

Message from the President

Meeting Society's Expectations by Applying "Creativity and Contribution" to Create Businesses Like Only Casio Can

Leveraging our core businesses to help build a more sustainable global society

At Casio, our approach to social responsibility is based on our corporate creed, "Creativity and Contribution." By living up to the creed, we ensure that our business promotes a prosperous society, and we do that in a product development process focused on "creating something from nothing." For years now, Casio has been contributing to society by creating new markets and fostering cultural trends that never existed before. This very contribution, meanwhile, secures the growth of our own business. We have plenty of very good reasons to emphasize CSR.



In fiscal 2016, Japan's Corporate Governance Code came into effect, and there has been growing public interest in companies that intentionally pursue medium- to long-term value creation. In May 2016, Casio formulated a list of CSR issues with the greatest significance (materiality), which must be addressed with a long-term perspective. We also upgraded the CSR Promotion Office by integrating the Environmental Planning Section into it to form the new CSR Promotion Department. With these and other steps, we are reinforcing the infrastructure for ensuring that our CSR initiatives are directly integrated with business management.

Fiscal 2016 was also a significant year in terms of international developments, such as the adoption of the United Nations sustainable development goals (SDGs) and the conclusion of the Paris Agreement on climate change. As a global company, we realize the importance of staying abreast of the latest developments.

While it is certainly critical that companies observe Japan's new Corporate Governance Code and take action in response to the SDGs and the Paris Agreement, it is completely insufficient to take a merely passive approach, just bending to strong external pressures for action. Rather than offering a superficial response, at Casio we believe that, as a company of "Creativity and Contribution," we must make serious proactive efforts to contribute to worldwide sustainability. Therefore, while taking a global perspective, we are looking for ways that our core business activities can fulfill our unique role. We are determined to do our part in building a truly sustainable global society.

Building a strong business foundation that makes the most of our strengths

Despite negative conditions such as sudden exchange rate volatility in fiscal 2016, Casio achieved sales and income growth for the third consecutive year, even posting record-high net income. The timepiece business has posted strong results, and other Casio businesses are looking for ways to further improve their performance.

In recent years, the consumer market has undergone a transformation. While manufacturers have come out with a range of new products, this has merely resulted in ever more intense price competition. This has posed the question of how to build a strong business foundation that is resilient against any and all changes in the external environment. Rather than trying to compete in the mass market where it is so difficult to differentiate products, it is essential that Casio expand in fields where we can showcase highly original product features, like those delivered by G-SHOCK.

Annually, Casio sells over 100 million products, and enjoys the support of countless Casio fans. This creates an obligation for us to deepen our appreciation of this fact, and continue to create products that exceed expectations.

In June 2015, my appointment as Casio's first new president in 27 years — and the first “next-generation” president to follow in our founders' footsteps — marked a turning point at Casio, the start of a new era. While firmly upholding the unique Casio qualities that have been developed over the decades, we are now also determined to create a new Casio.

We recently adopted a new term to sum up the uniqueness of Casio: “OHIO.” This is made up of the first letters from four Japanese words: Omoshiroi (unique), Hajimete (novel), Imiga-aruru (meaningful), and Odorokiga-aruru (surprising). All of these elements are critical to what makes Casio one-of-a-kind. But the one I believe needs the most emphasis right now is imiga-aruru (meaningful). We pursue meaning in our business by considering who our products are for, and how they can be useful to them.

Creating a new market with smart outdoor watches

Launched in March 2016, the Smart Outdoor Watch WSD-F10 is a great example of a uniquely Casio product. It was developed utilizing Casio's strengths, and provides unprecedented value.

Though generic smart watches have been attracting interest from consumers, so far no manufacturer has seen conspicuous success with them. Market success is not the same as a product that sells well, and no matter how many sale points a smart watch may have, unless it provides a usefulness that compels customers to actually use it, it cannot be described as a successful product. In that sense, smart watches that offer high performance but use up their batteries too quickly are not suitable for everyday use, and therefore have not found many meaningful applications.

At Casio, we thought about the particular scenes where a smart watch could be truly useful. This led us to create the WSD-F10, which is specially designed for use by people who are active outdoors. This smart outdoor watch provides great utilitarian value for activities like mountain climbing, fishing, and cycling, where using a smartphone is usually too impractical. It is a truly helpful product in those cases.

With features that have captured the spotlight in the market, the WSD-F10 has already acquired a large number of users since its launch. Although we are still verifying the opportunities, we are now considering other business applications for products like this one, such as creating wristwatch versions of our handheld terminals. If we can make smart watches that understand voice commands and allow users to keep their hands free, we will be able to greatly enhance customer convenience and efficiency during operations such as warehouse inventory control.

Casio has experience making both portable information devices and watches. So smart watch development is a challenge which we are especially suited for. Functional watches that can be utilized during physical activities represent a product genre that can meet latent needs.

Our mission in the educational field to support learning

Educational products are another product area of focus where Casio continues to leverage its strengths. Scientific calculators are one of our main products in this field, and one where we have been able to help people improve their mathematical abilities worldwide. In the countries where we operate, Casio scientific calculators have become indispensable in math classes and exams. Although regulations concerning the use of scientific calculators in the classroom vary by the country or state, we have cultivated markets by also participating in the process of shaping local regulations. This approach has worked to our advantage. Although our presence is currently strongest in developed countries, as a company that was founded with the invention of a calculator, Casio's mission is also to help improve the math skills of students in emerging and developing countries, as well.

Similarly, learning efficiency has also been greatly improved with our electronic dictionaries. Among the approximately 5,000 high schools across Japan, Casio electronic dictionaries have been recommended by teachers at about 3,000 of them. We have built a solid market where most university-bound students study with Casio products. Although 90% of our electronic dictionaries are currently sold in Japan, we are creating mechanisms to better integrate our products into the learning process in other countries as well, and will expand sales region by region, going forward.

Our technology provides value to more than just students. We have undertaken a new challenge in the area of dedicated devices for language learning, based on our electronic dictionaries. With the main target being working people who want to learn a foreign language, we are striving to develop the digital tools they really need for efficient language acquisition. For instance, we could perhaps in future develop special devices to help boost cognitive function in seniors.

We will continue to strengthen our presence in the educational product market, where we can make the most of Casio strengths. To promote further global expansion, networks of local education officials and classroom teachers are being built. We are creating businesses that interact directly with end users based on relationships of trust.

As part of efforts to break down vertical barriers between our internal organizations, in April 2016, we established "Gakuhan" teams with members from both business and sales departments. These teams have been set up for each region where we do business. They will formulate strategy for their respective areas, without relying on existing product categories.

Now turning to new product development in the music education category, in fiscal 2016, Casio announced the new Grand Hybrid series of electronic pianos. Until now, the instruments made by Casio have featured a strong entertainment element. With this series however, we are targeting professional musicians, and we have fully recreated the grand piano experience using digital technology. By providing high quality instruments that combine tradition and innovation, Casio is also supporting people with a serious ambition to study music.

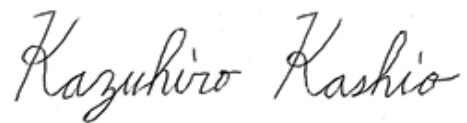
Continuing to embrace the challenge of “Creativity and Contribution”

A business must never forget the importance of being useful to its customers. While consumer product manufacturers mainly sell to dealers and distributors, when the focus is only on these customers, the sales discussion tends to shift away from essential matters and to focus instead on competition based on the number of pixels in a camera or the number of entries in an electronic dictionary. Rather than focusing on product and function details, we aim to look first at who our target customers are and how we can help them.

A business is based on the process of determining how it can be of service to people and society, and then providing the necessary value. Only then can we say that we are practicing “Creativity and Contribution.” I am encouraging all Casio employees to remind themselves of this principle on the job every day.

In order to promote creativity, it is vital that we foster the aspiration among employees to take on challenges, and that we create an open, dynamic corporate culture. This will likely require us to update our human resource evaluation system, as well. Having an unbalanced and narrow focus on sales results causes employees to wither and creates a culture that does not tolerate failure. In fact, past mistakes serve a useful role in future endeavors. It is extremely important to create an environment where employees can take on challenges, grow, and demonstrate their individual abilities.

Casio will keep striving to amaze customers by creating unprecedented new markets, while aiming to create businesses that change people's lives. By uncovering hidden needs and creating products that seem so essential that people wonder why no one had ever thought of them before, we will bring joy to people and help shape new cultural trends. I'm determined to see that Casio continues to surpass everyone's expectations, even those of the many Casio fans.



Kazuhiro Kashio
President & COO