

# Corporate Governance

**Casio recognizes that quick decision-making and appropriate execution of business operations are vital. Not only these capacities are needed, however, strengthening of oversight to improve management soundness and transparency is equally important in ensuring that business goals are reliably achieved and corporate value continues to grow.**

## Corporate governance framework

Casio is a company with an Audit & Supervisory Board. In addition to the management oversight function of the Board of Directors and Audit & Supervisory Board, Casio is working to further strengthen its corporate governance by expanding the role of outside directors and enhancing the executive officer system.

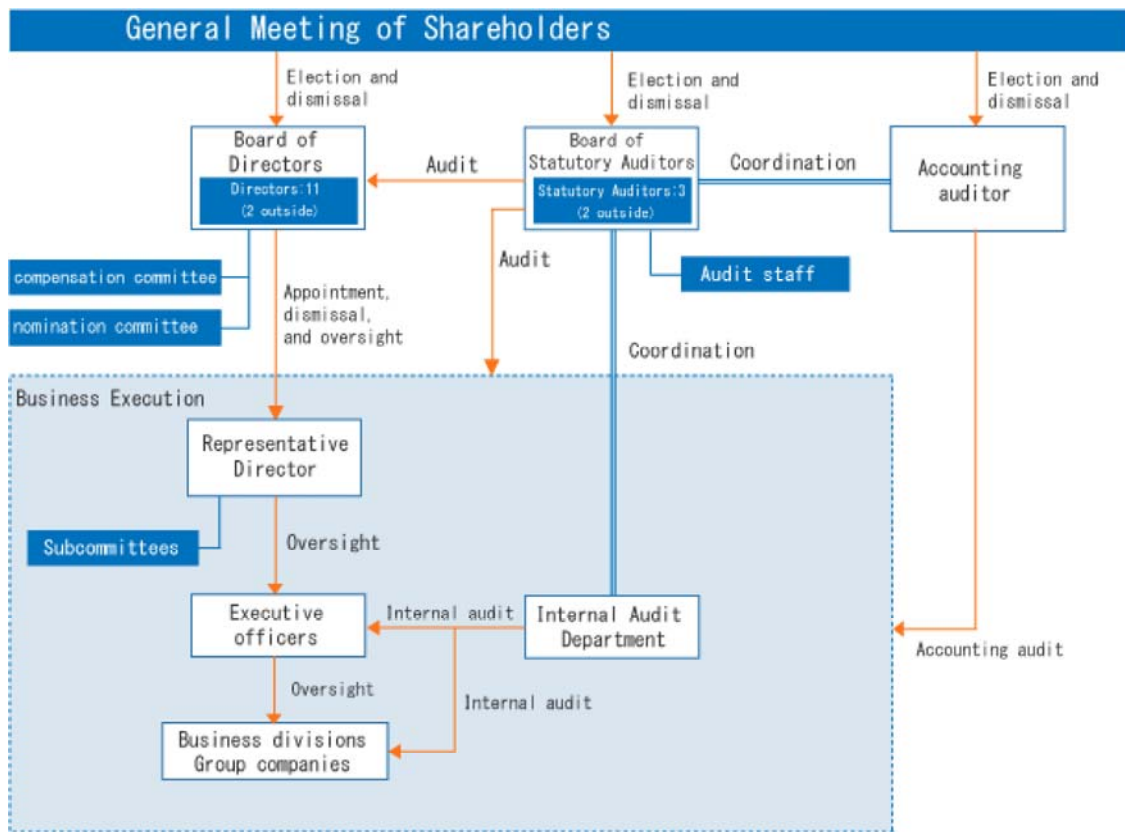
The Board of Directors has delegated most of its authority relating to important business execution to the executive officers to enable fast and efficient business execution. However, the supervisory function of the Board of Directors has been substantially secured through its retained authority to pass resolutions on matters set forth in law and in the articles of incorporation, and on particularly important business execution matters. Also, as part of efforts to strengthen the management oversight function of the Board of Directors, a nomination committee and compensation committee have been established with the requirement that outside directors serve among their members.

To ensure the effectiveness of its management oversight function, the membership of the Board of Directors must include people with diverse perspectives, experiences, and abilities. In addition to directors who are thoroughly familiar with Casio's business, the Board must also include outside directors with broad insight and rich experience. As of June 30, 2016, the Board of Directors is composed of 11 directors, two of whom are outside directors. The term of office for directors is one year so as to clearly delineate the responsibility that they have for management and to facilitate quick responses to changes in the business environment.

In order to ensure the soundness and transparency of business management, Audit & Supervisory Board Members perform rigorous audits by attending Board of Directors meetings, and other important meetings and committees, as well as by interviewing directors and others and reviewing reports and important resolution documents. This is done in accordance with audit policies and allocation of responsibilities set out by the Audit & Supervisory Board. The audit function is also being further strengthened through the provision of full-time staff to support the Audit & Supervisory Board Members, in addition to the gathering of information from and exchange of opinions with the outside directors as necessary.

More than half of the Audit & Supervisory Board Members are required to be outside auditors, and they must include auditors with finance and accounting knowledge to strengthen the audit function. The current Audit & Supervisory Board is composed of three members, two of whom are outside auditors. The outside directors and outside auditors are independent officers registered with the Tokyo Stock Exchange in compliance with regulations.

Accounting auditors perform external audits according to generally accepted Japanese auditing standards. The Internal Audit Department carries out audits to ensure that the organizations are appropriately operating in compliance with laws and regulations as well as group-wide standards.



## System of internal controls

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. After deliberation and consideration by various committees, such as the CSR Committee, awareness of the rules is promoted throughout the company and each group company.
  - c. 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 company ensures that whistleblowers are not penalized.

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- d. The company and group companies have 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.
  - 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 saving and managing information relating to performance of duties by directors and employees of the company and group companies

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.

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 under the CSR 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. Attended by the company's directors and Audit & Supervisory Board Members, meetings of the Board of Directors are held to discuss and decide important management issues facing the company and group companies, at least once a month in principle, and perform prompt and reasonable decision making.
  - b. The company's executive officers, directors, and Audit & Supervisory Board Members attend meetings of the executive officers to discuss and decide important matters of business execution. 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 whereby 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.

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- c. The company and the group companies have built a system to ensure the adequacy and reliability of financial reporting. After inspection of internal controls related to business flow and financial reporting, documentation, evaluation, and improvement is carried out.
6. System for employees that assist the Audit & Supervisory Board Members in the performance of their duties, and the independence of those employees from the directors
    - a. Employees are appointed to assist the Audit & Supervisory Board Members in their duties.
    - b. Matters concerning the appointment, transfer, evaluation or discipline of employees who assist the Audit & Supervisory Board Members require the prior consent of the Audit & Supervisory Board.
  7. System for the company's directors and employees and group companies' directors, auditors and employees to report to the Audit & Supervisory Board Members, other systems for reporting to the Audit & Supervisory Board Members, and systems to ensure that audits by the Audit & Supervisory Board Members are performed effectively
    - a. Whenever something is discovered that is likely to cause significant damage to the company or group companies, whenever there is a violation of the law or the articles of incorporation, or whenever an illegal business execution is performed, the company's directors and employees must immediately report it to the Audit & Supervisory Board Members.
    - b. Whenever something is discovered that is likely to cause significant damage to the company or group companies, whenever there is a violation of the law or the articles of incorporation, or whenever an illegal business execution is performed, 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 Audit & Supervisory Board Members.
    - c. Whenever a group company's directors, auditors and employees determine that a management action or guidance from the company may be in violation of the law, or there is 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 provide the required reports and information in response to requests from the Audit & Supervisory Board Members.
    - e. The company's Internal Audit Department periodically reports the results of audits of the company and group companies to the Audit & Supervisory Board Members.
    - f. The Whistleblower Hotline Secretariat reports the status of whistleblower reports and measures taken to the Audit & Supervisory Board Members.
    - g. The company and group companies ensure that people who have made a report to the Audit & Supervisory Board Members are not penalized.
    - h. The company promptly processes any requests it receives for the prepayment or refund of expenses arising from the performance of duties by the Audit & Supervisory Board Members.
    - i. The Audit & Supervisory Board Members can attend any important internal meeting of the company.

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- j. Important approval documents of the company and group companies are reported to the Audit & Supervisory Board Members after approval.

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