

Message from the CEO

With an awareness of the dramatic changes in our operating environment and our responsibilities to the market, I will lead Casio toward a new growth trajectory along the twin tracks of enhancement of corporate value and reform of the organizational culture.



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A year for reconfirming Casio's structural issues and market responsibilities

The year since I became Casio president in April 2023 has passed quickly. This is the first time in Casio's long history that the president has come from outside the founding family, and looking back I must admit that at first I was unsure about moving from my previous battle station in the Timepiece Business to take on the heavy responsibility of the overall running of Casio. However, I felt that I wanted to do my best for the Company that had nurtured me for over 40 years and so I decided to throw all my energies into the job.

To sum up my first year as president in my own words, I would say that it was a period when I recognized afresh the seriousness of the challenges that face us. As I looked closely into each business to assess its operating environment, performance trends, and future outlook, I came to grasp once again the two major structural issues that have limited Casio's growth capacity in recent years.

One is the great change in market demand structure brought about by the rapid advance of digitization. In the EdTech Business for instance, the introduction of PCs and tablets into the educational setting has brought falling demand for electronic dictionaries and other hardware but rising demand for software such as apps. In the System Equipment Business, the spread of cashless payment and other factors has resulted in less use of cash and less demand for cash registers.

The other issue is the dispersed nature of the overall corporate business portfolio. Casio has consistently created distinctive products to meet social needs through creative invention in line with the evolution of semiconductor technology. As a result, we have ended up engaged in a wide variety of poorly interrelated businesses each of which is engaged in its own solitary struggle with competitors. Each business deals with different markets and business partners, so they benefit from few synergies in sales and procurement, while investments to boost competitiveness are dispersed, making it difficult to improve overall capital efficiency.

In the year since I became president, I have established a deeper grasp of these issues and thought constantly about how to resolve them and return Casio to a growth trajectory. At the same time I have engaged in a series of dialogues with shareholders, investors, and other stakeholders who have expressed their expectations and provided encouragement. This has helped me recognize once again the great scale of our social mission, which is to acquire funds from investors through the stock market and invest them across our various business projects to increase corporate value.

It hardly needs saying now, but insights of this kind

led me to start altering course from my initial goals and policies around the middle of the fiscal year ended March 31, 2024. Although my initial idea was to use the Timepiece Business as the main focus for new value creation, I began to feel more and more keenly the need to rebuild from the foundation up. Accordingly, we are now working quickly but carefully to draft and implement measures focused on this approach.

Exhaustive measures to strengthen profitability as a first step toward maximizing corporate value

One of the leadership tasks for me to concentrate on in my first year as president has been enhancing corporate value.

I announced a key strategy: "By 2030, we will maximize our corporate value by establishing a core brand for each business that will serve as a new source of value." We formulated a three-year medium-term management plan to guide us toward achieving this goal.

For the final fiscal year of the plan, ending March 31, 2026, we set a target for net sales of 310 billion yen, operating profit of 36 billion yen, and operating margin of 11.6%.

Envisaging that the slowdown caused mainly by the COVID-19 pandemic and heightened geopolitical risk would continue to impact the world economy for some time, we designated the first half of the plan as a term for strengthening the profit base. The strategy was to focus on improving profits, strengthening the management foundation, and investing strategically in business growth to restore profitability and restructure the business. This would enable a smooth transition to the second half of the plan as a term for implementing reforms and creating innovation (see P. 28).

Unfortunately, in the first fiscal year of the plan, ended March 31, 2024, despite a 2% year-on-year increase in net sales to 268.8 billion yen, results fell short of target in both operating profit, which declined by 22% to 14.2 billion yen, and operating margin, which stood at 5.3%. Among the factors in this were: 1) stagnation in the Timepiece Business due to China's economic recession; 2) falling demand for electronic dictionaries due to the spread of information and communications technology (ICT) in education; 3) in the electronic musical instrument market, the slow recovery from the fall-off in sales that followed the peak in stay-at-home demand during COVID-19. On each count, our assessment of market conditions was over-optimistic, which has led to a period of deep reflection.

In response, we announced a revision of the medium-term management plan in May 2024. For the plan's final fiscal year, ending March 31, 2026, our revised targets call for net sales of 290 billion yen, operating profit

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of 26 billion yen, and operating margin of 9%. My particular emphasis is on strengthening profitability. This is because I see increasing the operating margin as particularly important in the current situation, where the main focus of business is shifting from hardware to software, as symbolized by the rapid evolution and spread of generative AI.

As a result, we have put the original plan on hold for the fiscal year ending March 31, 2025, as we implement fundamental measures to enhance our profit structure by dealing with unprofitable businesses and driving reform of the business structure. Moving to a leaner structure will allow us to enter a growth trajectory from the fiscal year ending March 31, 2026, and will expedite our progression to the planned term for implementing reforms and creating innovation.

Business portfolio revision to realize sustainable growth

The revision of the medium-term management plan was forced not only by the abovementioned deterioration in the market environment but also by the structural issues that I mentioned earlier in this message.

These issues mean that ensuring our future sustainable growth demands a revision of the business portfolio through a process of selection and concentration. To establish Casio's current capacity for growth and set out a future direction, we have therefore applied the twin criteria of growth potential and profitability to classify our businesses into four categories: Growth businesses,

Potential growth businesses, Mature businesses, and Businesses with issues (see figure right).

As we currently have no qualifying growth businesses, we recognize the urgent need to develop such businesses either by upgrading potential growth and mature businesses or creating and nurturing them from scratch.

Our mature business domains are the Timepiece Business and the educational scientific calculator segment of the EdTech Business. While recognizing that the Timepiece Business faces a market that is in a mature stage overall, we believe that there are regions and brands with plenty of room left for growth, as shown by G-SHOCK's expanding net sales in Europe. We therefore aim to develop this as a growth business by creating new design categories and applying locally focused marketing. As for educational scientific calculators, although demand has shrunk due to the spread of ICT, there is room for growth overseas, particularly in emerging markets. Here, we will drive market expansion by promoting the user-friendliness that Casio has perfected to appeal to national governments.

In our next category, potential growth businesses, are the education app segment of the EdTech Business and certain areas of the System Equipment Business, including human resource solutions, management support solutions, and the medical sector. We are aware that, as growth domains, these businesses present a challenging competitive environment. Rather than relying solely on our own resources, we will therefore accelerate growth through active strategic investment, including M&A, to quickly establish a market position.

Businesses with issues, meanwhile, are those requiring fundamental revision. Within the System Equipment Business, we judge that the handheld terminal and cash register segments have poor prospects for medium- to long-term growth. While meeting our responsibilities by continuing supply and after-sales support to existing customers, our policy here is to withdraw from new product development and sales to new customers. In the electronic dictionary segment of the EdTech Business, we will move quickly to establish the future orientation and improve profitability.

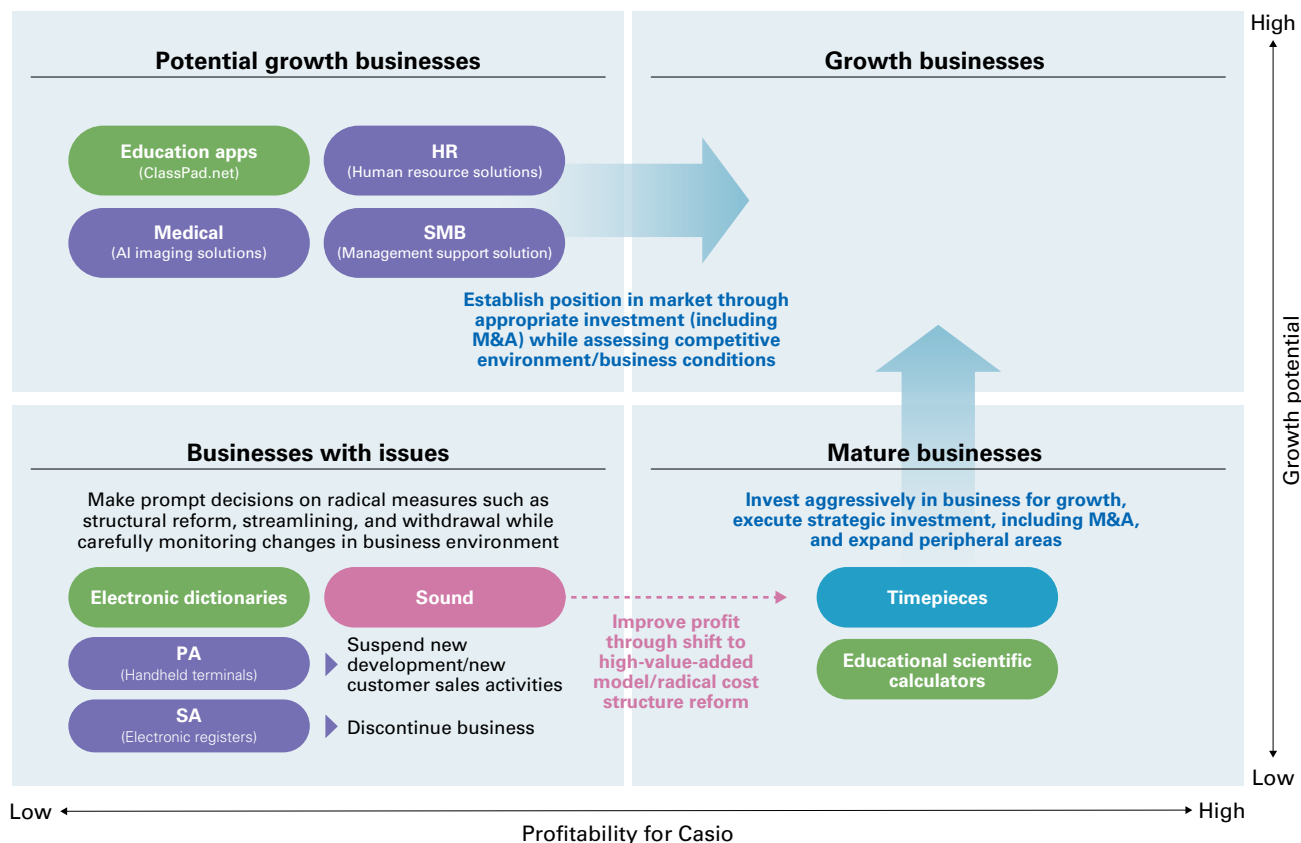
Although classified as a business with issues due to its low profitability, the Sound Business nevertheless has net sales of several tens of billions of yen. By strengthening mid- to high-priced product lines capable of differentiation and taking other steps to concentrate resources on high-profit products and areas, we will seek to recalibrate the profit structure. Additionally, we intend to expand our sights beyond the current child-focused educational market to target more experienced players and create a new market around the concept of the "lifestyle piano."

To accompany these measures in individual

Policy for portfolio management

Implement radical reform of unprofitable businesses and priority investment in growth businesses based on portfolio policy

Segments ■ Timepieces ■ Consumer/EdTech (educational scientific calculators/education apps/electronic dictionaries)
■ Consumer/Sound ■ System Equipment/Other



businesses, we will address the increasingly unfavorable ratio of business scale to fixed costs by optimizing our personnel structure. Currently, we are undertaking a Groupwide reduction in fixed costs equivalent to 500 jobs, which we expect to translate into five billion yen of cost savings starting from the fiscal year ending March 31, 2026.

At the same time, we will take active measures to strengthen coordination between individual businesses by enhancing human capital management and further developing matrix management.

Formulation of Purpose and Values as a reference point for employees toward reform of the organizational culture

Beside enhancing corporate value, another area that I as president am focused on is reform of the organizational culture.

As stated in last year's Integrated Report, at the time of my appointment in April 2023, I announced three guidelines for conduct: Management Approach, Vision of the Ideal Employees, and Mindset to Adopt. I set out a message for the creation of a corporate culture that encourages all employees to think and act on their own initiative and have followed up with a range of measures.

The first point of my Management Approach, where I wanted to explore a more effective strategy, was sharing my vision with employees. A conventional statement of vision sets out the Company's target profile and presents specific business domains and management indicators in concrete terms. However, with the drastic change in the business environment currently making future projections difficult, flexibility and adaptability have become more important.

With potential change affecting business domains and the Company itself, setting a fixed target profile and

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concentrating resources on reaching it may actually increase the risk of lost opportunities. Instead, increasing resilience in the face of this kind of change is what I think is essential for sustainable growth and value creation.

With this idea in mind, I wanted to set a more flexible guideline and decided that the best approach would be to make our Purpose and Values the starting point of management activity. And so, in the second half of 2023, I launched a project to set out a definition of these two areas. After almost one year of ongoing discussion, in June 2024 we made the in-house announcement of our Purpose, which defines Casio's significance in society: "Through the power to put wonder at hand, bring new levels of joy to lives one by one." The reason why I have emphasized reform of the organizational culture is that, in recent years, I have had the uneasy feeling that the free and open-minded culture that we have always enjoyed based on our corporate creed of Creativity and Contribution is becoming weaker. With our Purpose as the reference point, I want our organization to be permeated once again with the spirit of the Casio corporate creed and the joy and excitement of creation in a way that inspires passion in our employees.

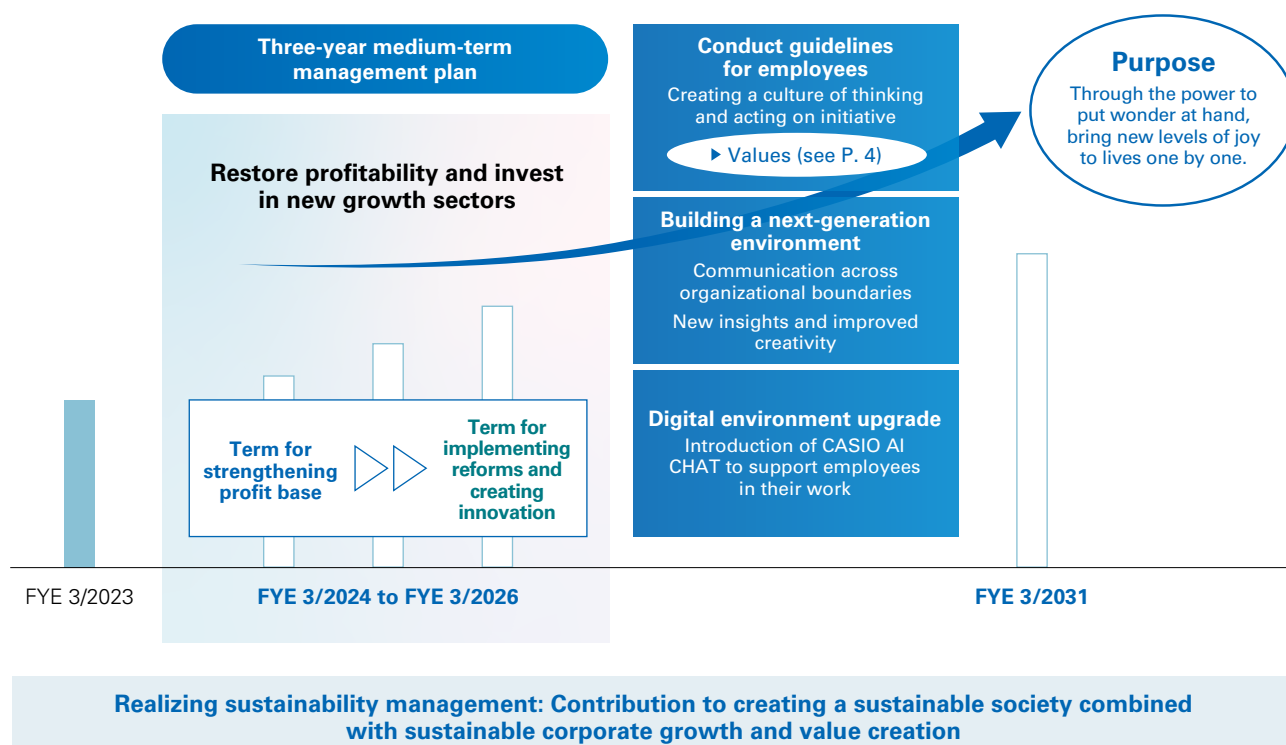
Our Values meanwhile are those that serve as conduct guidelines for all employees. "Imagination with empathy," "Creativity through unique thinking," "Change with joy," and "Collaboration for realization." These express the mindset that employees should bring to their daily duties and base their conduct on. I believe that if they maintain this approach when engaging with their work, each employee will embody the Casio ideal of human resources who think and act on their own initiative.

In the interest of sustainability management, we included as one of our Values a commitment to ongoing social contribution throughout the changing times. So that we remain a company that is needed by society for many years to come, we are committed to continued efforts to combine corporate growth through new value creation with contribution to the creation of a sustainable society.

I believe that my immediate task and responsibility as president is to harness reform of the organizational culture based on our Purpose and Values and the creation of a next-generation environment (which I will come to below) as the driving force for achieving the goals of the medium-term management plan and realizing the vision for 2030 (see figure below).

Creating a foundation for sustainable growth

Implementing the medium-term management plan and reforming the organizational culture to create a foundation for sustainable growth



Creating a next-generation environment to promote transformation of employee thinking and behavior

To support a transformation in thinking and behavior among employees based on our Purpose and Values, we are creating a next-generation environment, including digital environment upgrades to promote operational reform.

In Japan, we have two main bases, the Hatsudai Head Office and the Hamura R&D Center, which have so far served respectively as sales base and manufacturing and development base. Going forward, however, both bases will be redefined as innovation centers. At Hatsudai, we will put in place an environment that facilitates participation by customers, users, and co-creation partners, generating new value through coordination with the Hamura center, which will concretize ideas and proposals.

At the same time as capital investment for this project, we are creating an environment to facilitate active communication with people of contrasting experience in and out of house and across departmental and organizational boundaries. I am confident that this environment will enable individual employees, regardless of departmental affiliation, to form new insights that will accelerate the development of existing businesses and the creation of new businesses.

Meanwhile, we have extended our antennae to cutting-edge locations such as Silicon Valley in the United States and the Shenzhen region of China to accelerate innovation on a global scale and promote new development.

Refining the essence of Casio: The creation of products that combine functional value with sensory value

To maximize corporate value in the approach to 2030, I believe that we need to set out a clear vision to guide Casio from its term for strengthening the profit base into the term for implementing reforms and creating innovation. I have the sense that my efforts over the last year in areas from our Purpose and Values to creating a next-generation environment and driving portfolio reform are beginning to come together. I recognize that my mission as president is now to set out a clear vision going forward.

To sum up my idea of the way forward for Casio, I would say that it is to create products that combine functional value with sensory value. The evolution of digital technology means that the functionality at a practical level that customers want now tends to be delivered more through general consumer devices than specialist devices, which has led to an increased range of options for customers. On the other hand, there is considerable demand



for sensory value in the form of high-quality materials and design and other elements with aesthetic appeal that resonate and excite. Together with functional differentiation based on core technology, Casio's strength has been in creating products that combine user-friendly technology with emotional appeal to the user. I will return Casio to a growth trajectory by generating and delivering to society this kind of value in a way that meshes software with hardware.

I hope you will join me in looking forward with great anticipation to Casio's future value creation and the realization of our growth vision.

Turning to a more recent event, in October 2024 an incident of unauthorized access to our corporate network resulted in a system failure which caused great concern and inconvenience to our customers, business partners, and other stakeholders, for which we offer our sincere apologies.

We immediately set up an incident response headquarters to deal with the consequences and have been working diligently to restore internal systems and allow the rapid resumption of normal operations.

We take a very serious view of this incident and will spare no effort in identifying the cause and further strengthening and enforcing our information security system to prevent any recurrence.