

Supply Chain Management

Approach

Social Background

The rapid globalization of corporate operations has brought to light human rights violations, labor problems, and issues with environmental destruction, mainly at suppliers in developing countries. Casio recognizes that companies must undertake CSR efforts not only in their own organization but also throughout the entire supply chain.



Risks and Opportunities for the Casio Group

When a human rights violation, labor problem, or environmental damage incident occurs in the supply chain, the company can be exposed to risks such as suspension of transactions, a tarnished brand image, labor strikes and litigation. Given these circumstances, Casio must fulfill its social responsibilities, including the protection of human rights, good labor relations, and environmental protection throughout the supply chain. Based on its Procurement Policies, Casio is working across the supply chain to improve its CSR activities while enhancing its initiatives to ensure appropriate transactions.

Policy

Casio has established Procurement Policies in order to execute its social responsibility to conduct fair and equitable transactions throughout the supply chain. The policies cover matters including legal compliance, respecting human rights, labor, safety, and health, as well as environmental protection such as biodiversity preservation and risk control of chemical contents and information security. Casio constantly improves its socially responsible procurement by obtaining the understanding and support of suppliers for the policies and building strong partnerships.

Procurement Policies

Casio aims to fulfill its social responsibilities, including compliance with relevant laws and social norms, and protection of the environment, through fair and equitable transactions throughout the supply chain by strengthening partnership with suppliers.

1. Fair and equitable transactions

Casio carries out fair and equitable transactions by providing equal opportunities to all suppliers (and candidates) in and outside Japan in accordance with its internally established procedures.

2. Compliance with laws and social norms

Casio's procurement activities comply with all relevant laws, social norms, standards and treaties worldwide, including the protection of human rights, the prohibition of child labor, forced labor and discrimination, and avoiding the use of conflict minerals, and respect for freedom of association, the right to associate, and the right to collective bargaining, as well as ensure that absolutely no contact is made with organized criminal elements. Therefore, Casio requires its suppliers to observe the same legal and social requirements.

3. Environmental protection

Casio helps to protect the global environment through environmentally friendly procurement, which is based on the Casio Environmental Vision and Casio's Environmental Declaration, in cooperation with suppliers.

4. Strengthening partnership with suppliers

Casio builds up relationship of trust with its suppliers through reciprocal efforts, such as merging and complementing mutual technological development abilities, supply chain cooperation, compliance with laws and social norms and protection of the global environment, which will benefit both parties.

5. Policies on supplier selection and transaction continuation

Casio initiates and continues transactions with suppliers based on comprehensive evaluation criteria, which include compliance with laws and social norms, environmental protection, proper information security, respect for intellectual property, sound and stable corporate management, superior technological development ability, right price and quality, stable supply capabilities and electronic transaction systems.

6. Securing right price and quality

Casio endeavors to secure right price and quality in order to provide its customers with stable supply of optimal products, which ensures that Casio gains the full confidence of customers around the world.

7. Prohibition of personal-interest relationships

Casio does not allow any employees to have personal-interest relationships with any suppliers.

In order to ensure compliance with the Procurement Policies together with its suppliers, Casio has established the Supplier Guidelines (available at link below). All of Casio's suppliers in Japan and elsewhere have agreed to these guidelines to help Casio fulfill its social responsibilities.

Casio is also managing its supply chain more successfully by introducing a regular monitoring system that ensures that these guidelines are properly fulfilled.

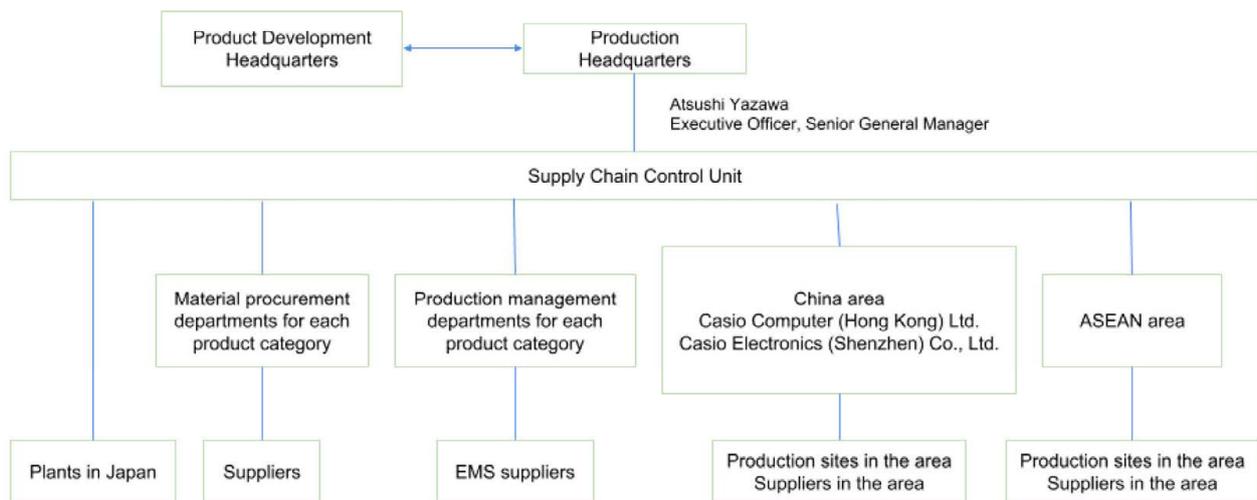
[>Supplier Guidelines](#)

Management Approach

System

An executive officer, who is also the senior general manager of the Production Headquarters, is responsible for the system, and a department has been established to promote CSR procurement within the Supply Chain Control Unit at Casio Computer Co., Ltd. The department is working to promote CSR throughout the supply chain while collaborating with relevant organizations such as the CSR promotion departments and production sites.

In addition, a [Supplier Hotline](#) has been set up as a contact point for reports from suppliers concerning any potential fraud or compliance violations by Casio employees.



Casio Supply Chain

Casio carries out broad procurement over three regions, namely Japan, the China area, and the ASEAN area.

For a regional breakdown of the total value of Casio's procurement, the ratios are approximately 41% for Japan, 49% for the China area, and 10% for the ASEAN area.

KPI and Performance for Material Issues

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

Material Issues for Casio	FY2018 Targets and KPI	FY2018 Performance	Evaluation	FY2019 Targets and KPI
Promoting CSR procurement	(1) Implement CSR education at Casio sites and at suppliers, and hold awareness raising campaign during one vendor meeting in China	Implemented CSR education at Casio sites and at suppliers, and held awareness raising campaign during one vendor meeting in China Presentation on human rights issues made by Casio headquarters	○	(1) Implement CSR education at Casio sites and at suppliers, and hold awareness raising campaign during one vendor meeting in China
	(2) Implement annual audit follow-up and confirmation prior to the annual audit (including documentation)	Conducted follow-ups for CSR audits requested by customers at 4 production sites In China, conducted onsite inspections at 8 suppliers In Thailand, conducted onsite inspections at 6 suppliers	○	(2) Implement annual audit follow-ups Continue audits of production sites, and those based on customer requests Implement production site audits, and document investigations Continue supplier onsite audits

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	FY2018 Targets & Plans
Implement CSR performance monitoring, based on continued use of CSR questionnaires in and outside Japan.	The questionnaire for companies outside Japan was revised, and both domestic and overseas questionnaires were continually implemented. Questionnaires were sent to 225 companies in Japan, and the response rate was 100%. Questionnaires were sent to 245 companies in China, and the response rate was 100%. Questionnaires were sent to 66 companies in Thailand, and the response rate was 100%.	○	Implement CSR performance monitoring, based on continued use of CSR questionnaires in and outside Japan.
Continue onsite inspections outside Japan. Ensure thorough understanding of Casio's CSR policies through surveys.	Onsite inspections were conducted at 8 companies in China. Onsite inspections were conducted at 6 companies in Thailand. Thus far, mostly completed to implement onsite inspections for major suppliers.	○	Continue onsite inspections outside Japan. Ensure thorough understanding of Casio's CSR policies through surveys.
Firmly establish CSR procurement throughout the supply chain, through good two-way communication at suppliers meetings.	Explained Casio's CSR Procurement Policy at the supplier meetings and representative suppliers presented case examples of their CSR initiatives in order to share issues and know-how.	○	Firmly establish CSR procurement throughout the supply chain, through good two-way communication at suppliers meetings.

Activity Results

Disseminating Supplier Guidelines

Casio carries out the majority of its production outside Japan at Casio plants and manufacturing subcontractors (electronic manufacturing services). Every year, Casio holds briefings on its Procurement Policies in Southern China.

Initially, these briefings simply involved Casio explaining its business policies to suppliers and asking them to undertake initiatives. Since fiscal 2010, however, Casio has been using these briefings as an opportunity for two-way communication. Suppliers are invited to participate actively, for instance by asking those with exemplary CSR initiatives to present examples of their efforts to promote and improve CSR. This enables the sharing of useful case studies and know-how for addressing CSR. By working collaboratively with its suppliers in this way, Casio is continually improving the level of CSR performance in its supply chain.

Like last year, the recent meeting was attended by the manager of Casio's CSR promotion department, who gave a presentation on human rights issues. He explained the need for major distributors outside Japan to regularly conduct CSR audits at Casio overseas production sites. The distributors must keep a close watch on response to human rights issues on the production lines and in the supply chain. He also explained the potential for serious business and credit risk arising from any improper protection of worker rights, and presented specific examples of human rights issues to be looked at in the supply chain. The aim was to promote thorough understanding of the importance of taking steps to protect human rights.

In June 2009, Casio revised the Basic Business Agreement it signs with suppliers in Japan. Clauses were added to require measures such as legal compliance, respect for human rights, and environmental protection. The new agreement is being rolled out steadily.



Briefing on Procurement Policies



Award ceremony at the Procurement Policies briefing



Presentation by Teo JH, Managing Director, VSU (ZHUHAI) CO., LTD, a Casio supplier

Supplier message about a presentation

After listening to a presentation by Noriaki Kimura, Manager of Casio's CSR promotion department, concerning CSR procurement in the supply chain, I feel that we at VSU need to take even greater responsibility. I would like to strengthen CSR efforts within our company and further develop our business with Casio in the future.



VSU Managing Director Teo JH speaks to his staff concerning Casio's CSR initiatives, following a Casio Procurement Policies briefing

Supplier message

Torex Semiconductor is Japan's only dedicated manufacturer of analog power source ICs, which are super-compact power source ICs with ultra-low power consumption for environmentally friendly performance. We aim to be a corporate group that continues to grow with society by fostering human resources who can support growth and promoting thorough compliance.

As a company that is helping to protect the global environment and create more comfortable lifestyles, we are spreading awareness of CSR activities throughout our operations.

As a business partner, Torex Semiconductor will continue to support Casio's Procurement Policies and actively engage in CSR activities while helping to further increase the added value of Casio products.



Koji Shibamiya
President
Torex Semiconductor Ltd.

Comprehensive Management of CSR Performance

In fiscal 2008, Casio started conducting a questionnaire survey* of principal suppliers in Japan on CSR performance in order to confirm the status of CSR procurement. In fiscal 2010, the survey was expanded to include suppliers in China and Thailand.

Based on the fiscal 2012 survey results and changes in society's expectations, the questionnaire for suppliers was revised in fiscal 2013. Overlapping questions were eliminated and a new theme, policies for avoiding conflict minerals, was added.

The fiscal 2018 questionnaire was sent to 225 companies in Japan, and the response rate was 100%, clearly indicating suppliers' high level of interest in CSR fulfillment. Responses were received from 311 companies (245 companies in China and 66 companies in Thailand), also for a response rate of 100%. Again, the great concern for CSR fulfillment among suppliers is clear.

Casio compiles and analyses the response data, and shares the results with suppliers, along with Casio's approach to CSR procurement.

Since fiscal 2011, Casio has been conducting onsite audits of major suppliers in China and Thailand with local staff members of the CSR promotion projects launched at sites in those countries. In fiscal 2012, the company started planning onsite inspections performed mainly by local Casio staff, and the number of visits is increasing.

In fiscal 2018, Casio conducted onsite inspections at 8 companies in China. In Thailand, it conducted onsite inspections at 6 companies. Even with the suspension in inspections caused by the flooding, it has cumulatively covered almost all suppliers in Thailand. Going forward, Casio will continue onsite inspections with the aim of instilling commitment to CSR throughout the supply chain.

* The questionnaire was prepared in accordance with a Supplier Checklist for CSR Procurement based upon the Guidebook for Supply Chain Implementation of CSR Procurement published by the Japan Electronics and Information Technology Industries Association (JEITA). It covered: (1) human rights and labor conditions; (2) health and safety; (3) the environment; (4) fair transactions and ethics; (5) quality and consumer safety; (6) information security; and (7) social contribution.

➤ [A list of the items included in each category of the questionnaire is available here.](#) (PDF)

Questionnaire results

Questionnaire given to a total of 536 suppliers

Responses to all questions received from 536 suppliers (100% response rate)

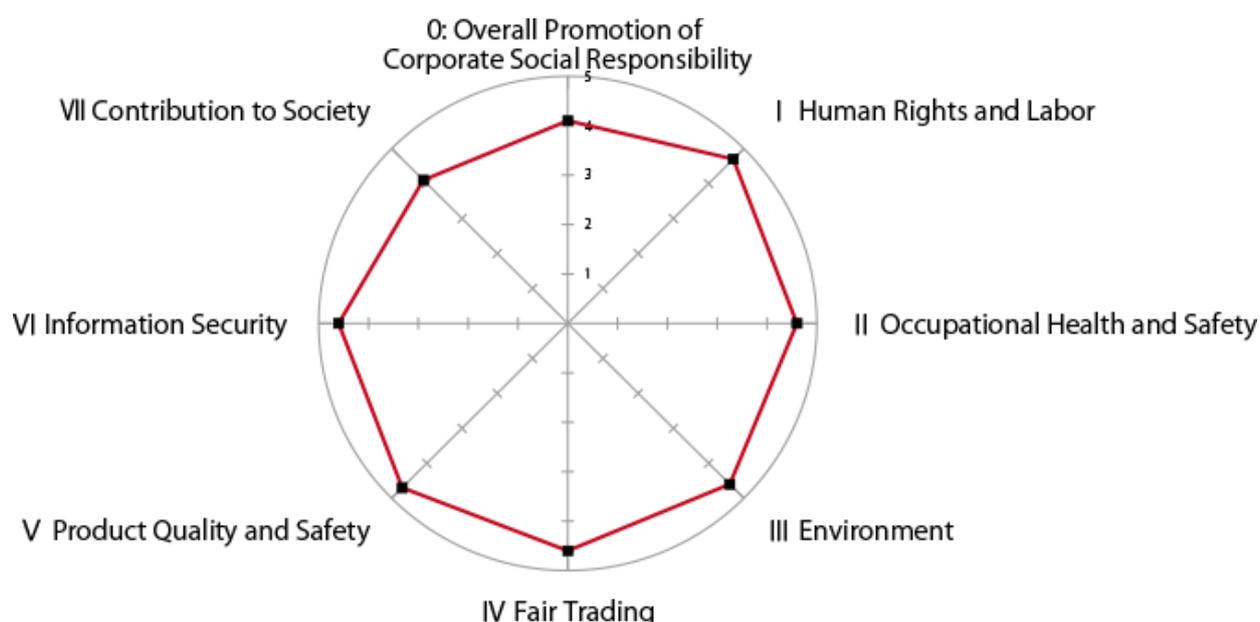
Status of responses by CSR category

China and Thailand

Based on the questionnaire results, there were no serious problems to be immediately addressed. In addition, points for improvement were progressively clarified for each supplier and improvement measures were requested.

Responses by CSR category in China and Thailand

	Responses by CSR category
0 Overall Promotion of Corporate Social Responsibility	4.1
I Human Rights and Labor	4.7
II Occupational Health and Safety	4.6
III Environment	4.6
IV Fair Trading	4.6
V Product Quality and Safety	4.7
VI Information Security	4.6
VII Contribution to Society	4.1
Total	4.6



Japan

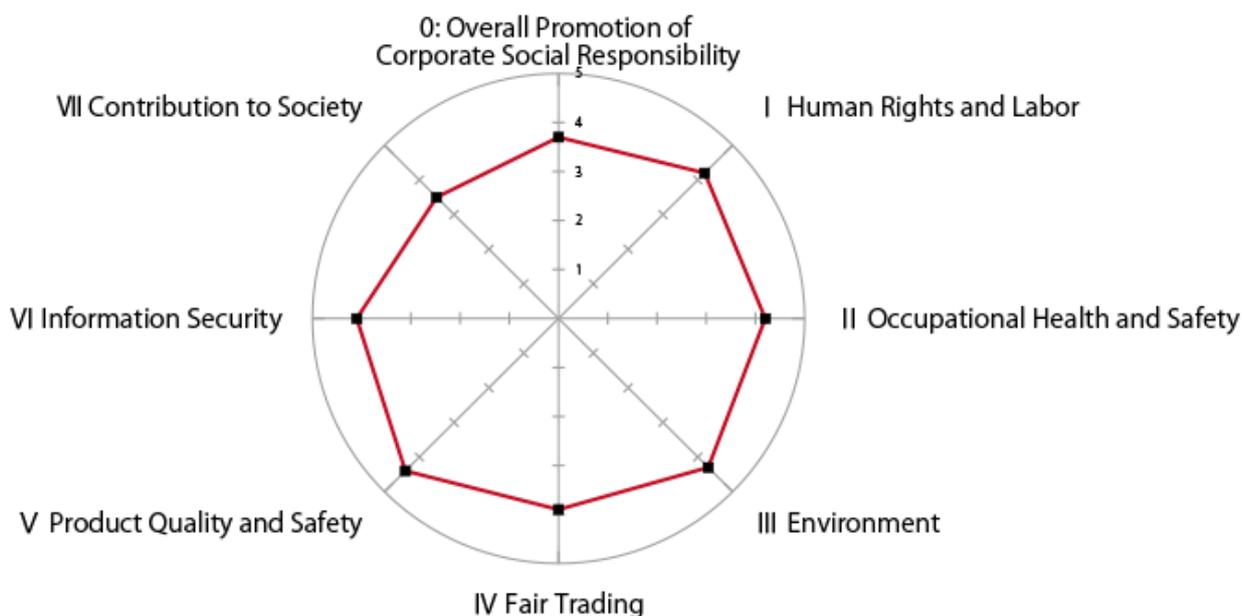
An abstract five-point evaluation system (for example: 5 = sufficient measures, 3 = not enough measures, and 1 = no measures) was used in Japan until recently. Starting in 2017 however, specific achievement levels are listed for each and every question. This helps to more objectively assess the current state of CSR activities at suppliers. In addition, the guidelines for further improvement have also been clarified.

As a result, the evaluation scores were lower than last year, but there were no serious problems requiring immediate response. In addition, points for improvement were progressively clarified for each supplier and improvement measures were requested.

This initiative will be expanded to the China and ASEAN areas in fiscal 2019.

Japan responses by CSR category

	Responses by CSR category
0 Overall Promotion of Corporate Social Responsibility	3.7
I Human Rights and Labor	4.2
II Occupational Health and Safety	4.2
III Environment	4.3
IV Fair Trading	3.9
V Product Quality and Safety	4.4
VI Information Security	4.1
VII Contribution to Society	3.5
Total	4.1



Selection of new suppliers

Based on the Procurement Policies, before Casio starts doing business with a new supplier, a comprehensive evaluation is carried out. The prospective supplier is checked based on the following criteria: compliance with laws and social norms, environmental protection measures, proper data protection, respect for intellectual property rights, management soundness and stability, outstanding technology development capabilities, ability to provide the desired price, quality, and a stable supply, and capabilities for online transactions.

Promotion of green procurement with business partners

With the cooperation of suppliers, the Technical Planning Department in the CS Headquarters at Casio Computer Co., Ltd. is promoting green procurement that considers supplier measures to protect the global environment.

[Click here for more details](#)



Avoiding Any Use of Conflict Minerals

Some minerals, such as tin, tantalum, tungsten, and gold, produced in the Democratic Republic of Congo (DRC) and neighboring African countries have become a source of funding for armed groups and anti-government forces carrying out atrocities. They are called conflict minerals because of their potential to promote conflict, human rights violations, and environmental destruction.

Wanting no part in human rights violations and environmental destruction, Casio's stance is to completely avoid the use of conflict minerals. The group will continue its efforts to avoid the use of such minerals by working closely with suppliers.

In January 2013, Casio revised its Procurement Policies and Supplier Guidelines, adding a ban on the use of conflict minerals. A question about policies to avoid the use of conflict minerals was also added to the CSR questionnaire sent to suppliers in Japan.

In fiscal 2014, Casio group companies surveyed suppliers worldwide about the use of conflict minerals, using the EICC & GeSI* Conflict Minerals Reporting Template. Worldwide, 653 responses were received in fiscal 2018. The response rate was 100% in fiscal 2018 (99.8% in fiscal 2018).

In the first year of the survey, many companies reported conflict mineral use as "unknown." In the second year, there was a noticeable shift towards "yes" or "no" responses, rather than "unknown." There are inherent difficulties in conflict mineral investigation, as strict survey implementation requires going all the way back up the supply chain to the smelters. Casio will continue to collect relevant information including customer reactions and industry trends in the US, EU and other regions.

As a member of the Responsible Mineral Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA), Casio is also working to improve conflict mineral survey activities in the supply chain through industry collaboration.