



Medium- and Long-Term Management Policies

May 11, 2023

Casio Computer Co., Ltd.

Agenda

1. Policies for 2030 Goal Achievement

- Basic Policies for 2030 Goal Achievement
- Key Strategies Framework

2. Three-Year Medium-Term Plan

- Review of the Previous Medium-Term Plan
- Forecasts for the Fiscal Year Ending March 2024
- Three-Year Plan
- Main Business Strategies

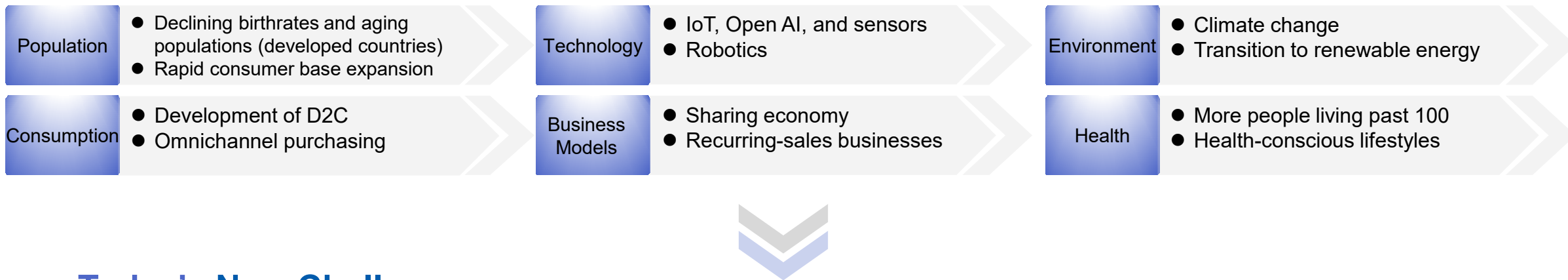
3. Financial Policies, etc.

- Financial and Capital Allocation Policies
- Target Financial Indicators
- Sustainability

1. Policies for 2030 Goal Achievement

Business Environment Changes

■ Current Major Changes



Today's New Challenges

- ✓ Develop products, services, and experiences closely aligned with diverse consumer values
- ✓ Create a business model that matches changes in consumer behavior
- ✓ Build structures to respond to accelerating digital transformation (DX)
- ✓ Contribute to a sustainable global society through business activities

User-oriented reform of product development processes and marketing methods is needed in order to continue creating new value for users

Basic Policies for 2030 Goal Achievement

Corporate
Creed

Creativity and Contribution
We leverage creativity to raise customer expectations and generate excitement while enriching peoples’ minds, hearts and lives worldwide.

Management
Policy

Creating new sources of value in the market and growing unrivaled, one-of-a-kind brands

At a time when wristwatches were just devices to tell time, Casio developed the first G-SHOCK and created a new style of tough watch. Eventually, the brand developed into a new source of value in the watch market, becoming a way for youth to express their personal style along with their fashion. Then, after overcoming some challenges, G-SHOCK became a global brand. Casio's history, including scientific calculators, electronic musical instruments, and electronic dictionaries, demonstrates the company's purpose: to create new sources of market value. However, Casio has not always been good at fully developing the value sources it creates. Unless each value source is developed into a brand, the company will not be able to reach consumers and build a market position.

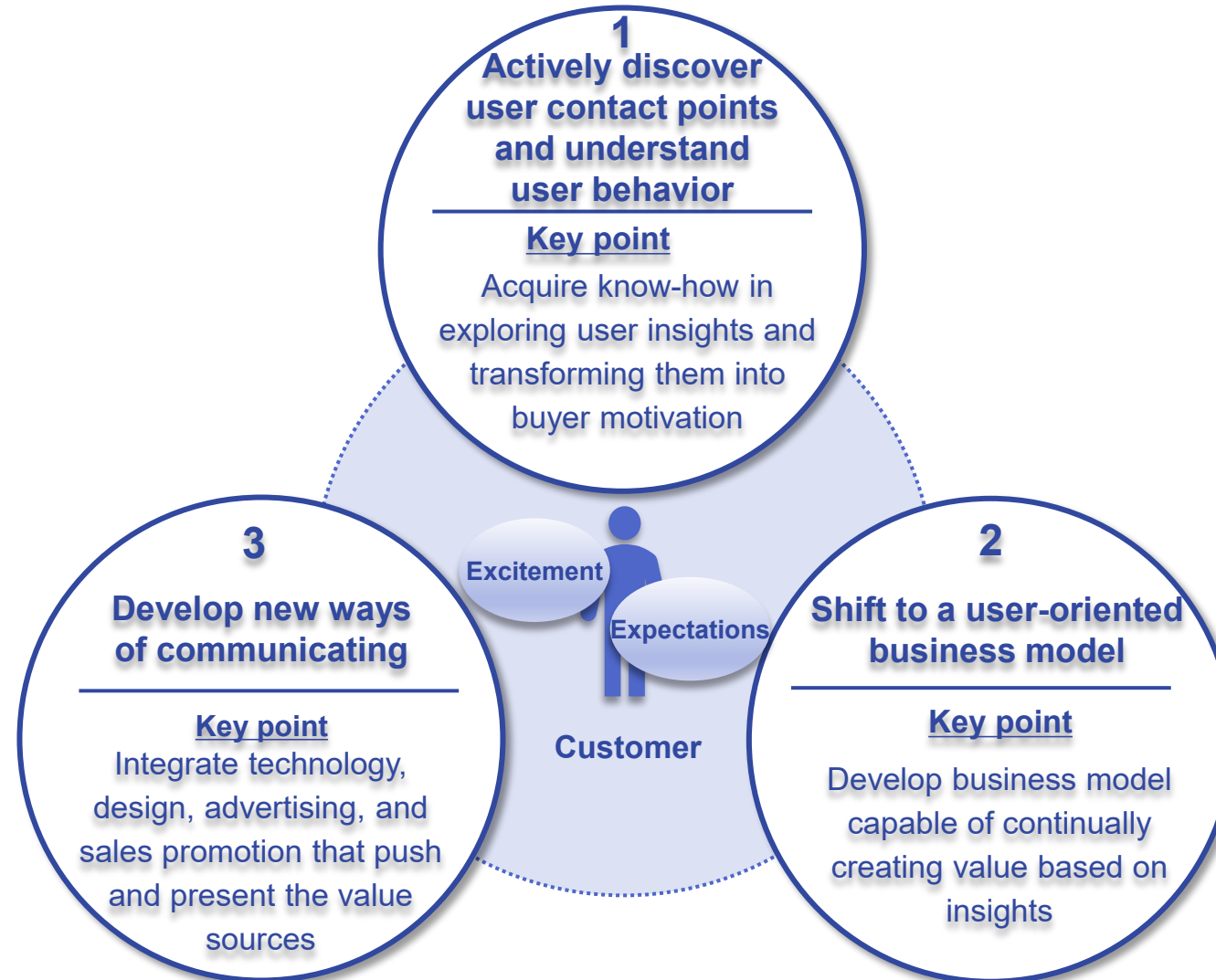
Key
Strategies

By 2030, we will maximize our corporate value by establishing a core brand for each business that will serve as a new source of value

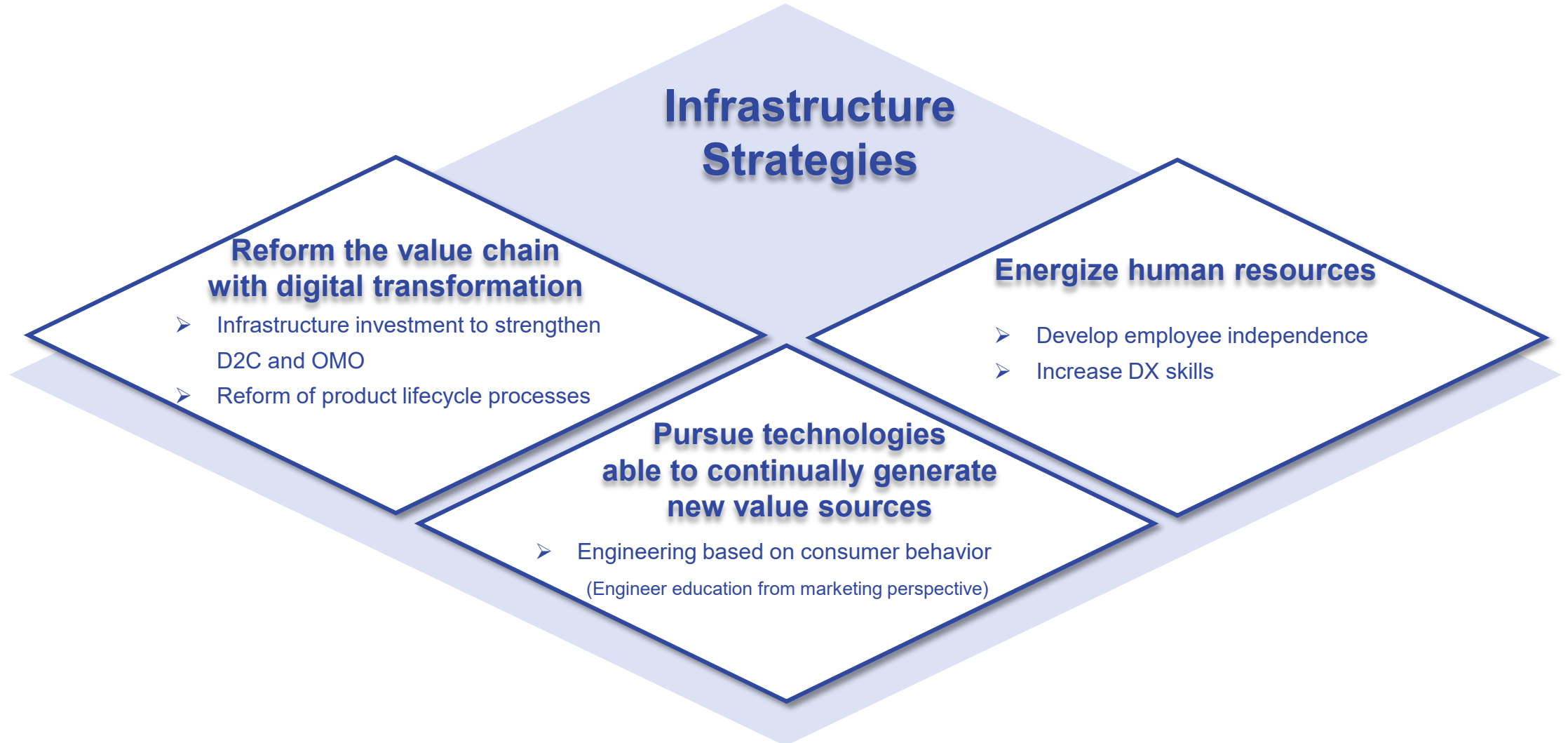
	New Value Source Creation	Way to Provide Value	Way to Develop Value Sources
A Core Strategies	1. Actively discover user contact points and understand user behavior	2. Shift to a user-oriented business model	3. Develop new ways of communicating
B Infra-structure Strategies	Reform the value chain with digital transformation	Pursue technologies able to continually generate new value sources	Energize human resources

Key Strategies – A Core Strategies

Creating new sources of value in the market by implementing three user-oriented strategies



Rebuilding group-wide infrastructure to support core strategies

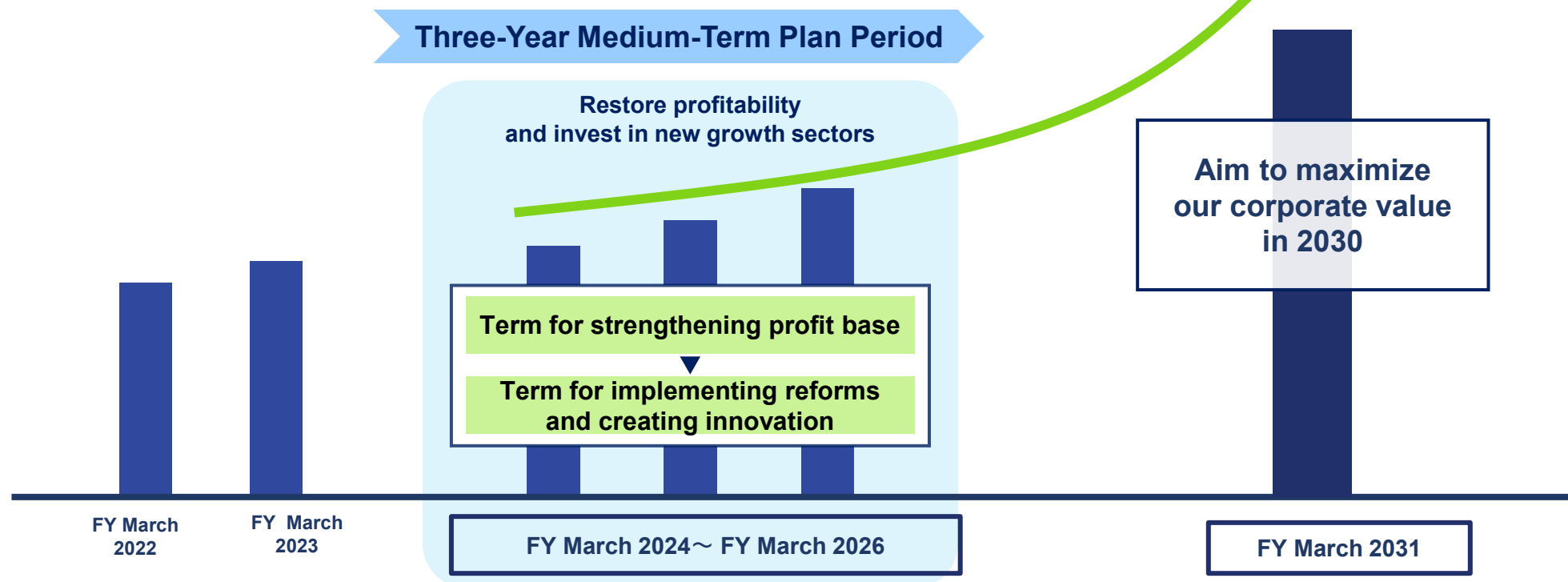


2. Three-Year Medium-Term Plan

Assumptions for Phases within Medium-Term Plan Period

It is assumed the impact from the global economic slowdown will remain **for the first half of the three-year period.**

➡Position as “**term for strengthening profit base**” and make every effort to rebuild the business structure



Term for strengthening profit base

- Focus investment in core businesses (timepieces, EdTech, and sound)
- Radical structural reform of unprofitable areas

Term for implementing reforms and creating innovation

- Develop core businesses with higher growth potential and peripheral areas of core businesses
- Restructure portfolio to include **next core business areas**

Review of the Previous Medium-Term Plan

- Steady progress was made on efforts to expand the scope of each business over the three years ending March 2022
- Unfortunately, we did not achieve our financial targets due to the substantial impact of the COVID-19 pandemic

Results	Issues to Be Addressed
● Accelerated deployment of metal G-SHOCK	● Deceleration in the Chinese market
● Developed online education business	● Addressing to the smart watch market
● Created a “hobbyist/personal needs” market for the musical instrument business	● Contraction of the electronic dictionary market
● Improved sales efficiency by consolidating sites, etc.	● Declining profitability in the musical instrument business
● Created a platform for group-wide digital transformation	● Structural reform in the system equipment business is underway
● Promoted sustainability	● Monetizing new businesses

- ✓ **We must urgently establish a market diversification policy to avoid excessive dependence on certain markets like China.**
- ✓ **We need to take a medium- to long-term approach to some markets where paradigm shifts are occurring (e.g. smart watches and electronic dictionaries, etc.)**

Three-Year Plan

Consolidated	FY March 2023	Billions of yen			FY March 2026 forecasts
		1H forecasts	2H forecasts	FY March 2024 forecasts	
Net sales	263.8	125.0	140.0	265.0	310.0
Operating profit	18.2	6.0	10.0	16.0	36.0
OPM	6.9%	4.8%	7.1%	6.0%	11.6%
Ordinary profit	19.6	5.5	9.5	15.0	
Net income	13.1	3.5	7.0	10.5	
EPS (yen)	54.65	14.63	29.26	43.89	

FY March 2024 Forecasts for Net Sales and Operating Profit by Segment

Billions of yen

	FY March 2023			FY March 2024 1H forecasts			FY March 2024 2H forecasts			FY March 2024 forecasts		
	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM
Timepieces	157.5	23.6	15%	76.0	9.5	13%	86.0	12.5	15%	162.0	22.0	14%
Consumer	86.4	4.3	5%	41.5	1.5	4%	44.5	2.0	4%	86.0	3.5	4%
EdTech (Education)	60.0	6.7	11%	30.0	3.0	10%	30.0	2.5	8%	60.0	5.5	9%
Sound (EMI)	26.4	-2.4	-	11.5	-1.5	-	14.5	-0.5	-	26.0	-2.0	-
System Equipment (including HR)	14.6	-2.5	-	5.0	-1.5	-	7.0	-1.0	-	12.0	-2.5	-
Others	5.4	0.4	7%	2.5	0	0%	2.5	0	0%	5.0	0	0%
Adjustment	-	-7.6	-	-	-3.5	-	-	-3.5	-	-	-7.0	-
Total	263.8	18.2	7%	125.0	6.0	5%	140.0	10.0	7%	265.0	16.0	6%

Implement radical measures to improve profit and strengthen foundation

Profit improvement measures

- Accelerate structural reforms of loss-making businesses
- Implement early retirement incentive plan
- Effectively utilize assets (sell idle real estate, etc.) ⇒ ensure funds for early retirement and various structural reforms
- Cut officer remuneration
- Implement impairment loss recorded in previous fiscal year (Electronic Musical Instruments)

Strengthening of management foundation

- Boost shareholder returns
- Increase the number of outside directors (strengthen governance)

Strategic Investment for Medium-Term Business Growth

**By executing strategic business investment in the current fiscal year,
we will work urgently to return to a growth trajectory before the start
of the fiscal year ending March 2026**

FY March 2024
Additional Investment amount

Timepieces

- Restore profitability through strategic investment focused on G-SHOCK (Brand investment for premium metal lines)

¥3.0 billion

EdTech (Education)

- Accelerate business model transformation with active investment in the web application business

¥1.0 billion

DX

- Accelerate value chain reforms such as digital marketing with active investment in digital transformation

¥0.5 billion

Three-Year Forecasts for Net Sales and Operating Profit by Segment

Billions of yen

Three-year Medium-Term Plan Period
Restore profitability and invest in new growth sectors

Timepieces
Consumer
EdTech (Education)
Sound (EMI)
System Equipment / Next Core Businesses
Others
Adjustment
Total

FY March 2023		
Net sales	Operating profit	OPM
157.5	23.6	15%
86.4	4.3	5%
60.0	6.7	11%
26.4	-2.4	-
14.6	-2.5	-
5.4	0.4	7%
-	-7.6	-
263.8	18.2	7%

FY March 2024 forecasts		
Net sales	Operating profit	OPM
162.0	22.0	14%
86.0	3.5	4%
60.0	5.5	9%
26.0	-2.0	-
12.0	-2.5	-
5.0	0	0%
-	-7.0	-
265.0	16.0	6%



FY March 2026 forecasts		
Net sales	Operating profit	OPM
178.0	30.0	17%
112.0	10.0	9%
80.0	8.5	11%
32.0	1.5	5%
15.0	1.0	7%
5.0	0	0%
-	-5.0	-
310.0	36.0	12%

Timepiece Business

Restore profitability with policy investment focused on high-end G-SHOCK metal models

Issues

✓ Deceleration in the Chinese market

✓ Addressing the smart watch market

1 Product policy, focus investment

- Strengthen **high-end metal models**, strengthen genres for youth/women
- Provide unique value through addition of smart functions to G-SHOCK brand
- Increase strategic investment to enhance brand recognition **focused on G-SHOCK 40th anniversary**

2 D2C strategy, region strategy

- **Expand directly managed stores/direct e-commerce percentage**, mainly for G-SHOCK, and increase gross profit margin
- China: Strengthen standard products, rebuild distribution (maintain 2 major e-commerce channels, strengthen emerging e-commerce channels), strengthen OMO
- **Growth countries:** Expand new market in **India**, where there is great potential

3 KPI

	D2C sales percentage ^{*1}	G-premium sales percentage ^{*2}	India/ASEAN sales percentage	CASIO ID registrations (includes e-mail)
FY March 2023	7%	15%	14%	6.5 million
FY March 2026	12%	30%	18%	12.0 million

*1 Sales at directly managed stores/direct e-commerce

*2 Percentage against whole G-SHOCK sales



- With market recovery from COVID-19 pandemic, create uptrend through brand investment focused on G-SHOCK 40th anniversary, strengthening of high-end metal models, and strengthening of D2C
- Although the Chinese market is expected to recover to a certain extent, profitability will be achieved through expansion in other growth countries (India/ASEAN)

Timepiece Business

Establish unique position in line with market changes, based on the original toughness concept

Strengthen premium metal models
not impacted by smart watches

Develop and differentiate
smart functions on
G-SHOCK platform



**Premium
Metal**

Roll out more
individualized products
for fashion lines

Smartwatch

Sports



G-SHOCK
The origin of
toughness

Fashion



Timepiece Business

Strategies by region	Product strategy/ price range strategy	Distribution strategy	Focus area strategy	Branding
Japan		Strengthen directly-managed stores and direct e-commerce	Strengthen distribution channels for premium products	Strengthen G-SHOCK fan marketing
China	Expand high-end products (Premium metal models)		Maintain share of 2 major e-commerce channels + Develop emerging e-commerce channels	Develop new touch points for each target
North America			Cultivate new distribution channels, such as jewelers	Strengthen G-SHOCK fan marketing
Europe			Expand sales in secondary distributor areas (France, Italy, Spain)	Strengthen influencer marketing aimed at Generation Z
Other	Strengthen standard products		Expand sales in India / commence local production	Expand recognition through ambassador marketing in strategic cities

Accelerate global expansion by integrating hardware and software

Issues

✓ Contraction of the Japanese electronic dictionary market

✓ More competitive environment due to proliferation and acceleration of ICT in education

Scientific calculators

1

Product policy

- Expand sales and establish high-profitability new model (New ClassWiz)

2

Region strategy

- Expand lifting of ban on scientific calculators through GAKUHAN in emerging countries
- Identify regions for measure to address counterfeit products and take measures to shift to genuine products

Apps Dictionaries

1

Product policy

- Expand sales of app business by **synchronizing learning data** of electronic dictionary (EX-word) and app (CP.net)

2

Sales structure

- Reorganize sales structure **to build structure for expansion of app business (CP.net)**

	Scientific calculator sales volume	No. of schools with CP.net
FY March 2023	22.2 mil. units	245 schools
FY March 2026	27.3 mil. units	1,750 schools



Accelerate integration of hardware and software by forming a dedicated app sales structure and integrating it with the GAKUHAN sales structure

Sound (Electronic Musical Instrument) Business

Establish Privia as new value source by ensuring brand recognition and expansion

Issues

✓ Declining profitability due to soaring cost of raw materials and logistics

✓ Deceleration in demand with slowdown in stay-at-home demand

1 Improve profitability

- **Cut costs and fundamentally strengthen supply chain** (Improve processing costs through automation of production, stabilize procurement, and strengthen production sites)
- Boost **high value-added line up**
- Reduce inventory in transit by controlling logistics costs and improving lead times

2 Brand recognition and expansion

- Establish **unique market position** based on **lifestyle**, with a focus on high-end Privia model (Privia Upper Grade)
- **Expand “hobbyist/personal needs” market** centered on Slim & Smart strategy
- Cultivate new distribution channels, including specialty store distribution

3 KPI

	Privia Upper Grade sales volume	Privia Upper Grade sales percentage	Slim & Smart sales percentage
FY March 2023	8,000 units	5%	57%
FY March 2026	22,000 units	9%	60%



Achieve differentiation through integrated development of brand worldview, technology, products, distribution, and promotion in order to build lifestyle-based brand position over the medium term

Ensure efficient business operation through selection and concentration and reallocation of resources

■ Greater efficiency

Starting in April, consolidate into a compact business operation structure and allocate resources to growth sectors only

PA

Improve profitability through restructuring and streamlining into a lean account-based sales structure

SA

Transform business model through shift to cashless services with changes in Japan's invoice system

SMB

Utilize existing customer base to efficiently expand sales of ordering services in peripheral fields

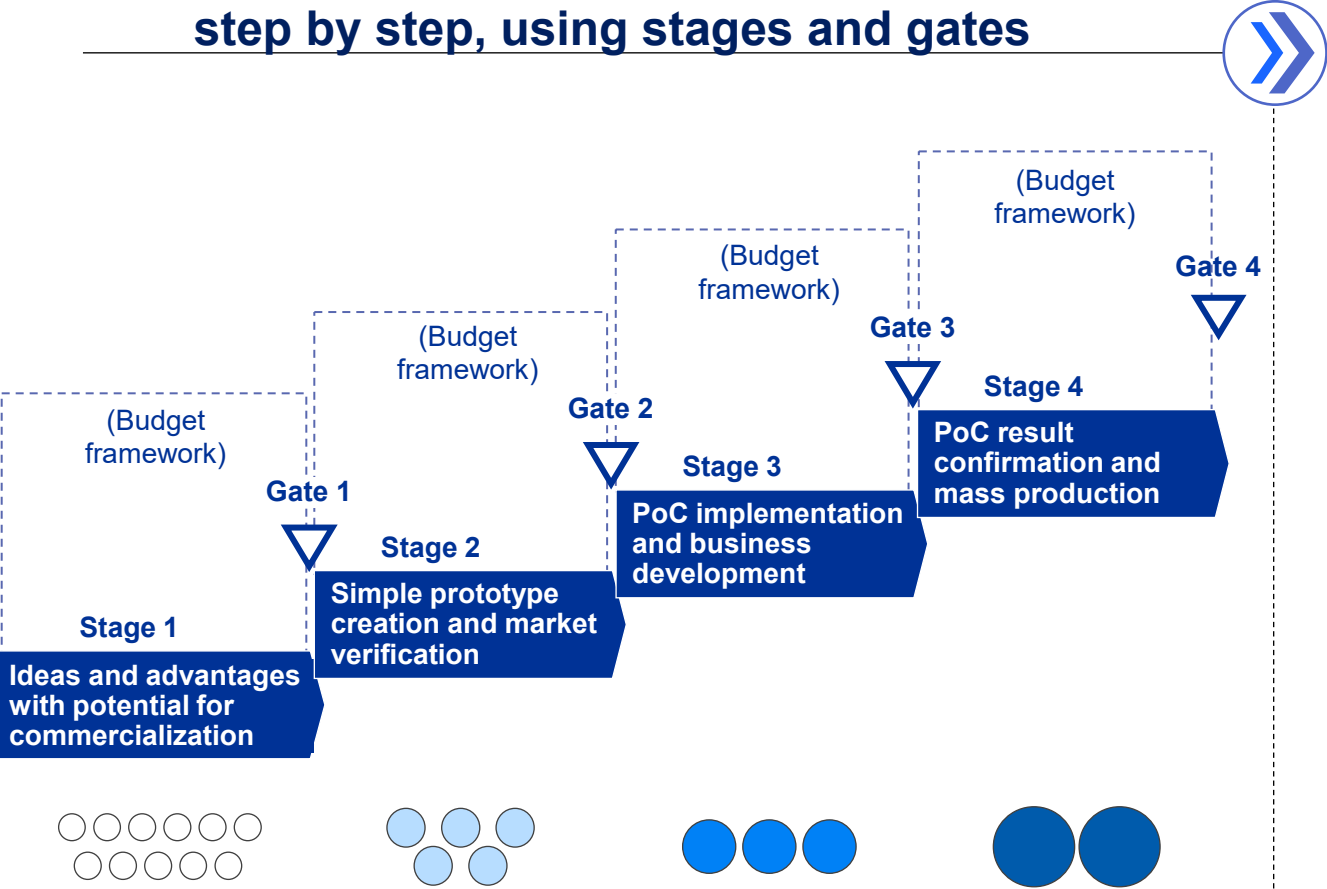
■ Strengthen structure and establish position in high growth potential human resources management market

**HR
solutions**

- Adapt to human resources management market with high growth expectations through system revision and integration
- Strengthen sales structure to accommodate recurring business

Develop Next Core and New Areas

Aim to develop new business areas, set budget frameworks, and allocate resources step by step, using stages and gates



Ascertain and develop next core business areas that will drive future growth

Medical	
Medical cameras + AI image diagnostic services Expand global sales channels for medical cameras (dermatology/colpo) and establish AI image diagnostic services	
Areas	Expand sales channels in markets where dermatology camera utilization is expanding (Japan, North America, Europe, UK, Australia, Taiwan)
Sales	Enhance area marketers in key areas for sales expansion to boost global expansion

HR Solutions	
SaaS-type human resource management system Establishing a position in the high-growth human resource management market	
Pro-ducts	Enhance the appeal of our HR management system products and create a platform that integrates HR management systems with HR solutions
Sales	Develop recurring-sales businesses and strengthen systems for maintaining connections with customers

3. Financial Policies, etc.

Financial Policies

Financial issues

1. Effective allocation of management resources
2. Effective utilization of cash reserves
3. Improvement of capital efficiency

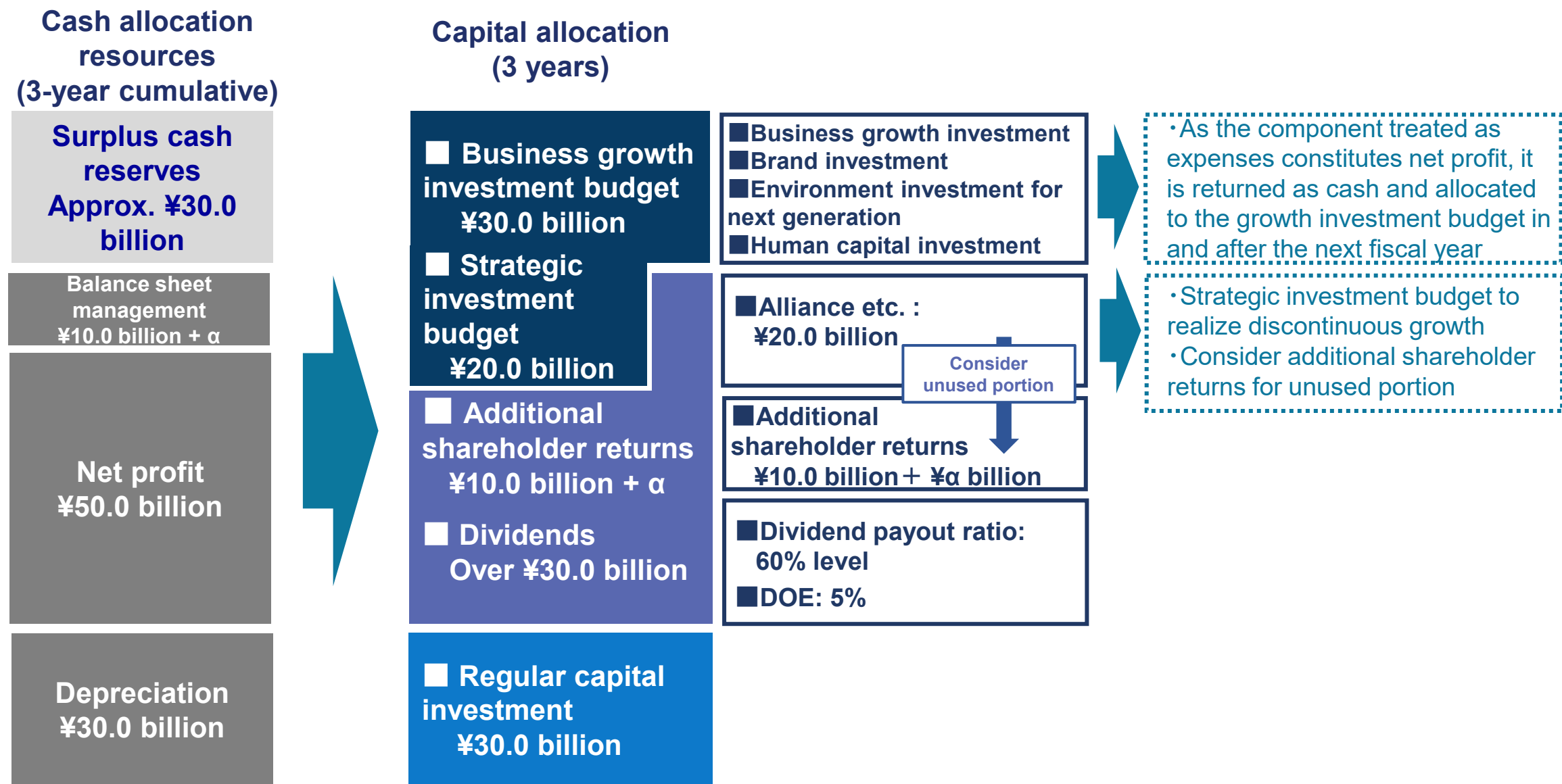


Response measures

- Set “business growth investment budget” to encourage investment in core businesses
- Also set “strategic investment budget” realized by (proactive) measures including alliances. **Consider additional shareholder returns** for unused portion
- Use **surplus funds as source of cash allocation**
- Improve return on capital by **streamlining balance sheet** (reduce inventory, sell inefficient assets, etc.) **and boosting shareholder returns**

**Strengthen profitability + improve capital efficiency
+ optimize capital structure (reduce cost of capital) ⇒ enhanced corporate value**

Capital Allocation Policy



Target Financial Indicators

	FY March 2023 (Previous FY)		FY March 2026 (In 3 years time)	Policies
ROE	5.9%	➡	Over 10%	• Ensure return on capital that exceeds the cost of capital • Consider streamlining invested capital if there are no suitable strategic investment projects
ROIC	4.7%	➡	Over 8%	
ROIC = operating profit after tax ÷ average invested capital at the beginning and end of the period (interest-bearing liabilities + net assets)				
Liquid cash reserves	¥130.7 billion	➡	¥100.0 billion level	• Effectively use surplus cash after ensuring financial security
Equity ratio	66%	➡	Just over 60%	
(Average over next 3 years)				
Dividend payout ratio	82.3%	➡	60% level	• Dividend policy : business performance-linked and stable dividends • Enhance shareholder returns by financing the business growth investment budget and strategic investment budget with surplus cash reserves
DOE	4.9%	➡	5% level	
Total payout ratio	99.4%	➡	80%~120%	

Sustainability

Based on the corporate creed of “Creativity and Contribution,” Casio constantly provides society with new value while contributing to a more sustainable world. To guide this effort, Casio has identified the six areas of materiality below as social and environment issues related directly and indirectly to its business operations



Implement continuous revision in line with the medium- and long-term policies for 2030 and changes in the business environment

Forward-looking Statements

Earnings estimates and expectations that are not historical fact included in this report are forward-looking statements.

Although such forward-looking statements reflect the judgment of management based on information currently available to it, various factors could cause actual results to differ materially.

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