

## **Management Policy**

### **Basic Management Policy**

Since Casio's foundation, its corporate creed has been "Creativity and Contribution." Casio's mission is to pursue growth as a company and increase corporate value by contributing to society. The company is accomplishing this by introducing innovative ideas and outstanding solutions based on its proprietary advanced technologies.

Casio will continue to deliver the values of "function, quality, economy, speed, productivity, ethics, safety, and compatibility with the environment" in its products and services. In the months and years ahead, the company looks forward to providing all of its stakeholders with more "excitement" than they anticipate, and greater inspiration than ever before.

### **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. The company's dividend policy is based on maintaining stable dividends, improving the allocation of profit by taking factors such as profit levels, financial position and the dividend payout ratio 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.

Casio plans to increase the dividend by 3 yen per share from the 17 yen per share paid last fiscal year to 20 yen per share for the year under review, taking factors such as business performance into consideration. This is the third consecutive year, beginning in fiscal 2004, that Casio has increased the dividend.

Casio has not planned any particular changes due to the elimination of limits on the number of dividend payments per year with the coming into force of Japan's new Corporate Law.

### **Philosophy and Policy on Lowering the Investment Unit**

Extending the classes of 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. For this reason, Casio lowered 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**

There are several key issues when it comes to improving corporate value through continued business growth. These are: strengthening global cost competitiveness in every business field; building a strong earning base that allows Casio to secure high profits; strengthening the company's financial structure; and taking corporate social responsibility (CSR) more seriously than ever before. To achieve these goals, Casio is promoting the following strategies group-wide.

### (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 promoting styles of business operation that suit the characteristics of each type of business. The company aims to secure stable profits in Stable Businesses while increasing sales and operating income in Expansive Businesses, with the goal of achieving a 10% operating income margin overall.

As a measure to improve earning capacity, Casio is striving to reduce the cost of sales ratio by optimizing costs, starting from the time development of new products begins at the Product Development H.Q. (Production and Purchasing H.Q. was integrated into Product Development H.Q. in June 2005). Specifically, Casio is focusing on the following four measures:

- (a) Pursuing stability of sales prices by enhancing product strength.
- (b) Realizing appropriate inventory levels by strengthening production management capability.
- (c) Reducing direct material costs by realizing greater commonality of components.
- (d) Controlling production costs by improving the operating rate of production bases.

### (2) Strengthening Financial Structure

Casio is moving ahead strongly with improvements in its shareholders' equity ratio and debt/equity (D/E) ratio with the aim of strengthening the financial foundations for future growth.

As of the end of fiscal 2006, Casio has realized improvements: the consolidated equity ratio improved to 38.1%, and the D/E ratio went to 0.6. In the future, the company will continue to pursue even more thoroughly efficient cash flow management and strive to generate free cash flow, aiming for a complete turnaround to a strong and stable financial structure.

### (3) CSR-focused Management

Casio understands that sustainable corporate growth will only come about with the sustainable development of the global community, and is actively managing its corporate social responsibility (CSR).

In an effort to bolster its activities in this area, the company established the CSR Operations Section in April 2004 to improve its company-wide organization. In December 2004, Casio also inaugurated the CSR Committee, which consists of directors and auditors with the President as Chairman. The CSR Committee determines the direction of company-wide CSR activities, including basic policy and other important matters, and works to enhance the company-wide risk management system. The company also sought to improve corporate governance and compliance by ensuring that all employees and officers understand and comply with laws and regulations, maintain social order, and contribute to society based on the Casio Common Commitment and Casio Code of Conduct prepared in accordance with the Charter of Creativity

for Casio. In December 2005, Casio published the English-language *Corporate Social Responsibility Report*, which covered the three aspects of CSR — economic, social, and environmental responsibility — and disclosed the results of its CSR activities.

Through the execution of the three 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.

**Matters Related to the Parent Company**

Not applicable