

# Corporate Governance

## Corporate Governance System

To achieve sustainable growth and enhanced corporate value over the medium to long term, Casio has positioned the strengthening of management oversight along with prompt decision-making and effective business execution as priority issues. Accordingly, as of June 27, 2019, Casio Computer Co., Ltd. moved from a company with a board of corporate auditors to a company with an Audit & Supervisory Committee.

This will strengthen the monitoring function of the Board of Directors, and speed up and streamline business execution under their appropriate supervision.

### Board Structure

Chaired by the president and representative director, the Company's Board of Directors is comprised of eight members, including three outside directors. There are:

- Five directors including one outside director (excluding directors who are Audit & Supervisory Committee members); and
- Three directors who are Audit & Supervisory Committee members (including two outside directors).

To ensure that management responsibilities are clearly defined and that changes in the business environment can be responded to quickly, terms for directors (excluding those who are Audit & Supervisory Committee members) are set at one year.

The Board of Directors is tasked with management decision-making and oversight of business execution. It discusses and decides important management issues as stipulated by laws and regulations, the Articles of Incorporation, and the rules governing the Board of Directors. To enhance the efficiency and responsiveness of business operations, the Board's authority is delegated to executive officers for matters that do not meet the agenda criteria as stipulated in the relevant laws and regulations, Articles of Incorporation, or the rules governing the Board of Directors.

### Audit & Supervisory Committee

The Audit & Supervisory Committee is made up of three members — two outside directors and an internal director who serves as chair of the committee.

To ensure the soundness and transparency of business operations, the Audit & Supervisory Committee members attend Board of Directors and other important officer meetings and committee sessions. They also express their opinions at these meetings as necessary to ensure proper decision-making. In addition to holding regular meetings with the president, the Audit & Supervisory Committee members conduct careful audits through interviews with, and reports from, directors (excluding their fellow Audit & Supervisory Committee members), and through inspection of documents pertaining to important Board resolutions.

## Nomination Committee

The Nomination Committee assists the Board of Directors in discharging its responsibilities relating to proposals to be submitted to the General Meeting of Shareholders for the appointment or dismissal of directors, and in formulating selection criteria for director candidates.

## Compensation Committee

The Compensation Committee assists the Board of Directors in discharging its responsibilities relating to director compensation proposals to be submitted to the General Meeting of Shareholders, and in setting the determinants of director compensation.

## Outside Directors

Outside directors are appointed with the aim of enhancing corporate transparency by incorporating external perspectives into management and further strengthening operations oversight. The Company invites experts who can provide diverse opinions and advice, including from a social contribution viewpoint 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.

### Roles of outside directors and reasons for appointment

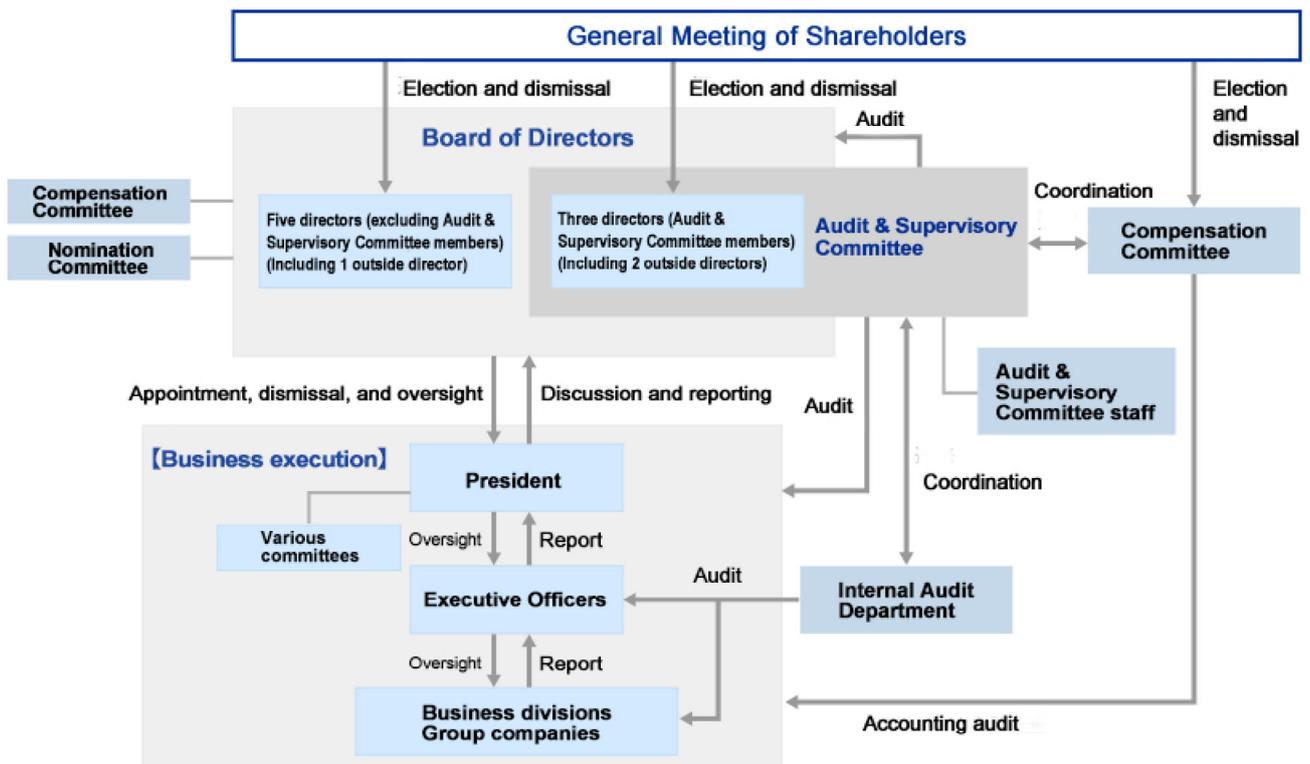
Motoki Ozaki	Outside Director	Nomination Committee Chair	Mr. Ozaki has a wealth of management experience and deep insight into the Company's operations, based on many years as a chief executive of a major corporation.
Michiko Chiba	Outside Director	Audit & Supervisory Committee Nomination Committee Compensation Committee	As a certified public accountant, Ms. Chiba has extensive auditing experience along with expertise in finance and accounting. She was appointed for her ability to serve as an objective outside director and exercise the duties in a fair and neutral way.
Hiroto Abe	Outside Director	Audit & Supervisory Committee Compensation Committee Chair	Mr. Abe has far-reaching overseas business experience working for a general trading company, as well as specialized legal knowledge and experience as a graduate school professor. He was appointed as someone who can objectively fulfill the role of outside director from a standpoint of fairness and neutrality.

## Executive Officer System

In accordance with policy set by the Board of Directors, executive officers are delegated authority and run the company's business under the Board's supervision. Important matters related to business execution are discussed by the relevant executive officers and directors.

Candidates for executive officers are selected based on their talents and achievements, and their ability to further enhance the company's consolidated management. The term of office is one year.

### Corporate governance framework



## Executive Compensation

The Company's basic policy for executive remuneration is to maintain market competitiveness and provide incentives for sound entrepreneurship with the goal of sustainable corporate growth. In principle, fixed compensation in the form of monthly salary makes up 60% of individual remuneration, while performance-based pay, such as bonuses and stock options, is 40%.

For performance-based compensation, bonuses are determined based on the degree of sales and operating profit target achievement and the actual figures, and by taking into account qualitative factors such as business conditions. Regarding stock options, the Ordinary General Meeting of Shareholders passed a resolution for restricted stock compensation on June 27, 2019. Outside directors only receive fixed monthly compensation.

## Compensation in Fiscal 2019

Officer category	Total amount of compensation, etc.	Total amount by type of compensation, etc.	Number of officers eligible for compensation
Directors (excluding outside directors)	197 million yen	Fixed: 151 million yen Performance-based: 45 million yen	9
Auditors (excluding outside auditors)	13 million yen	Fixed: 13 million yen	1
Outside directors	33 million yen	Fixed: 33 million yen	5

### Director Training

The Company believes that directors need to constantly improve their skills and knowledge through self-study to fully execute their responsibilities and roles. By continually providing study information and opportunities while covering expenses, the Company is giving its directors the necessary support. In particular, outside directors sit in on important internal meetings, visit plants and offices in and outside Japan, and attend internal research presentations. The Company continuously plans and implements such activities so directors can obtain information and knowledge about the Company's business during their term. By gathering information and participating in seminars offered by the Japan Audit & Supervisory Board Members Association and other sources, directors who are Audit & Supervisory Committee members also work to further enhance the skills necessary for their role and responsibilities.

### Internal Auditing

The Internal Audit Department consists of four staff members 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 of the Audit & Supervisory Committee (including outside directors) to assist them in their work, and they hold regular quarterly meetings and exchange information on a daily basis. The staff members also plan internal audits, provide summary reports 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 of the Audit & Supervisory Committee).

### Takeover Defense Measures

Takeover defense measures have not been implemented.

---

## Board Effectiveness Analysis and Assessment

While recognizing that the Board of Directors' role has changed, the Company evaluates the Board's effectiveness and performs any revision necessary to further enhance governance over company organizations and operations. In fiscal 2019, the directors and Audit & Supervisory Board members were interviewed on ways to improve the role, function, and operation of the Board of Directors. Some of them indicated a need to revise the agenda criteria and enhance document content. Going forward, the Company will strive to further augment the Board's effectiveness based on the results of this evaluation, and make ongoing improvements.

## Dialogue with Shareholders

The Company believes it is important to actively communicate with shareholders in order to build long-term relationships of trust as part of efforts to continually increase corporate value. The executive officer responsible for investor relations oversees IR activities under the direction of the representative director.

### Organization

Based on a shared understanding of the importance of shareholder dialogue, the Company gathers the necessary information using a network of relevant departments and promotes coordinated response. In conversations with shareholders, the relevant director or executive officer responds as needed according to the theme and content. Shareholder opinions obtained through dialogues are reported as necessary to the Board of Directors. The information is also shared with the executive officers' committee, and is used to enhance measures for corporate value improvement.

To prevent the disclosure of insider information during stakeholder dialogue, the Company has established rules, which are strictly enforced, for the handling of important facts not yet publicly disclosed. As a practical measure, multiple company representatives handle interviews.

In addition to individual interviews to promote shareholder dialogue, quarterly financial briefings are provided to institutional investors and securities analysts. The representative director or the executive officer responsible for investor relations presents a summary of the company's financial results and future outlook. Business briefings are also held. To further enhance public understanding of the Company, a range of IR information is shared on the company's website, and there are contact points for shareholder inquiries. The aim is to establish even better communication with shareholders.

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

---

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 CSR 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 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. 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. Directors who are 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.