



# **Third Quarter Results Briefing for Year Ending March 31, 2019**

January 31, 2019

**CASIO COMPUTER CO., LTD.**

## **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.**

# FY2019 Third Quarter Results Highlight

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(billions of yen)

<b>Consolidated</b>	<b>FY18/3Q</b>	<b>FY19/3Q</b>	<b>YOY Change</b>	<b>FY18/1-3Q</b>	<b>FY19/1-3Q</b>	<b>YOY Change</b>
<b>Net Sales</b>	<b>77.9</b>	<b>73.2</b>	<b>94%</b>	<b>231.5</b>	<b>218.3</b>	<b>94%</b>
<b>Operating income</b>	<b>7.1</b>	<b>7.7</b>	<b>108%</b>	<b>21.7</b>	<b>22.5</b>	<b>103%</b>
<b>OPM</b>	<b>9.1%</b>	<b>10.5%</b>		<b>9.4%</b>	<b>10.3%</b>	
<b>Ordinary income</b>	<b>7.0</b>	<b>7.5</b>	<b>107%</b>	<b>20.7</b>	<b>21.9</b>	<b>106%</b>
<b>Net income</b>	<b>4.8</b>	<b>5.9</b>	<b>121%</b>	<b>14.8</b>	<b>17.0</b>	<b>115%</b>
<b>EPS(Yen)</b>	<b>19.66</b>	<b>23.81</b>		<b>60.07</b>	<b>68.92</b>	

# Net Sales and Operating Income by Segment

(billions of yen)

Net Sales	FY18/3Q	FY19/3Q	YOY Change	FY18/ 1-3Q	FY19/ 1-3Q	YOY Change
	Consumer	66.8	64.2	96%	197.4	187.8
System equipment	9.3	7.2	78%	28.3	25.1	88%
Others	1.9	1.8	94%	5.7	5.4	94%
<b>Total</b>	<b>77.9</b>	<b>73.2</b>	<b>94%</b>	<b>231.5</b>	<b>218.3</b>	<b>94%</b>

Operating income			FY18/ 1-3Q	FY19/ 1-3Q	YOY Change	
Consumer	9.0	10.4	115%	25.9	28.7	111%
System equipment	(0.3)	(0.9)	-	0.2	(0.8)	-
Others	0.2	0.1	59%	0.5	0.3	67%
Adjustment	(1.7)	(1.9)	-	(4.8)	(5.7)	-
<b>Total</b>	<b>7.1</b>	<b>7.7</b>	<b>108%</b>	<b>21.7</b>	<b>22.5</b>	<b>103%</b>

# Third Quarter Summary – Oct to Dec

- **Net sales declined by 4.7 billion yen YoY**
  - Digital camera sales in Q3 of previous fiscal year: 3.0 billion yen
  - The rest is due to changes in external environment

## < External Environmental Changes >

- Impact on the world real-life economy triggered by the US-China trade war
- Decline in demand due to sluggish economy in China
- Economic stagnation and uncertainty in Europe (German economic slowdown, Brexit)
- Declining purchasing power in emerging economies due to prolonged currency depreciation

**On the other hand, the company's cost reduction through structural reform is being promoted as planned**

# Overview by Business - Oct to Dec

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## Timepieces

Sales nearly equal YoY due to changes in the macroeconomic situation

- Sales: 47.5 billion yen (down 1% YoY; slightly up in local currencies basis), OPM 20%

G-SHOCK remained strong and proceeded as planned  
On the other hand, the middle and high price range watches except G-SHOCK struggled due to the economic slowdown etc.



Overview by Region: China and Europe struggled more than anticipated

- Japan: Strong sales from full-metal G-SHOCK continued
- China: Metal watch sales (excluding G-SHOCK) slumped due to economic slowdown
- Emerging countries: Strong G-SHOCK sales in ASEAN countries helped compensate for sales declines in Latin America and impacts from currency depreciation in emerging markets
- North America: Making inroads into the jewelers made up for shrinking floor space for watches in major retail stores
- Europe: Collaboration G-SHOCK models with Gorillaz performed well but impact on sales will be 4Q and after



# Overview by Business - Oct to Dec

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## Educational Products

Sales felt little impact of the macroeconomic situation especially for scientific calculators

■ Sales : ¥16.7 billion (up 7% YoY) , OPM 8%

Calculators:50%	Overseas student sales remained strong; up 1% YoY, OPM 17%
Dictionaries:20%	Strong performance due to special demand; up 31% YoY, ¥0.1 billion loss. Release 14 new products in 4Q with improved readability and ease of use
Musical instruments:30%	Strong performance in Europe compensated for slump in China and North America; sales flat YoY, break even

## System Equipment

Anticipated special demand for cash registers arising from French regulatory change was deterred (impact of the large-scale protests)

	Sales composition	Profit/Loss
■ Projectors	Approx. 30%	-0.6 billion yen (-0.1 billion yen YoY)
■ Other systems	Approx. 70%	-0.3 billion yen (-0.5 billion yen YoY)

# FY2019 Financial Forecasts

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(billions of yen)

<b>Consolidated</b>	<b>FY18/4Q Result</b>	<b>FY18 Full Year Result</b>	<b>FY19/ 1-3Q Result</b>	<b>FY19/4Q Forecast</b>	<b>YOY Change</b>	<b>FY19 Full Year Forecast</b>	<b>YOY Change</b>
<b>Net Sales</b>	<b>83.3</b>	<b>314.8</b>	<b>218.3</b>	<b>101.7</b>	<b>122%</b>	<b>320.0</b>	<b>102%</b>
<b>Operating income</b>	<b>7.9</b>	<b>29.6</b>	<b>22.5</b>	<b>12.5</b>	<b>160%</b>	<b>35.0</b>	<b>118%</b>
<b>OPM</b>	<b>9.4%</b>	<b>9.4%</b>	<b>10.3%</b>	<b>12.3%</b>		<b>10.9%</b>	
<b>Ordinary income</b>	<b>8.1</b>	<b>28.7</b>	<b>21.9</b>	<b>11.1</b>	<b>138%</b>	<b>33.0</b>	<b>115%</b>
<b>Net income</b>	<b>4.8</b>	<b>19.6</b>	<b>17.0</b>	<b>6.0</b>	<b>126%</b>	<b>23.0</b>	<b>118%</b>
<b>EPS(Yen)</b>	<b>19.35</b>	<b>79.42</b>	<b>68.92</b>	<b>24.45</b>		<b>93.37</b>	



# Net Sales and Operating Income by Segment

(billions of yen) 7

Net Sales	FY18 Full Year Result	FY19/ 1-3Q Result	FY19/4Q Forecast	FY19 Full Year Forecast	YOY Change
<b>Consumer</b>	<b>268.9</b>	<b>187.8</b>	<b>82.2</b>	<b>270.0</b>	<b>100%</b>
System equipment	<b>38.3</b>	<b>25.1</b>	<b>16.9</b>	<b>42.0</b>	<b>110%</b>
<b>Others</b>	<b>7.6</b>	<b>5.4</b>	<b>2.6</b>	<b>8.0</b>	<b>105%</b>
<b>Total</b>	<b>314.8</b>	<b>218.3</b>	<b>101.7</b>	<b>320.0</b>	<b>102%</b>

Operating income					
<b>Consumer</b>	<b>35.0</b>	<b>28.7</b>	<b>12.8</b>	<b>41.5</b>	<b>118%</b>
System equipment	<b>0.6</b>	<b>(0.8)</b>	<b>1.3</b>	<b>0.5</b>	<b>86%</b>
<b>Others</b>	<b>0.6</b>	<b>0.3</b>	<b>(0.3)</b>	<b>0</b>	<b>-</b>
<b>Adjustment</b>	<b>(6.6)</b>	<b>(5.7)</b>	<b>(1.3)</b>	<b>(7.0)</b>	<b>-</b>
<b>Total</b>	<b>29.6</b>	<b>22.5</b>	<b>12.5</b>	<b>35.0</b>	<b>118%</b>

# Full-Year Initiatives

## Structural reforms



Complete in the current term

- Streamline expenses in existing value chain
- Create new business design
  - Reconnect seeds and needs in shortest time with maximum efficiency (user first)
  - Optimize development functions, marketing functions, and headquarters functions (transform value chain)
  - Optimize allocation of management resources/maximize performance of human resources
  - Engineer interaction across organizations and products (in-house open innovation)

## Organizational culture reforms



Complete in the current term

- Integrating 'Top-Down' and 'Bottom-Up'
  - A flat organizational culture where employees freely express their opinions and engage in discussions
  - Improvement of information gap among divisions and hierarchies

## Growth strategies



Formulate medium-term management plan  
(Publish when announcing financial results at end of current FY)

**[Existing]:** ■ Maximize high profitability of strong businesses (Timepieces and GAKUHAN)

**[New]:** ■ Create new businesses (connect with market-winning technology)

■ Promote commercialization of original technology by transforming business model (paradigm shift)

# Aims from the Next Fiscal Onwards

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		New	Exisitent
<b>Growth strategies</b>	Timepieces	Develop de facto standard for smart watch ruggedness	Continue business expansion with a strong business model (G-SHOCK)
	Educational	Expand by software business (electronic education)	Expand GAKUHAN winning strategy to untapped priority countries
	Other BU	Expand business by cultivating new genre / new market	Normalization of problem businesses (profit structure reform)
	New	Early commercialization of new business themes	
<b>Structural reforms</b>	Development	Develop growth power in existing business domain (Concurrent advance development)	Maximum efficiency in manufacturing
	Sales	Shift work for growth	Structural reform for profit maximization
	HQ	Change into organizations that support strategy implementation	Optimization of expenses (review of purpose)
<b>Company culture</b>	Company-wide	<b>Establish organizational culture to support sustainable growth</b>	

# Structural Reform - Main Efforts

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## ■ Ensure verification of cost/benefit ⇒ Switch to effective investment

**[Cancelled]** Exhibit at U.S. CES show / billboards / provide TV shows, etc.  
**[Promoted]** Enhanced G-SHOCK events (in Shibuya / Shanghai etc.)

## ■ Implement early retirement initiative program

- A measure to maximize the performance of human resources
- Establish an appropriate personnel system based on the scale of the business
- Support the diverse life plans of the employees

## ■ Review and examine organizational design

Review and examine to strengthen the execution structure and corporate governance structure to produce results

# Timepieces

Stimulating the youth market and revitalizing G-SHOCK are the keys to expanding the timepiece business

Expanding the scale of the G-SHOCK brand will have a ripple effect on other brands

Fashion watch market

Traditional watch market is metal and analog centered  
Approx. ¥5 trillion

Promotes reliability as a brand built by Casio G-SHOCK

Wearable market  
Rapidly emerging market

Wearable market  
Approx. ¥1 trillion

Everyday-use market  
(Apple watch etc.)

Aim to expand women's market with high growth potential

Effective use of G-SHOCK's assets  
SHOCK THE WORLD  
G-FACTORY

Market-oriented *monozukuri*  
Smartwatch technology

MT-G  
G-SHOCK full metal model

OCEANUS  
EDIFICE  
SHEEN



PRO TREK Smart G-SHOCK (RANGEMAN)



G-SHOCK



General CASIO Watches

Metal & Analog — Rebranding with new watch 1) design, and 2) communication  
1) Develop new color, material and finish (CMF) leveraging metal and analog design  
2) Switch the promotion focus from Shock The World to experiential fan marketing (promotion based on stories told by Casio fans)

# Accelerating New Business (Wearable Market)

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## ■ New product PRO TREK Smart (WSD-F30)

Full-color map/application expansion/toughness

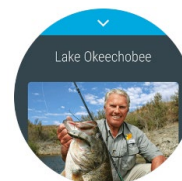
- Features organic EL
- Long-life battery (up to 3 days)
- Miniaturization “map + information on your wrist”

Focus on applications that make the unique value of a wrist device clear

- Fishing: can be used when hands are wet and dirty
- Golf: handy to show course map
- Climbing: handy to show map



WSD-F30  
(On sale January 2019)



Fishing



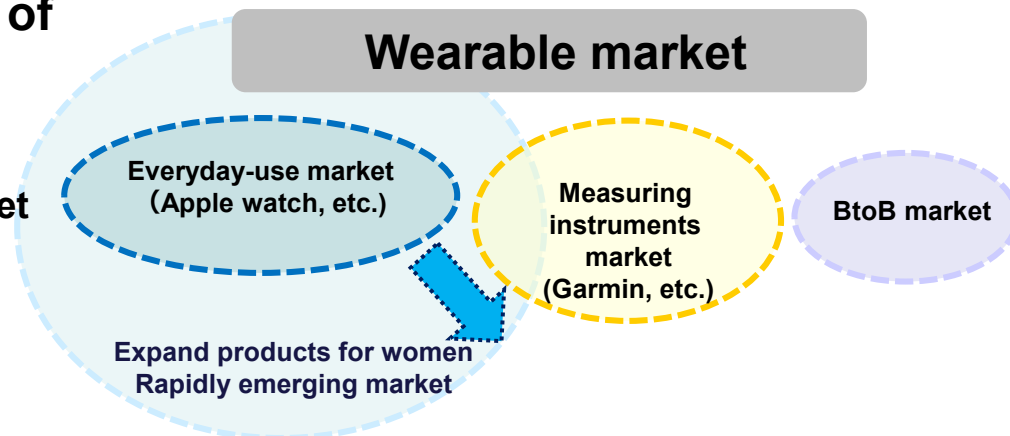
Golf



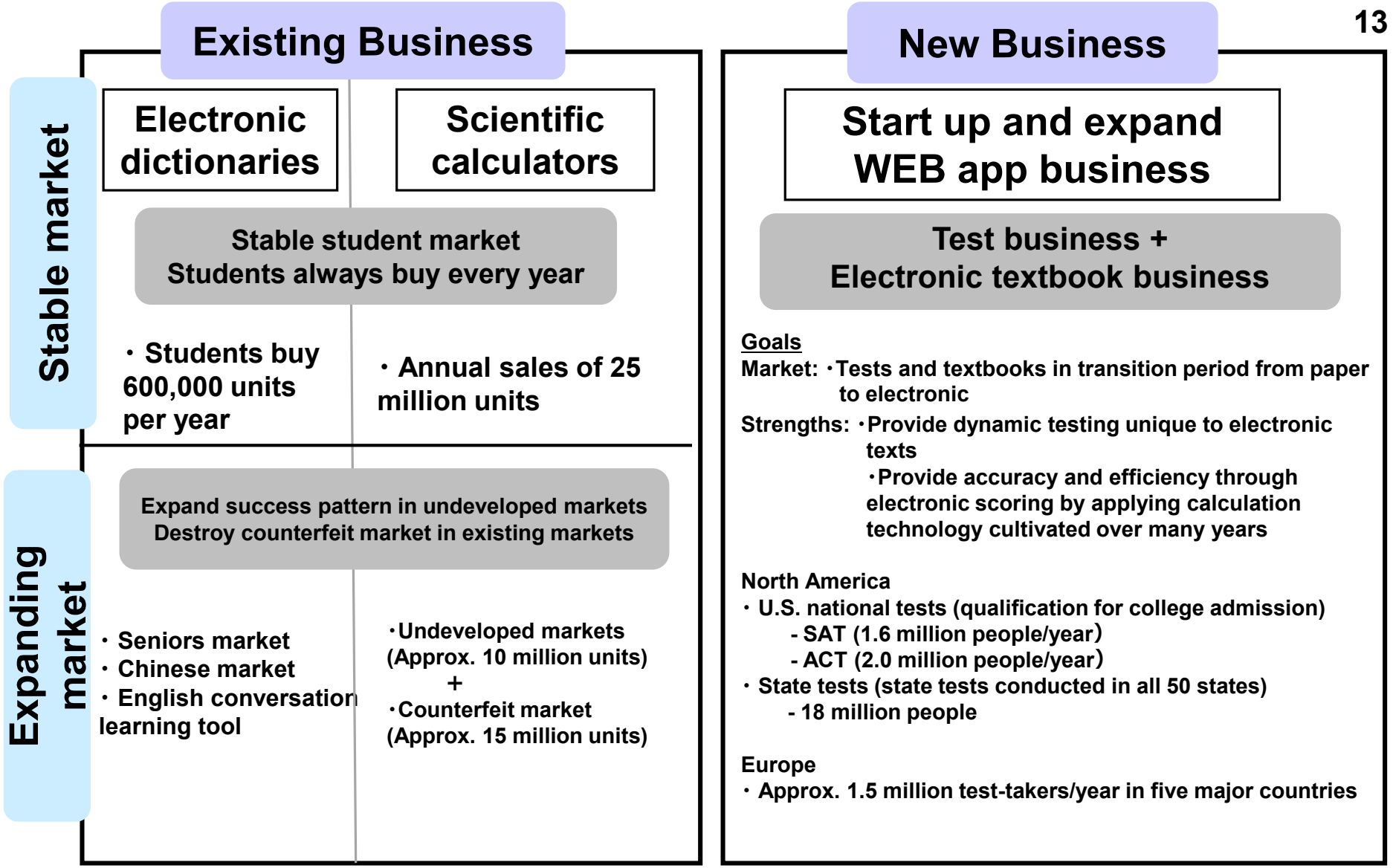
Climbing

## ■ Develop the de facto standard of the ruggedized smart watch

- Expand sales of smart outdoor watch
- Establish position in everyday-use market
- Strengthen roll out aimed at B to B



# Educational Products (Scientific Calculators/ Electronic Dictionaries)





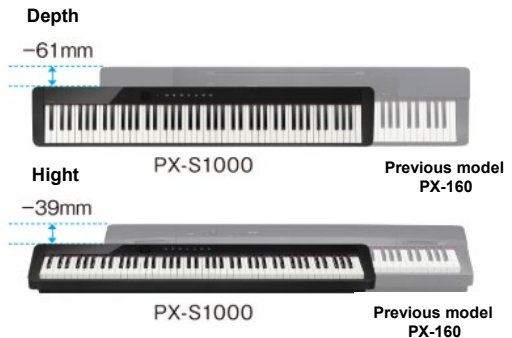
## World's slimmest digital piano\* - new Privia

\*Among digital pianos with 88 hammer-action keys and built-in speaker, Casio survey as of January 2019.

- A stylish design boasting the world's slimmest depth
- Delivers a touch and beautiful sound like a grand piano
- Audio playback feature using Bluetooth®



### ■ World's slimmest digital piano\*



\*Among digital pianos with 88 hammer-action keys and built-in speaker, Casio survey as of January 2019.

Realized the slimmer body making full use of Casio's unique high density packaging technology (20% reduction in depth size and 27% in height compared to the existing model)

### ■ Bluetooth® audio playback



Favorite songs on a smartphone / tablet can be played through the speakers of the Privia



# System Equipment

## SA

### New cash register to connect to smartphone by Bluetooth®

- Cloud-based solutions and app that helps small and medium business owners
- Features automatic tax rate change and reduced tax rate in accordance with upcoming change in consumption tax rate



## PA

### New grip-type handheld terminals with improved hold and operability

- Equipped with Android™ 8.1, three trigger keys including one on the back to suit various scanning needs
- Popular high durability features such as the ability to withstand a drop from 3.0 meters, dust and water proof compliance



## Dermoscopic imaging diagnostic system

Development of image diagnosis support system  
(diagnostic support for skin cancer etc.)

- Yamagata prefectural government authorized Yamagata Casio to manufacture medical camera (December 2018)
- Notification of product to the Pharmaceuticals and Medical Devices Agency (PMDA) (March 2019)
- Scheduled to start business from this spring



Prototype

## 2.5D Print System

Currently in the process of formulating a correct business design that can take maximum advantage of the 2.5D print system for next fiscal year.

# Impact of Foreign Exchange Rate Fluctuations

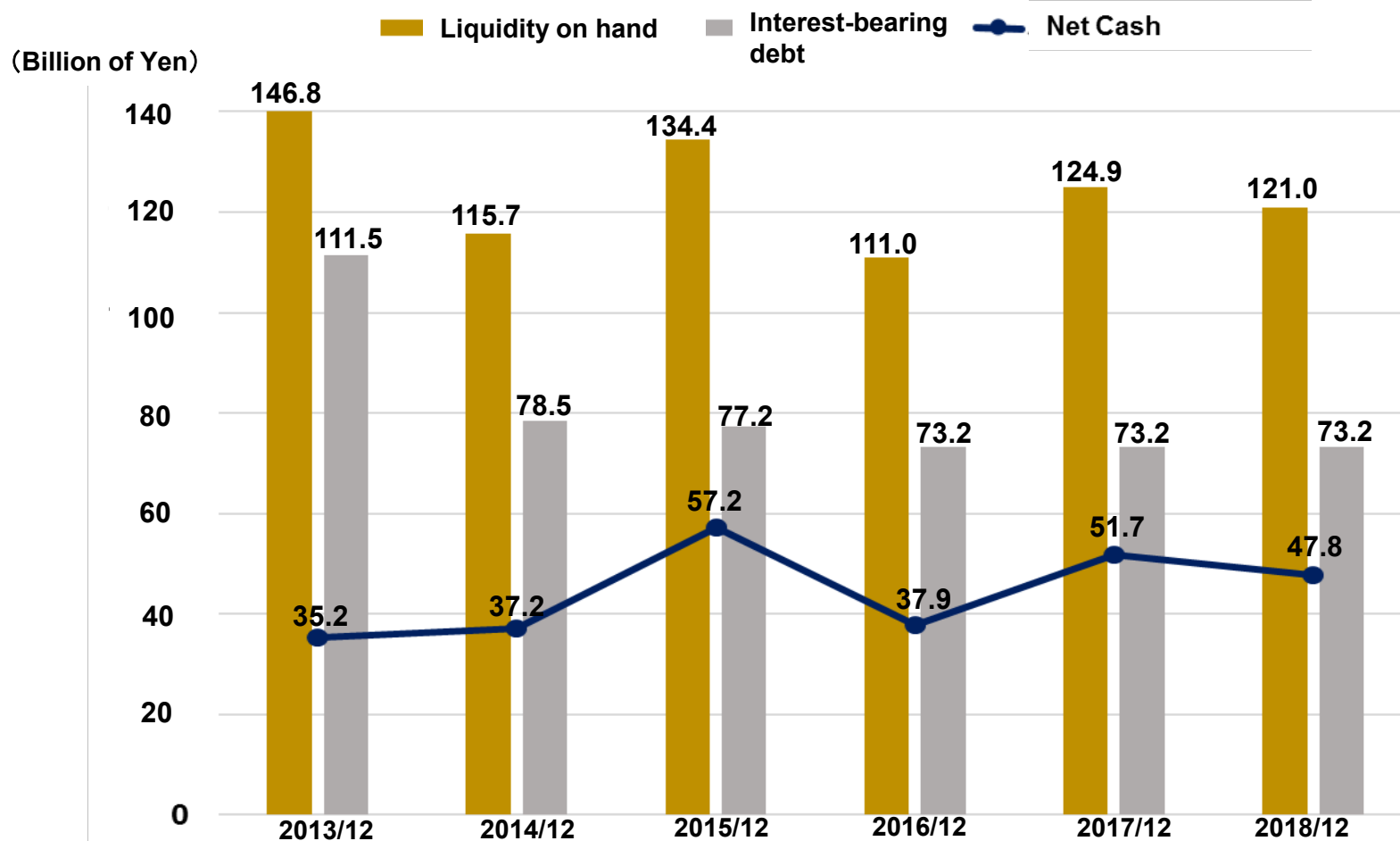
FOREX Sensitivity (Major currencies)	Assumed exchange rate (2019/1 -2019/3)	Yearly impact of one yen fluctuations	
		Net Sales	Operating income
US Dollar	¥112	¥1.0 billion	— ( ※1 )
Euro	¥128	¥0.35 billion	¥0.25 billion
Renminbi	¥16.3	¥1.8 billion	¥1.2 billion

※1 Impact of dollar-yen fluctuation is minimal as exports and imports are nearly in equilibrium

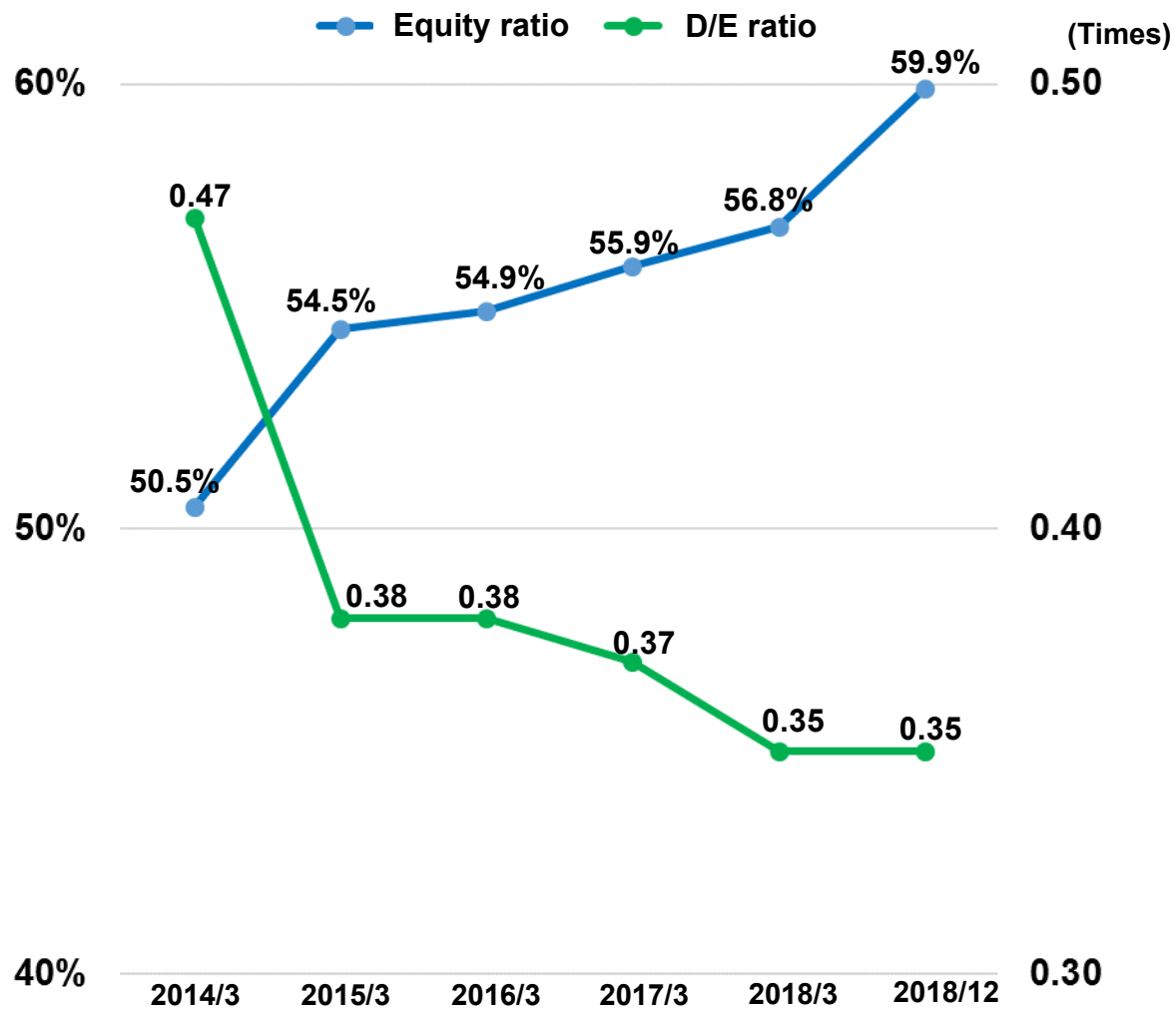
Actual Exchange Rate (YOY)	FY19/1st Half	FY19/3Q
	US Dollar	¥110.3(¥-0.8)
Euro	¥129.9(¥+3.6)	¥128.8(¥-4.2)
Renminbi	¥16.8(¥+0.3)	¥16.3(¥-0.8)

# Financial Condition

## ■ Liquidity on hand · Interest-bearing debt · Net Cash (Compared to the third quarter)



# Equity ratio · D/E ratio



**END**