

Corporate Governance

To raise the Company's competitiveness, realize a continuous improvement in enterprise value, and ensure the achievement of business targets, the management of Casio recognizes the paramount importance of a corporate governance system capable of ensuring secure and transparent management, in addition to fast decision-making and the effective implementation of the decisions made. We have therefore taken the following measures to bring such a corporate governance system into being.

Corporate Governance System

In 1999 the Company adopted a corporate officer system to clearly demarcate the supervisory and executive functions of management. Meetings of the Board of Corporate Officers are also attended by directors and corporate auditors. The meeting discusses matters of importance relating to the conduct of business to ensure that changes and measures are made smoothly throughout the Company.

Meetings of the Board of Directors, which are also attended by corporate auditors, aim to make optimal decisions on important management issues as promptly as possible. Additionally, in June 2007 the term of office of directors was shortened from two years to one year in order to make each director more clearly accountable for management matters within that director's scope of responsibility, and to enable the Company to respond swiftly and appropriately to changes in the business environment.

The Board of Corporate Auditors follows auditing policies set out by the Board itself. In addition to attending meetings of the Board of Directors and the meetings of the Board of Corporate Officers, the corporate auditors discharge their responsibility for rigorous monitoring of the process of management of the Company by receiving and perusing reports from the directors and other management staff, as well as the minutes of meetings at which decisions on important matters were taken, and related reference material.

The Internal Audit Department monitors the performance of their duties by the various organizational units of the Company to check that this performance conforms to laws and regulations as well as internal standards such as the organization control standard. In accordance with the results of this monitoring, staff members of the Internal Audit Department evaluate the performance of each unit and issue directives for improvement where required.

Establishment of Internal Control System

Casio is making progress in responding to the mandatory requirement under the Financial Instruments and Exchange Law — which comes into effect from the current business term, ending March 2009 — for the creation of an internal control reporting system. It is doing this by setting up a system aimed primarily at ensuring reliable financial reporting centered on the Company's Accounting Department, Information System Department, CSR Operations Section, and Internal Audit Department.

Compliance and Risk Management

At Casio, the actions of all staff are controlled by the stipulations of the Charter of Creativity for Casio, the Casio Common Commitment, and our Code of Conduct. Furthermore, a risk management system has been put in place to minimize legal risks and monitor compliance systematically across the whole Company.

In May of 2006 Casio drew up its Basic Risk Management Policy simultaneously with the enactment of the Corporation Law, and established a completely new risk management system. The aim of the Company's risk management mechanism is to ensure the continuous assessment and control of risks at each stage of the PDCA management cycle, i.e. Plan (planning), Do (implementing and operating), Check (evaluating and auditing), and Act (revising and improving).

We have set up a Risk Management Committee subordinate to the CSR Committee. Under the supervision of the Risk Management Committee, risk management activities are carried out principally through collaboration between the departments responsible for risk management and the Risk Management Committee Secretariat. The Internal Audit Department monitors all risk management activities performed by the Committee.

