Overview of Strategy and Reform

The Corporate Innovation Office analyzes our businesses using outside knowledge, conducts peer comparison of global competition, and carefully examines any remaining issues. It has also established the following seven themes of reform based on environmental changes and shifting business strategies driven by the COVID-19 pandemic. The Corporate Innovation Office undertakes Companywide reforms as well as leads and manages the progress of reforms as a hub of reform activities being carried out at each department.

In terms of management process and new medium-term management plan, the commitment of business departments is applied to a specific plan and focus is placed on implementing the plan-do-check-act (PDCA) cycle accurately, while ensuring objectivity and comprehensiveness. We are seeking to review all aspects of operations, including decision-making methods, business analysis and progress management mechanisms, and approaches to key performance indicator (KPI) design, as an initiative that will affect the future of Casio’s management. Regarding global back office staff and head office staff, we are working to increase productivity and streamline duties based on changes in work styles. During Global Marketing Headquarters reform, we are expanding digital marketing, including integrating and revamping our e-commerce sites, and promoting restructuring of the marketing structure linked to distribution reforms. As for Businesses Needing Better Profitability, we will move ahead with structural reform while examining each process and contributions to users.

COVID-19 has increased the urgency for these reforms. We plan to complete the design and introduction of systems and mechanisms for each theme and share these Companywide during the fiscal year ending March 2022 and officially launch these new mechanisms and systems from the fiscal year ending March 2023, which will contribute to earnings thereafter.

Focus Themes of the Corporate Innovation Office
- Improvement/strengthening of management process
- Improvement/strengthening of new medium-term management planning foundation
- Head office staff reform
- Global Marketing Headquarters reform
- Production Headquarters reform
- Development Headquarters reform
- Structural reform of Businesses Needing Better Profitability

The Future Development Hub stands at the center of Casio’s value creation. This organization creates a new future for Casio involving all employees with people at the heart of its efforts to create a sustainable future. We will foster a new form of “Creativity and Contribution” for a new post-COVID-19 era while passing down our founding spirit, dreams, and ideals. The corporate culture and organizational climate to which we aspire is defined as a “commitment sharing organization” representing a workforce who shares the same commitment and creates businesses autonomously. Our goal is for employees to collectively work to contribute to users while valuing diversity and transcending such boundaries as department, gender, and nationality.

Aimed at this realization, we have put into place four designs for the matters that must be completed in the fiscal year ending March 2021. First, to clarify our future vision and behavioral standards, we will establish an official vision and conduct guidelines through discussions involving management and employees. In terms of human resources, we will create appealing career paths to form a “commitment sharing organization” and establish a life cycle-based personnel system and various plans after transforming our human resources strategy from “the right job for the person” to “the right person for the job.”

On the operations side, we will develop mechanisms for new business creation because the sustained creation of New Businesses invigorates the Company and links up with employee motivation and confidence. We will set up business creation schemes and programs for Companywide New Businesses that transcend the frameworks of each headquarters. In turn, these activities will be shared with employees, and we will work on strengthening internal communication through various measures using the Company intranet mutually connecting management and employees as a platform.

We launched the Future Development Caravan to promote these themes, supporting the proposal of measures through dialogue with many employees.

Focus Themes of the Future Development Hub
- Clariﬁcation of future vision and behavioral standards (establishment of vision and conduct guidelines)
- Human resources development and organizational transformation initiatives
- Development of mechanisms for new business creation
- Invigoration of internal communication
Message from the Officer in Charge

Now is the time to reform G-SHOCK and aim for medium- to long-term growth when we have a strong business foundation. Undoubtedly, our users, too, hope to see new developments. We will work on transforming the very value of G-SHOCK as a service, producing a user experience that only G-SHOCK can provide and creating a new culture.

Key Points of Our Efforts
- Establish a unique market for G-SHOCK and an unparalleled brand
- Undertake reform of G-SHOCK while expanding sales through digital marketing
- Aim to form a fan community for creating new experiences for fans
- Plan to complete platform development and preparations within the fiscal year ending March 2021

MASUDA Yuichi
Senior Executive Managing Officer
Senior General Manager of Development
Headquarters and Senior General Manager of Timepiece Business Unit

Background behind Strategy and Basic Approach

The Timepiece Business has made it through three turning points and continued to grow since it was started in 1974 and G-SHOCK was launched in 1983. The first turning point was when G-SHOCK became a fashion item in the 1990s. This was partly a temporary popularity boom, but brand recognition spread rapidly. The second turning point was establishment as a brand embodying lifestyles through analog watch development and global marketing in the 2010s. The third turning point in 2018 and later was metal and smart watch development and growth in emerging countries, which resulted in the expansion of sales and profits. G-SHOCK has accounted for an increasingly larger percentage of the Timepiece Business year after year, and in the fiscal year ended March 2020 (the year under review), it has grown to account for roughly 60% of the business.

These leaps forward are the result of robustness and other functions as well as meeting latent user needs keeping in step with the times. Today, it has established a market as an unparalleled brand posing, a unique philosophy and boasts around 10 million shipments annually.

However, the business environment has changed completely as a result of COVID-19. In addition to the direct impact on business operations, it has brought about a shift to new post-COVID-19 values and lifestyles in society and among our users, making it necessary for the Timepiece Business to make a big shift as well.

In terms of performance, sales and profits both fell significantly due to the major impact of suspension of store operations and restrictions on going out. However, e-commerce sales are growing, and business performance has been favorable in China where the e-commerce sales ratio is especially high. This has reaffirmed the product appeal and brand power of G-SHOCK and the bond with users. On the other hand, it has brought issues with our existing marketing and product strategies to the surface. In the short term, we are working on shifting our promotions from physical events to social media and sales distribution from physical stores to online, but these efforts alone are not sufficient to achieve medium- to long-term growth.

MASUDA Yuichi
Senior Executive Managing Officer
Senior General Manager of Development
Headquarters and Senior General Manager of Timepiece Business Unit

Structure of Basic G-SHOCK Strategy

Pre-COVID-19
- Product development
  - Product development to support powerful manufacturing
- Promotions
  - Promotions to acquire fans
- Sales distribution
  - Sales distribution to expand share

Post-COVID-19
- Product development
  - Manufacturing to provide experiences
- Promotions
  - Creation of fan experiences through social media
- Sales distribution
  - Sales expansion via own website (D2C)

Timepiece Business Sales Trend and Three Turning Points

Consolidated sales (Billions of yen)

First turning point 1990s
G-SHOCK digital watches and fanatic popularity in Japan

Second turning point 2010s
G-SHOCK analog watch development and global marketing

Third turning point 2018 and later
G-SHOCK metal and smart watch development and expansion of market in emerging countries

COVID-19 pandemic

Consolidated sales (Billions of yen)
0 50 100 150 200
Under these circumstances, the reform that Casio will be working on is reform of G-SHOCK value itself.

Leaving behind the conventional approach of selling the products we develop through promotions and distribution measures, we will shift our business to one in which we form and develop fan communities to create new experiences for fans. The business structure will be monetizing through product and service provision based on a platform (our own e-commerce website) for creating products with fans and directly connecting with them. It also means converting G-SHOCK into a service.

The core target of this reform is the roughly 5 million users (in-house survey and estimate) called “G-SHOCK fans.” We conducted a survey of this group and found that they can be categorized into three value and preference types, namely “trends,” “G-SHOCK brand preference,” and “practicality.” We will define the experiential value of each of these types and design and execute product, promotion, and distribution strategies based on those experiential values. What is important is that users are able to actively enjoy brand experience services according to their own preferences along the way of forming a community.

Currently, we are working on the test introduction of a service in which fans post their ideas for customizing G-SHOCK and new products will be developed based on popular vote as well as a service to enjoy G-SHOCK based on behavior logs. Going forward, we will accelerate these efforts and promote enhancement of our services in collaboration with our fans. At the same time, in the short term we are working to expand sales through digital marketing measures targeting the roughly 50 million followers who are favorably disposed toward G-SHOCK (G-SHOCK interest group). In the medium term, we plan to roll out efforts to convert them into fans and measures to promote purchases based on the abovementioned fan community and our unique platform.

This plan is a reform that is only possible because G-SHOCK has become integrated in people’s lifestyles. Now is the time to work on a major shift when the product has such support and the business foundation is solid. During the fiscal year ending March 2021, we will work on renewing and reorganizing our website and various field tests for forming a fan community in order to promote in earnest a new business development from April 2021 for converting G-SHOCK into a service.

G-SHOCK User Groups and Communication Strategies

<table>
<thead>
<tr>
<th>G-SHOCK User Groups</th>
<th>Communication Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>G-SHOCK fans</td>
<td>Convert brand into service</td>
</tr>
<tr>
<td>Top users who have at least three G-SHOCK products and rate G-SHOCK 5 on a five-point scale for preference (nearly equivalent to core fans)</td>
<td>Provide various services for users to participate and experience the brand, and tie them into product purchases</td>
</tr>
<tr>
<td>Users who consider G-SHOCK when buying a watch (own two or less G-SHOCK products) (20% of users with purchase intent)</td>
<td>Optimize provision of information and content to users and promote purchases via e-commerce</td>
</tr>
<tr>
<td>Users with no intent to purchase G-SHOCK</td>
<td>Develop new touch points</td>
</tr>
<tr>
<td>G-SHOCK dissatisfaction</td>
<td>Provide new points of contact and new experiences to capture attention of users with little interest</td>
</tr>
<tr>
<td>Approx. 5 million people</td>
<td></td>
</tr>
<tr>
<td>Approx. 50 million people</td>
<td></td>
</tr>
<tr>
<td>Approx. 160 million people</td>
<td></td>
</tr>
</tbody>
</table>

Source: Estimated based on in-house global timepiece brand survey (February 2020)
Background Behind Strategy and Basic Approach

GAKUHAN activities are the pillar of the Educational Scientific Calculator Business, aiming for the common purpose of realizing better education. By engaging in product development and introduction through collaboration with schools, teachers, and education ministries in each country and ensuring that our products are incorporated into class curricula, we have created a cycle in which mostly first-year high school students purchase Casio products every year. This is a result of maintaining direct communication with teachers in each country, developing optimal products for their schools, and providing extensive support for classes and teaching methods for more than 30 years.

In fact, product functions have been customized according to study course guidelines, language, and curriculum, and today there are 61 models for 18 regions. We have also produced customizations in short cycles while securing profitability through LSI development suited to high-mix, low-volume manufacturing, automated production, and more in order to promote this strategy in development and production as well.

As a result of these efforts, Casio scientific calculators have been adopted in 100 countries and have captured a majority share of the global market. On top of the product characteristic of use in the classroom, the know-how we have accumulated in relation to educational methods, needs gathering, and more makes for a very high barrier to entry. We are also continuing to form community forums for teachers in each country to give each other advice.

At the same time, the global educational environment is at a major turning point. School closings and other measures to address the COVID-19 pandemic have impacted Casio, but in the medium to long term the introduction of IT into the educational environment is what will shift the paradigm. In recent years, budgets and programs have been put together by national governments to prepare IT devices, and the COVID-19 pandemic has further accelerated the shift to online classes, teaching materials, and tests. However, just as school administration differed in each country under the pandemic, the introduction of IT into educational environments must also be carried out according to the needs and circumstances of each country.

Success Stories in the Midst of the COVID-19 Pandemic

Provision of scientific calculator software (emulator) for online classes free of charge
- Promoted use through online workshops (contribute to digital classes conducted via teacher PCs)
- Accelerated cultivation in Portugal through use within government-run educational television program

Publishing of learning tool (ClassPad.net) to support online learning free of charge
- Mathematics learning tool that allows scientific calculations and graph drawing to be carried out in a web browser
- Support for the creation of new teaching materials for online classes carried out simultaneously

Growth Strategy for the Educational Scientific Calculator Business

At Casio, in response to these changes in the environment, we are working on the development of New Businesses in both the hardware and software realms to contribute to future school education.

On the hardware side, we will actively provide support for online utilization of scientific calculators and tie this into further expansion of sales and product improvements. For example, in Portugal, when we published free online support software for scientific calculators, a televised class utilizing this software was provided on a government-run educational television program, and this increased awareness among classroom teachers looking for tools for remote classes. We will also roll out efforts according to local educational visions and circumstances in new markets, including switching from on-site to online teacher training.

On the software side, we will strengthen our mathematics learning tool web app business based on the educational methods we have cultivated in our GAKUHAN activities. It is already in use in the United States, and we will aggressively market it in Japan, Europe, Asia, and other places for use in mathematics education as it allows a multifaceted approach in PC and tablet environments. Going forward, as a new undertaking, Casio will focus on the software business for streamlining and improving the value of digital textbooks and tests and the provision of support for the educational environment itself. Formulas are important in mathematics education and scoring, but there are few engines in the world capable of calculation in formula-form. We are confident that Casio’s calculation engine is the most powerful in the world. Currently, we are making full use of this technological seed to promote efforts to provide test modules and automatic scoring engines for use by textbook publishers and exam providers.

In the future, we hope to contribute to the development and increased value of future educational platforms from various angles, including input, processing, and output while utilizing our rich and powerful asset of educational content tailored to the needs of each country, which has been cultivated in the Electronic Dictionary Business.

In our Educational Scientific Calculator Business, our engineers are given opportunities to have a dialogue with students at educational institutions in each region. Their feeling of having contributed to students’ lives that can be obtained through such a dialogue instills the energy for them to engage in their activities. Leveraging the distinctive characteristic of the business of having established a cycle of needs creation, development, and implementation support, we will contribute to education all over the world while continuing to engage in new efforts.

Providing Value through Software Based on Introducing IT in Educational Environments
New Business Domains and Themes

Beauty Tech, Medical, and Imaging Businesses

These three businesses will directly input Casio's technologies for the betterment of society.

They are ideally suited for the post-COVID-19 society that will require contactless and personalized services, which once again reaffirms the importance of these businesses. We will accelerate collaboration with our co-creation partners and dedicate our fullest efforts to the development of these businesses.

Sports Tech Business

The Sports Tech Business, which fulfills the growth requirements of alignment with mega trends, keen sense of effects, and the need for Casio to work on, is expected to become a segment symbolizing Casio's value creation through the creation of both new user experiences and culture. We will now work toward quickly establishing a model for a co-creation foundation and a running ecosystem.

Growth Strategies of the Beauty Tech, Medical, and Imaging Businesses

In the Beauty Tech Business, we are using the major underlying need of women’s pursuit of beauty as a theme. First, we will establish a nail printing business that utilizes our sensing technology and printing technology through collaboration with KOSE Corporation. This business will involve using a dedicated printer to print out custom-made nails easily, simply, and quickly without having to visit a nail salon. Although we have experienced some delays in the real-life testing at KOSE’s brick-and-mortar store due to COVID-19, we are moving ahead steadily with proof of concept (PoC)* verification. We aim to launch the service sometime in the fiscal year ending March 2022. Looking ahead, we will expand the business to include additional software-based services and look toward its applicability to other beauty services.

The Medical Business aims for more sophisticated medical treatment through image processing and AI-driven analysis. In May 2019, we developed a dermo camera for diagnosing medical conditions based on skin images and image management software jointly with Chiba University and Shinshu University. These have been rolled out to the dermatology market and are now steadily increasing their track record and stock of information in the marketplace. In addition to expanding the use of this camera and software by dermatologists around the world, we will expand their use to other medical fields, such as obstetrics and gynecology, while exploring AI-supported diagnostic services using the accumulated data.

The Imaging Business is a B2B business that provides image processing and sensing technologies in modules to explore and create underlying needs with co-creation partners and customer companies.

We are now focusing on utilizing the low power consumption, ultra-high-speed processing AI chip, which was developed jointly with Renesas Electronics Corporation, by taking advantage of specific technologies such as dynamically reconfigurable processor (DRP). This will make it possible for AI-driven processing at the end point of cameras and other products and thus contribute to the reduction of the data amount sent to and from the cloud and the improvement of security. For this reason, we are now exploring the business potential with a major security equipment manufacturer. Going forward, we will speed up collaboration with our partners and customers to expand its use to various other applications.

In terms of profit structure, each of the three businesses above will generate recurring profits from the provision of technology, and they are expected to have high investment efficiency and profitability.

* PoC: Evidence, typically derived from an experiment or pilot project, which demonstrates that a new concept, theory, or idea, etc., is feasible.
**Growth Strategy for the Sports Tech Business**

Society is paying closer attention to healthy life expectancy and quality of life (QOL), while issues surrounding the health care systems and medical cost issues of each country are being debated. Furthermore, people’s awareness toward health is rapidly changing due to the COVID-19 pandemic. Casio will engage in co-creation with the right partners and harness its proprietary technology to provide new, personalized experiences and support the health of people around the world, recognizing that people’s ability to maintain their health is a universal value.

We have categorized the direction of this business into the two domains of sports tech, for increasing physical fitness, and health care tech, for improving health. With sports tech as the first focus, we will establish a one-stop integrated service platform that combines hardware and services to deliver personalized solutions to runners through collaboration with ASICS. Later, we intend to gradually expand into the health care domain to work toward a sports and health business that supports people’s health.

This market is receiving attention from competitors as well. Casio, however, possesses not just the powerful brand names of CASIO and G-SHOCK but also along with biomechanics technology for visualizing body movements developed through industry-academia collaboration with universities as well as wearable technologies and sensing technologies, that allows us to maintain in a superior position.

First, we will use AI to analyze various data obtained from our wearable devices, including vital data and biomechanics. This will be connected with coaching based on ASICS’ knowledge along with facilities and services to address various needs so that all runners will be able to experience effective results for themselves. Currently, we are making steady progress toward the launch of this new business, and we plan to release the first new product in spring 2021.

With this integrated service at the core, we will expand co-creation domains with companies from different industries to establish a co-creation foundation for a running ecosystem that dramatically improves convenience in order to deliver the services needed by runners in a one-stop fashion.

**Sports Tech Business**

**Acquires habitual/running data and analyzes it using an AI algorithm and biomechanics.**

Provides the user with personalized advice and information on form and optimal training method.

**Analyzes running efficiency and landing shock and evaluates form.**

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**Businesses Needing Better Profitability**

### Language Education Devices Business
- Establish stable profit base in existing domains based on digitization of education
- Study new business domains

### Electronic Musical Instruments Business
- Concentrate lineup and management resources on "slim & smart" products
- Enhance distribution strategy (expand e-commerce)
- Expand services for targets enjoying musical instruments as entertainment

### Projector Business
- Pursue miniaturization strategy using proprietary technology resources
- Create new markets and establish new business models

### SA Business
- Establish a new business model using proprietary technology assets

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**Key Strategic Points**

In the Language Education Devices, Electronic Musical Instruments, Projector, and System Equipment businesses, we are implementing drastic structural reforms to shift to a business structure that generates profits continuously. Specifically, the Corporate Innovation Office, which works cross-sectionally by theme, collaborates with reform project teams of each headquarters of development, production/procurement, sales, and back office operations to implement reform measures designed for post-COVID-19 society.

In the first half of the fiscal year ended March 2020, the focused profitability improvement initiatives performed particularly well in the Electronic Musical Instruments Business, which showed improvement in performance. On the other hand, overall we are experiencing delays due to COVID-19, and as such, we will speed up efforts to complete the reform initiatives during the fiscal year ending March 2021.

With the interim goal of reforms set as a “state where all factors of concern have been resolved,” we aim to establish a new stable profit structure for the Language Education Devices and Electronic Musical Instruments businesses, while aiming to reform the very structure for the Projector and System Equipment businesses.

**Reform of Each Business**

In the Language Education Devices Business, we aim to transform based on the rapid digitization of education. We will transform the domestic business into a structure that generates stable profits through customization for each school and enhancement of various business management cycles. In addition, we will establish a new business vision through structural reform in China, exploration of applications business, and studies on the feasibility of business expansion to countries other than China.

In the Electronic Musical Instruments Business, we are developing and promoting a medium-term business strategy based on the vision of enriching people’s spirits and lives through proposal of a new lifestyle surrounded by pleasant sounds.

In the fiscal year ended March 2020, we concentrated our lineup and management resources on competitive “slim & smart” products as well as aimed to enhance cost effectiveness. As a result, we achieved steady profits after we uncovered new needs for those staying at home amidst the COVID-19 pandemic and acquired new customers. In the future, we will introduce new “slim & smart” products linked to the proposed lifestyle and enhance our distribution strategy, including expanding e-commerce. At the same time, we will develop services targeting consumers who enjoy musical instruments as entertainment, including online lessons and social media communication that we are providing in select areas for now.

The Projector Business will undergo a drastic business review and switch to a strategy focusing on our miniaturization technology and more compact products. Together with the embedded and module domain and the communication domain, we will create a new domain that uses our proprietary expertise in projection light source engine technology.

In the SA Business, we aim to create a new business model. Specifically, while exiting the high-end segment in some regions, we will adopt a strategy that focuses on digitization and management resources in areas that emphasize connectivity with customers, such as Bluetooth cash registers and costless registers, along with exploring the adoption of a subscription model. Based on these, we aim to transform our business model and structure our profit base.
Strategy and Reform

Strengthening of Management Platform

Business Platform by Function

Key Themes

- Review fundamentals of systems, functions, and processes based on contribution to users
- Carry out business operations with a medium- to long-term perspective, total optimization and transition from products to services
- Maximum utilization of digital technologies
- Accelerate reforms through enhancement of cross-organizational collaboration
- Pursue value utilizing Casio’s strengths

Basic Approach

Casio began reforms to its executive structure from April 2018 as part of its broader reforms to its management aimed at increasing corporate value. This initiative seeks to establish a fully optimized management structure based on a medium- to long-term perspective by clarifying accountability of each business unit and function supervised by individual senior general managers. The functions of the Development Headquarters, Production Headquarters, Global Marketing Headquarters, Customer Satisfaction (CS) Headquarters, and head office staff—are addressing the following reform themes while working closely with the Future Development Hub and Corporate Innovation Office, which are dedicated departments heading up Company-wide reforms.

Business Units and Functions

<table>
<thead>
<tr>
<th>Functions</th>
<th>Business units</th>
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</thead>
<tbody>
<tr>
<td>Development RD</td>
<td>Business management through business units and functions based on medium- to long-term perspective</td>
</tr>
<tr>
<td>Production HQ</td>
<td>Short-term perspective</td>
</tr>
<tr>
<td>Global Marketing HQ</td>
<td>Medium- to long-term perspective</td>
</tr>
<tr>
<td>CS HQ</td>
<td>One-off product development</td>
</tr>
<tr>
<td>Head office staff</td>
<td>Business unit-level operations</td>
</tr>
<tr>
<td></td>
<td>One CASIO</td>
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</tbody>
</table>

Organizational Reforms within the Development Headquarters

Software development will play an even more important role in future development, and it will be critical to maximize the technologies and know-how of each product from a Company-wide perspective. Conventionally, our development structure was categorized by product, but in June 2020 the Development Headquarters restructured its development functions in existing businesses, which had been fragmented, through the executive structure reforms initiated in April 2018. With the focus of products and services offered by each business shifting from use to experience, the Development Headquarters aims to practice a user-first approach to broaden the global Casio fanbase, instead of merely developing new products in line with plans.

To this end, the headquarters values the approach of achieving “product performance” that exceeds “product concept.” This is based on the belief that unless customer evaluation of product performance, such as quality, ease of use, and after-sales service, exceeds the product concept that forms the expectations prior to purchase, such as function, performance, design, and brand, we will not be able to suit or sustain users’ continuous satisfaction and experiences, nor broaden Casio’s fanbase or create new culture.

Examples of Increasing Efficiency of Various Product Analyses and Testing Incorporating CAE* That Is Benefiting the Electronic Musical Instruments Business

- **Example of Headphone analysis using CAE**: Grip strength test
- **Keystroke behavior analysis and test**:

* Computer Aided Engineering: A design technology that improves quality with fewer prototypes by using virtual prototyping and testing from the initial development stage.

Initiatives of the Production Headquarters

Pre-reforms and Achievements

The Production Headquarters was established in October 2017 following functional integration. The headquarters has carried out fundamental reforms of its manufacturing structure, which have involved restructuring production bases centered around the Yamagata mother factory and the standardization of production processes. As part of these reforms, the Production Headquarters actively collaborated with other departments while emphasizing the establishment and sharing of its mission. As a result, it achieved an increase in the ratio of in-house production, higher efficiencies of its own production bases, technology accumulations, and quality issue resolutions.

New Production Reforms

These initiatives, however, were just the first stage of reforms for eliminating loss and represent the midway point for increasing product value and corporate value. When considering each business strategy focused on user experience and contributions to users in a post-COVID-19 society, it is essential to supply more personalized products in a flexible and responsive manner.

Based on this, the Production Headquarters initiated supply chain reforms and engineering chain reforms based on a shift to smart factories in June 2020. It has established the interim goal of shortening the lead time to sales from three months to just two.

Specifically, demand forecasts were switched from monthly to weekly through joint efforts with the Global Marketing Headquarters, and an integrated process directly linking marketing with the production sites was established through re-engineering, digitization, and systems integration. By linking sales plans with production and procurement plans, the Production Headquarters will strive to achieve operations in real time.

At the same time, it will work to realize more efficient and speedy production through automation of all production processes. Automation has been proactively introduced to timepiece production, and we will increase the introductions utilizing our know-how from timepieces and further expand the introductions through the use of AI. One example is sound quality inspections of digital pianos that it plans to automate during the fiscal year ending March 2021. In contrast to the conventional inspection process, which required the skills of highly experienced engineers, the Production Headquarters will seek to phase out manned inspections and inspection accuracy by incorporating AI-driven waveform analysis (99.6%
accuracy of detecting an abnormal sound in testing). In addition, it introduced a preventive maintenance system using vibration sensors in June 2020, making it possible to automate monitoring of facilities as well as prevent failures before they occur.

Furthermore, the Production Headquarters will seek to shorten development lead time, reduce development and production resources, and improve quality in processes from development to production. This will be achieved by linking with the reforms that the Development Headquarters is carrying out to create smart development and production processes through data connections.

Mission of the Production Headquarters
The Production Headquarters will achieve the following for Casio’s sustainable growth:
• Contribute to increased product value by optimizing the innovation process using superior purchasing technologies as well as production technology platforms
• Increase customer satisfaction by stably supplying high-quality, appropriately priced products to market

Reform Policies
The Global Marketing Headquarters has defined three policies of these reforms.
First, and the most fundamental, is to understand the desires of each and every consumer. We will identify the needs and issues of each and every consumer by consolidating, integrating, and analyzing user data obtained individually from various contact points. Currently, the Global Marketing Headquarters is preparing for the introduction of an integrated management system for user data and working to implement and utilize digital tools for behavior analysis.
Second is to provide special experiences to each and every consumer at the best timing based on these consumer desires. Specifically, the headquarters will consolidate management of digital content and product information globally as well as promote omnichannel by stepping up collaboration between stores and online channels such as the website and e-commerce. In addition, special fans will be identified based on purchase history and other data, and in turn, the Global Marketing Headquarters will work to create a mechanism where special products and services reach these fans both through stores and those online channels.
Third is to continually support each and every consumer after purchase using various formats. The Global Marketing Headquarters will collect and integrate membership information of customers and engage customers appropriately after purchase.
Linked with these digital marketing reforms, the headquarters has begun structural reforms for providing the right value to target users. It is inevitable to achieve reforms by both directly connecting with consumers and building relationships with strong and creative retailers. The Global Marketing Headquarters will establish a new marketing platform compatible, with business strategy by re-establishing roles, systems and work styles.

Digital Marketing Reforms and Initiatives of the Global Marketing Headquarters

<table>
<thead>
<tr>
<th>Approach to Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>In a digitalized society, which connects all things in vast amounts of data, Casio considers this circumstance as a good opportunity to create connections with each and every consumer through digital marketing. Based on this approach, in 2020 Casio initiated digital marketing reforms for understanding individual consumers to keep providing value to them. The goal is to better understand individual consumers and continuously provide the optimal experience to each, which will make Casio a clear choice in a highly digitalized society.</td>
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</tbody>
</table>

Digital Marketing in Tune with Consumers
Understand the desires of each and every consumer
Provide special experiences to each and every consumer
Continually support each and every consumer after purchase

Increased favor of customers will keep Casio their choice

Key Themes
• Provide a comfortable workplace and promote diversity
• Realize a recycling society
• Promote CSR procurement

Focus areas during FYE 3/2020
<table>
<thead>
<tr>
<th>Materiality</th>
<th>Focus areas during FYE 3/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing a comfortable workplace and promoting diversity</td>
<td>Maintain and increase rate of employees taking/returning from childcare leave, increase female employee recruitment rate, maintain legally mandated employment rate of people with disabilities, enhance stress management, and implement/verify stress checks</td>
</tr>
<tr>
<td>Realizing a recycling society</td>
<td>Increase the Casio Green Star product sales ratio, boost recycling rate for business solid waste, and reduce water consumption</td>
</tr>
<tr>
<td>Promoting CSR procurement</td>
<td>Implement CSR education at Casio sites and at business partners, and conduct annual audit follow-up</td>
</tr>
<tr>
<td>Realizing a decarbonized society</td>
<td>Create scenarios to reduce CO2 emissions over the medium to long term, curtail greenhouse gas emissions, and conduct supplier surveys</td>
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<tr>
<td>Living in harmony with nature</td>
<td>Increase the usage rate of forest certified paper for our product catalog</td>
</tr>
<tr>
<td>Respecting human rights</td>
<td>Conduct a survey on human rights issues and implement feedback, provide human rights education, and develop a grievance mechanism</td>
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Basic Approach
Casio aims to be a company that is needed by society and respected by employees, through sustainable growth while providing solutions to environmental and social issues expected by society through its business operations. Toward this end, we recognize it is important to continually build and enhance upon our sustainability platform including labor, environment, human rights, and anti-corruption, in order to address the ever-changing management environment.

In promoting this, we incorporate the principles of the UN Global Compact, which we joined in 2010, in our overall business activities and disclose information following the GRI Guidelines, while referencing ISO 26000, containing guidance on social responsibility. In the fiscal year ended March 2016, we identified material CSR issues to carry out these initiatives using an appropriate PDCA cycle.

In response to the Sustainable Development Goals (SDGs), we established our own sustainability targets for each business in 2019 and clarified which of the 17 SDGs that Casio will contribute to. We plan to establish specific KPIs tied to the SDGs as well as our medium-term management plan.

Material CSR Issues
Casio has specified its material CSR issues starting from identifying materiality for the Company, then identifying materiality for stakeholders through surveys and interviews of external stakeholders, and finally verifying and organizing issues for each. We intend to continually review each materiality while closely examining changes in the social environment.
Strategy and Reform

Strengthening of Management Platform

Environmental Management

Under the Casio Environmental Vision 2050, a long-term environmental management policy with a target year of 2050, we are actively carrying out initiatives while reviewing the vision as needed. The vision focuses in particular on the following areas: realizing a decarbonized society; realizing a recycling society; and living in harmony with nature. We are now working to resolve these issues through the promotion of proactive and systematic environmental activities.

Realizing a Decarbonized Society

With climate change risks in the spotlight worldwide, Casio will promote even greater energy saving as well as expand its use of renewable energy and secure alternative modes in the value chain. Also, since its founding Casio has created a wide range of environmentally friendly products commanding state-of-the-art technology, lightweight, thin, and energy-saving designs possible. Looking ahead, we will create products with leading environmental performance to further expand our business.

Regarding greenhouse gas (GHG) emissions from our business activities, we have further increased our reduction target after revising our conventional calculation standards for greater precision. Specifically, we modified our target for Scope 1 and 2 emissions to “reduce 38% by FYE 3/2031 compared with FYE 3/2019.” To achieve this target, we will now promote the introduction of highly efficient and energy-saving facilities, improvement of operational processes, and use of renewable energy. Moreover, more than 60% of Casio’s CO2 emissions in the entire value chain are attributed to purchased goods and services (Category 1 of Scope 3). Therefore, we have decided to conduct a survey of our major suppliers on their efforts to reduce GHG emissions. We have increased our reduction target for Scope 3 emissions to “reduce GHG emissions from purchased goods and services (Category 1) and use of sold products (Category 1) 30% by FYE 3/2031 compared to FYE 3/2019.” Toward this end, we are now promoting initiatives across the entire value chain that help to lower overall GHG emissions.

Realizing a Recycling Society

Casio is working to conserve resources and recycle throughout the value chain. In terms of products, we are developing environmentally friendly products with compact, lightweight, longer life, and recycling-oriented designs, from the development and design stage to end-of-life recycling. Products that satisfy our proprietary standards receive certification as Casio Green Star Products or Casio Super Green Star Products.

Additionally, we are working to reduce the wastes generated at each of our business sites and increase the recycling rate of these wastes, with the goal of completely eliminating wastes bound for landfills.

Living in Harmony with Nature

Since direct impacts on biodiversity are small due to the nature of its business, Casio focuses on indirect impacts throughout the entire supply chain. Based on the Casio Group Biodiversity Guidelines, we are promoting activities aimed at living in harmony with nature, while closely monitoring developments in the business environment and the latest regulations.

In the Timepiece Business, focusing on the “opportunity” aspect of biodiversity, including promoting collaboration with nature conservation organizations from the perspective of living in harmony with nature, we are undertaking activities based on an outside-in approach and multi-stakeholder partnerships.

Human Rights

Casio is committed to compliance with laws, regulations, principles, and company rules and ensuring that its people act with a high level of business ethics and good conscience. To this end, we carry out educational activities across the Group worldwide and conduct a survey every two years to identify issues and problems and make improvements based upon feedback.

In 2014, we established the Casio Group Basic Policy on Respect for Human Rights, aimed at strengthening governance for human rights at the global level. Since then, we have been working to make this policy known to all employees.

Specifically, in 2014 we created our own tool for checking the status of human rights, which we have used globally across the Group to continuously monitor the status of initiatives to address human rights issues. Looking ahead, we will implement the PDCA cycle to improve globally and strive to strengthen the human rights due diligence of the entire Group.

Supply Chain Management

Casio has established the Procurement Policies in order to carry out sustainability initiatives throughout the supply chain to conduct fair and equitable transactions. The policies cover matters that include not only ensuring compliance with laws and social norms but also giving consideration to human rights, labor, safety, health, and environmental conservation. Also, Casio has established the Supplier Guidelines to build a partnership structure underpinned by the understanding and acceptance of suppliers. We have introduced a mechanism for regular monitoring of compliance with these guidelines and promote initiatives using the PDCA cycle.

Specifically, since 2009 we have conducted annual questionnaires of suppliers globally to check their implementation of corporate social responsibilities, and we have received responses from all suppliers. This questionnaire is designed in a way to better understand the status of suppliers’ CSR initiatives. Casio analyzes the results of the questionnaire and uses the results to provide feedback on its approach and vision for CSR procurement. In this manner, we strive for ongoing improvement.