

Management Policy

Basic Management Policy

Since Casio's foundation, its corporate creed has been "Creativity and Contribution." Casio's mission is to seek growth as a company, increase corporate value, and remain remarkable and attractive for all investors and customers by using innovative ideas and advanced technology to create products and services that are enjoyable for people around the world.

In the future, Casio will respond promptly and precisely to changes in the business environment, ensuring timely provision of high quality products, content, and solutions with high added value that are based on the company's proprietary technologies. Casio is known for introducing change to both consumer lifestyles and business methods. The company seeks to share excitement with all of its stakeholders by contributing to the development of the global network society.

Basic Policy on Allocation of Company Profit

Casio has positioned the maintenance and expansion of profits for all of its shareholders as an important challenge, and is striving to improve business performance and strengthen its financial structure. Consequently, the company's dividend policy is based on maintaining stable dividends, improving the allocation of profit by taking factors such as profit levels and financial position into overall consideration, and strengthening returns for shareholders.

The company allocates internal reserves to the research and development and investment required for corporate stability and growth.

Philosophy and Policy on Lowering the Investment Unit

Extending the classes of our investors and increasing the liquidity of the company's stock is an important issue in its capital policy, and Casio recognizes that lowering the investment unit is an effective means of stimulating activity in the stock market. In light of current trends in the company's stock price and the requirements of market conditions, at a board of directors meeting held May 11, 2004, it was decided to lower the investment unit from 1,000 shares to 100 shares, effective September 1, 2004.

Medium and Long-Term Management Strategy and Issues to Be Addressed

Casio considers increasing its earning capacity and strengthening its financial structure to be pressing issues, and the entire company is united in promoting the strategies described below.

(1) Improving Earning Capacity

Casio has positioned businesses that have maintained top market share and are expected to obtain stable cash flow without requiring significant additional investment as Stable Businesses. These businesses include Timepieces, Consumer (excluding digital cameras) and System Equipment. The company has positioned businesses that are expected to experience significant global market growth in the future, while also experiencing intensifying competition as a large number of companies enter the market,

as Expansive Businesses. These include the digital camera and cellular phone businesses, as well as Electronic Components (TFT LCDs). With these two types of businesses at the core, Casio is pursuing management that secures stable growth and profitability by developing strategies that suit the characteristics of each type of business. The company aims to secure stable profits in Stable Businesses while increasing operating income in Expansive Businesses. Casio is focused on the near-term goal of achieving 10% operating income margins in all on its businesses.

As a measure to improve earning capacity, Casio is striving to significantly reduce the ratio of procurement costs to sales by optimizing costs from the time development of new products begins, through collaboration between the Production and Purchasing H.Q., established in December 2003, and the Product Development H.Q. Specifically, the following four measures are high priority.

- (a) Pursue scale effects through the selection, concentration, and narrowing down of suppliers.
- (b) Promote cost cutting by expanding local procurement overseas.
- (c) Reduce the number of components.
- (d) Shorten development lead times.

(2) Strengthening Financial Structure

Casio is strongly promoting the strategies described below with the aim of strengthening its financial structure.

- (a) Improving operating margins
- (b) Reducing front-loaded working capital, including prompt collection of notes and accounts receivables and inventory reductions
- (c) Reducing fixed costs and improving cost competitiveness through integrated management of purchasing operations and reductions in purchasing cycle time
- (d) Effective and efficient capital expenditure

The company is endeavoring to enhance cash flow through these strategies with the aim of reducing interest-bearing debt by 40 billion yen and improving its equity ratio and debt/equity (D/E) ratio in two years time, thus strengthening its financial base.

Through the execution of the two strategies described above, Casio seeks to deliver original products and services with high added value, increase corporate value, and contribute to the building of a society of abundant creativity.

Basic Philosophy on Corporate Governance and Status of Strategy

In order to ensure the achievement of management objectives, enhance competitiveness, and increase corporate value, Casio recognizes the critical importance of rapid decision-making, appropriate business execution, and enhancing management supervisory functions to improve transparency. The company has implemented a range of measures with the aim of enhancing corporate governance.

(1) Implementation Status of Corporate Governance Strategies

Casio has established a corporate governance framework that combines directors and auditors with an original corporate officer system and internal audit system.

The board of directors is structured to ensure rational and rapid management decision-making. The company has adopted a decision-making process in which important management issues are discussed at meetings of the board of directors that are attended by directors and corporate auditors. Important matters related to the execution of business are discussed at meetings of corporate officers attended by corporate officers, directors, and corporate auditors in order to facilitate smooth company-wide adjustments and strategy implementation.

The board of corporate auditors includes two external auditors. In line with auditing policy and the division of duties determined by the board of corporate auditors, corporate auditors attend the meetings of the board of directors and corporate officers. In addition, they study the status of operations and assets and conduct rigorous audits using interviews with and reports from directors, and reviews of documentation related to resolutions on important matters. External auditors do not have any special interests in Casio.

The internal audit division conducts audits on the status of organizational operations based on laws and regulations as well as in-house administrative standards for organizational functions and other matters, makes evaluations and provides guidance for improvements. The division in charge of each operation is largely responsible for audits of quality, the environment, safety, security, and other issues in cooperation with the manager responsible for the organization. Casio has also extended the various in-house standards on quality, the environment, safety, and security to Casio Group companies.

As part of its efforts to improve corporate governance, Casio prepared the Charter of Creativity for Casio to articulate its basic stance for shareholders and other stakeholders, taking a specific step to reinforce its corporate creed. The company is also working to improve compliance by requiring all employees to observe laws and regulations as well as various in-house rules through the Casio Code of Conduct, which was revised in accordance with the Charter.

Casio continues to strive to provide timely and accurate information about business conditions to shareholders and investors by improving results briefings, annual reports and the company's website.

In this way, Casio continues to take a variety of initiatives to enhance corporate governance.

(2) Efforts to Enhance Corporate Governance over the Past Year

Coinciding with the anniversary of the company's founding, Casio announced the above-mentioned Charter of Creativity for Casio in June 2003. The company also prepared the Casio Code of Conduct in accordance with the Charter to serve as a guide for the daily activities of company employees and officers. These documents require all employees and officers to understand and ensure legal compliance, maintain social order, and strive to make contributions to society. By taking these steps, the company has

further improved corporate governance and compliance.

All officers and senior managers signed a pledge to fulfill the Charter of Creativity for Casio and provide guidance to company employees. This pledge was subsequently expanded to include all employees.

Moreover, in order to strengthen and promote efforts to fulfill its social responsibilities, Casio established an organization dedicated to this task, the CSR Operation Section, in April 2004, and also took steps to improve its company-wide organization.