Strategic Direction

New Casio’s value creation

Medium-Term Strategic Direction

Business Strategy

- Timepiece Business P. 28
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Strengthening of Management Platform

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Continuing to Evolve with the Times

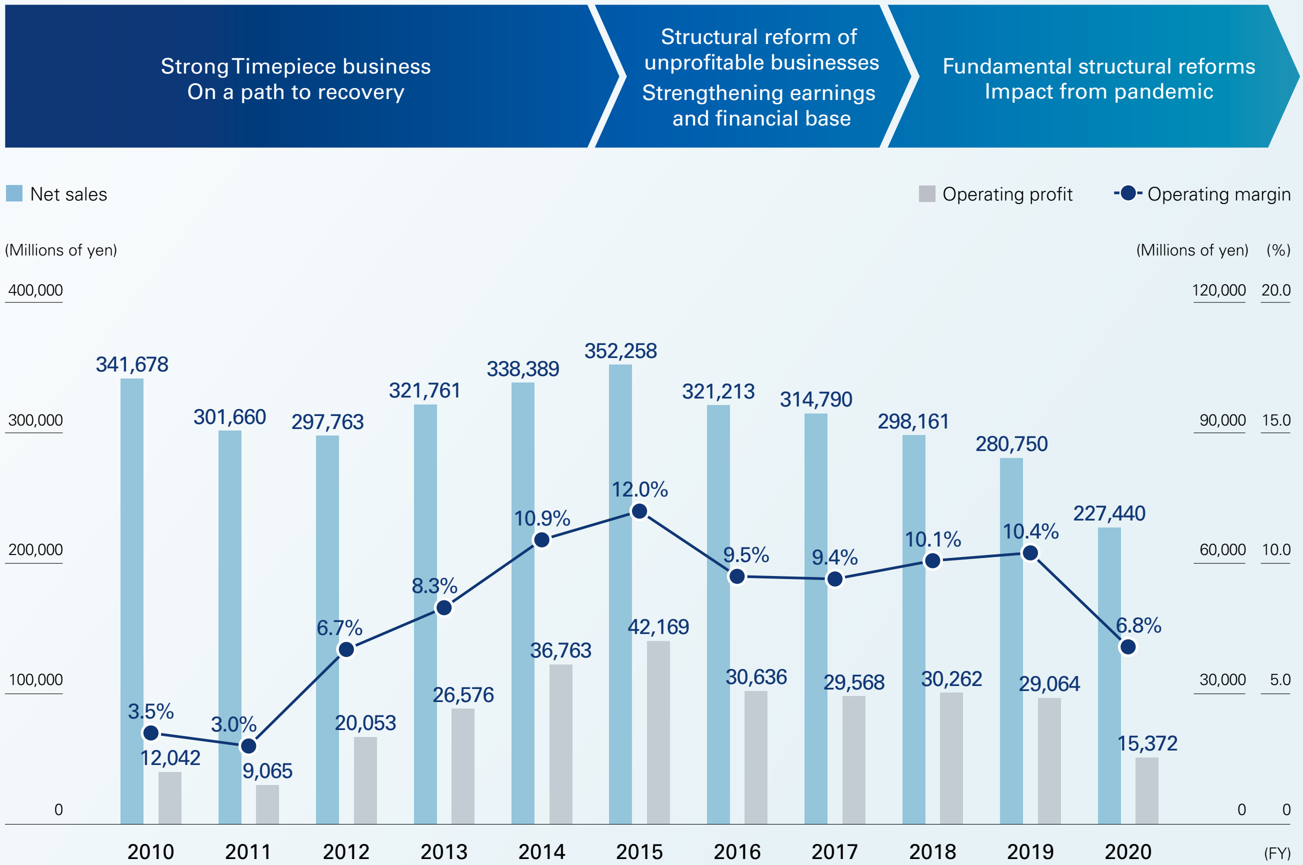
- Creating and developing new culture
- Value creation starting with the discovery of latent needs
- A path for a long and meaningful connection with each and every user
- A place of shared ideas and co-creation where all employees can make a difference

Previous Reforms

- Business portfolio reforms and a fundamental review of the business structure
- Thorough validation of cost-effectiveness and optimization of sites and necessary personnel
- Reforms to business, work, and work style in anticipation of the post-COVID society

Previous Performance Trends

Transitions in Net Sales and Profitability



Since the financial crisis in 2008, Casio has been carefully choosing and concentrating its businesses, maintaining increased sales and profits for several years until FYE 3/2016. However, sales continued to fall for three years from FYE 3/2017 due to structural reforms of unprofitable businesses. On the other hand, while striving to improve profitability through cost reductions and reforms to production, we have achieved results in terms of strengthening our financial position by optimizing assets, improving our cash conversion cycle, and reducing interest-bearing debt.

In light of this situation, we began structural reforms as part of our medium-term management plan (started in FYE 3/2020) in order to achieve the best value creation for the whole Company from a medium- to long-term perspective. The background to this was the fact that we lapsed into business management from a short-term perspective. Regretfully, we were not able to fully utilize our proprietary technologies and business foundation, meaning we were unable to best allocate management resources. For that reason, we have worked to strengthen our management base through these reforms to revitalize the organization and our human resources from a Company-wide perspective. This was while pushing forward with our growth strategy based on the categories of Growth Expansion Businesses, New Businesses, and Businesses Needing Better Profitability.

However, the business environment has changed completely because of the pandemic. Although we were forced to revise our medium-term management plan and place various limits on our business activities, we believed that we should not take our foot off the accelerator in terms of structural reforms for the future. In order to make a fresh start from April 2021, we declared FYE 3/2021 as the year in which we accelerate and bring reform to completion. As such, we pushed ahead with reforms from all angles, including structural, organizational, and work style reform, in anticipation of the post-COVID society. As a result, although we were greatly affected by the pandemic in FYE 3/2021, we were able to push on by establishing a foundation for growth in each business, improving our earnings structure by streamlining expenses and reducing fixed costs, and by developing a system to promote digital transformation as well as a system to reform our value and supply chains.

Medium-Term Strategic Direction

Post-Pandemic Medium-Term Targets

		During Pandemic 2021	During Pandemic 2022	After Pandemic After 2023 (Targets)	
Company-wide Net Sales, Operating Profit and Margin	Net sales	265.0 billion yen	—	325.0 billion yen	
	Operating profit	26.5 billion yen	—	48.0 billion yen	
	Operating Margin	10%	Over 10%	15%	
Operating Margin by Segment	Timepiece	19%	—	22%	Hurdle rate: Over 5% operating margin
	Consumer	8%	—	13%	
	System Equipment	0%	(Become profitable)	7%	
New Business Operating Profit	New Businesses	—	—	5.0 billion yen	Likely to get a return on investment in three years since becoming profitable in FYE 3/2024

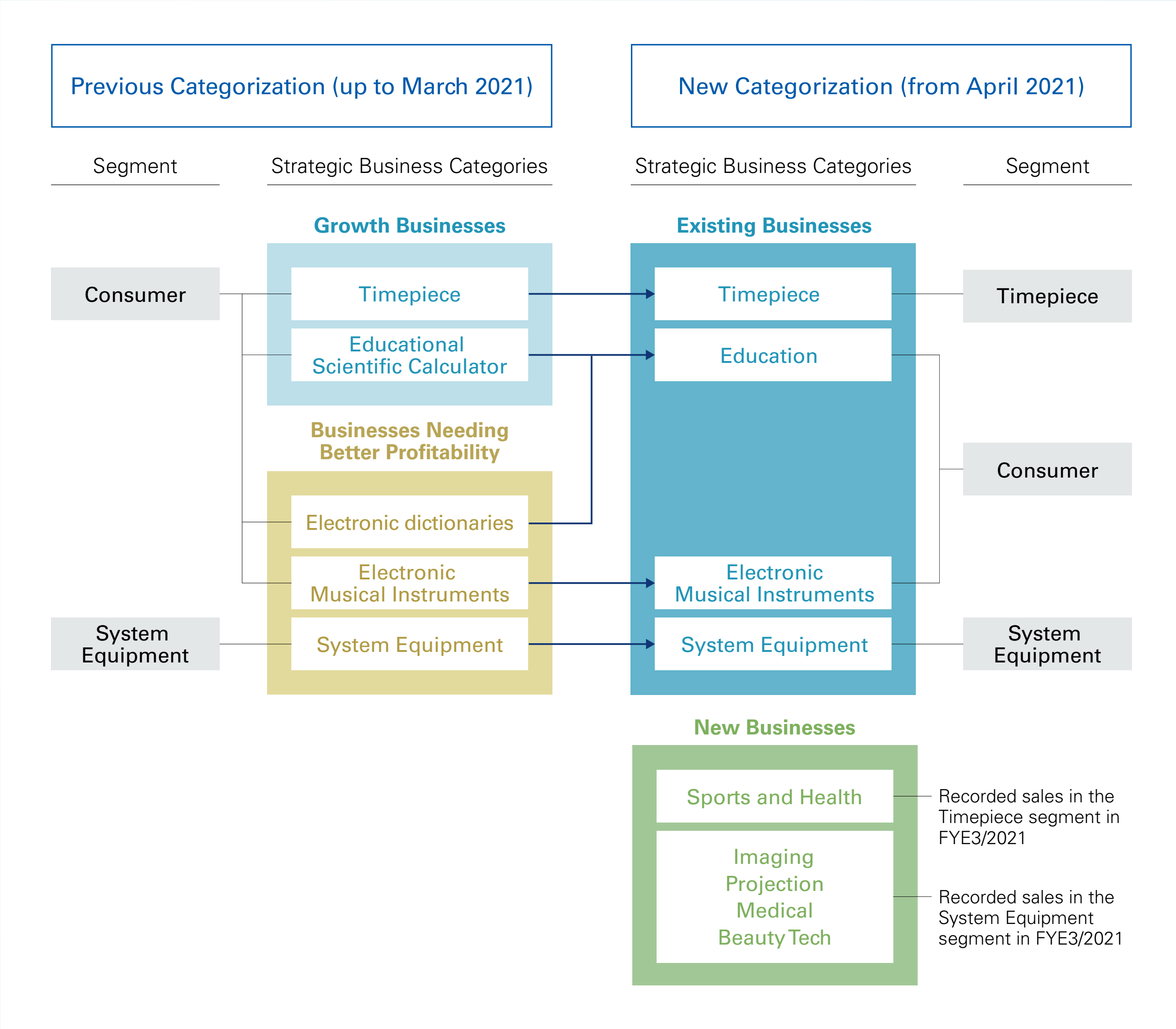
(FY)

Casio has formulated its direction of strategy and targets for FYE 3/2024 based on progress of structural reforms to date and the outlook for the future social and economic environment. This assumes that the impact from the pandemic will continue for the next one to two years, moving to a post-COVID society from FYE 3/2024.

With our new matrix management structure, we will promote strategies whereby we can continue to connect directly and more deeply over time with each and every user by carrying out data-driven management and One2One marketing, etc., while achieving overall optimality through continuous structural reforms. As a result, we will secure a consolidated operating margin of at least 10% during the pandemic by FYE 3/2023. After the pandemic in FYE 3/2024, we plan to secure net sales of 325 billion yen and a consolidated operating margin of 15%.

In our strategy for existing businesses, we aim to expand growth for each of them respectively by setting an

Changes to Segment and Business Categories



operating profit margin of 5%* as a hurdle rate based on the capital turnover and ROIC for each business. For new businesses, we aim to return to profitability in FYE 3/2024, and then we will make a business plan to recover invested funds with cash generated over the next three years.

The design and promotion, and disclosure segments of our business strategy have been changed to the categories of timepiece, consumer (education and electronic musical instruments), system equipment, and new businesses. The reason for this is because we have wiped out unprofitable business through measures to improve the profit structure by FYE 3/2021 and have established a foundation on which all existing businesses can aim for growth and expansion.

* Weighted average capital cost is assumed to be 1.7 times capital turnover rate of approx. 6% (ROIC by business 6% or more)