

Risk Management

Risk Management

Basic Policy

Casio is making efforts to ensure management stability and safety by responding appropriately to the various risks surrounding the company. These efforts are carried out under the leadership of the officer responsible for risk management in line with Casio's basic policy to "forecast risk and seek to ensure business continuity and improve corporate value through prevention measures that minimize losses brought by risk and through effective ex-post measures when a loss occurs."

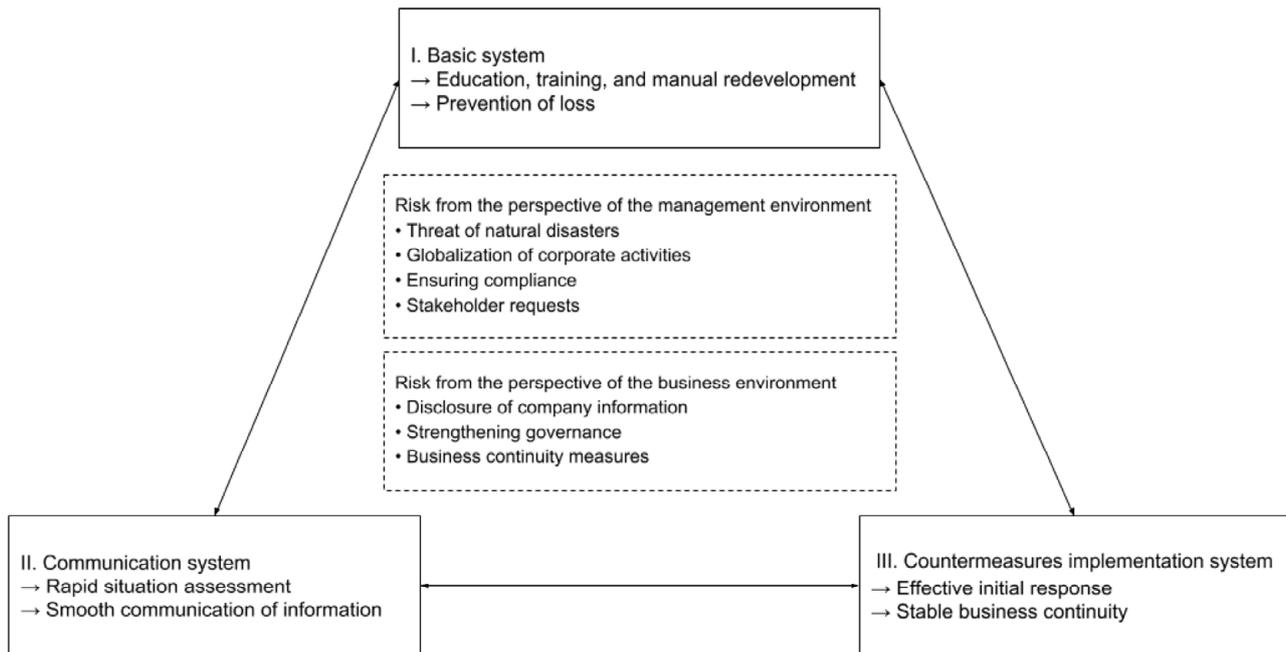
Risk Management System

- (1) Casio has established an appropriate risk management system under which relevant departments proactively carry out risk management activities based on Risk Management Rules under the administration of the CSR Committee.
- (2) In order to respond to unforeseen circumstances as a corporate organization, Casio has issued and operates a Crisis Management Manual with the main aims of ensuring the safety of officers, employees, and their families and safeguarding corporate assets.
- (3) Based on Fundamental Policies on Product Safety, Casio has established, carries out, and continually improves independent action plans related to product safety, with each business division undertaking quality assurance activities such as visualization of quality, sharing of quality information, and deciding on quality policies and measures.
- (4) Casio has established a secretariat, which is responsible for overall implementation as well as progress management and assessment, and an auditing department, which audits the appropriateness of risk management activities.

Creating a Future System

In addition to the above risk management system that has been in operation for a long time, Casio newly established the Corporate Governance Division in a company-wide reorganization in June 2018, which will oversee and drive the establishment of the following three systems:

1. Basic system
The education, training, and various manuals that are the foundation of company-wide risk management will be redeveloped in an effort to prevent the occurrence of loss and to minimize effects on the company's business in the event a loss does occur.
2. Communication system
Structures for ensuring business continuity and meeting stakeholder requests will be put in place by smoothly and quickly assessing the situation and enabling prompt communication of information to management and relevant departments.
3. Countermeasures implementation system
Stable business continuity will be ensured by envisioning and establishing a watertight system for making an effective initial response in the event of a loss occurring and for implementing appropriate decision-making.



Business Continuity Plan (BCP) initiatives

In order to respond to emergencies with the resources of the company organization, Casio has created a Crisis Management Manual for securing the safety of all employees, executives, and their families, preserving corporate assets. Sequential updates of the manual keep pace with changes in the business environment, and the company is taking practical initiatives at the same time. Specifically, the following measures have already been undertaken:

- Implementation of regular evacuation drills and general lifesaving classes for employees
- Distribution of emergency assistance kits to employees and additional disaster stockpiling
- Disaster prevention drill with the local community and provision of an open area for a temporary evacuation site

However, in the Great East Japan Earthquake, which struck in March 2011, circumstances were encountered that far exceeded previous expectations. Casio used the lessons learned to identify various points for improvement. These points were reflected in a largely-revised Crisis Management Manual based on the premise of responding to a major earthquake with Tokyo at its epicenter. Casio also produced the Disaster Handbook for the families of its employees to deepen understanding of disaster countermeasures in the home and promote disaster readiness.

Together with the initiatives above, Casio is working to enhance its business continuity plan (BCP). In the event of an emergency that interrupts business operations, such as a major earthquake with an epicenter in the Tokyo area, the plan outlines measures for the rapid confirmation of executive and employee whereabouts and well-being, as well as damage conditions, and the quick recovery and maintenance of operations. This mechanism is focused on Casio's global supply chain. For example, if the headquarters suffers a disaster, an emergency headquarters is set up at the appropriate key site, based on a priority determined in advance. Under the direction of the headquarters, the aim is to minimize damage by continuing to provide products and services to customers worldwide based on limited resources. Through rapid restoration of business operation, the confidence of business partners and customers is maintained.

Information system disaster response measures

To ensure business continuity, it is vital to protect information systems against earthquakes and other disasters. In addition to an internal data center, Casio utilizes a secure external data center that features seismic construction and self-contained power generation.

As a measure to reduce disaster risk, Casio finished moving all its important servers, including those for mission-critical tasks, to external data centers and established an environment that can continue to operate even after a disaster. It also moved its e-mail system, an important means of communication, to an external provider.

The company also performs disaster drills in conjunction with the group-wide business continuity plan.

Information security

Casio strives to appropriately manage and handle all of its information assets, including information that it collects from customers and suppliers.

Casio has established Information Security Rules and implemented regular education for employees to continuously raise awareness of information security and ensure the implementation of safety measures.

Additionally, Casio follows the EU's General Data Protection Regulation (GDPR) regarding the handling of personal information of European users.

Education and Awareness Raising

Information security cannot rely only on technical measures; it is also important for everyone handling information to know the required safety procedures, and to incorporate them into their work habits. At Casio, all officers and employees receive regular information security training through e-learning. The training covers general information security, as well as protection of personal information and other compliance matters, based on changes in society and in the company's business environment. Information security is being improved by providing this training content in a timely manner.

In addition, an information security handbook summarizing basic matters in clear, concise content for users has been issued to raise awareness throughout the Casio Group. The handbook has been translated and is used for training and awareness building by companies outside Japan.

Initiatives to prevent information leakage

As an initiative to prevent information leakage, Casio ensures, as an organizational measure, that all employees handling information understand and follow necessary safety procedures. Casio has established internal rules regarding such matters as limitations on taking information or information devices off company premises and on sending emails externally, as well as proper information disposal. Training is provided on these rules in an effort to raise awareness and strengthen measures to prevent information leakage.

As a technical safety measure, Casio is strengthening its ability to monitor unauthorized access to its websites and suspicious transmissions on its internal network, in order to upgrade its preparedness against the recently growing threat of targeted attacks and other external attacks such as those from malware.

Internal measures include the installation of security software and patches on company PCs, and a multi-layered defense has been created.

Information security certification and initiatives

Casio has focused on established a system for prioritizing the protection of personal information, publically disclosed its Privacy Policy on its website, and remains committed to the safe and appropriate handling of personal information. In December 2005, Casio Computer Co., Ltd. obtained Privacy Mark^{*1} certification and has maintained it since.



Casio's Information Systems Department obtained information security management system (ISO 27001)^{*2} certification in November 2007. The aim of applying for certification was to evaluate fulfillment of responsibility by the department, which takes care of information assets for the entire company. Since then, the department has made continual improvements using PDCA cycles. The fitness and effectiveness of Casio's information security management system was reconfirmed with a certification renewal audit in January 2017. This included an expansion of information security activities to cover all group companies.



JQA-IM0536

Information Technology & Engineering Department Casio Computer Co., Ltd.

Internal information systems at Casio Computer Co., Ltd. and each group company, and the network infrastructure of the Casio Group

^{*1} Privacy Mark: A program where the Japan Information Processing Development Corporation, a public-service foundation, evaluates the adequacy of corporate protective measures related to the handling of personal data. Companies that are found to have adequate protective measures in place are certified and permitted to display the Privacy Mark.

^{*2} A program whereby a company establishes a system for using, maintaining, and protecting information within the applicable scope (e.g., business, locations) based on international standards for information security management systems, and a certification body conducts audits of the system and issues certifications.

Stable Supply of Products

Approach to stable product supply

Delivering a stable supply of products to consumers is one of the most important responsibilities of a manufacturer, and is required to ensure customer satisfaction and loyalty.

As part of Casio's mission to provide delight, happiness, and pleasure to customers through its innovative products, the company is promoting the following policies.

Policies on Stable Product Supply

1. We strive to shorten production lead-time and improve planning and execution accuracy by using IT to optimize the supply chain (procurement-production-logistics-sales-service).
2. We build good relationships with component suppliers to ensure stable procurement.
3. We maintain the flexibility needed to address various risks involved in manufacturing by:
 - building a production system with at least two production sites for each product;
 - producing multiple products and improving capacity for high-mix/low-volume production at each Casio Group production site
 - maintaining in-house production and inlining of key devices and components.

Supply network is highly responsive to changes in demand

Casio uses supply chain management (SCM) at production sites in response to changes in market conditions and demand for high-mix/low-volume product offerings, seeking to speed up the planning cycle and provide a stable supply of salable products.

Specific initiatives include efforts to standardize work processes such as parts delivery controls, materials warehouse management, and manufacturing process management. Casio aims to achieve integrated manufacturing (total optimization) by using the same systems and same methods at different production sites. These initiatives are necessary to increase shipment precision, shorten production lead times, and shrink unused assets, and are already becoming mission-critical systems. The timepiece business in particular, which conducts production at multiple sites, in Yamagata (Japan), China, and Thailand, must respond rapidly to the changing environment in each region. Smooth operation of SCM enables the deployment of standardized IT tools and production equipment as well as the appropriate distribution of supply capacity.

Casio will move to multisite production in other product categories in the future and build an even more sophisticated SCM system.

Diversifying production risk and producing core components in-house

Casio maintains a stable supply of products by having each production site manufacture multiple product items, and by ensuring that two different sites can produce any given Casio product.

The company is also increasing the internal production of components in order to protect newly created technologies and to reduce parts procurement risk.

Production sites for individual products

Contract manufacturers

Timepieces, Calculators, Musical Instruments, Systems equipment,

Casio Electronic Technology (Zhongshan)

Timepieces, Calculators, Electronic Dictionaries, Musical Instruments, Data Projectors

Casio Electronics (Shaoguan)

Timepieces

Casio Timepiece (Dongguan) Co., Ltd.

Metal parts for watches

Yamagata Casio

Timepieces
Data Projectors, Smart Outdoor Watches

Yamagata Casio (Yamanashi Office)

Systems equipment

Contract manufacturers

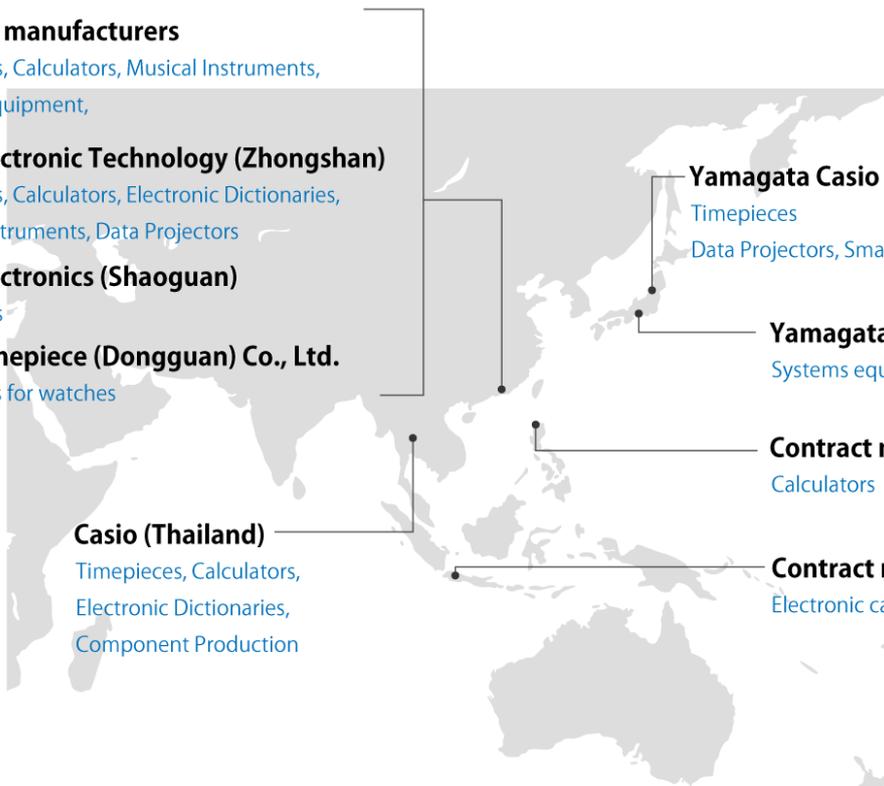
Calculators

Contract manufacturers

Electronic cash registers

Casio (Thailand)

Timepieces, Calculators,
Electronic Dictionaries,
Component Production



Production Sites

Casio (Thailand) Co., Ltd

Casio's new plant in Nakhonratchasima, Thailand, is located on high ground, making it less susceptible to floods. Casio has added the new plant to its existing major production sites with a view to enhancing business continuity planning (BCP) and diversifying risk through global manufacturing. Casio will continue to expand the plant's production scale and functions. In fiscal 2015, Casio started production of calculators and electronic dictionaries at a new third plant on the site, in order to provide a more stable, high-mix supply of products.



Casio Timepiece (Dongguan) Co., Ltd.

Casio Timepiece (Dongguan) Co., Ltd. was launched in 2015. Located in the city of Dongguan, Guangdong Province, China, it supplies metal cases for watches to group sites in Japan, Southeast Asia, and China. As the Casio Group's first plant processing metal components, it is working at accumulating processing technology (cutting and polishing) and developing new technology. It mainly produces cases for high-end products.

Casio Electronics (Shaoguan) Co., Ltd.

Launched as a watch assembly plant in 2016, this company is located in Shaoguan, Guangdong Province, China. As one of Casio's main watch factories in China, it is helping to maintain a stable production scale, mainly for regular and popularly priced digital mode

Social Initiatives: Action Plans and Performance

Evaluation ◎: All targets met, ○: Most targets met, △: Remaining issues outweigh results, ×: No progress made

FY2018 Targets & Plans	FY2018 Performance	Evaluation	FY2019 Targets & KPIs
<p>Continually promote reduction of China-concentration risk to ensure a stable supply of products.</p> <p>Enhance manufacturing at Casio production sites to achieve optimum global production (automation and efficiency improvement).</p> <p>Expand in-house part production.</p>	<p>In order to stabilize watch production in China, established Casio Shaoguan and started production.</p> <p>Meanwhile, due to the expansion of factories in Thailand and production in Japan to reduce China concentration risk, the China production ratio decreased from 83% in fiscal 2014 to 63% in fiscal 2018.</p> <p>Promoted in-house processing of watch metal cases at Casio Dongguan, which contributed to the stable supply of parts and the accumulation of processing know-how.</p>	○	<p>Continually promote reduction of China concentration risk to ensure a stable supply of products.</p> <p>Commence operations at a new plant dedicated to watches at Yamagata Casio (the mother plant), and expand streamlining of production in Japan as an automatic assembly line.</p> <p>Expand self-manufacture of parts in all areas.</p>