

Message from the President

Taking on the Challenge of “Creativity for Contribution”—Maintaining Casio Originality while Transforming for Future Growth

Creating a Business that Focuses on Being Useful to People

Casio Computer Co., Ltd. celebrated its 60th anniversary in June 2017. Our history began with a relay calculator, in the days when all devices were analog. We then used our digital technology to create innovative products such as electronic calculators, electronic musical instruments, electronic dictionaries, and digital cameras, enabling us to achieve growth by making lives more comfortable and convenient. Based on our corporate creed of “Creativity and Contribution,” we have remained consistently dedicated to the monozukuri product development approach of “creating something from nothing,” leveraging ideas that go far beyond the conventional.

In recent years, the market environment has changed dramatically. Most analog products have already been replaced with digital ones, and new value no longer stems from mere digitalization or advanced functions. In the mass market, every manufacturer has struggled as they release various products. With the advancement of globalization, similar products can be made with similar quality anywhere in the world. The era of “dominating the market by making superior products” is over.

Today, our goals are not just about developing products. Instead, we set goals with a mindset that asks how we can help people and contribute to the world through our products and services. We call this *kotozukuri*, a term that refers to the craftsmanship of systems for delivering new experiences and intangible value. By moving away from the “product-out” approach where we as a manufacturer produce the things we want to make, we are embracing the “market-in” approach, where we search for what customers and markets truly want, and identify the kind of needs that will arise in the future. Consequently, “Creativity for Contribution” has become more important to us than ever before.

Distribution methods have also changed significantly. With Internet access now ubiquitous, customers obtain their own information online. In order to earn customer confidence to the point where people want to buy Casio products by name, we need to completely review the distribution network we have built on relationships of trust over many years. It is very important to create channels that directly connect with end users. The key to achieving *kotozukuri* in the future will be building “co-creator” relationships with end users, thereby creating new value that no one has ever envisioned before.



Revising the Casio Charter of Creativity in Pursuit of Even Greater Advancements

In our timepiece and education businesses, we have achieved success in a way that is distinctly Casio. Our other business areas, however, seem to be lagging amid changing market environments. Accurate response to change is an important key to the survival and development of enterprises today.

As we celebrate our major milestone of 60 years as a company, we need now to seriously return to Casio's unique origins in "Creativity and Contribution," and reform our business structure for even greater advancement. I became the 4th president of Casio in 2015, where all of our previous presidents were from the company's founding generation. To realize the true generational change represented by my appointment, and while still recognizing the importance of our history over the last 60 years, our job is to set the course for a new era and the next phase of Casio's development.

Looking back on its history, Casio originality lies in our ability to discover hidden needs, to bring people amazement and joy, and to create new cultural phenomena. G-SHOCK, differentiated by its high practicality and toughness, continues to evolve in conjunction with the sporting cultures of various countries. Meanwhile, the TR series of digital cameras, optimized for self-portraits, are spreading joy among legions of young Chinese women. Both of these products started trends that became social phenomena. Thanks to specialized features for outdoor pursuits, the Casio smart watch released in 2016 provides unprecedented value as a functional timepiece that serves a real need. The businesses in which we have succeeded are those that have become a part of the cultures where their products are sold and created new markets. Casio needs to learn from these successes well into the future.

As part of our 60th anniversary, we are currently revising the Casio Charter of Creativity in order to better share Casio's heritage across the company and deepen the awareness of the value we have offered to society. At the same time, it will also redefine our reason for being and where we are heading. The new charter will clarify Casio's vision, desired direction, and business domains, and create a system for initiative-taking across the entire company. Through the revised Charter of Creativity, we will dig even deeper into "Creativity and Contribution," fully promote the spirit of Casio in and outside of the company, and declare our full aspirations as a technology company.

Aligning Business Execution with Solving Social Issues

We must also pay attention to global movements when considering our future direction. It is important to consider the Sustainable Development Goals (SDGs) adopted at the United Nations, and the Paris Agreement negotiated at the 2015 United Nations Climate Change Conference (COP 21). These outline issues that society must solve over the next few decades. While these global issues create various business opportunities for our company, they can also become risks if we do not respond appropriately.

Casio has been promoting business management based on its corporate creed of "Creativity and Contribution," but now we can use the 17 SDGs to make our contribution targets even clearer from a global perspective. For example, the educational projects being promoted by our electronic dictionary and scientific calculator businesses have been doing more than just selling educational devices. We have worked together with educators in various regions in the world to help optimize their educational systems. This falls under SDG 4 (quality education), and it is also related to SDG 1 (no poverty) and SDG 8 (decent work and economic growth).

Currently, the objective for our education business is clearly spelled out: "improving the academic ability of students in markets where the business is operating." In the case of scientific calculators, the goal is to raise the quality of mathematics learning and enhance mathematical skills at educational sites that have adopted Casio scientific calculators. To that end, we have provided educational materials that match the mathematical levels of each target country, and have engaged in various activities. By working together with classroom teachers and government officials, we are helping to create mechanisms for effective learning.

With this approach, sales volume and market share become merely incidental. If we can fulfill our objective of improving mathematical skills and contribute to the target countries, Casio sales will naturally increase as a result. As the world population continues to grow, the potential market is vast. While applying the lessons learned from our success stories, we believe that our mission in the educational products business is to improve education in even more countries. The academic development of students, who will be the leaders of tomorrow, fosters the development of the countries in which they live.

In the future, in businesses other than education, we will also take advantage of Casio's strengths while keeping the SDGs in mind, and will practice "Creativity for Contribution." To that end, in fiscal 2018 we will compile a list of how our business activities relate to the SDGs, making it possible not only for executives, but also for all employees, to understand the opportunities and responsibilities presented by the SDGs. On that basis, we will progressively link the SDGs to our business plan, accomplish the plan while helping to solve social issues, and work to keep increasing corporate value.

Emphasizing a Group-wide Mission and Reforming the Business Structure

What kind of products and services should Casio focus on in order to create new value that is useful to people? And as we do so, how should we execute our businesses? By working backward from these goals, we will place great emphasis on reforming our business structure.

In our system equipment business, which is undergoing dramatic renewal, we withdrew from the office printer and office automation sectors in fiscal 2017, in order to concentrate management resources where we truly can contribute to the lives of users. On the other hand, we intend to strengthen services for small businesses. This includes our office processing system, Rakuichi, for issuing slips and tallying sales, and our sales tallying management service, which leverages our electronic cash registers. Casio has a large share of the business hardware markets both in and outside Japan, including handheld terminals and electronic cash registers. Most of these customers are small businesses and sole proprietors. Rather than just selling hardware, we aim to offer truly useful solutions to these customers who, unlike major corporations, are unlikely to introduce large-scale accounting and other elaborate systems. We will further enhance services that contribute to small business management and will support the creation of environments that allow customers to concentrate on their core business.

For many years, Casio was like a collection of independent divisions. It could be described as a case of "big corporation syndrome," and the reality was that each division operated its own business separately without a sufficient understanding of where Casio was heading as a whole. In order to reinvent this outdated organization that was vertically divided, in February 2017 we created the Consumer Development Headquarters and established it across the camera, signage and musical instrument businesses. By combining know-how and experience in three product fields, Casio can now generate synergies even in new genres such as home theater systems. We believe that it is important to collaborate on various technologies and make effective use of them across the board.

It is necessary to revise our evaluation system, which has not been optimal on a group-wide basis so far. While it is important that departments and individual teams and employees improve their performance, there must first be a group-wide mission, and the growth of individual organizations needs to contribute to growth of the entire group.

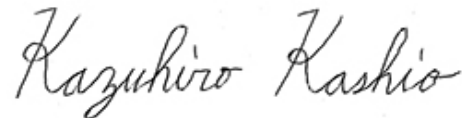
The same thing applies to CSR initiatives, which also require a group-wide perspective. In fiscal 2017, we identified issues with materiality (significant CSR issues) by incorporating opinions from a variety of stakeholders and experts, and we will continue to promote awareness of these issues throughout the Group. Since fiscal 2016, we have selected and developed certain employees from various departments to be CSR Leaders, serving as core human resources for raising CSR awareness. In fiscal 2018, we will further develop these efforts and expand the system to group companies in and outside Japan.

Aiming to Create Value with Stakeholders

Casio values communication with a wide range of stakeholders, and we have been conveying our initiatives and business approach via our Sustainability site and other channels. Meanwhile, in recent years, attention has increasingly been focused on the impact of environment, society, and governance (ESG) factors on sustainable corporate growth. Institutional investors in particular are increasingly focusing on non-financial information in order to appraise the medium to long-term value of companies.

That is why, starting this fiscal year, Casio will look at ways to further improve its corporate communications. We want to enhance disclosure of ESG information by issuing integrated reports that combine financial and non-financial information. After clarifying the communication objectives and target audiences, we will promote effective disclosure of the appropriate information. In addition, we will integrate the use of communication tools that have been separately utilized by several divisions in the past, and, with a unified voice, fulfill our responsibilities for disclosure.

Finally, I am always asking that all employees heighten their awareness that Casio's future depends on them. Each department has a role to play under the company's vision and policies, and we must always remember that every employee is a critical part of Casio. With a shared vision of what we want Casio to be 10 or 20 years from now, we are aiming to become a company that provides even more value, through the full participation of our employees. Casio is facing the future as a unified team.



Kazuhiro Kashio

President & COO