific initiative to prevent the spread of the virus among employees, Casio moved up the introduction of its planned remote work system for those employees that could work at home. Employees who had to be on site to do their jobs were asked to come in on a staggered schedule, commute in their own cars, and use online meetings to reduce opportunities for interaction.

With these measures, Casio worked hard to sustain its business even in periods when the coronavirus outbreak was at its worst. The Company is committed to providing the products and services that customers need, as well as to fulfilling its social responsibility for the business continuity of its business partners.

## Business Continuity Plan (BCP) Initiatives

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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

Establishing comprehensive systems to support business activities has become increasingly important to ensuring business continuity. In addition to being prepared for natural disasters such as earthquakes and typhoons, Casio provides employees with a remote work environment so they can stay home during outbreaks of disease, such as the COVID-19 pandemic.

To counter the risk of disaster, Casio utilizes robust external data centers with quake-absorbing structures and in-house power generation and ensures the safety of its important servers. Moreover, in addition to ensuring information security, particularly the communication environment (portal site for employees, e-mail, online meetings, etc.), the company uses external services to enhance security.

As a result of these responses, Casio has been able to make a smooth transition to remote work and to support business continuity on the systems side, adapting even to the state of emergency declared by the Japanese government due to the coronavirus.

## Information Security

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Casio strives to appropriately manage and handle all of its information assets, including information that it collects from customers and suppliers.

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.

Additionally, Casio implements measures in compliance with laws and regulations outside Japan, including the EU's General Data Protection Regulation (GDPR), which covers the handling of personal information of European users.

## Education and Awareness Raising

Information security cannot rely only 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.

In addition, an information security handbook summarizing basic matters in clear, concise content for users has been issued to raise awareness throughout the Casio Group. The handbook has been translated and is used for training and awareness building by companies outside Japan.

## Initiatives to Prevent Information Leakage

As an initiative to prevent information leakage, Casio ensures, as an organizational measure, that all employees handling information understand and follow necessary safety procedures. Casio has established internal rules regarding such matters as limitations on taking information or information devices off company premises and on sending emails externally, as well as proper information disposal. Training is provided on these rules in an effort to raise awareness and strengthen measures to prevent information leakage.

As a technical safety measure, Casio is strengthening its ability to monitor unauthorized access to its websites and suspicious transmissions on its internal network, in order to upgrade its preparedness against the recently growing threat of targeted attacks and other external attacks such as those from malware.

Accompanying the growth of remote work, Casio has further strengthened security measures at end points, such as the computers used by employees, and has deployed a multilayered defense system.

## Information Security Certification and Initiatives

As an initiative to prevent information leakage, Casio ensures, as an organizational measure, that all employees handling information understand and follow necessary safety procedures. Casio has established internal rules regarding such matters as limitations on taking information or information devices off company premises and on sending emails externally, as well as proper information disposal. Training is provided on these rules in an effort to raise awareness and strengthen measures to prevent information leakage.



As a technical safety measure, Casio is strengthening its ability to monitor unauthorized access to its websites and suspicious transmissions on its internal network, in order to upgrade its preparedness against the recently growing threat of targeted attacks 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.



JQA-IM0536

## Scope of application/operations for ISO27001 certification:

Information Technology & Engineering Department Casio Computer Co., Ltd.

Planning, development, maintenance and operation of internal information systems supporting the manufacture, sale and service operations for electronic devices at Casio Computer Co., Ltd. and each group company, and the development, maintenance and operation of network infrastructure for the Casio Group

\*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.

## Stable Supply of Products

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### Approach to Stable Product Supply

Delivering a stable supply of products is one of the most important responsibilities of a manufacturer, and is required to ensure customer satisfaction and loyalty.

Casio aims to optimize the innovation process by leveraging its robust platforms for purchasing and manufacturing technologies. This allows Casio to consistently provide the market with high-quality products at reasonable prices while raising customer satisfaction.

### Policies on Stable Product Supply

- Formulate and execute on strategy to achieve optimal production  
Casio formulates and executes a “site strategy,” “technology strategy” and “investment strategy” to achieve an optimal and stable supply chain.
- Pursue faster speed and greater efficiency in production, sales, and inventory process  
Casio works every day to raise the speed and enhance efficiency with the aim of optimizing production, sales and inventory by assessing the entire supply chain and always considering the customer’s perspective.

### Supply Network Is Highly Responsive to Changes in Demand

Demand has changed dramatically due to the impact of the COVID-19 pandemic in fiscal 2021. Casio aims to optimize production, sales and inventory, without sticking to previous divisions of rules and systems. Examples of specific activities include early achievement of supply chain reforms and engineering reforms aimed at the post-COVID period.

- Supply chain reform (Optimize production, sales and inventory with the minimum amount of resources and staff)
  - Promote automation of operations (reduce steady-state operations)
  - Introduce production linked to real demand (PSI linked, inventory reductions)
  - Optimize/introduce IT for functions of production and management sites (procurement, manufacturing, logistics)
- Engineering reforms (Raise product value and achieve competitive advantages in QCD)
  - Make costs and processes for product planning/development through manufacturing visible and seamless
  - Strengthen LSM (raise profitability after commercialization)
  - Achieve zero-defect, ultra-low-cost design and manufacture

### Diversifying Production Risk and Producing Core Components In-house

Casio maintains a stable supply of products by having each production site manufacture multiple product items, and by ensuring that two different sites can produce any given Casio product.

The company is also increasing the internal production of components in order to protect newly created technologies and to reduce parts procurement risk.

## Production sites for individual products

### Contract manufactures

Timepieces, Calculators,  
Electronic Musical Instruments

### Casio Electronic Technology (Zhongshan) Co., Ltd.

Calculators, Electronic Dictionaries,  
Electronic Musical Instruments

### Casio Electronics (Shaoguan) Co., Ltd.

Timepieces

### Casio Timepiece (Dongguan) Co., Ltd.

Manufacturing and sales of  
metal parts of watches

### Yamagata Casio Co., Ltd.

Timepieces, Calculators, Data Projectors,  
Smart Outdoor Watches

### Yamagata Casio Co., Ltd. (Yamanashi Office)

System equipment, Cash Registers

### Contract manufactures

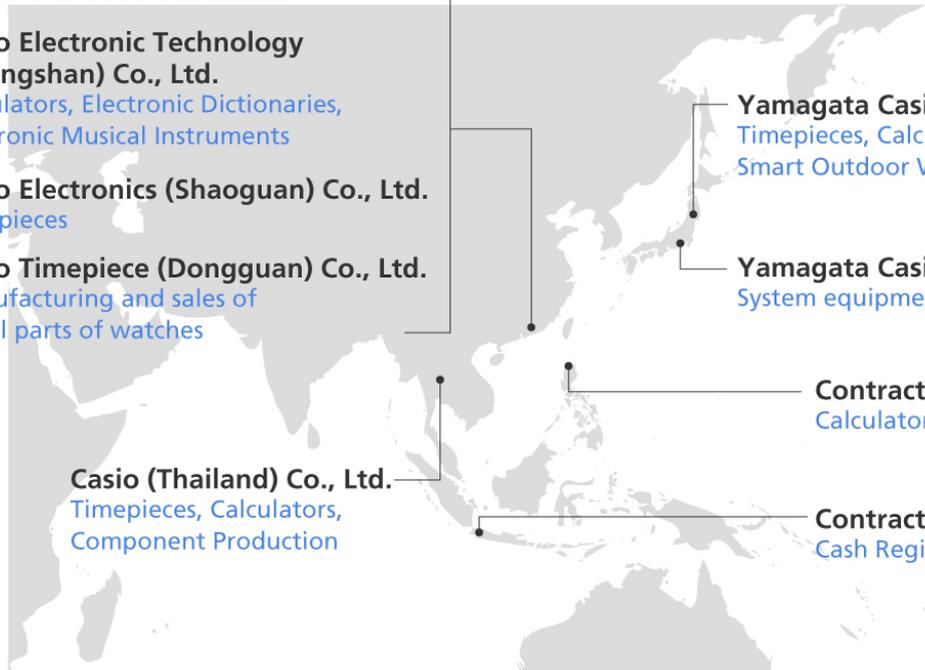
Calculators

### Casio (Thailand) Co., Ltd.

Timepieces, Calculators,  
Component Production

### Contract manufactures

Cash Registers



## Production Sites

### Yamagata Casio Co., Ltd.

Yamagata Casio, Casio's only manufacturing site in Japan, plays a key role as the Casio Group's "mother plant." Yamagata Casio is supporting reforms to overseas production sites—seeking to build manufacturing systems not overly affected by labor costs—by sharing technologies from Japan (Yamagata). Yamagata Casio has implemented reforms to quality processes by introducing a completely automated line for watches, automated sensitivity testing, and an automated line for scientific calculators. Meanwhile, it has strengthened its core technologies by refining precision molding and processing technologies. The company aims to create the Casio version of the smart factory, including at overseas plants.

### Casio Electronic Technology (Zhongshan) Co., Ltd.

Casio Electronic Technology (Zhongshan) is located in the Huanan region of China. It is one of the central hubs for manufacturing the main Casio products. As labor costs and production costs rise, the company is automating production and reorganizing by adopting technology from Yamagata Casio (the mother plant), striving to cut manufacturing costs. The company is taking steps to become a Casio-style smart factory.