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# Corporate Governance

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**To increase corporate value, Casio always strives to improve management integrity and transparency. True to this commitment, Casio works to ensure that management decision-making is quick and that all operations are executed properly and efficiently.**

## Corporate governance framework

Casio has implemented a broad range of initiatives to strengthen its corporate governance.

The board of directors is composed of thirteen directors, two of whom is an external director. The term of office for directors is one year so as to clearly delineate the responsibility that the board of directors has for management and to facilitate a quick response to changes in the business environment (as of June 30, 2013)

The board of directors is tasked with making prompt, reasonable management decisions. Board meetings are attended by directors and corporate auditors, who discuss and make decisions on important business issues.

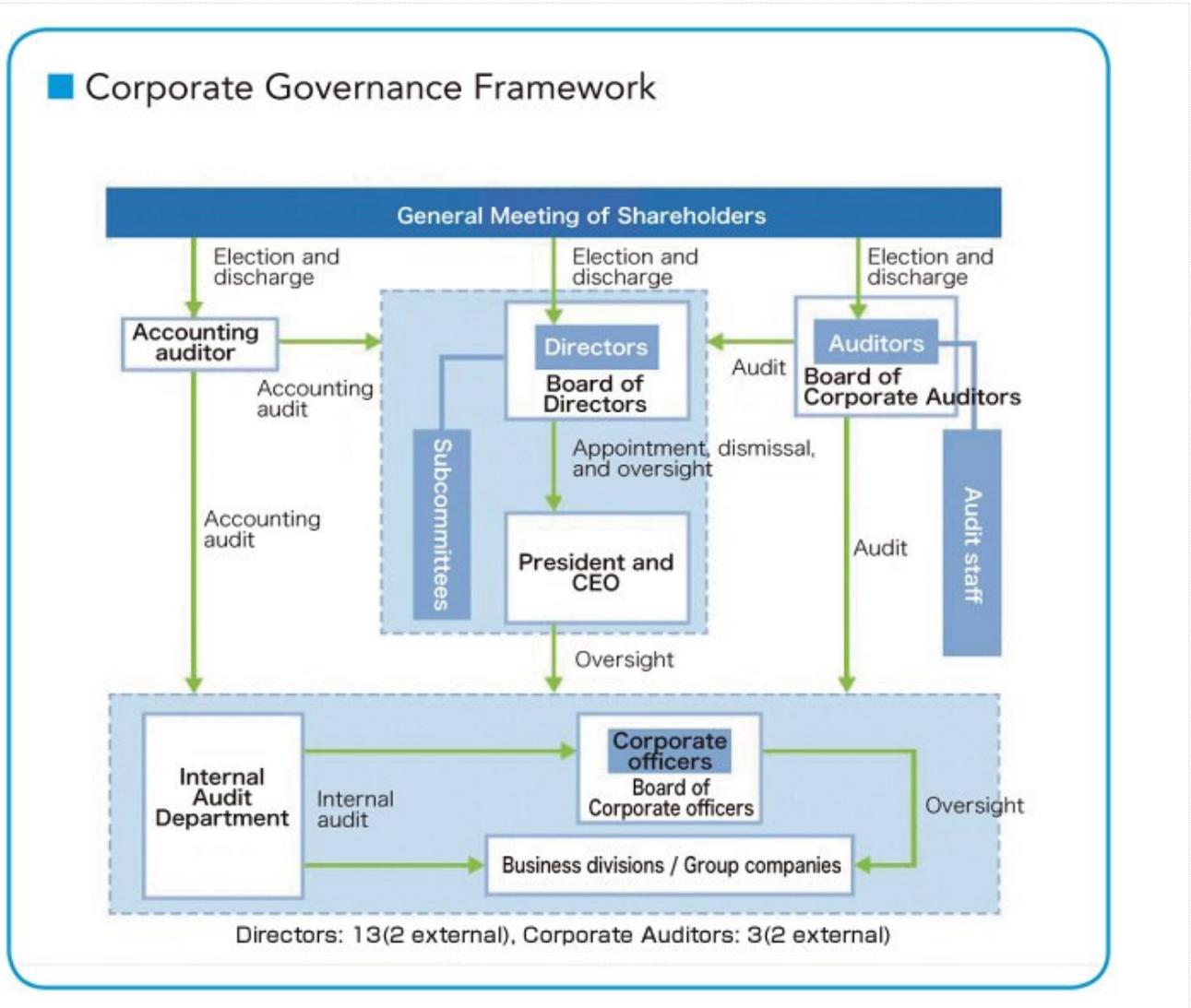
Based on Japan's Companies Act, Casio has also appointed three auditors (two of the three members are external auditors) and established a board of corporate auditors composed of these auditors. In accordance with audit policies set out by the board of corporate auditors, the corporate auditors attend board of directors' meetings, meetings of the corporate officers, and other important meetings and committees. In addition, they perform strict audits by interviewing and receiving reports from directors and others, and by reviewing resolution documents relating to important decisions.

The external director and external auditors are independent officers registered with the Tokyo Stock Exchange in compliance with regulations. In addition, Casio has full-time staff that provide support for corporate auditors.

Accounting auditors perform external audits according to generally accepted Japanese auditing standards, and they also provide recommendations for operational improvement.

The Internal Audit Department carries out audits to ensure that all Casio Group operations are being carried out in conformity with laws and regulations as well as internal standards.

An internal control reporting system has been required by Japan's Financial Instruments and Exchange Act since April 2008. Accordingly, Casio has established basic policies to ensure the accuracy and reliability of its financial reporting. It has also set up an Internal Control Committee composed of members of the Accounting Department, Information System Department, CSR Promotion Office, and Internal Audit Department to implement these policies.



### System of internal controls

The following explains the basic approach of Casio Computer Co., Ltd. to its internal control system, and progress made on implementation.

#### Internal control system basic approach and implementation level

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

##### 1. System to ensure the actions of directors and employees comply with the articles of incorporation and relevant laws and regulations

- a) 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.
- b) 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

Based on the internal 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**

- a) The company 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. Fundamental Policies on Product Safety have been established with an understanding that maintaining customer confidence in product safety is an important management issue.
- b) A Whistleblower Hotline has been set up in addition to the regular reporting channels, to prevent the spread of risk.

### **4. System to ensure the efficient execution of duties by directors and employees**

- a) Attended by the directors and corporate auditors, meetings of the board of directors are held to discuss and decide important management issues, at least once a month in principle, and perform prompt and reasonable decision making.
- b) The corporate officers, directors, and corporate auditors attend meetings of the corporate officers to discuss and decide important matters of business execution. They ensure company-wide coordination and smooth implementation of measures.
- c) Detailed execution procedures are outlined in the Executive Decision Making Authority Rules.

### **5. System to ensure appropriate operations at the company and group companies**

- a) To ensure appropriate operations, the group companies have various rules based on the Charter of Creativity for Casio, Casio Common Commitment, and Casio Code of Conduct.
- b) Councils have been established based on a system whereby certain corporate officers are responsible for specific group companies. The corporate officers and the relevant departments 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) Whenever a group company determines that a management action or guidance from the company may be in violation of the law, or there is a compliance issue, the group company reports it to director or relevant department concerned.
- d) 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.
- e) 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.

### **6. System for employees that assist corporate auditors in the execution of their duties, and the independence of those employees from the directors**

- a) Employees are appointed to assist the corporate auditors in their duties.
- b) Matters concerning the appointment, transfer, evaluation or discipline of employees that assist the corporate auditors require the prior consent of the board of corporate auditors.

### **7. System for directors and employees to report to the corporate auditors, other systems for reporting to the corporate auditors, and systems to ensure that audits by the corporate auditors are performed effectively**

- a) Whenever something is discovered that is likely to cause significant damage to the company, the directors must immediately report it to the corporate auditors.
- b) Whenever there is a violation of the law or the articles of incorporation, or whenever an illegal business operation is performed, the director or the organizational head responsible must be immediately report it to the corporate auditors.
- c) The corporate auditors can attend any important internal meeting.
- d) Important approval documents are circulated to the corporate auditors after approval.

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