



KASHIO Kazuhiro
President & CEO

Creating and fostering culture by delivering new user experiences. To establish this approach to value creation at Casio, we will work on fundamental structural reform that realigns everything based on social contribution from the starting point of “Creativity and Contribution.”

Corporate Creed and Value Creation

Casio is a company that has grown by emphasizing and giving shape to the corporate creed of “Creativity and Contribution.” Through creativity, we produce new lifestyles and culture, thereby contributing to society. Our long-cherished desire is to enrich people’s lives and make them more convenient through our inventions. The true value provided with the development of the world’s first compact all-electric calculator upon our founding was more than just enabling quick and easy calculations, it made the very act of calculation simple and within reach.

Casio has come out with many firsts, including personal calculators, shock-resistant watches, and the thinnest digital camera (at the time). Each of these has created new value in calculation, telling time, photography, and more. This was done by increasing the usage scenarios or target users, such as allowing anyone to perform calculations anytime, keeping accurate time even under harsh environments, and allowing photographs to be taken whenever desired with a camera in the pocket.

The important thing is establishing that value as a new culture and contributing to people’s lives and society. Take scientific calculators, for example. As a result of many years of joint development of instruction with education ministries and schools of various countries, every year, our products support the education of approximately 23 million first-year high school students mainly outside of Japan as recommended educational supplies. Creating this cycle has allowed us to contribute to mathematics education in developing thinking skills.

Activities to create new culture in this way and enrich and bring greater convenience to people’s lives and society define Casio’s approach to sustainability in the aim of achieving growth of the Company and society. When it comes to environmental, social, and governance (ESG)

issues, simply addressing external requirements is not enough. Contributing to society through creativity is the be-all and end-all. I believe that it is precisely because we identify ESG issues as indispensable and essential challenges for bringing that about that our efforts at environmental consideration, human resources development, work environment improvement, human rights, and compliance function effectively.

Challenges and Reform

To sustain “Creativity and Contribution,” we must transform the format and details of value creation to suit the times.

In recent years, however, Casio’s business has become more fragmented. Unable to bring “Creativity and Contribution” in line with the times and falling into the trap of partial optimization and short-term thinking, we almost lost sight of true value for end users, which should be our main focus. As a result, the scale of our business did not grow in the first half of the 2010s, and our operating margin, an indicator of profitability, was stuck in the single digits.

Since I became president in 2015, I have communicated various messages throughout the Company as well as to stakeholders, but in short, the reform that I seek to bring about is realigning everything at the Company based on social contribution from the starting point of “Creativity and Contribution.” My thinking is to transform Casio into a company that can continue to contribute to society into the future by establishing Casio’s approach to value creation and creating new user experiences.

Toward that end, we launched the medium-term management plan in the fiscal year ended March 2020 and worked on reforming the management platform. There are many challenges when it comes to the business portfolio



and organizational management. I have decided to reassess the business structure in three categories—Growth Businesses, New Businesses, and Businesses Needing Better Profitability—and also to review the organizational structure and work styles.

Creating a New Casio

The spread of COVID-19 has completely changed the business environment. Our basic thinking of going back to the starting point and contributing to society by creating culture remains unchanged, but the changes we had envisioned in society five or 10 years from now are expected to come all at once. Changes in society called the “new normal,” such as work-style changes, the shift to remote products and services, digital transformation (DX), and a cashless society, are forcing a review of all kinds of corporate activities.

In response, we have declared that in the fiscal year ending March 2021 we will not pursue profits from a short-term perspective but rather accelerate and bring reform to completion. We will fundamentally reform our management and business platform to begin our journey as a new Casio starting from April 2021.

The keyword is “reset.” First, we will establish our medium- to long-term vision and standards for our activities, build optimal businesses and organizations to bring those things about, set priority issues, and design strategies. We have established two organizations dedicated to promoting reform. Namely, the Future Development Hub, which will manifest the vision and unify direction based on reflection up to now, and the Corporate Innovation Office, which will create new business models and work styles. Our stance is to emphasize employee participation and processes and engage in essential review and discussion while emphasizing speed so that we do not revert to what was optimal for the Casio of yesterday or today.

Intermediate Goals by Business (Vision for Each Business a Few Years after COVID-19)					(Billions of yen)
	Net sales	Operating profit	Operating margin	Vision	
Timepiece Business	200	40	20%	Retain core fans of G-SHOCK using enhanced digital marketing and expand smart watches focusing on domains where we excel	
Educational Scientific Calculator Business	55	8	15%	Expand the GAKUHAN business and develop the web app business	
Businesses Needing Better Profitability	60	3	5%	Establish a structure for steady profits through fundamental structural reform	
New Businesses	10	5		Continually generate annual operating profit of more than 5 billion yen	
Adjustment		-8			
Total	325	48	15%	Establish a management platform to achieve a highly profitable earnings structure as a sustainable value creation company that adapts to change post-COVID-19	

Strategic Direction

As for our business strategy, we are promoting review and planning that takes into account the impact of COVID-19.

In the fiscal year ended March 2020, the Timepiece Business performed well owing to sales in China and e-commerce, but the impact of COVID-19 on production, distribution, and sales caused progress delays in New Businesses and Businesses Needing Better Profitability. In the fiscal year ending March 2021, we expect the difficult circumstances to persist as there has already been a tremendous impact on our businesses, including fewer customers visiting stores in the Timepiece Business and school closings in the Educational Scientific Calculator Business. As previously mentioned, this year we are working on realigning everything, including products, business structures, and business models. I hope to be able to start the fiscal year ending March 2022 without any residual concerns.

At the same time, we have established and published intermediate goals for each business addressing the post-COVID-19 society as we look ahead to business development from a medium-term perspective. Out of our Growth Businesses, we will restore the Timepiece Business to its pre-COVID-19 growth trajectory, including strengthening smart watches, and we will re-expand the GAKUHAN model and grow the web app business in the Educational Scientific Calculator Business. With our New Businesses, we will aim to generate more than 5 billion yen of operating profit annually by fully leveraging Casio’s strengths. In our Businesses Needing Better Profitability,

the policy is to complete fundamental structural reform and rebirth them with the capacity for continuous profits.

We have reaffirmed that even in the midst of the COVID-19 pandemic, the Casio technological platform, the G-SHOCK product appeal and brand power, and our educational method in the Educational Scientific Calculator Business boast a solid advantage, and that our efforts reaching the latent needs of users keep ahead of the changing times and lead to growth. For example, in China, our Timepiece Business has enjoyed an e-commerce sales ratio of over 50% owing to our aggressive e-commerce and social media marketing that was begun several years ago. This allows us to more easily adapt to changes for a new normal, and we have received feedback that Casio is alone in succeeding in both online and offline sales policies. Additionally, our electronic musical instruments based on the concept of “slim & smart” have created needs among new users such as those with past experience and young people who enjoy music. Our proposals for how to spend free time and situations for enjoying music have been successful, and the percentage of “slim & smart” instruments among electronic musical instrument sales has increased 10 percentage points year on year to 40% (1Q FYE 3/2021).

Providing New User Experiences via New Businesses

I would like to once again explain my thinking on New Businesses, which are symbolic as we uncover and provide

Examples of Creating New User Needs During the COVID-19 Pandemic

Timepiece Business: Online marketing in China

- Successful rollout of e-commerce and social media from several years ago
- Addressing of marketing changes during the pandemic and creation of user needs

Electronic Musical Instruments Business:
Electronic musical instruments featuring “slim & smart” designs

Slim piano offering both quality touch and sound
Target: Those with current or previous experience in their 30s to 40s

Readily usable slim keyboard offering convenient placement
Target: Children and early teenagers (as usual) as well as young people who enjoy music

Privia

Casiotone

- Reaching beginners and those starting again who hope to utilize free time resulting from the pandemic
- Percentage of “slim & smart” instruments among electronic musical instrument sales: 40% (Up 10 percentage points year on year)

(1Q FYE 3/2021)

new user experiences. While anticipating what society will be like 10 or 20 years from now, we have conducted a comprehensive review of the latent needs that we should uncover and established the four domains of sports tech, beauty tech, medical, and imaging. We decided to combine co-creation with outside partners and internal technology and know-how as the necessary resources for meeting those latent needs and design businesses accordingly.

For example, in the Sports Tech Business which we are working on in collaboration with ASICS Corporation, we hope to create a culture where many of world's 140 million runners can enjoy an individually optimized running experience. In addition to optimal shoes, form analysis, ascertainment of running conditions, and recording/management of data are essential to meet the various needs of runners, which include being "faster, more efficient, and healthier." By combining these previously disjointed elements, we plan to provide a seamless running experience. We are currently conducting various field tests. Particularly at value verification events, we have had some promising results, including a majority saying that they were more satisfied than expected with sensor measurements and form analysis.

Capital Policy and Financial Strategy

In regard to our capital policy and financial strategy, the basic policy of generating free cash flows and optimizing capital efficiency through capital cost-conscious business activities while maintaining financial security will remain unchanged. However, our specific plan will be presented along with a new strategy that begins in the fiscal year ending March 2022. Your patience is appreciated until then. As evidenced by the more than 130 billion yen in liquidity in hand, an equity ratio of over 60%, and a 50 billion yen commitment line, Casio has a solid financial base. We have been able to maintain financial security even in these uncertain times. Going forward, when coming up with a strategy for returning to a growth trajectory, we will be able to capitalize on this solid and ample financial base to ensure the optimum allocation of funds considering investment efficiency.

Governance Reform to Improve Corporate Value

Casio will work on improving corporate value by implementing the value creation approach explained above. Management efforts are also essential for this, and governance reform is at the core. Believing that swift decision-making and strengthening of management oversight are essential for engaging in management as

a new Casio, we transitioned to a company with an Audit & Supervisory Committee in June 2019. At the same time, we revised the criteria for electing outside directors and reduced the number of directors. This reshuffled the Board, bringing on members possessing extensive knowledge and experience in corporate management and other fields and increasing the percentage of outside directors to 37.5% from the previous 28.6%. The new structure allows for lively discussion from a long-term perspective, and we have seen results in terms of governance reform. There is no end, however, to enhancing corporate governance. We will continue to pour effort into further enhancement while taking into account the results of evaluations of the effectiveness of the Board of Directors and other such indicators.

On the other hand, there are still many issues when it comes to executive governance. This year, there was an incident in which impropriety was uncovered on the part of a former employee at our subsidiary in Germany. We take such incidents seriously and are working to strengthen internal control and Group governance as led by the new Internal Control Committee established in April 2020, in addition to focusing on fostering a culture in which employees themselves are able to take the initiative in risk management.



Stakeholder Dialogue and Corporate Value

We believe that dialogue for sharing direction and progress and incorporating an outside perspective is important for bringing about improvement in corporate value. I have taken the lead in dialogue with shareholders and investors, sharing and communicating management's thinking, awareness of issues, progress both good and bad, and other such matters. We will continue earnestly working on investor relations (IR) from the investor's standpoint.

In addition to this, dialogue with employees will also be increasingly important in the future. We believe that it is important to get employees involved and work together with them to come up with and implement a vision for Casio's future. As such, we will continue to enhance internal messages and actively engage in discussions. I also believe that this is the shortcut to growth and development.

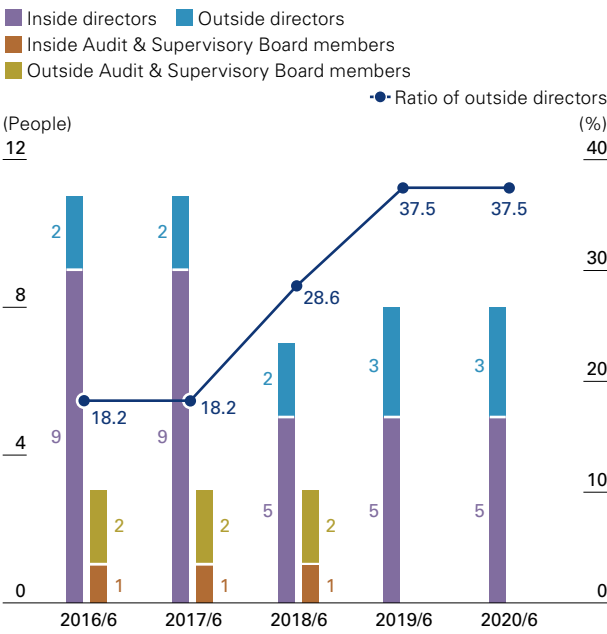
Resetting based on contribution to society while returning to the starting point, Casio will be reborn as a company that is capable of continually creating value in a society that is based on the new normal. Stay tuned for the future of Casio.

KASHIO Kazuhiro
President & CEO

Overview of Financial Structure and Capital Policy (FYE 3/2020)

Solid financial base	<ul style="list-style-type: none">Ample liquidity in hand of 134.7 billion yen (maintenance of 71.7 billion yen in net cash)Maintenance of financial securityEquity ratio of 60.6% and debt-to-equity (D/E) ratio of 0.31 timesMaintenance of sound pension finances: Excess reserves of 6.8 billion yen/13%
Backup line	<ul style="list-style-type: none">Commitment line: 50 billion yenMulti-borrower/multi-currency borrowing limit
Capital policy	<ul style="list-style-type: none">Prioritizing performance-linked and stable dividends, dividend left unchanged at 45 yen this yearYear-end dividend to be decided at General Meeting of ShareholdersIn regard to share buyback, priority is on cash in hand in emergency situations.Flexibility will be maintained for share buybacks in the event of a significant disparity with the theoretical stock price.

Number of Board of Directors' Members/ Ratio of Outside Directors



Note: In accordance with a resolution passed at the General Meeting of Shareholders held on June 27, 2019, we switched from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee structure.