

Business Risks

The management performance, financial position and share price of Casio Computer Co., Ltd. and its consolidated subsidiaries (“the Casio Group” or “the Group”) are subject to the following risks. Statements below concerning the future represent the judgment of the Casio Group as of March 31, 2017.

(1) Japan’s economy and the global economy

The Group’s products are sold in Japan and in markets around the world, and demand is therefore subject to the economic trends of each country. Trends in consumer spending particularly affect the Group because we market the majority of our products to consumers.

(2) Price changes

Competition is intensifying in the Group’s industries because many companies are aggressively trying to increase market share in Japan and overseas. A rapid decline in product prices could negatively affect the Group’s results.

(3) New products

The Group could lose all or some of the advantage of being first or among the first to market if the Group is unable to quickly and consistently launch popular new products, or if competitors launch products that are similar to those of the Group, especially if such launches are concurrent with those of the Group.

(4) Transactions with major customers

Any changes in strategy or product specifications made by major customers, and any cancellation of orders or changes in their schedule could negatively affect the Group’s results.

(5) Outsourcing

The Group outsources a substantial portion of its manufacturing and assembly work to outside service suppliers to improve the Group’s production efficiency and the operating income margin, which could pose problems for consistent quality control. Moreover, problems among outside suppliers including violations of laws, regulations, and intellectual property rights of third parties could negatively affect the Group’s results and the reputation of its products.

(6) Technology development and change

Rapidly changing technologies and market needs in the Group’s businesses could unexpectedly hasten product obsolescence and cause a sharp drop in sales.

(7) Risks associated with international expansion and overseas operations

The majority of the Group’s production and sales are outside Japan. Consequently, overseas political and economic developments and revisions of laws and legislation may significantly affect the Group’s financial position. In particular, regulatory changes and the enactment of new laws are difficult to predict and could negatively affect the Group’s results.

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(8) Intellectual property

The Group principally uses proprietary technologies, and protects these proprietary technologies through a combination of patents, registered trademarks and other intellectual property.

The following is a list of associated risks:

- Competitors might develop the same technologies as the Group's proprietary technologies;
- The Group's patent applications might not be approved;
- The Group's measures to prevent the misuse or violation of its intellectual property rights might be ineffective;
- Intellectual property laws and regulations might not adequately protect the Group's intellectual property;
- The Group's future products and technologies might violate another company's intellectual property rights.

(9) Defective products and lawsuits

The Group rigorously controls the quality of the products it manufactures and markets, and has not experienced significant complaints or negative publicity since its founding. However, the Group could be exposed to product liability or safety complaints in the future.

(10) Information management risk

The Group has acquired a large volume of personal and confidential information in the course of its business. Internal rules govern the use of this information, and each Group company enhances the control of this information through employee training programs. However, information leaks might occur that could negatively affect the Group's business, financial position and results.

(11) Alliances, mergers and strategic investments

The Group may implement alliances, mergers or strategic investments in Japan or overseas to expand its business operations or raise management efficiency. Changes in the management environment, business strategies, or operating environment of counterparties could negatively affect the Group's business, financial position and results.

(12) Foreign exchange and interest rate risk

Exchange rate fluctuations significantly affect the Group because it operates internationally. Fluctuations in the exchange rates of foreign currencies against the yen could negatively affect the Group's earnings. The Group is also exposed to risks associated with interest rate changes that could affect overall operating costs, procurement costs, and the value of financial assets and liabilities, particularly long-term debt.

(13) Other risks

The following are other factors that could affect the Group's business and results:

- Cyclical trends in the information technology industry;
- The ability to procure required equipment, raw materials, facilities, and electricity at reasonable prices;
- A decline in the value of securities held by the Group;
- Revisions to laws and regulations regarding the accounting standards for retirement benefits, pension plan revisions, and abrupt changes affecting pension plan asset management;
- Accidents and disasters, including fires and earthquakes;
- Social unrest caused by wars, terrorist attacks, or epidemics.