



**As One CASIO, we will  
and strive to improve**

The fiscal year ending March 2020 marked the start of our new three-year medium-term management plan in which Casio will aim to improve our medium- to long-term corporate value. To transform into a new management structure, we are acting as One CASIO striving to achieve the goals outlined in our medium-term management plan for the fiscal year ending March 2022.

## implement our medium-term management plan our medium- to long-term corporate value.

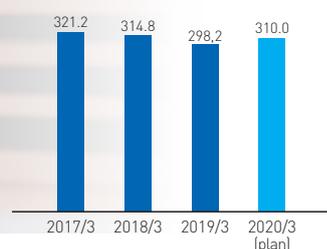
### FYE March 2019 Results

This fiscal year saw the impact of US-China trade friction expand on a global level as well as the impact of geopolitical instability in emerging nations and declining optimism among Japanese manufacturers. However, Casio focused on utilizing the strengths of our business model grounded in products such as timepieces and scientific calculators to achieve continuous business growth.

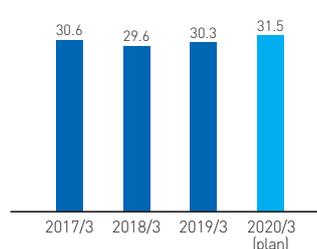
Although net sales decreased due to the withdrawing from the compact camera business and the impact of the external environment, we were successful at improving our profit structure to record decreased revenues but increased profit. Net sales decreased by 5.3% YoY to 298.2 billion yen while operating profit increased by 2.3% to 30.3 billion yen and profit attributable to owners of parent increased by 13.1% to 22.1 billion yen.

During the fiscal year ending March 2020, we will promote growth strategies based on our new medium-term management plan to achieve net sales of 310.0 billion yen, operating profit of 31.5 billion yen, and profit attributable to owners of parent 22.5 billion yen.

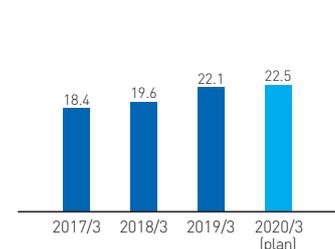
**Net Sales**  
(billions of yen)



**Operating Profit**  
(billions of yen)



**Profit Attributable to Owners of Parent**  
(billions of yen)



## Start of New Medium-Term Management Plan Total Optimization as One CASIO for True Growth

Throughout our 60-year history, Casio has achieved growth by embracing the corporate creed of Creativity and Contribution and the development philosophy of "0 → 1" (create something from nothing). In recent years, we have experienced some regret in not being able to take advantage of our various assets, including the proprietary technology we have cultivated over the years and our passionate personnel.

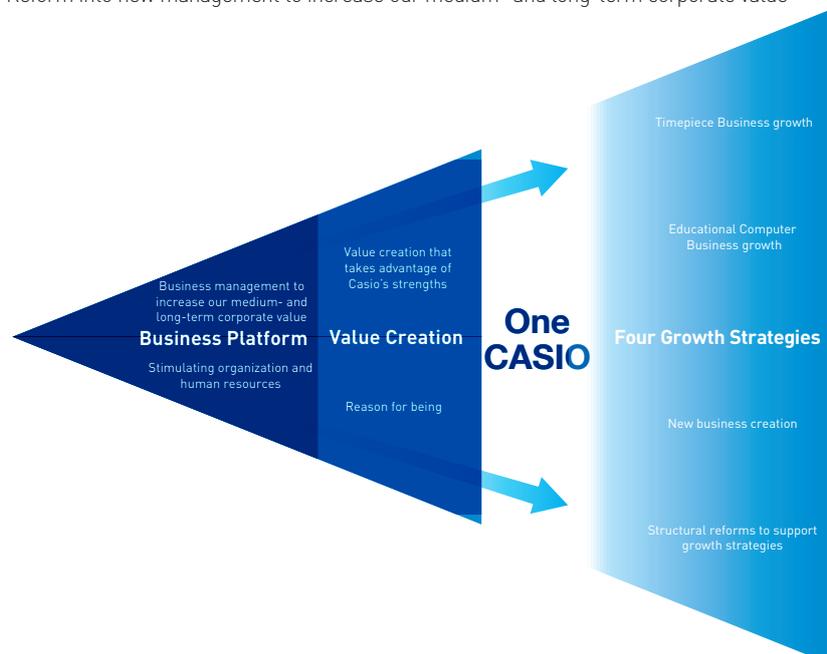
Specifically, an over-emphasis on achieving goals set within each division has given way to business management focused on the short-term perspective of each product or department. This indicates we have not sufficiently analyzed our own strengths and weaknesses, and that we have not successfully engaged in the cycle of efficiently injected assets to create and sell products. This also indicates that the work policies adopted by our development, production, sales, and head office staff were not sufficient for adapting to changes in the global business environment.

Under our new medium-term management plan, we will break through this state and aim for true growth by advancing structural reforms to establish unified development and production structures, a unified sales structure, and a unified head office functions as One CASIO. We will organize our strengths and maximize the potential of Casio's proprietary technology, strong business model, and superior brand recognition to achieve dramatic new growth.

Through One CASIO, we also will promote internal transparency. We will move away from the localized optimization that made it difficult to visualize processes outside one's own department and establish a platform for the total optimization and visualization of assets throughout the Casio Group. We will share goals and values and adopt a common Group management perspective to create a strong organization that enables Casio to act and adapt to changes in our business environment.

### Medium-Term Management Policy

Reform into new management to increase our medium- and long-term corporate value



## Four Growth Strategies to Challenge Ourselves to Reform

Our new medium-term management plan aims to increase our medium- and long-term corporate value by implementing four growth strategies: Timepiece Business growth, Educational Computer Business growth, new business creation, and structural reforms to support growth strategies.

As a growth driver, in the Timepiece Business we will continue to engage in innovative manufacturing centered on the unparalleled G-SHOCK brand. We will continue to expand our product line of metal watches, which we launched in 2018 to great popularity. We also will utilize our strengths in the outdoor sector to secure a firm position in the smart watch market.

We see room for significant growth in the Educational Computer Business. We will continue to expand the GAKUHAN market, a unique business cultivated through our network of education ministries and teachers in target countries, to contribute to the academic performance of students around the world. We must continue developing web applications and pioneer new markets to respond to the expected global growth of electronic testing and the electronic textbook markets.

To create new businesses, we will engage in creating new markets based on Casio's unique and creative technology. This is the highest priority mission for Casio. We are already engaging in development for new segments such as medicine, health care, beauty, and urban infrastructure. For example, we will apply the digital imaging technology cultivated through digital camera development towards image diagnosis support systems for illnesses such as skin cancer. Our Business Development Center will take a leading role in linking Casio technology with market needs.

### Four Growth Strategies

Timepiece Business growth	<ul style="list-style-type: none"> <li>• Use strengths of G-SHOCK brand to expand metal watch sales and establish position in smartwatch market</li> </ul>
Educational Computer Business growth	<ul style="list-style-type: none"> <li>• Continuous sales growth in stable student market (GAKUHAN)</li> <li>• Establish electronic education business to develop new domains</li> </ul>
New business creation	<ul style="list-style-type: none"> <li>• Use strengths to create new markets</li> </ul>
Structural reforms to support growth strategies (Language Education/Musical Instruments/Projectors/System Equipment)	<ul style="list-style-type: none"> <li>• Implement structural reforms to evolve into businesses capable of new growth</li> </ul>

As initiatives to improve profitability for Language Education, Musical Instruments, Projectors, and System Equipment, we will implement structural reforms based on selection and concentration. Under the concept of unified development and production structures, a unified sales structure, and a unified head office functions, we will achieve profitability by taking a business-centric approach to the efficient allocation and use of limited resources.

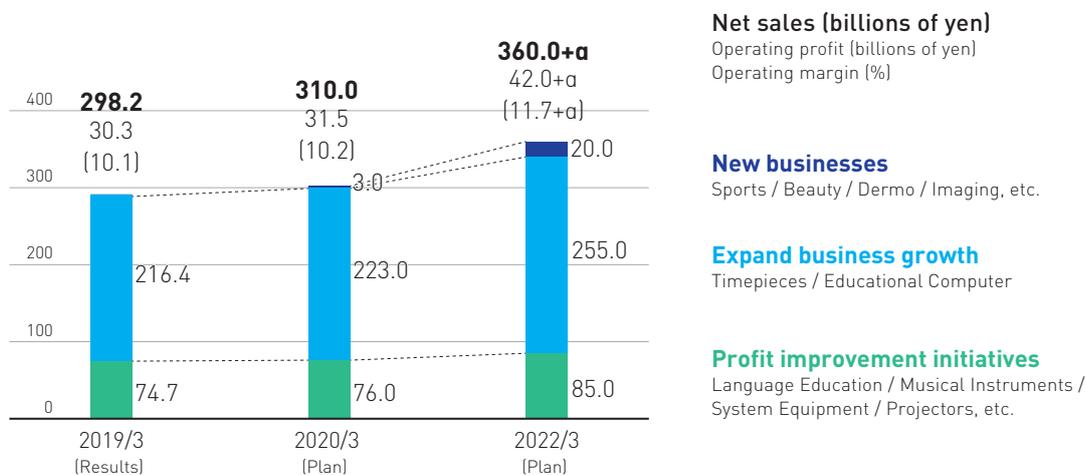
Through this strategy, in the fiscal year ending March 2022, the final year of our medium-term management plan, we will aim for net sales of 360.0 billion yen, operating profit of 42.0 billion yen, an operating margin of 11.7%, and an ROE of 13%.

We will focus on linking business activities to the Sustainable Development Goals (SDGs). Our goal at Casio is to provide users with truly useful products and contribute to society. As we evaluate the domains in which we can contribute to stakeholders, the 17 goals of the SDGs will provide us with valuable hints. To revise the direction of our business from the perspective of the SDGs, we clarified the sustainability goals we will engage in for each business during 2019.

### From Making Products to Providing New Experiences

Under the corporate creed of Creativity and Contribution, we will identify latent user needs before they materialize to create new markets by constantly creating optimal products and services. We believe this is our reason for existing in society. We want Casio products to be natural companions for

#### Numerical Financial Goals





people, something that people naturally use in their daily lives or realized it was a Casio product only after using it. In creating new markets, we will focus on creating products and services that become a familiar and important part of people's lives. More than anything, it is critical that we strive to be an Only 1 company that exists as a familiar partner to our users.

To realize this goal, instead of focusing on creating products that will appeal to everyone, we must clarify our desire to provide specific experiences to specific people. I believe the core of our manufacturing is to create specialized products and services that truly benefit users and that boast the highest quality. What we must do is transcend the concepts of simple manufacturing to provide new experiences to new users.

Casio will establish this position by working with optimal partners to achieve co-creation. Throughout the long history of Casio, we have prided ourselves on proprietary technology and originality as drivers of digitalization. However, as times change and market diversification transcends the framework of digital versus analog, new breakthroughs are not possible as long as we focus solely on internal and proprietary achievements. Providing specific users with completely new experiences requires that we aggressively incorporate technology and knowhow that does not exist within the Casio Group. We will strive for mutual synergy by working with partners in win-win relationships to provide unique and original value.

In the sports segment, we already are collaborating with Asics on a new project to provide custom running experiences to individual runners and support health improvements. This co-creation project contributes to improved health for people and represents the new era of Creativity and Contribution at Casio.

## Two Business Platforms

To reform into a business platform to support our four growth strategies, we will create a business platform that improves our medium- to long-term corporate value. The first step in this initiative, fundamental organizational changes, has already been implemented. We will continue by creating seven business units and four management functions to clarify the allocation of responsibilities. This structure will enable us to engage in business management from a medium- and long-term perspective as we implement our medium-term management plan.

We will stimulate our organization and human resources by securing human resources with expertise in AI, IoT, digital marketing and e-commerce, as well as human resources experienced in global settings. To create an optimal environment for the next generation of manufacturing, we will further invest in our Hamura R&D Center, a key element in these initiatives.

We will promote engagement by our younger employees, the people who will carry Casio into the future, and promote manufacturing centered on our young engineers. We will work on workstyle reform and stimulating communication to ensure all Casio employees are highly motivated in their work.

Changing as a company requires that our workplaces share and work towards the common goal of continuing to benefit our users. As we seek to fuse top-down and bottom-up, the various division managers linking those functions must first achieve change to ensure they accurately convey the will of management to their teams while fostering the potential of young human resources. We will establish a framework for promoting change within the company in order to maximize our strengths and abilities.

## Strengthen Corporate Governance

In June 2019, we transitioned from an Audit & Supervisory Board structure to an Audit & Supervisory Committee structure as part of an initiative to strengthen our corporate governance structure. Through this initiative, we will

### Two Business Platforms

Create a business platform that improves our medium- to long-term corporate value	<ul style="list-style-type: none"><li>• Reinforce business management centered on medium and long-term approach, business units, and management functions</li><li>• Reinforce supervision of medium-term management plan</li></ul>
Stimulate organization and human resources	<ul style="list-style-type: none"><li>• Create organization adapted to business environment changes (rejuvenation, hire younger generations, secure external human resources)</li><li>• Reforms to increase motivation and create next-generation development environment</li></ul>

clarify the mission of each director and executive officer, and reinforce the supervisory functions of the Board of Directors. Under that supervision, we will speed up and optimize our execution of business operations.

To stimulate our Board of Directors, we reduced the number of directors and increased our ratio of outside directors from 29% to 38%. Each new member has vast business management experience and knowledge in various sectors, and we believe each member will fulfill the expectations of our stakeholders through their involvement with the Board of Directors, Compensation Committee, and the Nomination Committee.

### **Prioritize Growth Investments and Improve Capital Efficiency**

By placing our highest priority on investing in growth sectors while ensuring financial stability, we will achieve medium- to long-term growth and sustainable improvements to our ROE. We also will engage in business activities focused on capital costs to optimize capital efficiency and create free cash flow. In the fiscal year ending March 2022, the final year of our medium-term management plan, we will aim for an ROE of 13%, an equity ratio of 60%, and a DE ratio of 0.4 or lower.

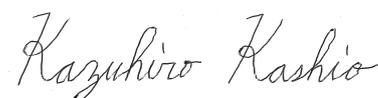
For dividends, we focus on providing stable dividends that are balanced with our business performance. During the period of the current medium-term management plan, we are planning on maintaining a dividend payout ratio of 40% and a shareholders' equity dividend ratio of 5%.

Casio will implement structural reforms under the concept of One CASIO in order to fully achieve the goals outlined in our medium-term management plan. In October 2019, we launched a management plan execution project in order to further clarify and ensure the efficacy of our medium-term management plan and to promote the aggressive implementation of plan strategies and policies. By resolving social issues through our business activities, we will continue to exist and grow as a company that is trusted by society.

We hope the Integrated Report 2019 will promote further understanding among our investors and stakeholders of the ideals and goals of the Casio Group.

December 2019

Kazuhiro Kashio  
President & CEO



## ▶ Four Growth Strategies of the Medium-Term Management Plan: Timepiece Business



### Utilize strengths of the G-SHOCK brand to achieve sustainable growth

#### Yuichi Masuda

Senior Executive Managing Officer  
Senior General Manager of Product Development Headquarters, Senior General Manager of Timepiece Business Unit, Business Strategy Headquarters

#### Quantitative Goals

	FYE 3/2019 (Results)	FYE 3/2020	FYE 3/2022
Net sales	171.8 billion yen	178.0 billion yen	200.0 billion yen
Operating margin	20%	20%	20%

#### Qualitative Goals

<b>Further expand G-SHOCK</b>	<ul style="list-style-type: none"> <li>Use robustness to expand G-metal sales in G-SHOCK market</li> <li>Expand in ASEAN and other emerging markets</li> <li>Further grow G-SHOCK as a growth driver (aim for 3-year average growth rate exceeding 10%)</li> </ul>
<b>Establish smartwatch position</b>	<ul style="list-style-type: none"> <li>Develop and sell G-smart                             <ul style="list-style-type: none"> <li>- Use robustness to establish position as de facto standard for smartwatches</li> </ul> </li> </ul>

#### Sustainability Goals

- Promote user health by providing and supporting sports experiences through our watches and wrist devices
- (Environmental load reduction) Reduce use of resources in our business activities



## Market Changes Driven by Rapid Expansion of Smartwatch Market

During the fiscal year ended March 2019, Timepiece Business net sales were largely unchanged year on year, increasing 1% to 171.8 billion yen. As its stable position as an unparalleled global brand, G-SHOCK continued to achieve stable growth and the fiscal year ended March 2019 was particularly firm on sales of new full metal products. As a result, net sales increased year on year to 89.5 billion yen.

On the other hand, we were also impacted by sales of analog quartz products, which faced the global contraction of the conventional analog wristwatch market. This is due to the growing global popularity of the smartwatch and technology innovation that has erased the line between smartwatches and conventional wristwatches.

The rapidly growing smartwatch market has already surpassed the period of excessive competition and the elimination of weak brands has seen major players solidify their position in the market. As functions and

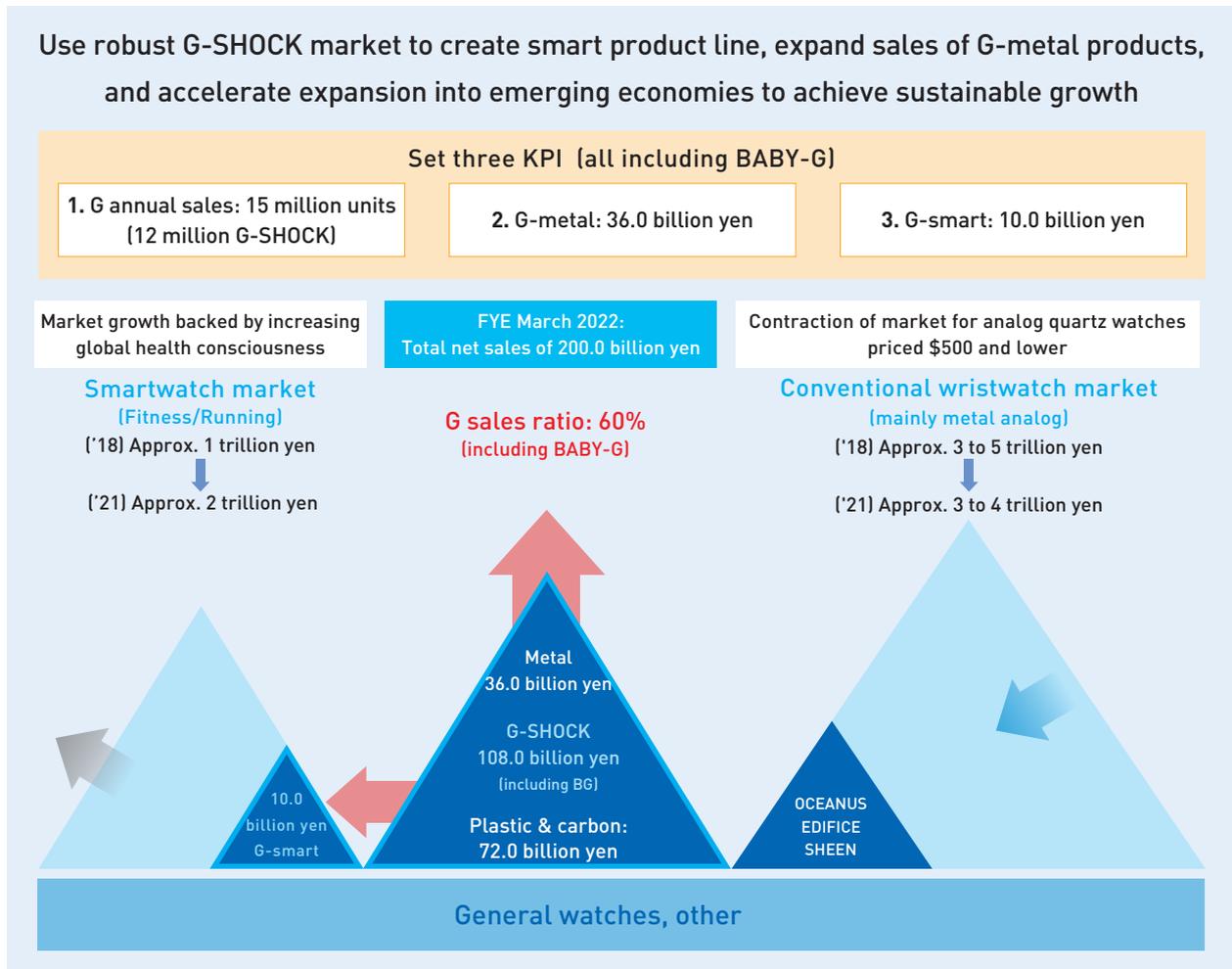
applications become commodities, it has become more difficult for brands to distinguish themselves based on hardware differences. We are entering a stage in which companies use brand recognition to secure market position.

## Mission of Our Medium-Term Management Plan

Since launching the Timepiece Business in 1974, Casio has changed how society views timepiece and created a new culture around timepiece. It is important that we respond to market changes today by using the brand recognition and knowledge we have cultivated over the years to disseminate a sound market presence.

During our medium-term management plan, we will use the brand recognition of the G-SHOCK product line, for which we have shipped over 100 million units worldwide, to expand the metal watch product line and develop smartwatch products. We also will accelerate expansion into emerging markets. By the fiscal year

### Growth strategy for the Timepiece Business



ending March 2022, we aim to increase total annual G-SHOCK sales to 12 million units and aim for metal G-SHOCK sales of 36.0 billion yen. We also aim to establish a position on the smartwatch market and are forecasting net sales of 10.0 billion yen for G-SHOCK smartwatch products.

Through the above initiatives, we will increase the ratio of sales for the highly profitable G-SHOCK to 60% and aim for Timepiece Business total net sales of 200.0 billion yen.

### Business Growth Driven by Innovative Metal Model

In the fiscal year ended March 2019, the newly launched full metal series drove sales of the G-SHOCK brand as a product that uses stainless steel and other metal materials for the outer body, which up to this point had been made from resin materials. Amid a lack of new themes to attract customers to the conventional wristwatch market, our metal models provided a new user experience by using an innovative design that allowed the tough G-SHOCK to be worn in everyday situations. Today, continuously sparking market change is a prerequisite to being chosen by users. During our medium-term management plan, we will continue to exceed market expectations by creating a vast variety of new designs for the metal series.

Technological innovation is key to creating new designs. For example, with metal materials, conventional colors such as silver and gold are common but Casio is currently challenging itself to creating a diverse range of color variations. By overcoming difficult

technical challenges such as adding color to metal, we will be able to create products with textures that are completely different compared to resin colors.

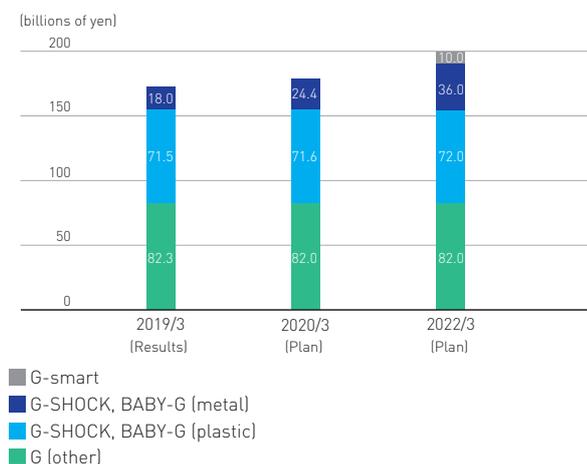
From the fiscal year ending March 2020, we will vastly expand on our line of metal products as we aim for further market growth. We forecast the ratio of G-SHOCK sales represented by metal watches will increase from 20% in the fiscal year ended March 2019 to 30% in the fiscal year ending March 2022.

### Establishing Position in the Smartwatch Market

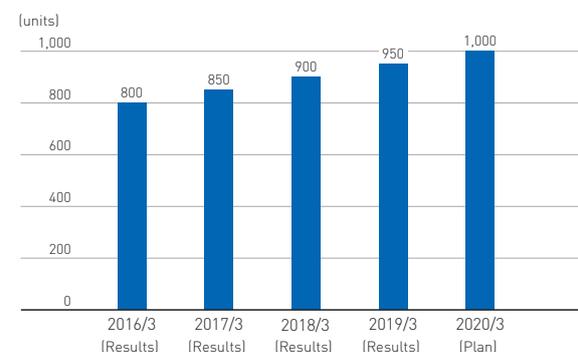
Casio is the only watch manufacturer with experience engaging in the smartphone market. We will apply the strengths of the G-SHOCK brand to establish a firm position in the market. With certain players having already established themselves in the market, the challenge for Casio will be to promote the robustness of the G-SHOCK to capture a position as the de facto standard in the active and outdoor market. We will combine the fashion sense unique to the G-SHOCK brand with GPS and other user-friendly features to provide new experiences. By adding smart features to increase user value for conventional G-SHOCK users who demand robustness in their work and outdoor watches, we will generate demand for new and replacement purchases.

Ahead of a new sales launch in FY 2021, we are making technology investments towards making our devices more compact, faster, and requiring less power consumption. We also are enhancing software development for apps. Smart functions are the key to

#### Plan by Genre



#### Transitions in G-SHOCK Sales



global market expansion. In the future, we will aim to capture new users in markets for everyday use created by our metal products.

### Enhancing Sales Structure for Untapped Areas

In the Timepiece Business, areas tagged as core markets are untapped areas in emerging economies such as China, ASEAN, and India. In addition to advancing sales strategies customized to the level of market development in each country, we will strengthen relations with partner dealers to aim for business expansion. We also will strengthen head office support for local offices by establishing a Market Development Department and create multiple sales channels by engaging in both e-commerce and digital marketing as we establish a strategic sales structure.

For promotions, we will focus on establishing the G-SHOCK global brand feel in storefront presentations. We will use storefront displays that fully feature metal products to convey to consumers that G-SHOCK has changed and create new topics. We will take successful case studies from China, a market that continues to record annual growth, and other markets and apply them towards other core markets.

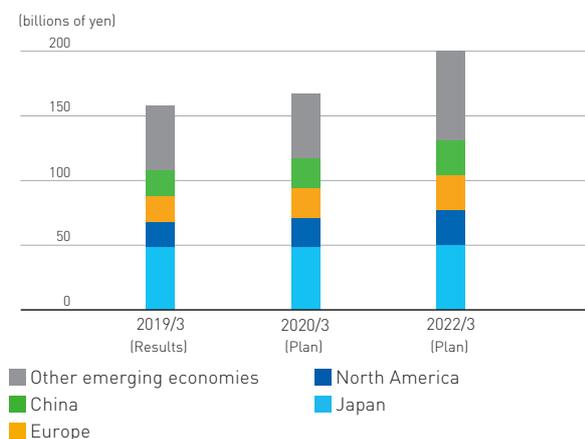
We recently signed global partnership contracts with pro basketball player Rui Hachimura, who will serve as a G-SHOCK ambassador. Moving forward, Hachimura will use social media and other formats to disseminate information to young audiences as part of our initiative to strengthen the G-SHOCK brand.

### Contributing to Environmental Load Reductions and Improved Health

We believe that the ideal final form for a timepiece is to be something that continues to display the time properly in any environment and without the need for user interaction and that can be used forever. Put another way, this means having no need for recharging, battery replacement, or any maintenance, as well as not producing any waste products. With this ultimate form in mind, throughout all our business activities we take an environmentally friendly approach to our pursuit of low-energy, low-resource products. As part of this initiative, we are focusing on the growing problem of plastic waste in our oceans by working to reduce the use of plastic in packaging materials.

In the current smartwatches we are developing, we are using the characteristics of wearable devices to increase user value through walking and running to contribute to increasing sports opportunities. By providing smartwatches and applications used on a regular basis by consumers, we will increase the fun and joy of exercise and contribute to health improvements.

#### Plan by Area



## ▶ Four Growth Strategies of the Medium-Term Management Plan: Educational Computer Business



### Global growth of scientific calculators and establishing electronic education business

**Shinji Ota**

Executive Officer

Senior General Manager, Educational Computer Business Unit,  
Business Strategy Headquarters

#### Quantitative Goals

	FYE 3/2019 (Results)	FYE 3/2020	FYE 3/2022
Net sales	44.6 billion yen	45.0 billion yen	55.0 billion yen
Operating margin	16%	15%	16%

#### Qualitative Goals

<b>Accelerate growth of scientific calculators in core overseas markets</b>	<ul style="list-style-type: none"> <li>• Business model (GAKUHAN*) that enables continuous sales to the stable student market</li> <li>• Analyze untapped markets, particularly emerging economies, and identify core target countries to increase profit margin and share in core overseas countries</li> <li>• Strengthen measures against counterfeit products in existing markets and expand sales</li> </ul>
<b>Establish new business domains</b>	<ul style="list-style-type: none"> <li>• Develop web apps that take advantage of Casio strengths in the growing electronic testing and electronic textbook markets</li> <li>• Establish business with collaborative partners in the electronic education business (start with North American and European markets)</li> </ul>

#### Sustainability Goals

- Achieve better mathematics education by providing finished products that meet the educational needs of each country
- Improve education levels by providing scientific calculator training to math teachers
- (Environmental load reduction) Reduce use of resources in our business activities



\*GAKUHAN: Positioned as activities to achieve better education by supporting schools and teachers, GAKUHAN is a unique Casio business model that we implement worldwide. With our scientific calculators, which boast a majority share of global markets, we provide ongoing support after product sales, including providing guidance to teachers on how to use our products and creating training manuals. We promote sales to new students each year while contributing to improving student learning levels.

## Forecasting Stable Conventional Markets and Growth in Untapped Markets

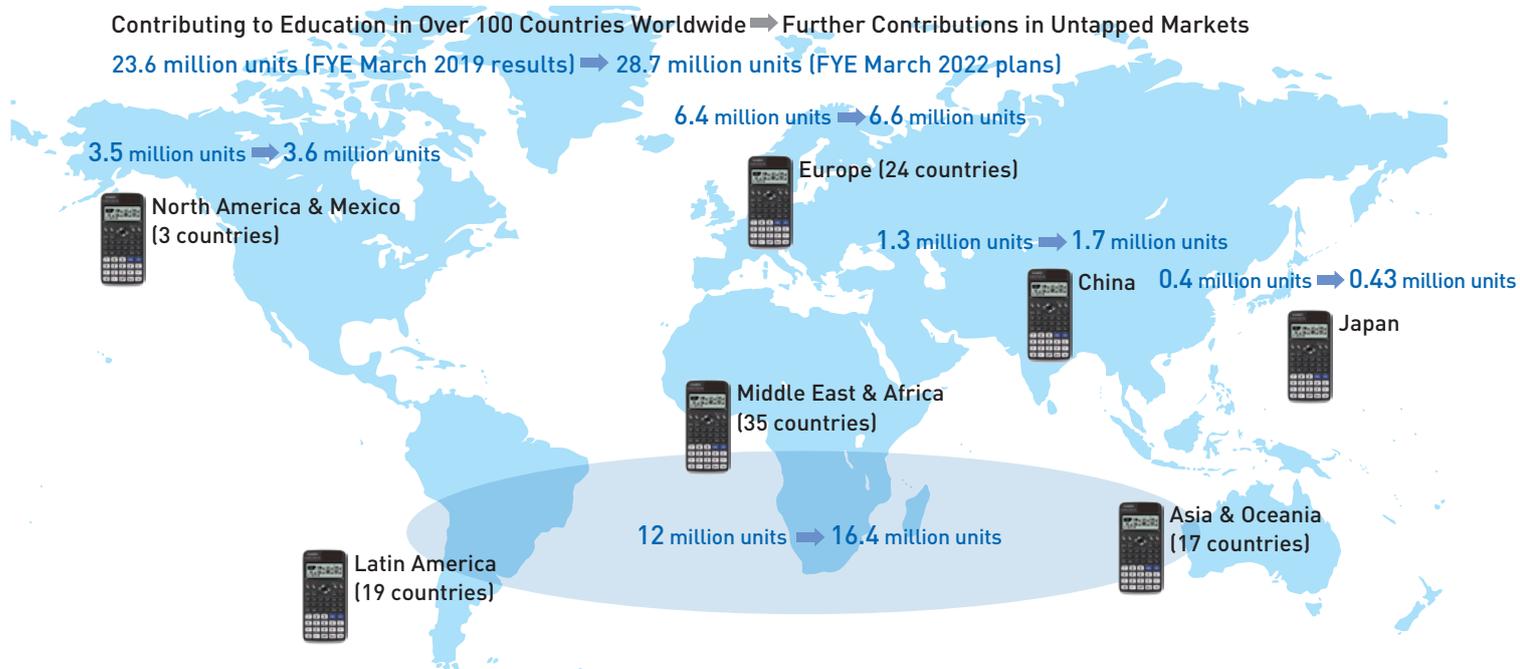
In the Educational Computer Business, sales of scientific calculators to schools continue to record stable growth on a global scale. During the fiscal year ended March 2019, sales of scientific calculators totaled 23.6 million units across over 100 countries and posted a high profit margin of 16%. In Asia, Africa, South America and other untapped markets, we expect to achieve future market growth by rapidly responding to the ongoing issue of delays in promotional activities.

In the education market, Europe and America in particular are beginning the transition from paper to electronic media. With the move towards digital textbooks and the use of computers for the creation and scoring of tests, the current markets for e-textbooks and e-testing in North America alone are 1.4 billion dollars and 5.3 billion dollars, respectively. These markets represent new keys to business growth.

## Strengths of the Casio Original Business Model GAKUHAN

GAKUHAN is at the core of our Educational Computer Business. GAKUHAN is a proprietary business model established by Casio to help realize better education by supporting schools and teachers. Casio scientific calculators boast a majority share of the global market. After product sales, we continue contributing to improving student academic potential by providing teachers with continued training as well as by proposing mathematics classes and developing teaching materials.

For over 30 years, we have engaged in GAKUHAN activities in various countries and regions around the world. Through this powerful network of educational institutions, we have created a flow in the countries we operate through which new first-year students purchase and learn using Casio products. By engaging in customized activities to suit the needs of each education environment, we are providing high added value to our users.



## Identify 13 Core Countries and Enhance GAKUHAN Activities

During our medium-term management plan, we will further accelerate the overseas scientific calculator business to achieve stable growth for the GAKUHAN business model. For untapped markets, we have identified 13 core countries in Asia, Africa, and Latin America and aim for market growth by introducing products that are compatible with the educational needs of each country. We will engage in a bidirectional approach to GAKUHAN activities: top-down engagement involving lobbying local education ministries on education reform and a bottom-up approach that involves having school students and teachers use scientific calculators and providing guidance on more efficient learning methods.

From the fiscal year ending March 2020, we will establish a dedicated market development team in the head office and strengthen our structure by enhancing human resources. To effectively promote products in regions where Casio does not have a sales office, we strengthened dealer responses in each region. We also are planning annual line enhancements at our Thai production base and will engage in aggressive investments to increase production capacity.

We also will focus on strengthening our anti-counterfeiting measures. We will adopt a two-way approach involving both technical and legal measures, including developing new products that are difficult to counterfeit, registering trademarks and concepts, and adopting a web-based authentication system. Eliminating counterfeit products protects users from harm and is vital to increasing Casio brand reputation and market share in each region.

Through these initiatives, during the period of the medium-term management plan, we will aim for general and scientific calculator sales of 53.0 billion yen.

## Creating Business Model in the E-Testing and E-Textbook Markets

We believe that, right now, responding to the accelerating shift from analog to digital in global education markets is extremely important. With the e-testing and e-textbook markets expected to see significant growth, we will accelerate our response, which will center on software development.

Specifically, we will use the knowledge cultivated through GAKUHAN to focus on web app development, including test

modules, math learning tools, and automatic scoring tools. For example, if we can popularize the electronic textbooks that enable problem solving and graph plotting on a browser, we can significantly contribute to improving the quality and convenience of mathematics education. Using North America and Europe as a launching point, we will partner with the test management companies and textbook publishers of each country to promote joint development that incorporates Casio computer technology. In the current medium-term management plan, we have allocated a software development budget of 600 million yen as we establish the platform for Casio's first software business.

In the fiscal year ending March 2022, the final year of our current medium-term management plan, we will aim for net sales of 2.0 billion yen from new segments. Through the medium- and long-term global development of new business models established in those segments, we will respond to changing educational workplace needs and contribute to the development of global e-learning systems.

## Mission to Support Learning Potential for Students Around the World

At Casio, our unwavering social mission is to contribute to the development of global education through our Educational Computer Business and to support student learning potential.

Today, Casio develops and provides products suited to the educational needs of each country in hopes of achieving better mathematics education across the world. By promoting our proprietary GAKUHAN business model, we will provide training using scientific calculators to more teachers and contribute to improving educational levels around the world.

At the same time, as we accelerate our global expansion, we will work aggressively to reduce the use of resources and reduce the impact our business activities have on the environment. For example, annual sales of 23.6 million scientific calculators means a massive amount of paper is used for the included user manuals. However, we can avoid using those resources by shifting to web-based versions. Protecting the trees used as raw material for paper pulp will contribute to sustainable forests.

## TOPICS

### Concluded Partnership Agreement With the Indonesia Ministry of Education and Culture

In September 2018, Casio concluded a partnership agreement with the Indonesia Ministry of Education and Culture. This partnership aims to develop teacher and student potential in the STEM fields (science, technology, engineering, and mathematics).

Since 2016, Casio has engaged in GAKUHAN activities in Indonesia. By providing training to mathematics teachers and by holding mathematics contests, Casio aims to promote the educational benefits of education focused on using scientific calculators to simplify the process of mathematics calculations, which will in turn lead to increased problem-solving skills.

Through this partnership agreement, Casio will provide training for teachers with mathematics classes using scientific calculators and hold trial classes as pilot schools across the country. The results gained from these trials will be applied towards developing class teaching methods and class materials. Through our partnership with the Indonesian government, we will apply the knowledge cultivated through the scientific calculator business to contribute to increasing STEM education levels in Indonesia.



## ▶ Four Growth Strategies of the Medium-Term Management Plan: New Businesses



### Apply Casio's unique technology to create new markets

#### Jin Nakayama

Executive Officer

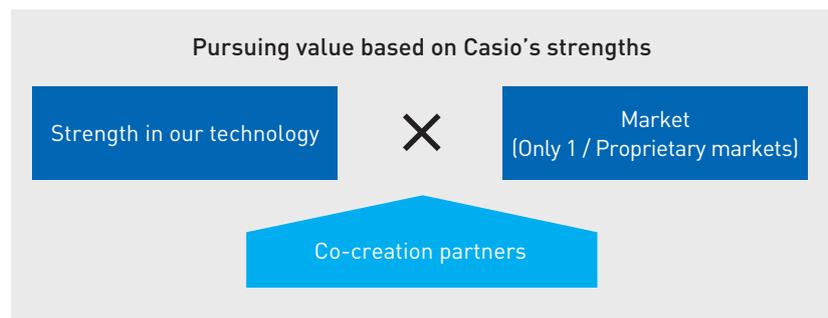
General Manager of Business & Technology Development Center and Senior General Manager of Imaging Development

#### Quantitative Goal

	FYE 3/2022
Net sales	20.0 billion yen

#### Qualitative Goals

Return to our originals of Creativity and Contribution to create new markets based on Casio's unique and proprietary technology



#### Sustainability Goals

- Promote IT in human health and beauty to provide personal support customized to each individual
- Create social platform that provides people with peace of mind
- Expand creation of innovative customer value experiences with open innovation



## Focusing on Four Business Themes

The Business & Technology Development Center oversees the development of new businesses. Our mission is to create new markets that take advantage of Casio's strengths.

In FYE 3/2019, we initiated a broad-based inventory analysis of the various assets of the Casio Group, including our technology, brand, offices, and distribution channels. At the same time, we worked to analyze long-term trends from the perspective of identifying markets that are highly demanded by society and that have potential for significant growth. We spent the year outlining what Casio can do and what Casio should be doing when we combine Casio's technology with market trends. What we discovered was four themes: health and sports tech, beauty tech, image-based diagnosis support, and imaging modules. In each of these latent markets, Casio will create new businesses by working with co-creator partners capable of providing added value.

## New Business Model for Co-Creation With Asics

We have partnered with major sports equipment manufacturer Asics on health and sports tech to commercialize services for individual runners.

Today, more than 140 million people worldwide engage in running activities. Of those people, some 75% have reported struggling with some form of injury. We will develop a service to act as a personal running coach throughout the running season for individuals seeking to develop a running form that allows them to run faster without injury. By combining Casio G-SHOCK, sensor and

AI technologies with the Asics running knowledge grounded in sports science and big data gathered from the Asics customer base of 46 million professional athletes and amateur runners, we will create a completely new service that provides total customized proposals for everything from form coaching to selecting the optimal shoes.

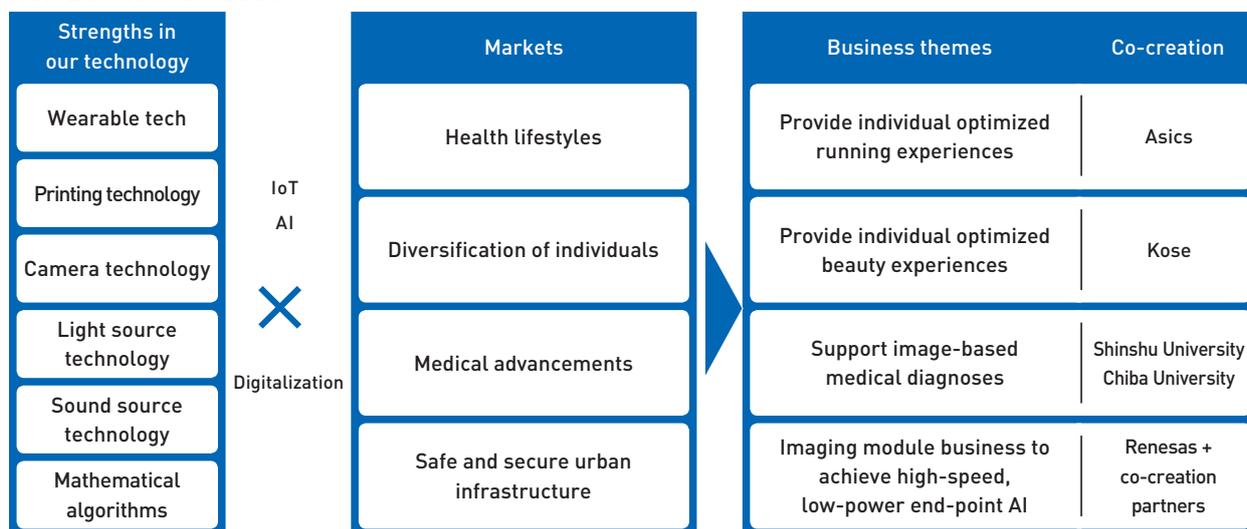
Starting gradually from 2020, Casio and Asics are planning to develop omni-channels encompassing their respective flagship stores and retail shops. We will develop this partnership into a major business that may even entail establishing a joint venture in the future.

## Continuous Development of New Businesses

We are advancing this type of initiative, which turns a page on the conventional one-off sales business approach, into three other segments. In beauty tech, we have started on a business using Casio proprietary printing technology in a business alliance with Kose. A dermocamera was developed through a collaboration with Chiba University and Shinshu University, which developed PC software to manage photo images. The imaging module, which uses image processing technology and mathematical algorithms, involved collaborations with multiple co-creation partners and has potential as a new business.

This new business creation will accelerate Casio towards the next stage of growth. In the fiscal year ending March 2022, the final year of our medium-term management plan, we will aim for net sales of 20.0 billion yen. Furthermore, we will look ahead to future growth by developing new markets from a medium- and long-term perspective.

### New Business Creation



## Four Growth Strategies of the Medium-Term Management Plan: Profitability Improvement Initiative

Language education devices

Electronic musical instruments

Projectors

Systems equipment

### Disengage from a low-profit business structure to establish a stable profit platform

#### Quantitative Goals

	FYE 3/2019 (Results)	FYE 3/2020	FYE 3/2022
Net sales	74.7 billion yen	76.0 billion yen	85.0 billion yen
Operating margin	-2%	1%	5%

#### Qualitative Goals

<b>Promoting structural reforms for sales and head office staff</b>	<ul style="list-style-type: none"> <li>Effect of operating expense reductions by implementing early retirement system for domestic sales and head office staff</li> <li>Operating expense optimization by reviewing sales structure based on business environment</li> </ul>
<b>Efficient business management</b>	<ul style="list-style-type: none"> <li>Promote manufacturing efficiency to improve profitability</li> </ul>

#### Sustainability Goals

- Provide opportunities to acquire broad-based knowledge
- Use projectors to develop education infrastructure and provide effective learning environments
- (Environmental load reduction) Reduce use of resources in our business activities



#### Implement Structural Reforms

Language Education devices, musical instruments, projectors, and systems equipment have had business structure issues that have made it difficult to generate profits based on current sales volume. As such, in addition to implementing an early retirement scheme, we also optimized sales expenses by reviewing sales structures and reducing expenses companywide by assessing cost performance. Through structural reforms to development, production, sales, and head office functions under the concept of One CASIO, we will disengage from an unprofitable structure to establish a stable profit platform.

## Apply Business Strengths to Restore Businesses to Growth Trajectories

We will apply the strengths of each business to create new genres and new products to establish and expand markets and restore businesses to trajectories for growth. In the Language Education Business, we will take advantage of Casio proprietary technology, brand recognition, and business models. For the Musical Instruments Business, we will focus on obvious markets. In the Projector and Systems Equipment Businesses, we will maximize potential by expanding sales in untapped areas.

## Examples of Initiatives for the Electronic Musical Instruments Business

The Musical Instruments Business was the first business unit to engage in such initiatives. The markets for musical instruments are stable and this business unit has secured sales by maintaining a certain share of the markets for digital pianos and electronic keyboards. However, problems related to product manufacturing methods and sales methods have resulted in losses. We have implemented various initiatives to address this situation, including revamping the previous business model that involved offering 60 different keyboard models. We reduced our product line for keyboards in half, reinforced centralized procurement for raw materials, strengthened our internal production structure, and developed channels through specialty shops. Through these initiatives, we have created a structure that can secure stable profits from the fiscal year ending March 2020 onward.

### Major Reform Initiatives

<b>Production optimization</b> <ul style="list-style-type: none"><li>• Optimized keyboard product line Reduced models from 60 to 30 models</li><li>• Developed new sound sources (featuring AIX sound source)</li><li>• Strengthened internal production structure (transferred from EMS)</li><li>• Reduced costs by optimizing supply chain</li><li>• Promoted automation</li></ul>	<b>Optimization of Distribution</b> <ul style="list-style-type: none"><li>• Restructured distribution (selection of retail stores)</li><li>• Dependency on mass retail &gt; Developing specialty shop channels</li></ul>
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Automated assembly line for keyboards

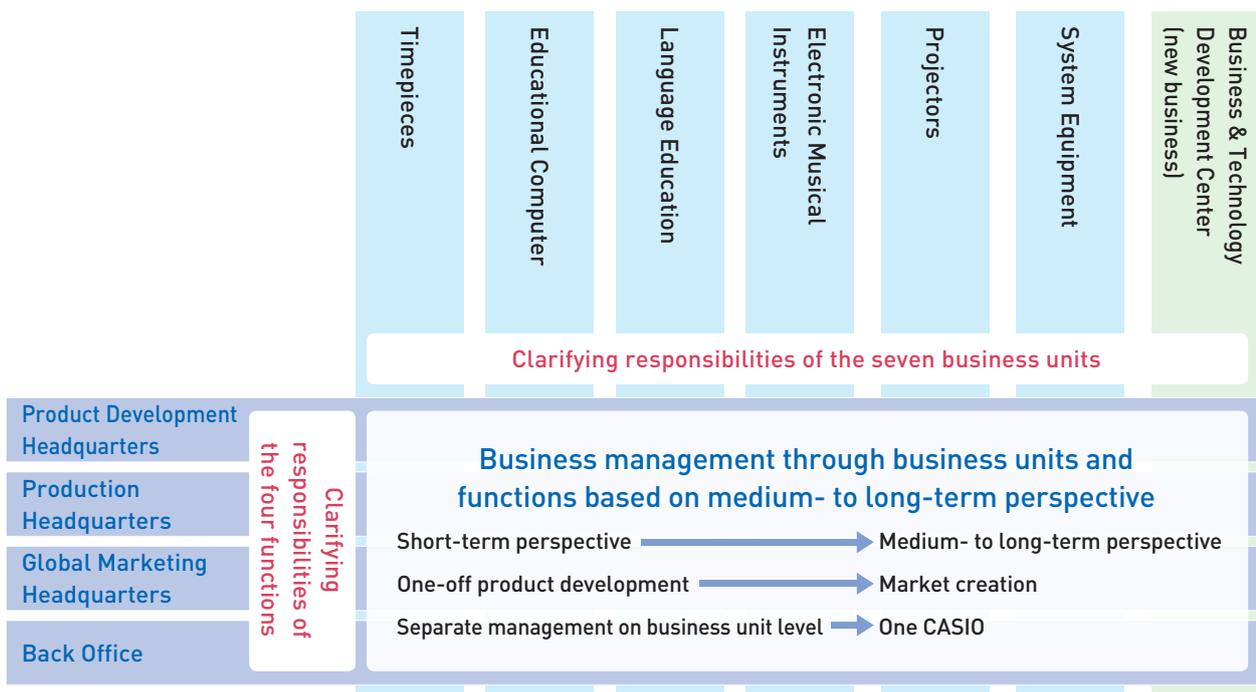


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## ▶ Medium-Term Management Plan: Building Business Platform for Medium- to Long-Term Corporate Value Improvement

Business management thus far has been a collection of separate units that were partially optimized by product or area based on a short-term perspective. Under our new management structure, we will aim for business management that maximizes Casio's strengths from a medium- to long-term perspective. The new executive structure is comprised of seven business units, each supervised by a business unit manager, and four functions. Through this structure, we will clarify responsibilities and shift from partial optimization to total optimization as One CASIO to promote market development and medium- to long-term improvements to our corporate value.

### Medium-Term Management Plan



### Seven Business Units

The supervisor of each of the seven business units – Timepieces, Educational Computer, Language Education, Electronic Musical Instruments, Projectors, System Equipment, and the Business & Technology Development Center (new business) – will have profit goals. And by establishing new product planning and marketing functions, we will propose strategies for adapting to changes in the business environment and market needs.

### Four Functions

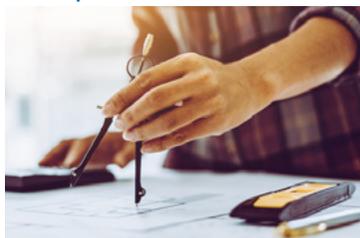
Product Development Headquarters: Optimize manufacturing to improve development efficiency.

Production Headquarters: Centralize material procurement, optimize production centers, and adopt production automation to generate cost improvement benefits.

Global Marketing Headquarters: Improve region-specific products and sales methods to promote selection and concentration.

Back Office: Analyze cost performance to continuously reduce unnecessary costs.

### Product Development Headquarters



### Role of Product Development Headquarters

Eliminate organizational borders and use strong alliances with relevant departments to conduct the following activities and practice a user-first approach to broaden the global Casio fanbase.

1. Develop technology and frameworks to maximize product concepts
2. Develop product performance that can secure better-than-expected customer satisfaction
3. Develop technology to achieve product strategies and aggressively engage in intellectual property activities

### Production Headquarters



### Role of the Production Headquarters

Dual strategy promotion of solidifying existing mother factory structure and reforming supply chain structure to integrate capital strategy, production strategy, and logistics strategy to achieve manufacturing not impacted by increases in labor expenses and to achieve growth strategies by creating new businesses and expanding existing businesses.

### Global Marketing Headquarters



### Role of the Global Marketing Headquarters

To thoroughly analyze the characteristics and users in global markets for each product and apply this analysis towards the sale of a wide range of Casio products. To increase sales and profits by engaging in selection and concentration to implement optimal sales strategies and ensure appropriate resource distribution for each area.

### Back Office



### Role of Back Office

1. Support implementation of business unit strategies
2. Create management resources to promote growth
3. Promote initiatives related to improving medium- to long-term corporate value by strengthening corporate governance and by strengthening relationships with stakeholders

### Sustainability Goals (companywide)

- (Environmental load reduction) Reduce use of resources in our business activities
- (Environmental load reduction) Controlling waste



## ▶ Medium-Term Management Plan: Stimulating Our Organization and Human Resources

The Casio Group positions the start of this medium-term management plan as the second founding of Casio as a company. As part of our growth strategy, we are working to stimulate our organization and our people by engaging in a two-pillar initiative aimed at achieving fundamental reforms to our human resource structure and creating a next-generation development environment.

To achieve fundamental reforms to our human resource structure, we will establish a new phase in our management platform that promotes the cultivation of a corporate culture capable of creating innovation. To create a next-generation development environment, we will focus on three key concepts: 1) Reducing work time and travel time, 2) Increasing time devoted to manufacturing, creation, and skills improvement, and 3) Creating a pleasant workplace and motivating work environment. By implementing these concepts, we will create the optimal workplace environment.

### Creating an Innovative and Invigorated Workplace

To increase employee motivation and productivity, we have implemented the following policies.

- Work hours reform
- Workplace reform
- Fundamental optimization of workflows

We are prioritizing employee-company engagement and view our goal as being the mutual growth and development of both employees and the company.

### Promoting the Desire to Take on Challenges and Reform Activities

To reward and foster the development of employees who are motivated and act to contribute to Casio's growth and development, we are conducting a fundamental review of our wages and benefits and evaluation structure.

- Wage structure linked to role and expectations
- Goal management system that fairly evaluates achievement levels relative to role and expectations
- Process evaluation system that promotes the development of core personnel

Through the above systems, we will promote the creation of an innovative culture at Casio and work to increase our energy as a company.

### Fostering the Development of Energetic Personnel Who Like to Be Challenged

#### Self-driven career formation

We are increasing training opportunities, providing career planning, and implementing job rotation to encourage employees to actively form their own career paths.

For management training, we provide coaching and are adopting new frameworks that enable improvements to workplace management skills.

#### Career support structure

We have adopted a career support structure that provides support to employees at the ages of 30, 40, and 49, pivotal turning points in an employee's career, to help employees with self-assessments and help them evaluate future workstyles. We provide insight into potential career paths, both inside and outside the company, with the hope that employees will actively form their own careers based on their own interests and preferred workstyle.

Part of this structure is the Job Challenge System. This is a framework that enables spontaneous changes in an employee's job rotation. Expanding the scope of one's duties will enable employees to improve their skills. Also, the active personnel changes promoted through this system help stimulate the organization and help employees find their ideal positions within the company.

#### Promoting women and younger workers

Initiatives related to diversity are extremely important to stimulating our organization and human resources.

We have established KPI related to workplace stimulation as it relates to young employees, senior employees, and female employees. We are strengthening initiatives related to further promoting diversity.

To promote the advancement of young employees in particular, we strictly enforce our age-based mandatory retirement system to enable the aggressive hiring of talented young personnel.

#### Stimulating senior employees

We conducted a fundamental review of our rehiring structure to create a system that provides opportunities for energetic and motivated senior employees.

We clarify roles and expectations and have adopted a dynamic wage structure. We also engage in initiatives such as our Job Challenge System to help stimulate senior employees.

### Design of Human Resource Structural Reforms

In these reforms to our human resource structure, we are conducting a total package review that includes wages and evaluations, training systems, workstyles, and work environment for everyone at Casio, regardless of gender, age, or position from management to regular employees, new hires and upcoming retirees, both senior and young employees. We are designing a simple and easy-to-understand HR structure that will enable all members of the Casio family to share in the direction Casio is heading and the priorities we uphold.

## Stimulation of organization and human resources

<p><b>Create organization aligned with business environment changes</b></p>	<p>■ <b>Maximize performance through organizational streamlining and promoting young employees</b></p> <table border="1"> <thead> <tr> <th></th> <th>FY2019 &gt; FY2020</th> </tr> </thead> <tbody> <tr> <td>Streamline departments</td> <td>-11%</td> </tr> <tr> <td>Appoint young employees to management positions (section manager average age)</td> <td>Department managers: -2 years old / -3 years old</td> </tr> </tbody> </table>		FY2019 > FY2020	Streamline departments	-11%	Appoint young employees to management positions (section manager average age)	Department managers: -2 years old / -3 years old	
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<p>■ <b>Secure career personnel with advanced expertise</b></p> <table border="1"> <thead> <tr> <th>Digital marketing</th> <th>Global</th> <th>AI/IoT</th> <th>e-commerce</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Digital marketing	Global	AI/IoT	e-commerce				
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<p><b>Build next-generation development environment</b></p> <p><b>Reforms for motivation</b></p> <p>■ <b>Build next-generation development environment</b></p> <ul style="list-style-type: none"> <li>• Build quality manufacturing environment by rebuilding the Hamura R&amp;D Center</li> <li>• Workstyle reforms and cocreation space development that promotes innovation</li> </ul> <p>Workstyle: Place, space, time Cocreation space: Stimulating internal and external communication</p> <p>■ <b>Innovative and stimulating workplace creation</b></p> <ul style="list-style-type: none"> <li>• Workstyle reform / workplace stimulation</li> <li>• Development of energetic personnel who embrace the spirit of challenge</li> </ul>								

## Fuse top-down and bottom-up to achieve Medium-Term Management Plan

### Physical Environment

To create a next-generation development environment that improves development productivity and promotes innovation, we are conducting a fundamental rebuild of the Hamura R&D Center that will serve as the core of our development activities. We also are planning to establish satellite offices to enable workstyles that promote free thinking not bound by place, space, or time.

#### Headquarters to promote innovation

The Hamura R&D Center (Hamura, Tokyo) has a 45,000m<sup>2</sup> lot that can be used to construct a building almost identical in size to the building currently in use. We are planning the construction of a building that will serve as a new headquarters. The new building will be designed to enable a pleasant environment that promotes diversity and adaptability while boasting environmental performance, earthquake and disaster resistance, and sustainability. In every sense the building will feature the latest functionality and serve as the main headquarters for the divisions that are key to product development (Product Planning, Quality, Emerging Business, Production Headquarters, etc.). At the same time, we also planning on creating offices for internal support divisions such as Information Technology & Engineering, General Affairs, and Intellectual Property while also securing space for collaboration with external co-creators and partners. We are aiming for completion of construction in three years.

#### Satellite spaces that promote free thinking

While the Hamura facility will be known as a main base featuring the latest functions, we also are planning the

establishment of satellite offices that will promote free-thinking environments that do not restrict employees by location. We currently are solidifying this concept and selecting candidate sites. We are looking to achieve spaces for co-creation based on the concept of a stimulating space. These satellite offices will increase opportunities for Casio employees to interact with people from unfamiliar career segments to promote new views and perspectives, and to help broaden the perspectives of Casio employees. We hope these sites will help create innovation.

### Virtual Infrastructure Environment

To operate the new Hamura facility, satellite offices, and the Hatsudai main office as One CASIO, we must establish an environment that allows employees to achieve the same or better work performance as their main office, regardless of their physical location. To achieve this, we have already decided on the companywide integration of cutting-edge technology and equipment solutions for communications and IoT.

### Workstyle Reforms

A workstyle that allows employees freedom in terms of location, space, and time is a critical element that will be key to achieving next-generation development. The purpose of both physical and virtual infrastructure development is to increase the time Casio employees are able to spend growing, building, increasing their productivity, and being creative. However, the key to supporting such diverse and dynamic workstyles will be flexible management and accurate evaluations. As such, simultaneous to physical infrastructure developments, we also will be conducting companywide training for management personnel.