


Message from the CFO



To increase corporate value, We will work to advance the financial side of our management and business strategy. We will additionally focus on initiatives to improve the ability of each business to take effective action at its own work sites to generate cash autonomously based on a capital cost-conscious approach.

TAKANO Shin

Director
Executive Managing Officer
and CFO

Structural reform and financial strategy

Casio has successfully enhanced its profit structure through the structural reform we have been engaged in for over three years. Under our organizational restructuring, we identified the Electronic Musical Instruments Business, Electronic Dictionary Business, and System Equipment Business as businesses needing better profitability. Here, we carried out a fundamental review of business structures and worked to improve profitability in loss-making operations. On the cost front, in addition to thorough confirmation of cost performance and review of regular operations, we reduced fixed costs through measures including rationalization of operational sites. In the Electronic Musical Instruments Business, we also started work on increasing the efficiency of the product lineup, restructuring distribution, and developing new sound sources. As a result, we succeeded in significantly increasing profitability in the businesses needing better profitability. We will continue with intensified efforts to promote DX, which we have addressed from the optimal approach for the Company as a whole. In this way, we will create organic links between the activities of functional divisions to focus additional energy on the full-scale rollout of digital marketing and on initiatives for productivity improvement across the board.

To increase corporate value, it is also essential that we develop more advanced business portfolio management and evolve our financial strategy. Going forward, we will therefore work for appropriate cash allocation aimed at improving the cash generation ability of each business, strengthening the

financial structure, increasing asset efficiency, improving financial revenue, and expanding reproduction.

For cash generation in each business, it is important for all departments to address improved profitability based on a capital cost-conscious approach. Currently, we have set KPIs in each department based on a logic tree to stimulate free cash flow generation for increased corporate value. Going forward, we will strengthen monthly monitoring. Through autonomous progress monitoring by individual departments, we aim to improve their ability to take effective action to promote their business. These KPIs have the unique feature of including non-financial indicators related to the potential for corporate value growth. Our aim is for each business site to actively roll out frontline initiatives to strengthen human resources, technology, brand value, and other factors that contribute to business growth. To strengthen our financial structure, we proceeded with reduction of interest-bearing debt. In fund procurement, we introduced ESG-based loans and received a high rating from third-party institutions for SDG-related initiatives.

One focus issue for raising asset efficiency is improvement of working capital. Starting in the fiscal year ending March 2022, we will work to shorten the cash conversion cycle (CCC), mainly by optimizing inventories through reduction of slow-moving inventories. Regarding cross-shareholdings, which have been reduced by more than half in the last few years, our policy is to continue appropriate divestments following discussion by the Board of Directors.

To increase financial revenue, in addition to enhancing our tax strategy, we will strengthen our global cash

management system, introduce more sophisticated foreign exchange hedge instruments, and take measures to place our pension finances on a sounder footing.

(For details of our business management policy, please see P. 26 "Medium-Term Strategic Direction")

Direction of capital allocation and investment

The main source for investment capital will be cash flows from existing businesses. Of course, existing businesses also practice a re-investment cycle for medium- to long-term growth. Any surplus after sufficient internal investment is available as a source of Companywide investment capital.

In the allocation of investment capital, we will follow a capital policy based on an appropriate balance between proactive strategic investment for growth, measures to provide shareholder return, building of internal reserves for financial security, and other investment targets.

Strategic investment will focus mainly on Companywide DX and other process reforms, investment in the environment, technology investment in existing businesses, and strategic investment in new businesses. For new businesses, we have set the targets of achieving profitability in the fiscal year ending March 2024 and recovering the invested capital through the cash generated over the following three years. To achieve these goals, we believe that diversified investment and appropriate business decisions emphasizing profit potential are important. We will

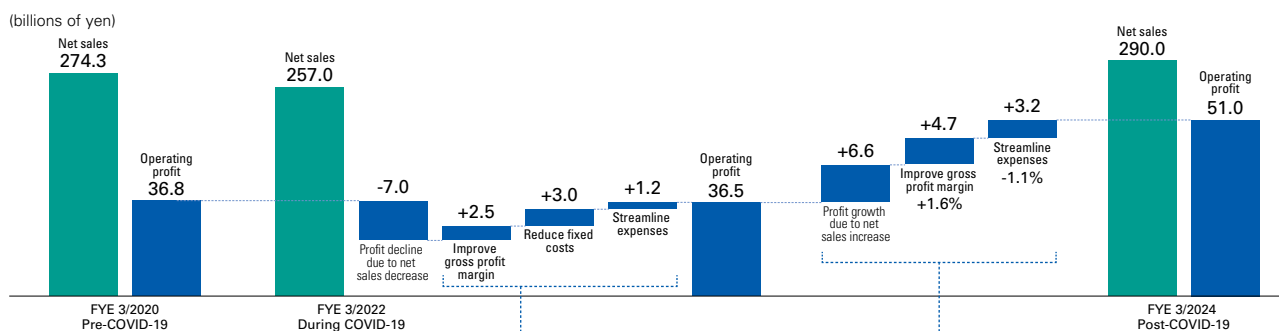
establish a stage gate process for the recovery of the invested capital in light of the progress of the business. By also setting clearly defined KPIs, we will achieve more advanced levels of strategy design and decision-making. We will work to optimize growth investment by flexibly adjusting investment policy and investment schedules in line with the level of attainment in the KPIs. For shareholder return, we have adopted a basic policy of performance-linked and stable dividends, with targets of around 40% for payout ratio and around 5% for dividend on equity (DOE).

Future vision

After serving as General Manager of the Finance Division, in April 2021, I was appointed Chief Finance Officer (CFO), part of the chief executive officer team. With increasing corporate value as my mission, I will work to advance the financial side of our management and business strategy. At the same time, I am aware that it is important to promote a business portfolio strategy that supports the strategy implementation of each business and their ability to take effective action, and to achieve more advanced management of business metrics. I also intend to strengthen ESG initiatives for the environment, workstyle reform, and enhancement of governance and internal control.

As a member of the senior management team, I will establish clearly the importance of Casio's existence and dedicate my fullest efforts to sustainable increase in corporate value.

Profitability improvement of existing businesses (Timepiece, Consumer, and System Equipment businesses)



Improve profit structure (initiatives over last three years)

- Thorough verification of cost-benefit performance (streamline expenses)
- Radical review of fixed costs (eliminate waste)
- Rebuilding of distribution platform
- Consolidation and closure of sales sites
- Rationalization of indirect personnel (voluntary early retirement incentive program)

Overall optimal effects from structural reform

- (initiatives in previous fiscal year, implementation of PDCA continuous improvement)
- Promotion of group-wide DX → shorten SCM cycles, reduce production lead times, introduce PLM, improve demand forecasting accuracy
 - Full-scale operation of digital marketing (lock in loyal fans, increase LTV)
 - Strengthen direct e-commerce
 - Raising of productivity through workstyle and corporate culture reforms
 - Rebuilding of management base (strengthen matrix management)