

Corporate Governance

Casio recognizes the importance of swift decision-making, appropriate and efficient business operations, and enhanced supervisory functions that ensure sound and transparent management in steadily achieving management goals and continuously increasing enterprise value.

The Corporate Governance System

Casio is a company with a Board of Statutory Auditors. The Board of Directors and the Board of Statutory Auditors supervise management. Casio is further strengthening corporate governance by enhancing its executive officer system and expanding the responsibilities of external directors.

The Board of Directors delegates most of the authority for important business execution to enable prompt and efficient business execution. The Board of Directors makes resolutions as required by laws and the Articles of Incorporation, as well as decisions about important business execution matters, using its vested

authority to ensure that it fulfills its supervisory functions. In addition, Casio has enhanced the management supervision function of the Board of Directors by establishing the Nomination Committee and the Compensation Committee, which include external directors.

Statutory auditors follow policies and handle assignments set out by the Board of Statutory Auditors to ensure sound and transparent business management. In addition to attending meetings of the Board of Directors and other important meetings and committee sessions, statutory auditors fulfill their responsibility to rigorously monitor the Company's management processes by speaking with directors and other

managers, receiving reports from them, and reading the minutes of meetings at which decisions on important matters were made and related reference material. Statutory auditors coordinate with external directors as needed to obtain information and exchange opinions, and are assigned expert assistants who support their audit activities.

More than half of the members of the Board of Statutory Auditors are external auditors. The Board of Statutory Auditors includes members with knowledge of finance and accounting in order to strengthen its audit function.

The outside auditors are independent executives whose appointments are reported to the Tokyo Stock Exchange, in line with its regulations.

Independent auditing corporations conduct external audits in accordance with auditing standards generally accepted in Japan to determine fairness and appropriateness. The Internal Audit Department monitors the organizational management of the Company to check that it is appropriate and conforms to laws and regulations as well as internal standards.

In addition, the CSR Committee deliberates on basic policies and major issues in CSR activities across the Group. This committee is chaired by the officer in charge of CSR at Casio Computer Co., Ltd. and includes the officers in charge of staff function departments, statutory auditors and managers of staff function departments

Basic Internal Control System Policies

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 operations.

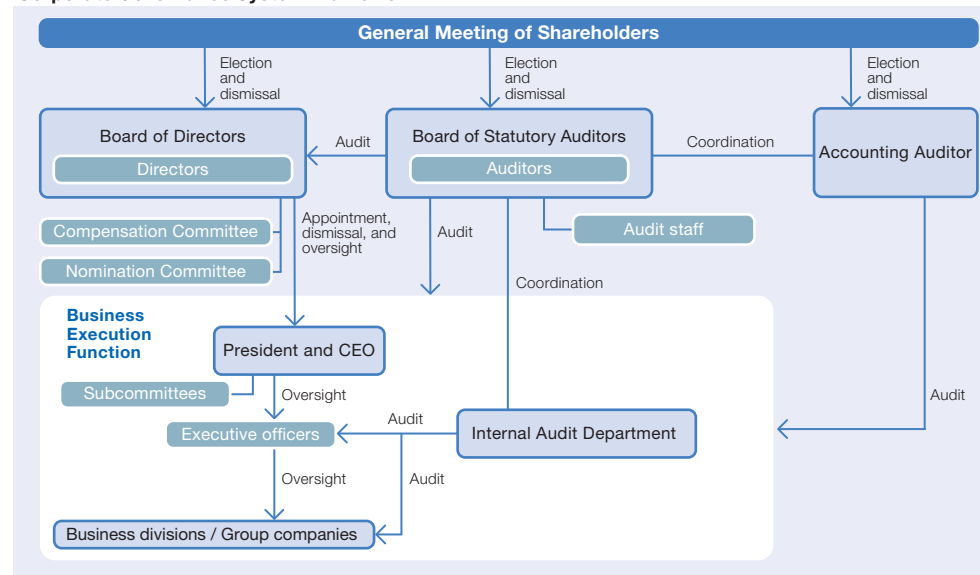
1. System to ensure that performance of duties by Group directors and employees comply with the Articles of Incorporation and relevant laws and regulations

- (1) Specific documents on policies and rules have been prepared to support compliance with relevant laws and regulations regarding the performance of duties. After deliberation and consideration by the CSR Committee and other committees, awareness of the rules is promoted throughout Group companies.
- (2) The Whistleblower Hotline has been established inside and outside the Company and operates as the point of contact for inquiries and reporting on problems related to infringements of legal compliance and other compliance matters. The Group ensures that whistleblowers are not penalized.
- (3) The Group has absolutely no contact with organized criminal elements, which pose a threat to social order and public safety, and the entire organization is resolved to refuse any improper demands.
- (4) 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 saving and managing information relating to performance of duties by Group directors and employees

- (1) Based on the Document Management Rules and other rules, each department saves and manages information relating to the performance of duties by the directors and employees concerned.

Corporate Governance System Framework



Corporate Governance

3. System of rules and other methods to manage the risk of Group losses

- (1) The Group has 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 under the CSR Committee, based on the Risk Management Rules.
- (2) Fundamental Policies on Product Safety and an implementation system have been established with the 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

- (1) Attended by the Company's directors and statutory auditors, meetings of the Board of Directors are held to discuss and decide important management issues facing the Group, at least once a month in principle, and make prompt and reasonable decisions.
- (2) The Company's executive officers, directors, and statutory auditors attend meetings of the Board of Executive Officers to discuss and decide important business execution matters. They ensure Group-wide coordination and smooth implementation of measures.
- (3) Detailed execution procedures are outlined in the Executive Decision Making Authority Rules and the Group Company Decision Making Authority Rules.
- (4) 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 Group operations

- (1) To ensure proper operations, the Group has various rules based on the Charter of Creativity for

Casio, Casio Common Commitment, and Casio Code of Conduct.

- (2) The Company has a system for assigning directors or executive officers responsibility 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.
- (3) The Group has built a system to ensure the adequacy and reliability of financial reporting. The Group makes improvements after inspecting internal controls related to business flow and financial reporting, documentation, evaluation.

6. System for employees that assist the Company's statutory auditors in the performance of their duties, and the independence of those employees from the directors

- (1) Employees are appointed to assist the statutory auditors in their duties.
- (2) Matters concerning the appointment, transfer, evaluation or discipline of employees who assist the statutory auditors require the prior consent of the Board of Statutory Auditors.

7. System for Group directors and employees to report to the Company's statutory auditors, other systems for reporting to the Company's statutory auditors, and systems to ensure that audits by the statutory auditors are performed effectively

- (1) If something is discovered that is likely to cause significant damage to the Group, if a violation of a law or the Articles of Incorporation occurs, or if business is executed illegally, the Company's directors and employees must immediately report it to the statutory auditors.
- (2) If something is discovered that is likely to cause significant damage to the Group, if a violation of a

- law or the Articles of Incorporation occurs, or if business is executed illegally, the directors, auditors and employees of a Group company must immediately report it to the Company's officer with responsibility at the Group company, and the officer with responsibility must immediately report it to the company's statutory auditor.
- (3) If a Group company's directors, auditors and employees determine that a management action or guidance from the Company may violate the law or create a compliance issue, they must report it to the Company's statutory auditor.
- (4) The Group's directors and employees provide the required reports and information in response to requests from the Company's statutory auditor.
- (5) The Company's Internal Audit Department periodically reports the results of Group audits to the Company's statutory auditor.
- (6) The Whistleblower Hotline Secretariat reports the status of whistleblower reports and measures taken to the Company's statutory auditor.
- (7) The Group ensures that people who have made a report to the Company's statutory auditor are not penalized.
- (8) The Company promptly processes any requests it receives for the prepayment or refund of expenses arising from the performance of duties by the Company's statutory auditor.
- (9) The Company's statutory auditors can attend any important internal meeting of the Company.

- (10) Important Group approval documents are reported to the Company's statutory auditors after approval.

Risk Management

In line with our Basic Risk Management Policy, we have created a system to effectively and efficiently manage risk. The Chairman of the CSR Committee appoints a Chief Risk Management Officer, and the CSR Committee Secretariat and main risk management departments discuss issues including the potential impact on operations and probability of risks and select themes.

The members of the CSR Committee from main risk management departments develop programs during the planning stage for the designated risk management themes. They plan and execute countermeasures to avoid and mitigate risk, implement measures for departments and Group companies that are exposed to risks, and assiduously provide information to ensure risk awareness.

In addition, the CSR Committee Secretariat implements its management system using a PDCA cycle. It deliberates and discusses, promotes action, manages and evaluates progress, and conducts monitoring.

The Internal Audit Department audits the CSR Committee's risk management to confirm that it is operating properly.

Risk Management System

