

# *Growth through innovation*

Since its establishment in 1957, Casio has developed a constant stream of innovative products made possible by the combination of ingenious concepts and state-of-the-art technologies. Our priorities are to achieve growth, increase corporate value, and provide products that enhance the lives of people worldwide.

**CASIO®**

ANNUAL REPORT 2004

FOR THE YEAR ENDED MARCH 31, 2004

# A Quick Look at CASIO



## 1. Where we stand now

Our Mission: **Creativity and Contribution**

Casio's corporate creed is "creativity and contribution." It expresses the company's commitment to contributing to society by offering the kind of original, useful products that only Casio can.

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### Consolidated Financial Highlights

- Net sales rose 18.8% year-on-year, to ¥523,528 million
- Operating income grew 53.5% year-on-year, to ¥27,491 million
- Net income surged 151.0% year-on-year, to a record ¥14,176 million

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Kazuo Kashio,  
President and CEO

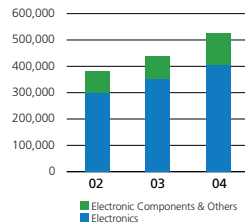
### Message from the President

*"Casio aims to develop attractive and distinctive products, create new value, improve earnings capabilities and strengthen its management capabilities."*

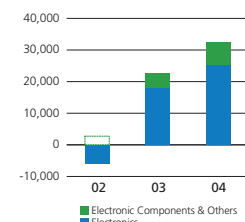
Page 3

## 2. How we did in fiscal 2004

Sales by Business Segment  
(Millions of yen)

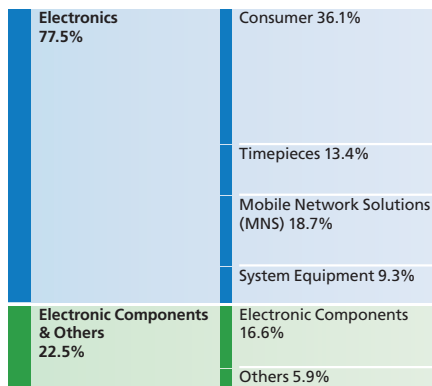


Operating Income by Business Segment  
(Millions of yen)



This graph shows figures before elimination or unallocated amount.

### Sales Breakdown



### Electronics

The Company is aggressively promoting sales of its electronics products, including the digital camera EX-Z3, the No.1 model in Japan in 2003, solar-powered radio-controlled watches such as The G, electronic dictionaries and cellular phones.

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### Electronic Components & Others

Casio holds the top share of the market for TFT LCDs for use as the monitors in digital cameras. Our group company Casio Micronics increased sales, due primarily to strong sales for its COF products.

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## 3. What we aim to achieve

- Reinforcement of earnings capacity
- Reinforcement of management strengths

To achieve the goal of strengthening our business structure, we will work continuously to bolster our financial position and reduce the ratio of material costs to sales. At the same time, we will place more emphasis on our five strategic businesses, described below.

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### Digital Cameras



- Further strengthening our branding image and overseas sales

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### Electronic Dictionaries



- Working to boost sales both in domestic and overseas markets

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### Solar-Powered Radio-Controlled Watches



- Focusing on solar-powered radio-controlled watches with the aim of making inroads into the total watch market

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### Cellular Phones



- Developing joint venture's potential with Hitachi, Ltd.

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### TFT LCDs



- Leveraging our strengths in mobile devices such as cellular phones and digital cameras

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## Corporate Social Responsibility (CSR) Activities

Casio established a Corporate Social Responsibility (CSR) section, reporting directly to the President, that spearheads various activities, including legal compliance, environmental conservation, customer satisfaction, human rights and employee satisfaction, contributions to society and so on.

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## Financial Section

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### 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.

For more IR information, see our website:

<http://world.casio.com/ir/>

# Where we stand now

We increased operating income by 53.5% year-on-year. We successfully added value to our strategic products and took steps to improve management efficiency. We will do our best to achieve our management goals under our philosophy of creativity and contribution to society.

## Our Mission

## Creativity and Contribution

Casio's corporate creed is "creativity and contribution." It expresses the company's commitment to contributing to society by offering the kind of original, useful products that only Casio can.

Products with innovative functions assist people in their daily lives and keep society moving forward. They also bring joy to people and help to create new culture. When even a single new product is widely adopted, whole new markets develop, and this in turn fosters growth in related industries. This is the story of Casio's contribution to society — innovative products enhancing people's lives.

### Consolidated Financial Highlights

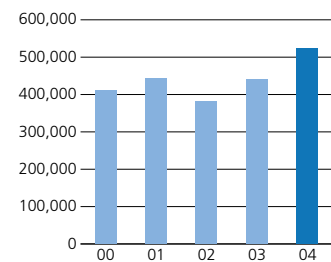
Years ended March 31, 2004 and 2003, Casio Computer Co., Ltd. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars*
	2004	2003	2004
<b>For the year:</b>			
Net sales	¥523,528	¥440,567	\$4,938,943
Operating income	27,491	17,914	259,349
Net income	14,176	5,647	133,736
Capital investment	16,213	11,168	152,953
Depreciation	14,655	14,621	138,255
Research and development expenses	14,187	14,114	133,840
<b>At year-end:</b>			
Shareholders' equity	144,403	131,957	1,362,292
Total assets	496,039	459,113	4,679,613
<b>Amounts per share of common stock (in yen and U.S. dollars):</b>			
Net income	¥51.99	¥20.27	\$0.49
Diluted net income	51.23	20.10	0.48
Cash dividends applicable to the year	15.00	12.50	0.14

\*U.S. dollar amounts have been translated from Japanese yen at the rate of ¥106 to U.S. \$1, the approximate exchange rate prevailing on March 31, 2004.

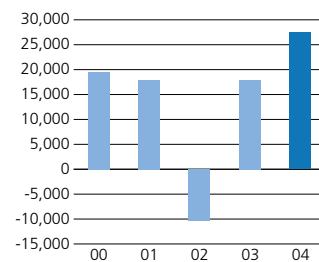
#### Net Sales

(Millions of yen)



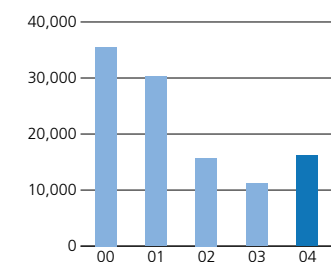
#### Operating Income (Loss)

(Millions of yen)



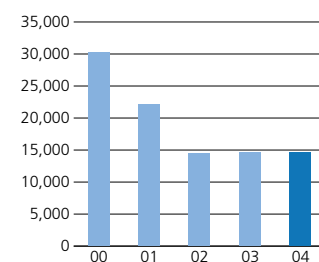
#### Capital Investment

(Millions of yen)



#### Depreciation

(Millions of yen)



## Message from the President



### BUSINESS ENVIRONMENT

During the term under review, ended March 31, 2004, the world economy progressed favorably in general, a performance that was attributable to steady economic growth in the United States and China. The Japanese economy showed signs of recovery, reflecting increases in exports thanks to a vigorous U.S. economy, as well as the recovery of the stock market and improvements in corporate earnings.

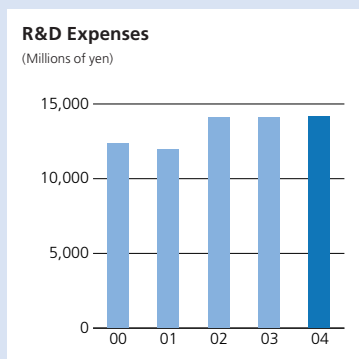
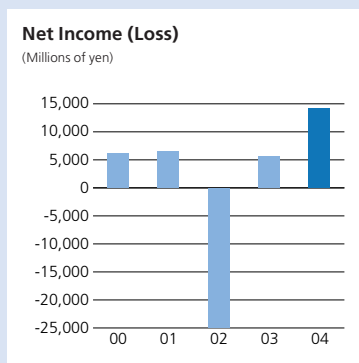
The ongoing slump in consumer spending dragged on, but hints of recovery and other optimistic signs began to appear, pointing toward a real business recovery.

Turning to the markets in which we are active, digital home appliances (digital cameras, cellular phones, LCD TVs, and DVDs) posted great gains, acting as market-driving forces. Consequently, demand for semiconductors and electronic components also increased, leading to a general recovery in the markets.

reflecting excellent progress centered on strategic businesses.

Operating income climbed by 53.5% over the previous term to reach ¥27.4 billion, reflecting the benefits of major improvements in profit margins resulting from boosting product appeal in strategic businesses and the reinforcement of business efficiency and other profit foundations.

In addition, net income surged by 151.0% over the previous term to reach a record ¥14.1 billion.



### BUSINESS PERFORMANCE FOR THE TERM UNDER REVIEW

Under this business environment, the Casio Group forged strongly ahead with the development of strategic businesses, including timepieces, digital cameras, electronic dictionaries, cellular phones, and TFT LCDs, setting the stage for the achievement of sales targets. At the same time, we stepped up efforts aimed at boosting business efficiency, including improvements in capital efficiency and drastic reductions in fixed costs.

As a result, net sales during the term under review rose by 18.8% year-on-year, to amount to ¥523.5 billion on a consolidated basis,

### FUTURE CORPORATE STRATEGY AND ISSUES TO BE ADDRESSED

Capitalizing on our core competencies, we are energetically undertaking a wide range of measures throughout our areas of business, including original product development and steps to boost profits based on a long-term viewpoint. We also seek to grow business results and strengthen our financial position in an effort to enhance efficiency and create new values.

More specifically, we are putting a great deal of effort into the following measures, which are aimed at raising the Company's earnings capacity and management strengths.

## Reinforcement of earnings capacity

### (1) Major reductions in the ratio of materials procurement costs to sales

In December 2003, we established the Production and Purchasing Headquarters, which will work in close cooperation with the Product Development Headquarters to identify the optimal cost structure from the start of development new products, with the objective of making deep cuts in the ratio of material procurement costs to sales. More specifically, the following four points have been identified as priority measures.

- (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) Expansion of measures in strategic business areas

- In the area of digital cameras, we will roll out advanced models that feature both portability and high performance, not only in the domestic market but also in overseas markets, which are expected to grow well.
- In the area of electronic dictionaries, we will continue to maintain our top domestic share while stepping up our growth in overseas markets, which we entered in the first half of the reporting term, in an effort to gain more name recognition and growth in world markets.
- In the area of solar-powered radio-controlled watches, we will broaden the scope for solar-powered radio-controlled watches in the world market by launching full metal models and models compatible with multi-band, and by expanding our lineup of products targeted at women in addition to ultra-thin models.

- In the area of cellular phones, in April 2004, we established with Hitachi, Ltd. a joint development company known as Casio Hitachi Mobile Communications Co., Ltd. Concentrating the strengths of both parent companies, this new company will develop products with competitive strengths compatible with innovative future technologies. In addition, we intend to improve earnings capacity by reducing the burdens associated with development and boosting development speed through the building of common development platforms.
- In the area of TFT LCDs, we expect ongoing business growth as demand for the monitors of digital cameras, in which we held the top market share in the world as of March 2004, is forecast to rise favorably.

## Reinforcement of Management Strengths

### (1) Reinforcement of financial position, paving the way for the achievement of our targets

We are working via a variety of measures to generate cash flows with the objective of bolstering our financial position. The following two points are the specific targets that we intend to achieve over the next two years.

- D/E (debt to equity) ratio: We reduced the D/E ratio to 1.1 at the end of March 2004, from 1.3 at the previous term end. Over the next couple of years, we plan to slash a further ¥40 billion worth of interest-bearing debt, with the ultimate goal of bringing the D/E ratio below 1.0.
- Shareholders' Equity ratio: The performance for the reporting term was up by 0.4 of a percentage point over the corresponding period of the previous term to stand at 29.1%. We are aiming to boost profitability even more in the future, as well as increase

retained earnings, with the ultimate goal of achieving a ratio of 40.0%.

### (2) Corporate Governance

In order to achieve business targets categorically, reinforce competitive strengths, and raise our enterprise value, we recognize the crucial importance of swift decision-making and appropriate execution of duties, along with improvements in the management supervision system leading toward greater management transparency. Consequently, we are taking a wide range of measures to pave the way for more substantial corporate governance.

We have thus moved to restate our business ethics in more concrete terms by formulating our basic posture to shareholders and other stakeholders in a document entitled Charter of Creativity for Casio. In addition, we are calling on all of our employees to observe laws and ordinances and our various internal rules through the revision of Casio Code of Conduct, which is based on the Charter, in an effort to boost compliance. Similarly, we established the dedicated CSR Operation Section in April 2004 to enhance our commitment to corporate social responsibilities, with the objective of reinforcing the entire corporate system.

We will continue to strengthen corporate governance through further such measures.

We intend to be a corporation that can quickly and accurately respond to changes in the business environment and share its passion with all stakeholders through the provision of value-added and high-quality products — along with contents and solutions — based on our proprietary technologies, which offer the potential for major changes in life and business styles, and by contributing to the development of the globally networked society.

# High-Performance Function in a Compact Body



Casio's EXILIM camera is ultra-compact and stylish, and packed with features. With **an optical zoom lens** and **a large, bright two-inch color LCD monitor**, it takes great high-resolution photos, and is easy to use. Start-up time is a mere 1.6 seconds and release time 0.01 second to ensure that the perfect shot is never missed. The EXILIM camera is a perfect companion for tourists and those who enjoy outdoor activities, as well as anyone who is looking for an ultra-compact, high-performance digital camera. The latest EX-Z40 model shown here features a battery life 2.5 times that of the EX-Z4.



EXILIM

# How we did in fiscal 2004

Sales in both categories showed substantial growth. Sales for the Electronics segment rose 15.8% reflecting strong performances by digital cameras, electronic dictionaries, solar-powered radio-controlled watches, and cellular phones with one megapixel and two megapixel cameras. Sales for the Electronic Components and Others segment surged 30.4%, thanks to a large expansion in sales of TFT LCDs and COF.

## CASIO at a Glance

### 77.5% Electronics

#### Consumer



##### Principal Products

- Electronic Calculators
- Electronic Dictionaries
- Label Printers
- Visual-Related Products
- Digital Cameras
- Electronic Musical Instruments

#### Timepieces



##### Principal Products

- Digital Watches
- Analog Watches
- Clocks

#### Mobile Network Solutions (MNS)



##### Principal Products

- Cellular Phones
- Pocket Computers
- Handy Terminals

#### System Equipment



##### Principal Products

- Electronic Cash Registers (including POS)
- Office Computers
- Page Printers
- Data Projectors

### 22.5% Electronic Components and Others

#### Electronic Components



##### Principal Products

- LCDs
- Bump Processing Consignments
- TCP Assembly and Processing Consignments
- Carrier Tape

#### Others



##### Principal Products

- Molds
- Toys
- Factory Automation



## Consumer Category



**In the Consumer Category, sales of digital cameras and electronic dictionaries far exceeded Company forecasts, marking a dramatic growth. Sales rose 32.6% from the previous term, to ¥188 billion.**

We aim to bring greater convenience into people's lives and help make every day more enjoyable. With this aim in mind, Casio is developing a broad lineup of attractive products. We are focusing not only on digital cameras, but also on electronic calculators — from general-use to sophisticated models— to suit a broad user range, as well as electronic musical instruments that even beginners can easily master, and portable LCD televisions that can be used anywhere. In March 2003, we began selling the digital camera EXILIM ZOOM EX-Z3, which was the top selling model in the Japanese market in 2003<sup>\*1</sup>. The EXILIM EX-Z3 won the EISA (European Imaging and Sound Association) Awards and was named European Digital Mini Camera of the Year 2003-2004. Thanks to their favorable reputation, overall digital camera sales doubled to 2.8 million in the term ended March 2004, from 1.4 million units for the previous term.

With over 30 varieties of electronic dictionaries, Casio boasts the most extensive lineup and the largest market share in Japan<sup>\*2</sup>. Our electronic dictionaries are popular among a wide array of users, from students to business people. Sales in South Korea, Germany and Spanish-speaking markets were largely on target. On March 26, we launched the XD-W6400, an electronic dictionary equipped with a substantially enlarged capacity for business use. This electronic device, containing 50 different dictionaries, holds the distinction of being the model with the largest collection of built-in dictionaries as of February 2004. This model is equipped with a high-resolution 5.7-inch large STN LCD. It also features a backlight, and is thus superior in terms of both readability and the amount of information provided.

During the term under review, Casio also launched a new PRIVIA brand of digital pianos, offering the features of a concert grand piano at a competitive price.

<sup>\*1</sup>This is based on the results of a survey conducted by GfK Marketing Services Japan Ltd.

<sup>\*2</sup>This is based on the results of a survey conducted by GfK through April 2003 to March 2004.

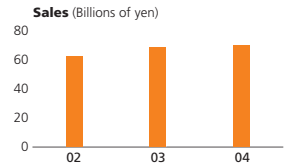
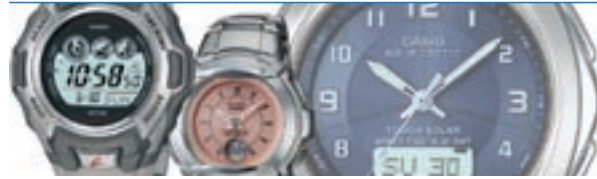


Casio's EX-Z3 was named Digital Mini Camera of the Year at the European Photo Awards 2003/2004 ceremony hosted by the European Imaging & Sound Association (EISA). Winners pose after the ceremony.



Casio's new PRIVIA digital piano offers a sound quality and natural keyboard touch comparable to conventional pianos, achieving exceptional quality at a highly competitive price.

# Timepieces Category



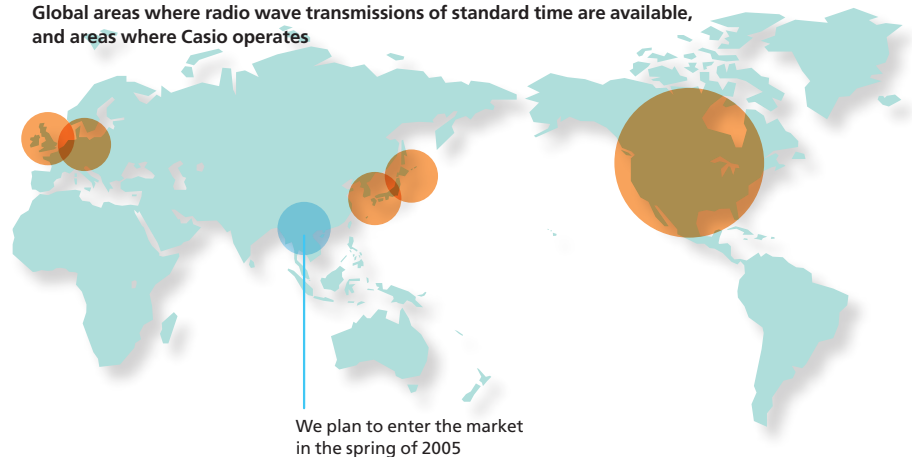
**Our solar-powered radio-controlled watches — led by the popular G-Shock brand — contributed to expansion in new markets. In the Timepieces Category, sales increased 2.4% from the previous term, to ¥70 billion.**

In addition to our world-famous brands “G-Shock” and “Baby-G”, we have developed products that incorporate cutting-edge watch technologies — solar-powered radio-controlled watches that are automatically adjusted via transmissions from radio stations that relay the standard time for that time zone.

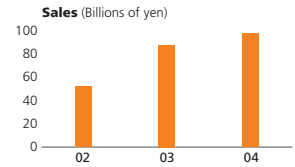
During the term under review, strong sales of “The G”, the top-of-the-line of our “G-Shock” series of shock-resistant wristwatches — which incorporate a solar cell and radio-controlled time calibration — contributed significantly to the growth of the solar-powered radio-controlled watch market. In November, we launched an ultra-thin model with a stylish body. This product features strong radio reception performance even in adverse conditions and a large-capacity solar-powered system, utilizing in-house-developed technology for producing ultra-thin watches.

Last fall, we made efforts to expand our overseas lineup, by launching a model that receives radio transmissions from both the U.K. and Germany. As a result, overall sales of solar-powered radio-controlled watches grew by 50%, to 1.5 million units in the term ended March 31, 2004, compared with 1 million units for the previous term.

**Global areas where radio wave transmissions of standard time are available, and areas where Casio operates**



## Mobile Network Solutions (MNS) Category



**Our cellular phone equipped with megapixel camera compatible with au service format has led sales upward. Consequently, sales for the Mobile Network Solutions Category increased 11.4% from the previous term to ¥97 billion.**

In the Mobile Network Solutions (MNS) Category, we undertook ranges from cellular phones with sophisticated features, which account for the majority of sales, to handy terminals.

We saw especially strong sales of our 3G camera-equipped cellular phone with a resolution of 1 megapixel — the first of its kind to be compatible with au cellular phone services and launched in May 2003. In December of the same year, we brought out the first au-compatible model with a resolution of 2 megapixels, thereby leading the market in camera-equipped cellular phones with megapixel resolution.

In July 2003, we announced a partnership with South Korea's leading telecommunications carrier LG TeleCom in the field of cellular phone component supply and technological corporation. Through the cooperative efforts of both companies, we launched new products in the South Korean market, and achieved strong sales.

In November of the same year, we announced the establishment of a joint venture with Hitachi, Ltd. for the development of cellular phones, aiming to further increase our share of the cellular phone market. Through this move, we expect to accelerate the product development process and increase efficiency.

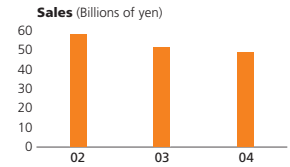


Executives of Casio and Hitachi pose for a photo following the announcement of their joint venture at a press conference in November 2003.



Casio formed a tie-up with LG TeleCom of South Korea to utilize more fully its extensive experience and know-how in camera-equipped cellular phones. Sales of jointly developed products commenced in July 2003.

## System Equipment Category



Owing to the impact of sluggish IT-related demand worldwide, sales in the System Equipment declined 5.1%, from the previous term to ¥48 billion.



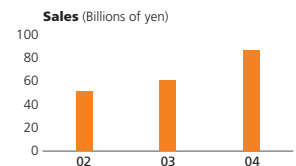
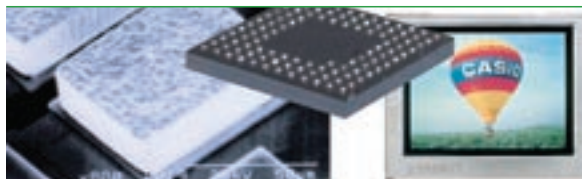
Casio's conveniently compact data projector features surprisingly high luminosity.

The System Equipment business provides system equipment and original solutions for supporting a wide range of functions for corporate clients. Mainstay products include a high-speed color page printer and cash registers that meet the needs of a wide variety of retail formats.

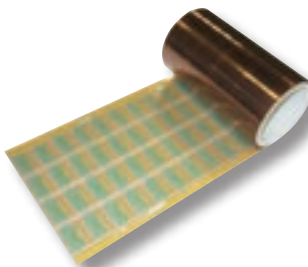
During the term under review, Casio added a new dimension of portability to the data projector market by bringing to market two types of high-resolution, mobile projectors, along with a new 4-megapixel CCD multi-function projector camera. These new products, released into the business and education markets, sell under the brand name CASSIOPEIA® PRO.

One of them is XJ-450, which produces 2,800 ANSI lumens for the B5 file format, another is XJ-350, which produces 2,200 ANSI lumens for the A5 file format. Both models come with a 2X optical zoom wide-angle lens, making these projectors ideally suited to environments where meeting space is limited.

## Electronic Components Category



Thanks to strong sales by our TFT LCD business and the film device business of our subsidiary Casio Micronics Co., Ltd., sales in the Electronic Components Category surged 43.5% from the previous term to ¥86 billion.



COF (chip-on-film) is the film on which LSI chips for LCD panels are mounted.

In the Electronic Components Category, we are expanding operations for small and medium-sized TFT LCDs, which are indispensable to all mobile digital appliances. Moreover, our group company Casio Micronics specializes in Bump\* and film processes involved in LSI package production.

In the TFT LCD business, Casio holds the top share worldwide for the monitors used in digital cameras as of the end of March 2004. Regarding monitors for use in cellular phones, sales were strong thanks to the Company's efforts to carve out demand in overseas markets. In addition, the film device business of Casio Micronics also increased sales, exceeding Company forecasts, due primarily to strong sales for its leading product, COF, thanks to a recovery in the demand for monitors of personal computers.

\* Bump is a technology that forms microelectrodes for LSI chips, which are essential for high-density mounting.



# Unstoppable, Accurate, Strong

**Want a great watch?** Try the Casio Wave Ceptor series! No need to calibrate your watch every time. Also, no need to worry about replacing your battery. And you won't have to worry about breaking your "G-Series" watch — it's almost unbreakable. The Wave Ceptor series are solar-powered radio-controlled watches. They automatically synchronize to the local time, and are thus always accurate. Equipped with solar-powered cells and secondary rechargeable batteries, they keep on working. These Wave Ceptor watches are the ultimate timepieces in that they require no maintenance.

# 3

## What we aim to achieve

We are aiming to achieve the goal of strengthening our business structure. Therefore, we will work continuously to bolster our financial position and reduce the ratio of material costs to sales. At the same time, we will place more emphasis on our five strategic businesses, described below.



### Casio's Medium-Term Targets

During the term under review ended March 31, 2004, we realized a large expansion in sales profit over the previous term. In the future, we will make further efforts to increase sales profit while revamping our management practices to further improve our business performance. We plan to implement the following measures to meet these goals.

### Reinforcement of earnings capacity

#### 1. Major reductions in the ratio of materials procurement costs to sales

We established a new organization (the Production and Purchasing Headquarters) responsible for materials procurement in December 2003, with the goal of reducing the cost of sales, which accounts for just over 70% of sales. This organization will lead the campaign to work to realize the benefits of scale by reducing the number of suppliers of components, and seek cost savings by broadening the scope of local procurement of components in overseas markets. The organization will also seek the optimal cost structure from the planning stage of new products, in close collaboration with the Product Development Headquarters, which is responsible for product development. Specifically, it will make efforts to reduce the number of components, share platforms, and shorten lead times in development, to drastically reduce the ratio of materials procurement cost to unit price.

#### 2. Expansion of measures in our strategic business areas

The following is a list of our strategic business areas. We plan to further expand our total business scale by concentrating management resources in these areas:

- Digital Cameras
- Electronic Dictionaries
- Solar-powered radio-controlled watches
- Cellular phones
- TFT LCDs

Please see pages 13-15 for more details regarding plans for expanding each business.

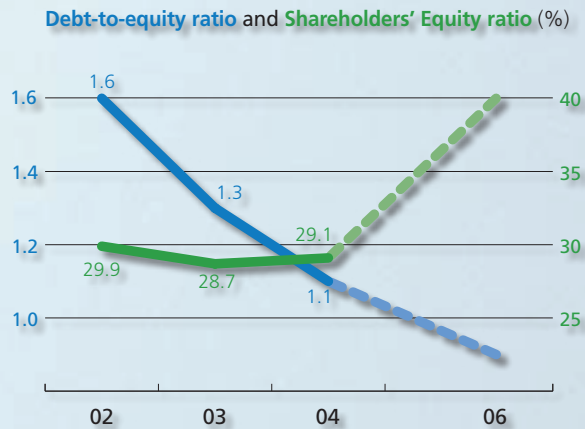
### Reinforcement of management strengths

#### 1. Reinforcement of financial position

To expand operations, the Company must have a strong financial position. We will implement the following measures to bolster our financial position and make efforts to generate cash flows:

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

The aforementioned measures are expected to serve as a source of cash flows, enabling the Company to reduce interest-bearing debt by ¥40 billion in the two-year period ending March 31, 2006 and improve both the debt-to-equity ratio and shareholders' equity ratio.



## Five Strategic Business Areas

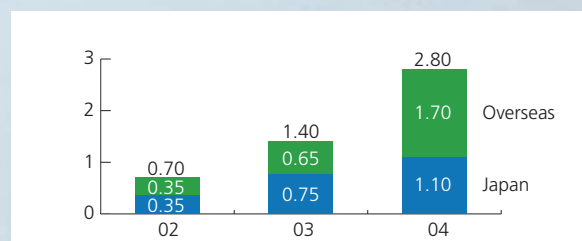
### Digital Cameras



For the current term, we estimate the scale of the domestic market for digital cameras at 9.4 million units (up 9% year-on-year), and that of the overseas market at 50.6 million units (up 38% year-on-year), planning a surge in sales in overseas markets especially. In the reporting fiscal year, we undertook an aggressive advertising and publicity campaign to raise the brand recognition of our digital cameras. In the current term, we aim to pick the fruits of our efforts and strengthen the brand image still further.

In our development of digital cameras, we have combined innovative product concepts with the latest technology. This approach has enabled us to create digital cameras based on totally new concepts, such as “wearable” cameras, that make it easier to take pictures wherever and whenever you want. Through this kind of concept-inspired product development, we intend to continue realizing the sort of digital camera innovations of which only Casio is capable.

**Sales** (Millions of units)

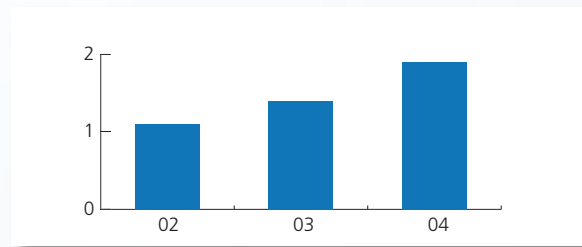




## Electronic Dictionaries

In recent years, the use of electronic dictionaries has been growing among students and business professionals in Japan, and the use of electronic dictionaries in schools, during lectures, is also increasing. Overseas, we estimate a huge latent demand for these products. The number of overseas students exceeds the current level of the same target customers in Japan by 26 times, and by 14 times in terms of the number of business professionals. During the reporting period, Casio commenced sales of electronic dictionaries in South Korea, Germany, Spain, and Spanish-speaking countries in Latin America. We will make active efforts to expand sales in overseas markets, with their huge latent demand, and continuously boost sales in Japan.

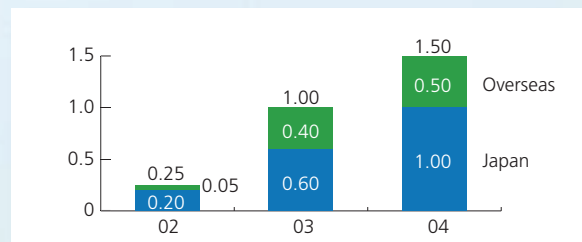
**Electronic Dictionary (high-end type) Domestic Market Trends** (Millions of units)  
Source: Company Survey



## Solar-Powered Radio-Controlled Watches

By working to raise consumer awareness of the distinctive features of our solar-powered, radio-controlled, ultra-thin watches, we are expanding sales in a rapidly growing market. To further expand this market, we are currently developing all-metal and multi-band models to offer customers a wider selection. And deeming it necessary to simultaneously expand sales of women's watches, we are currently preparing products for this market segment. Data transmissions are steadily becoming available in more and more areas of the world, including not only Japan, but also the U.S., Europe, and eventually China. We will boost our market share in these markets by launching competitive products.

**Sales** (Millions of units)





## Cellular Phones



Aiming to expand our cellular phone business, Casio established a joint venture with Hitachi, Ltd. The new company, Casio Hitachi Mobile Communications Co., Ltd., began full-scale operations on April 1 of this year. The two companies have pooled their strengths, namely Casio's technological know-how in high-density mounting, image-processing, and application software, and Hitachi's expertise in high-speed data transmission, device utilization, and systems design. Through this move, the two parent companies are sharing a common platform for cellular phone terminals; reducing development costs as well as improving efficiency in development; and slashing production costs by centralizing materials procurement. In this way, Casio is strengthening its business structure to resist market fluctuations. We are working to develop appealing, competitive products compatible with the latest technological innovations. Casio is developing new products incorporating CDMA technologies with an eye on overseas cellular phone markets, which promise further expansion.

### Joint-Venture Company Overview

Company name:	Casio Hitachi Mobile Communications Co., Ltd.
Established:	April 1, 2004
Paid-in Capital:	¥3 billion
Equity stake:	Casio 51%, Hitachi 49%
Operations:	Development, design, procurement, product, quality assurance, sales and services for cellular phones

## TFT LCDs

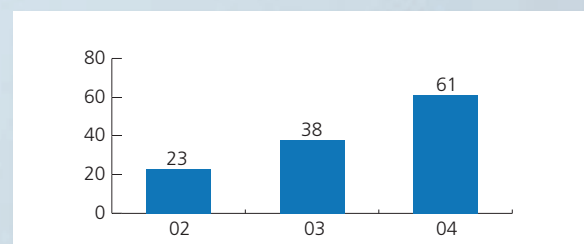


Recently, the size of the market for small-sized TFT LCDs panels has grown proportionately to the global expansion seen in the cellular phone and digital camera markets. Against this backdrop, we have been working to expand the scale of our business operations, and have secured the top share in the fields of digital camera LCD screens as of March 2004.

Since Casio began manufacturing TFT LCDs in 1994, we have specialized in the production of small and medium-sized items. We have succeeded in producing high-resolution, energy-efficient models suitable for use in mobile devices at low cost.

Making full use of our strong technological and production capabilities in responding to customers' needs, we intend to expand our market share for small and medium-sized TFT LCDs.

### Sales (Billions of yen)



\* including sales to group companies

## Corporate Social Responsibility (CSR) Activities

The Casio Group is undertaking various activities to fulfill its corporate social responsibilities. On April 1, 2004, Casio established its CSR Operation Section to strengthen and promote CSR activities. Using the Charter of Creativity for Casio as a guideline, we are actively promoting strict adherence to compliance regulations and corporate ethical standards, while ensuring that social contributions are being made.

### The Charter of Creativity for Casio

Our management philosophy values “creativity and contribution” of every Casio employee. To emphasize this as a priority, we drafted the Charter of Creativity for Casio in June 2003. Then, in December 2003, we prepared the Casio Code of Conduct, which serves as an essential guide for the daily work of all Casio employees. These two texts have been made publicly available on Casio’s website.

First Chapter	We will value creativity, and ensure that our products meet universal needs.
Second Chapter	We will strive to be of service to society, providing customers with delight, happiness and pleasure.
Third Chapter	We will back up our words and actions with trustworthiness and integrity, and work as professionals.

In addition, the Company declared in its Casio Code of Conduct that all employees of the Casio Group shall always behave in an appropriate manner, which includes respecting human rights, separating personal affairs from business, promoting environmental conservation and contributing to the local communities in which we operate.

### Principal Measures Taken

We are assisting the advancement of science. Recalling the cash-strapped days of developing the calculator, the late Tadao Kashio, one of Casio’s founders, established the Casio Science Promotion Foundation. The foundation actively supports scientific research into next-generation technologies. Once a year, the Company selects the new projects that will be the recipients of assistance.

### Contributing to the Local Community

We offer factory tours to school children under a project entitled, “Factory Tours for 10,000 Visitors Project.” The first tour was conducted for elementary school students at the Kofu plant of Kofu Casio Co., Ltd. on February 20, 2004. The students were given the opportunity to try their hand at calculator assembly. With the goal of receiving 10,000 visitors,

we have scheduled 27 tours between April and December 2004. Other social contributions include donations for the installation of a multipurpose air dome in the public square outside JR Ozaku Station, the closest station to the Hamura Research and Development Center, our R&D base located in Hamura, Tokyo.

### Environmental Conservation Activities

We have drafted a document entitled Fundamental Environmental Policies, based on our “Casio Environmental Charter.” We have prepared a voluntary plan for the environment that addresses specific themes and measures to be implemented at each stage. The quantitative targets and deadlines for the plan are stipulated in Casio Group’s environmental action plan the *clean & green 21* initiative. These targets are revised as necessary.

With regard to product development, we conduct assessments to ensure that each product adheres to environmental standards and is Eco Mark-certified. The products that fulfill all the necessary requirements receive the Casio Green Products authorization. Moreover, we are working to reduce electricity consumption, eliminate harmful substances, and make products easier to disassemble. Groupwide environmental conservation efforts include the collection and recycling of information devices and consumables, the reduction of product packaging materials, the selection of materials and ingredients that lighten the environmental load, and the implementation of measures to raise efficiency in the product manufacturing and shipment processes. And we are making efforts to save as much resources and energy as we can in our day-to-day administrative operations.



The 21st Research Promotion Awards Ceremony, held by the Casio Science Promotion Foundation.



Schoolchildren try their hand at calculator assembly.



# Faster, Smarter

Casio's electronic dictionaries have always been easy to use. Well now, our slim "EX-Word" series is also smarter, portable, but tough enough. As many as 50 different dictionaries can be preinstalled. Those who want to learn languages will find it highly useful. This is the ideal electronic dictionary for students. No other electronic dictionary can beat the usability of the EX-Word.

An ideal model for students of English, incorporating 42 different dictionaries

**EX-word**  
[ éks-wé:d ]



English-German  
Dictionary model

# Management's Discussion and Analysis

## NET SALES

Net sales climbed 18.8% year-on-year on a consolidated basis in fiscal 2004, to ¥523,528 million. This was due chiefly to strong performances by our strategic businesses of digital cameras, electronic dictionaries, cellular phones, and TFT LCDs.

	Millions of yen	
	2004	2003
<b>Electronics:</b>		
Consumer .....	¥188,960	¥142,486
Timepieces .....	70,131	68,500
Mobile Network Solutions (MNS) .....	97,805	87,819
System Equipment .....	48,706	51,340
Subtotal .....	405,602	350,145
<b>Electronic Components &amp; Others:</b>		
Electronic Components .....	86,903	60,566
Others .....	31,023	29,856
Subtotal .....	117,926	90,422
<b>Total</b> .....	<b>¥523,528</b>	<b>¥440,567</b>

## Results by Segment

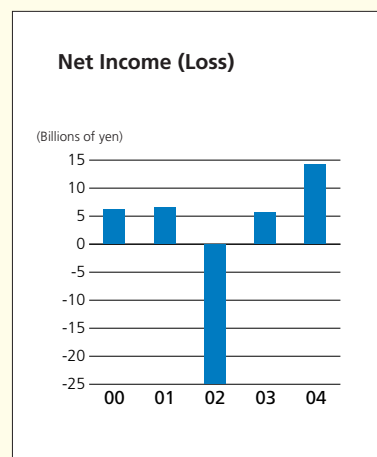
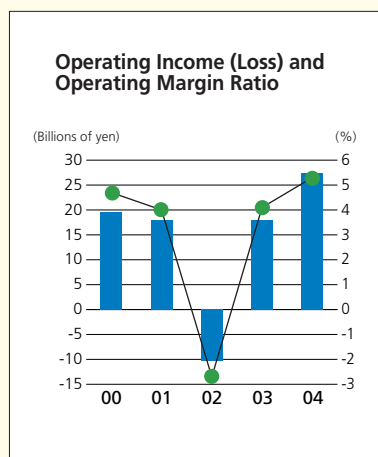
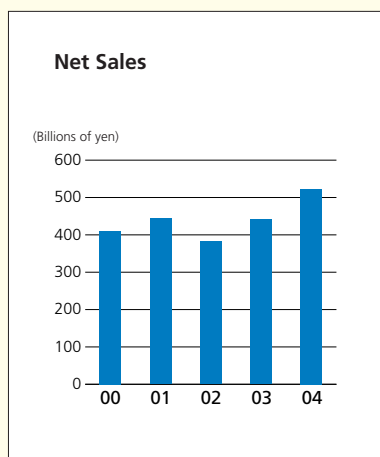
Sales in the Electronics segment increased 15.8%, to ¥405,602 million, and accounted for 77.5% of net sales.

In the Consumer Category, sales surged 32.6%, to ¥188,960 million. In addition to our best-selling digital camera the EX-Z3 — the model with the No.1 share in Japan — we launched new products including new models of the same series, the EX-Z4 and the EX-Z40, which showed a strong performance throughout the term. As for electronic dictionaries, Casio boasts the most extensive product lineup in the industry, having developed models loaded with contents specific to the needs of each target user segment, such as students or business professionals.

In the Timepieces Category, sales grew 2.4% to ¥70,131 million. Thanks to strong sales of "The G," our solar-powered radio-controlled watches have opened up a new market. In November, we further expanded our product lineup by launching an ultra-thin solar-powered radio-controlled watch. In European markets, we began selling models receiving radio transmissions both from U.K. and German stations, and are making further efforts to expand sales in overseas markets.

In the MNS Category, sales rose 11.4%, to ¥97,805 million. We saw strong sales of our au-brand cellular phone equipped with a megapixel camera, which went on sale in May 2003, and our au brand cellular phone equipped with a 2-megapixel camera, which was brought to market in December.

In the System Equipment Category, sales fell 5.1%, to ¥48,706 million, owing primarily to



the worldwide decline in IT-related demand.

Sales in the Electronic Components and Others segment increased 30.4%, to ¥117,926 million, and accounted for 22.5% of net sales.

Sales in the Electronic Components Category climbed 43.5%, to ¥86,903 million. Our TFT LCD business has gained the top share of the world-wide market for screens used in digital cameras. In addition, we substantially increased TFT LCD sales for cellular phone use in overseas markets. With regard to the film device business of Casio Micronics Co., Ltd., sales of COF (chip-on-film), a leading product benefiting by the recovery in demand for PCs, exceeded initial targets.

Sales in the Others Category increased 3.9%, to ¥31,023 million. Substantial growth in Yamagata Casio Co., Ltd.'s components business compensated for the effects of the consolidation of independent businesses at Aichi Casio Co., Ltd., resulting from the Company's business alliance with Flextronics to consign certain manufacturing operations.

### Results by Region

Sales in Japan grew 11.4%, to ¥299,224 million, and comprised 57.2% of net sales. The increase in sales is attributable to strong sales of our strategic products — digital cameras, electronic dictionaries and cellular phones. Sales in North America rose 3.7%, to ¥51,230 million, which accounted for 9.8% of net sales. Sales in Europe rose 21.3%, to ¥68,132 million, principally as a result of growing sales of digital cameras, and accounted for 13.0% of net sales. Sales in Asia and other regions, excluding Japan, climbed 58.1%, to ¥104,942 million, and accounted for 20.0% of net sales on the back of a dramatic increase in electronic component sales.

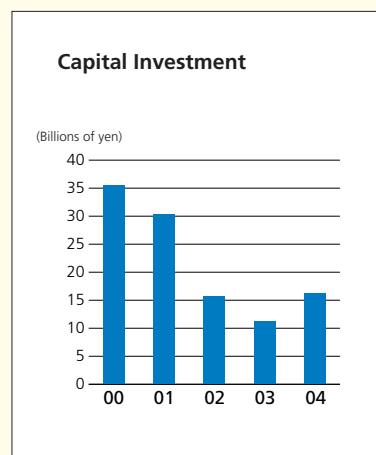
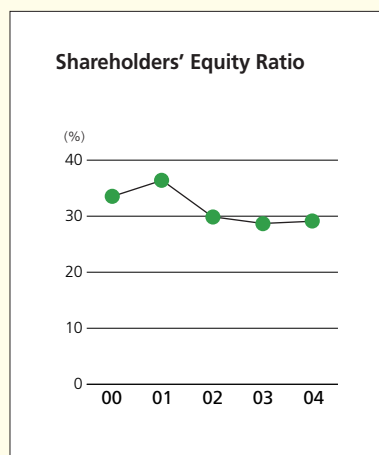
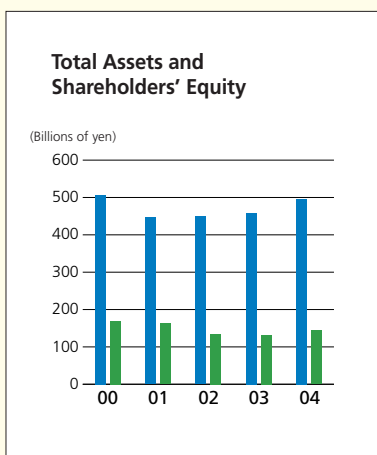
### RESULTS OF OPERATIONS

For fiscal 2004, operating income after consideration of elimination or unallocated amounts came to ¥27,491 million up 53.5% year-on-year. The Electronics segment posted an operating income of ¥25,226 million, up 41.6% and the Electronic Components and Others segment posted operating income of ¥7,066 million, up 46.8%. This rise in operating income is the result of Casio's strategy of enhancing value-added by strengthening product appeal, as well as Companywide efforts to improve management efficiency and bolster the Group's financial base through business reform.

Net financial expenses decreased from ¥2,211 million to ¥1,562 million due primarily to repayment of interest-bearing debt. Other expenses came to ¥3,393 million, compared with ¥6,089 million for the previous term. This is due mainly to the reporting of ¥2,753 million in gain on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme.

Income before income taxes and minority interests grew 134.4%, to ¥22,536 million. Net income for the period was a record ¥14,176 million, up 151.0% from fiscal 2003.

Net income per share came to ¥51.99.



## **FINANCIAL CONDITION**

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Total assets increased 8.0%, to ¥496,039 million. Efforts to reduce the level of inventories enabled a ¥8,604 million reduction in inventories and decreased inventories turnover by 0.7 month, to 2.0 months. However, due to a purchase of short-term Japanese government bonds, investment in marketable securities exceeded the previous-year level by ¥18,451 million. An increase in materials supplied for consignment production in line with a wider scope of outsourcing resulted in a ¥12,451 million increase in accounts receivable — other.

Investment securities increased ¥10,512 million, as a result of the application of mark-to-market accounting, reflecting a recovery in the stock market.

Total liabilities increased 7.4%, to ¥348,753 million. Trade notes and accounts payable rose by ¥21,973 million, due to higher levels of production and consignment production. As a result of the redemption of bonds on maturity, the convertible bonds (due for redemption within one year) declined ¥23,811 million. On the other hand, we issued ¥20,000 million worth of bonds with stock acquisition rights in December 2003.

Shareholders' equity rose 9.4%, to ¥144,403 million. Shareholders' equity ratio increased 0.4 percentage point to 29.1%.

## **CASH FLOW ANALYSIS**

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Net cash provided by operating activities amounted to ¥61,777 million from ¥55,131 million. Income before income taxes and minority interests amounted to ¥22,536 million, depreciation totaled ¥19,465 million, and working funds grew by ¥20,791 million as a result of a reduction in inventories etc.

Net cash used in investing activities amounted to ¥15,694 million from ¥21,311 million, due largely to a payments of ¥13,365 million for the acquisition of tangible fixed assets.

Net cash used in financing activities totaled ¥17,693 million from ¥38,889 million. Of this amount, ¥10,120 million was used to pay interest-bearing debt, ¥3,375 million was payments for cash dividends and ¥4,131 million was used for payments for acquisitions of treasury stock.

Cash and cash equivalents as of March 31, 2004 were up ¥26,705 million over the previous term-end, at ¥123,141 million.

## **CAPITAL INVESTMENT**

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Capital investment amounted to ¥16,213 million, up 45.2%, in fiscal 2004. Broken down by segment, Casio invested ¥9,301 million, up 49.3%, in the Electronics segment and ¥6,735 million, up 38.9%, in the Electronic Components and Others segment. The largest factor in the increase was expenditure for renovation of the Hachioji Research & Development Center, Tokyo. The remaining capital investment, made by the Company as a whole, cannot be accounted for by segment.

## **RESEARCH & DEVELOPMENT**

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R&D expenses rose 0.5%, to ¥14,187 million. By segment, the Electronics segment increased 2.6%, to ¥8,846 million. The Electronic Components and Others segment declined 1.0% to ¥1,964 million. The remaining portion of R&D expenses, which were incurred by the Company as a whole, cannot be accounted for by segment.

## Consolidated Six-Year Summary

Years ended March 31  
Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen					
	2004	2003	2002	2001	2000	1999
<b>For the year:</b>						
Net sales .....	¥523,528	¥440,567	¥382,154	¥443,930	¥410,338	¥451,141
Cost of sales .....	377,422	315,530	284,093	315,207	281,772	306,281
Selling, general and administrative expenses .....	104,428	93,009	94,394	98,850	96,751	111,757
Research and development expenses .....	14,187	14,114	14,085	11,968	12,338	20,552
Operating income (loss) .....	27,491	17,914	(10,418)	17,905	19,477	12,551
Net income (loss) .....	14,176	5,647	(24,928)	6,547	6,173	(8,534)
Capital investment .....	16,213	11,168	15,737	30,278	35,546	31,212
Depreciation .....	14,655	14,621	14,465	22,065	30,220	31,001
<b>At year-end:</b>						
Current assets .....	329,787	300,212	281,985	288,304	312,315	322,488
Current liabilities .....	178,340	161,568	166,026	144,272	182,562	190,666
Working capital .....	151,447	138,644	115,959	144,032	129,753	131,822
Shareholders' equity .....	144,403	131,957	134,317	162,375	169,634	170,721
Total assets .....	496,039	459,113	449,224	445,883	507,105	506,566
<b>Amounts per share of common stock (in yen):</b>						
Net income (loss) .....	¥51.99	¥20.27	¥(91.82)	¥24.11	¥22.73	¥(30.90)
Diluted net income .....	51.23	20.10	—	23.72	22.41	—
Cash dividends applicable to the year .....	15.00	12.50	12.50	12.50	12.50	12.50
<b>Performance indicators:</b>						
Return on equity (%) .....	10.3	4.2	(16.8)	3.9	3.6	(4.8)
Return on assets (%) .....	3.0	1.2	(5.6)	1.4	1.2	(1.6)
Shareholders' equity ratio (%) .....	29.1	28.7	29.9	36.4	33.5	33.7
Interest coverage (times) .....	11.8	6.2	(2.9)	5.6	5.3	2.9
Assets turnover (times) .....	1.1	1.0	0.9	0.9	0.8	0.9
Inventories turnover (months) .....	2.0	2.7	3.2	3.4	3.4	3.0
<b>Other:</b>						
Number of employees .....	11,637	11,481	14,670	18,119	19,325	17,783

## Consolidated Balance Sheets

March 31, 2004 and 2003  
Casio Computer Co., Ltd. and Subsidiaries

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Current assets:</b>			
Cash and time deposits (Note 3) .....	¥ 79,977	¥ 77,183	\$ 754,500
Marketable securities (Note 5) .....	44,500	26,049	419,811
Notes and accounts receivable:			
Notes receivable—trade .....	9,062	11,312	85,491
Accounts receivable—trade .....	89,907	79,932	848,179
Accounts receivable—other .....	29,750	17,299	280,660
Allowance for doubtful accounts .....	(1,924)	(1,965)	(18,151)
Inventories (Note 4) .....	62,259	70,863	587,349
Deferred tax assets (Note 8) .....	11,356	13,403	107,132
Other current assets .....	4,900	6,136	46,227
<b>Total current assets</b> .....	<b>329,787</b>	<b>300,212</b>	<b>3,111,198</b>
<b>Property, plant and equipment:</b>			
Land .....	38,356	38,964	361,849
Buildings .....	64,896	62,660	612,227
Machinery and equipment .....	105,922	112,354	999,264
Construction in progress .....	418	3,498	3,943
	209,592	217,476	1,977,283
Accumulated depreciation .....	(115,557)	(120,683)	(1,090,160)
<b>Net property, plant and equipment</b> .....	<b>94,035</b>	<b>96,793</b>	<b>887,123</b>
<b>Investments and other assets:</b>			
Investments in affiliated companies .....	2,627	2,361	24,783
Investment securities and other investments (Note 5) .....	45,267	34,755	427,047
Long-term time deposits .....	3,000	—	28,302
Deferred tax assets (Note 8) .....	8,941	14,471	84,349
Other assets .....	13,730	12,106	129,528
Allowance for doubtful accounts .....	(1,348)	(1,585)	(12,717)
<b>Total investments and other assets</b> .....	<b>72,217</b>	<b>62,108</b>	<b>681,292</b>
	<b>¥496,039</b>	<b>¥459,113</b>	<b>\$4,679,613</b>

See accompanying notes.



<b>Liabilities and Shareholders' Equity</b>	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Current liabilities:</b>			
Short-term borrowings (Note 7) .....	¥ 906	¥ 3,805	\$ 8,547
Long-term debt due within one year (Note 7).....	12,792	26,500	120,679
Notes payable—trade .....	29,536	25,598	278,642
Accounts payable—trade .....	72,870	54,835	687,453
Accounts payable—other .....	35,756	29,235	337,321
Accrued expenses .....	12,819	12,334	120,934
Income taxes payable (Note 8) .....	4,213	2,390	39,745
Other current liabilities .....	9,448	6,871	89,132
<b>Total current liabilities</b> .....	<b>178,340</b>	<b>161,568</b>	<b>1,682,453</b>
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Note 7) .....	152,310	146,136	1,436,887
Employees' severance and retirement benefits (Note 9) .....	14,292	13,508	134,830
Retirement benefits for directors and corporate auditors (Note 10).....	814	598	7,679
Deferred tax liabilities (Note 8) .....	1,887	2,029	17,802
Other long-term liabilities .....	1,110	736	10,472
<b>Total long-term liabilities</b> .....	<b>170,413</b>	<b>163,007</b>	<b>1,607,670</b>
<b>Minority interests</b> .....	<b>2,883</b>	<b>2,581</b>	<b>27,198</b>
<b>Contingent liabilities (Note 14)</b>			
<b>Shareholders' equity (Note 11):</b>			
Common stock:			
Authorized — 471,693,000 shares			
Issued — 270,442,868 shares .....	41,549	41,549	391,972
Additional paid-in capital .....	57,524	57,523	542,679
Retained earnings .....	54,223	43,588	511,538
Net unrealized holding gains (losses) on securities .....	2,525	(5,312)	23,820
Foreign currency translation adjustments.....	(7,003)	(5,108)	(66,066)
	<b>148,818</b>	<b>132,240</b>	<b>1,403,943</b>
Treasury stock, at cost.....	(4,415)	(283)	(41,651)
<b>Total shareholders' equity</b> .....	<b>144,403</b>	<b>131,957</b>	<b>1,362,292</b>
	<b>¥496,039</b>	<b>¥459,113</b>	<b>\$4,679,613</b>

# Consolidated Statements of Income

March 31, 2004 and 2003  
Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Net sales</b> (Note 13).....	<b>¥523,528</b>	<b>¥440,567</b>	<b>\$4,938,943</b>
<b>Costs and expenses</b> (Note 13):			
Cost of sales .....	377,422	315,530	3,560,584
Selling, general and administrative expenses .....	104,428	93,009	985,170
Research and development expenses .....	14,187	14,114	133,840
	<b>496,037</b>	<b>422,653</b>	<b>4,679,594</b>
<b>Operating income</b> (Note 13).....	<b>27,491</b>	<b>17,914</b>	<b>259,349</b>
<b>Other income (expenses):</b>			
Interest and dividends income .....	828	835	7,811
Foreign exchange loss—net .....	(2,491)	(2,914)	(23,500)
Loss on disposal and sales of property, plant and equipment.....	(1,661)	(759)	(15,670)
Interest expense .....	(2,390)	(3,046)	(22,547)
Disposal and devaluation of inventories.....	(4,170)	(2,531)	(39,339)
Gain (Loss) on devaluation and sales of investment securities .....	979	(785)	9,236
Gain on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme .....	2,753	—	25,972
Other—net .....	1,197	900	11,292
	<b>(4,955)</b>	<b>(8,300)</b>	<b>(46,745)</b>
<b>Income before income taxes and minority interests</b> .....	<b>22,536</b>	<b>9,614</b>	<b>212,604</b>
<b>Income taxes</b> (Note 8):			
Current.....	5,818	3,025	54,887
Deferred .....	2,013	824	18,991
	<b>7,831</b>	<b>3,849</b>	<b>73,878</b>
<b>Income before minority interests</b> .....	<b>14,705</b>	<b>5,765</b>	<b>138,726</b>
Minority interests .....	(529)	(118)	(4,990)
<b>Net income</b> .....	<b>¥ 14,176</b>	<b>¥ 5,647</b>	<b>\$ 133,736</b>
		Yen	U.S. Dollars (Note 1)
<b>Amounts per share of common stock:</b>			
Net income (Note 16).....	¥51.99	¥20.27	\$0.49
Diluted net income (Note 16) .....	51.23	20.10	0.48
Cash dividends applicable to the year.....	15.00	12.50	0.14

See accompanying notes.

## Consolidated Statements of Shareholders' Equity

Years ended March 31, 2004 and 2003  
Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen							
	Shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
<b>Balance at March 31, 2002</b> .....	271,007,868	¥41,549	¥57,885	¥41,708	¥(1,825)	¥(4,981)	¥ (19)	¥134,317
Net income .....	—	—	—	5,647	—	—	—	5,647
Cash dividends paid (¥12.50 per share)....	—	—	—	(3,387)	—	—	—	(3,387)
Bonuses to directors and corporate auditors....	—	—	—	(7)	—	—	—	(7)
Decrease in consolidated subsidiaries .....	—	—	—	(373)	—	—	—	(373)
Retirement of treasury stock.....	(565,000)	—	(362)	—	—	—	—	(362)
Increase in net unrealized holding losses on securities .....	—	—	—	—	(3,487)	—	—	(3,487)
Increase in foreign currency translation adjustments.....	—	—	—	—	—	(127)	—	(127)
Increase in treasury stock—net.....	—	—	—	—	—	—	(264)	(264)
<b>Balance at March 31, 2003</b> .....	270,442,868	41,549	57,523	43,588	(5,312)	(5,108)	(283)	131,957
Net income .....	—	—	—	14,176	—	—	—	14,176
Cash dividends paid (¥12.50 per share)....	—	—	—	(3,375)	—	—	—	(3,375)
Bonuses to directors and corporate auditors....	—	—	—	(166)	—	—	—	(166)
Surplus from sale of treasury stock .....	—	—	1	—	—	—	—	1
Increase in net unrealized holding gains on securities.....	—	—	—	—	7,837	—	—	7,837
Increase in foreign currency translation adjustments.....	—	—	—	—	—	(1,895)	—	(1,895)
Increase in treasury stock—net.....	—	—	—	—	—	—	(4,132)	(4,132)
<b>Balance at March 31, 2004</b> .....	270,442,868	¥41,549	¥57,524	¥54,223	¥2,525	¥(7,003)	¥(4,415)	¥144,403

	Thousands of U.S. Dollars (Note 1)							
<b>Balance at March 31, 2003</b> .....	\$391,972	\$542,670	\$411,208	\$(50,114)	\$(48,189)	\$ (2,670)	\$1,244,877	
Net income.....	—	—	133,736	—	—	—	133,736	
Cash dividends paid (\$0.12 per share) .....	—	—	(31,840)	—	—	—	(31,840)	
Bonuses to directors and corporate auditors .....	—	—	(1,566)	—	—	—	(1,566)	
Surplus from sale of treasury stock .....	—	9	—	—	—	—	9	
Increase in net unrealized holding gains on securities....	—	—	—	73,934	—	—	73,934	
Increase in foreign currency translation adjustments .....	—	—	—	—	(17,877)	—	(17,877)	
Increase in treasury stock—net .....	—	—	—	—	—	(38,981)	(38,981)	
<b>Balance at March 31, 2004</b> .....	\$391,972	\$542,679	\$511,538	\$ 23,820	\$(66,066)	\$(41,651)	\$1,362,292	

See accompanying notes.

# Consolidated Statements of Cash Flows

Years ended March 31, 2004 and 2003  
Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 22,536	¥ 9,614	\$ 212,604
Depreciation (including software) .....	19,465	19,773	183,632
Amortization of goodwill .....	116	135	1,094
Loss on disposal and sales of property, plant and equipment .....	1,661	759	15,670
Loss (Gain) on devaluation and sales of investment securities .....	(979)	785	(9,236)
Increase in liabilities for the employees' severance and retirement benefits .....	859	4,245	8,104
Increase in retirement benefits for directors and corporate auditors .....	216	598	2,038
Interest and dividends income .....	(828)	(835)	(7,811)
Interest expense .....	2,390	3,046	22,547
Foreign exchange loss (gain) .....	83	(431)	783
Equity in gains of affiliated companies .....	(180)	(49)	(1,698)
Changes in assets and liabilities:			
Increase in notes and accounts receivable .....	(9,148)	(7,614)	(86,302)
Decrease in inventories .....	7,528	164	71,019
Increase in other current assets .....	(10,103)	(11,421)	(95,311)
Increase in notes and accounts payable .....	22,411	36,363	211,424
Decrease in consumption tax payable .....	(1,513)	(569)	(14,274)
Increase in other current liabilities .....	9,835	4,613	92,783
Increase (Decrease) in trade notes and export drafts discounted .....	928	(725)	8,755
Payments of bonuses to directors and corporate auditors .....	(166)	(7)	(1,566)
Other .....	2,194	310	20,698
<b>Total .....</b>	<b>67,305</b>	<b>58,754</b>	<b>634,953</b>
Interest and dividends received .....	734	821	6,924
Interest paid .....	(2,365)	(3,123)	(22,311)
Income taxes paid .....	(3,897)	(1,321)	(36,764)
<b>Net cash provided by operating activities .....</b>	<b>61,777</b>	<b>55,131</b>	<b>582,802</b>
<b>Cash flows from investing activities:</b>			
Deposits in time deposits .....	(1,184)	(861)	(11,170)
Withdrawals from time deposits .....	550	875	5,189
Deposits in long-term time deposits .....	(3,000)	—	(28,302)
Payments for purchases of marketable securities .....	—	(3,131)	—
Proceeds from sales of marketable securities .....	6,005	2,714	56,651
Payments for acquisitions of tangible fixed assets .....	(13,365)	(13,078)	(126,085)
Proceeds from sales of tangible fixed assets .....	623	1,282	5,877
Payments for acquisitions of intangible fixed assets .....	(6,699)	(4,525)	(63,198)
Proceeds from sales of intangible fixed assets .....	633	20	5,972
Payments for purchases of investment securities .....	(17,119)	(11,220)	(161,500)
Proceeds from sales and redemption of investment securities .....	17,264	3,696	162,868
Proceeds from sales of subsidiaries .....	—	2,470	—
Payments for long-term loans receivable .....	(18)	(63)	(170)
Collections from long-term loans receivable .....	1,088	80	10,264
Net decrease in loans receivable .....	138	128	1,302
Other .....	(610)	302	(5,755)
<b>Net cash used in investing activities .....</b>	<b>(15,694)</b>	<b>(21,311)</b>	<b>(148,057)</b>
<b>Cash flows from financing activities :</b>			
Net decrease in short-term borrowings .....	(2,846)	(22,416)	(26,849)
Proceeds from long-term debt .....	—	40,800	—
Payments for long-term debt .....	(2,723)	(3,201)	(25,688)
Proceeds from issuance of bonds .....	20,260	—	191,132
Redemption of bonds .....	(24,811)	(50,000)	(234,066)
Payments for acquisitions of treasury stock for retirement .....	—	(362)	—
Payments for acquisitions of treasury stock .....	(4,131)	—	(38,972)
Payments for cash dividends .....	(3,375)	(3,387)	(31,840)
Other .....	(67)	(323)	(632)
<b>Net cash used in financing activities .....</b>	<b>(17,693)</b>	<b>(38,889)</b>	<b>(166,915)</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(1,685)</b>	<b>(177)</b>	<b>(15,896)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>26,705</b>	<b>(5,246)</b>	<b>251,934</b>
<b>Cash and cash equivalents at beginning of year (Note 3) .....</b>	<b>96,436</b>	<b>101,682</b>	<b>909,774</b>
<b>Cash and cash equivalents at end of year (Note 3) .....</b>	<b>¥123,141</b>	<b>¥ 96,436</b>	<b>\$1,161,708</b>

See accompanying notes.

# Notes to Consolidated Financial Statements

Years ended March 31, 2004 and 2003  
Casio Computer Co., Ltd. and Subsidiaries

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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The Company and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥106 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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### Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (together with the Company, the "Group") which the Company controls through majority voting right or existence of certain conditions. Investments in affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

In the elimination of investments in subsidiaries, the portion of assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company are recorded based on the fair value as of the respective dates when such shares were acquired. The amounts of assets and liabilities attributable to minority shareholders of the subsidiary are determined using the financial statements of the subsidiary.

Material intercompany balances, transactions and profits have been eliminated in consolidation.

The difference between the cost and underlying fair value of the net equity of investments in subsidiaries at acquisition is included in other assets and is amortized on a straight-line basis over five years.

### Cash flow statements

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates at the balance sheet date, and the translation gains and losses are credited or charged to income.

Assets and liabilities of foreign subsidiaries are translated into yen at the current exchange rate at the balance sheet date while their revenue and expenses are translated at the average exchange rate for the period. Differences arising from such translation are included in minority interests and shareholders' equity as foreign currency translation adjustments.

### Securities

Debt securities designated as held-to-maturity are carried at amortized cost. Other securities except for trading securities (hereafter, "available-for-sale securities") for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets or liabilities, not reflected in earnings but directly reported as a separate component of shareholders' equity. The cost of such securities sold is determined primarily by the moving-average method. Available-for-sale securities for which market value is not readily determinable are stated primarily at moving-average cost except for debt securities, which are stated at amortized cost.

### Derivatives and hedge accounting

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Group uses forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates with respect to foreign currency assets and liabilities and of interest rate increases with respect to cash management.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

#### **Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at an amount sufficient to cover probable losses on the collection of receivables. For the Group, the amount of the allowance is determined based on past write-off experience and an estimated amount of probable bad debt based on a review of the collectibility of individual receivables.

#### **Inventories**

Inventories are stated principally at the lower of cost (first-in, first-out) or market (replacement cost or net realizable value).

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost. Depreciation is principally determined by the declining-balance method at rates based on estimated useful lives except for the following buildings. The building of the head office of the Company and buildings, excluding building fixtures, acquired after March 31, 1998 are depreciated using the straight-line method.

In the year ended March 31, 2004, the Company and its domestic consolidated subsidiaries did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

#### **Software costs**

Software is categorized by the following purposes and amortized using the following two methods.

Software for market sales: The production costs for the master product are capitalized and amortized over no more than 3 years on a projected revenue basis.

Software for internal use: The acquisition costs of software for internal use are amortized over 5 years using the straight-line method.

The amount of software costs capitalized is included in other assets in the consolidated balance sheets.

#### **Bond issuance expenses and bond premium**

Bond issuance expenses are charged to income as incurred. Bond issuance expenses are included in other expenses in the consolidated statements of income.

Bond premium is amortized using the straight-line method over the life of the bond (6 years and 10 months).

#### **Employees' severance and retirement benefits**

Under the terms of the employees' severance and retirement plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to severance payments based on compensation at the time of severance and years of service.

Employees' severance and retirement benefits of the Company and some of its consolidated subsidiaries are covered by two kinds of pension plans. And those of some of its consolidated subsidiaries in Japan are covered by lump-sum indemnities.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries in Japan provided liabilities for severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥19,576 million. The net transition obligation is recognized in expenses in equal amounts over 10 years commencing with the year ended March 31, 2001.

#### **Retirement benefits for directors and corporate auditors**

The annual provision for accrued retirement benefits for directors and corporate auditors of the Company and certain subsidiaries is calculated to state the liability at the amount that would be required if all directors and corporate auditors had retired at each balance sheet date. The provisions for the retirement benefits are not funded.

#### **Accounting for certain lease transactions**

Finance leases, which do not transfer titles to lessees, are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

#### **Income taxes**

Taxes on income consist of corporation, inhabitants and enterprise taxes.

Deferred income taxes are provided for the items relating to intercompany profit elimination in connection with the calculation of the consolidated results of operations. In addition, some foreign subsidiaries recognize deferred income taxes in accordance with accounting practices prevailing in their respective countries of domicile.

The Group recognizes tax effects of temporary differences between the financial statement and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and minority interests included in the statements of income of each company of the Group. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

#### **Appropriations of retained earnings**

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

### Amounts per share of common stock

Net income per share of common stock has been computed based on the weighted average number of shares of common stock outstanding during each fiscal year (less the treasury stock). For diluted net income per share, the number of shares outstanding is adjusted to assume the conversion of convertible bonds. Related interest expense, net of income taxes, is eliminated.

Cash dividends per share represent the actual amount applicable to the respective years.

### Reclassifications

Certain reclassifications have been made in the 2003 consolidated financial statements to conform to the 2004 presentation.

## 3. CASH AND CASH EQUIVALENTS AND STATEMENTS OF CASH FLOWS

Cash and cash equivalents at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash and time deposits .....	¥ 79,977	¥77,183	\$ 754,500
Time deposits over three months .....	(1,336)	(797)	(12,603)
Marketable securities within three months.....	44,500	20,050	419,811
Cash and cash equivalents.....	¥123,141	¥96,436	\$1,161,708

The amounts of assets and liabilities at September 30, 2002 of Aichi Casio Co., Ltd. and Casio (Malaysia) Sdn. Bhd. excluded from consolidation due to sales of the equity in the companies were as follows:

#### Aichi Casio Co., Ltd.

	Millions of Yen
Current assets .....	¥9,041
Long-term assets* .....	451
Total assets .....	¥9,492

	Millions of Yen
Current liabilities .....	¥7,154
Long-term liabilities .....	177
Total liabilities .....	¥7,331

#### Casio (Malaysia) Sdn. Bhd.

	Millions of Yen
Current assets .....	¥4,400
Long-term assets* .....	1,149
Total assets .....	¥5,549

	Millions of Yen
Current liabilities .....	¥2,977
Total liabilities .....	¥2,977

\* Including property, plant and equipment and investments and other assets

## 4. INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Finished products .....	¥36,700	¥47,366	\$346,226
Work in process.....	9,780	10,390	92,264
Materials and supplies .....	15,779	13,107	148,859
Total.....	¥62,259	¥70,863	\$587,349

## 5. SECURITIES

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2004 and 2003.

(a) Held-to-maturity debt securities

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			2004		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair values exceeding book values.....	¥2,230	¥2,337	¥107	¥—	¥—	¥—	\$21,038	\$22,047	\$1,009
Securities other than the above .....	—	—	—	—	—	—	—	—	—
Total .....	¥2,230	¥2,337	¥107	¥—	¥—	¥—	\$21,038	\$22,047	\$1,009

## (b) Available-for-sale securities

Securities with book values exceeding acquisition costs:

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities.....	¥11,339	¥16,617	¥5,278	¥2,678	¥3,588	¥910	\$106,972	\$156,764	\$49,792
Bonds .....	2,000	2,125	125	2,997	3,002	5	18,868	20,047	1,179
Others.....	—	—	—	—	—	—	—	—	—
Total .....	¥13,339	¥18,742	¥5,403	¥5,675	¥6,590	¥915	\$125,840	\$176,811	\$50,971

Others:

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities.....	¥ 6,763	¥ 5,807	¥ (956)	¥23,351	¥14,225	¥(9,126)	\$ 63,802	\$ 54,783	\$(9,019)
Bonds .....	8,821	8,781	(40)	11,921	11,901	(20)	83,217	82,840	(377)
Others.....	2,448	2,298	(150)	1,449	752	(697)	23,094	21,679	(1,415)
Total .....	¥18,032	¥16,886	¥(1,146)	¥36,721	¥26,878	¥(9,843)	\$170,113	\$159,302	\$(10,811)

(2) The following tables summarize book values of securities with no available fair values at March 31, 2004 and 2003.

(a) Book value of held-to-maturity debt securities

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Certificates of deposit.....	¥4,500	¥—

(b) Book value of available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Unlisted equity securities (excluding over-the-counter securities) .....	¥ 2,262	¥ 2,290
Short-term treasury bonds .....	40,000	20,050	377,358
Total.....	¥42,262	¥22,340	\$398,698

(3) Available-for-sale securities sold in the year ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Sales amount.....	¥9,049	¥113
Gross realized gains.....	1,107	—	10,443
Gross realized losses .....	1	189	9

(4) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2004 and 2003 were as follows:

	Millions of Yen									
	2004					2003				
	Within one year	Within five years	Within ten years	Over ten years	Total	Within one year	Within five years	Within ten years	Over ten years	Total
Bonds:										
Government bonds.....	¥40,000	¥ —	¥ —	¥—	¥40,000	¥20,050	¥ —	¥ —	¥—	¥20,050
Corporate bonds .....	—	2,230	—	—	2,230	5	—	—	—	5
Others .....	4,500	10,321	500	—	15,321	6,000	3,800	5,121	—	14,921
Total .....	¥44,500	¥12,551	¥500	¥—	¥57,551	¥26,055	¥3,800	¥5,121	¥—	¥34,976

	Thousands of U.S. Dollars				
	2004				
	Within one year	Within five years	Within ten years	Over ten years	Total
Bonds:					
Government bonds.....	\$377,358	\$ —	\$ —	\$—	\$377,358
Corporate bonds .....	—	21,038	—	—	21,038
Others .....	42,453	97,368	4,717	—	144,538
Total.....	\$419,811	\$118,406	\$4,717	\$—	\$542,934



## 6. DERIVATIVE TRANSACTIONS

### Status of derivative transactions

The Group utilizes interest rate swap and swaption contracts as derivative transactions to hedge interest rate risks arising from normal business transactions and improve the efficiency of the utilization of available funds.

The Group also utilizes forward foreign currency contracts and currency options to hedge currency fluctuation risks arising from the export of products and materials for products in addition to hedging through increases in overseas production and the overseas procurement of materials.

The derivative transactions are solely made with highly rated financial institutions; therefore, the Group does not expect any credit risks.

The Group utilizes derivatives following the internal regulation for derivatives, which stipulates policy, objective, scope, organization, procedures and financial institutions to deal with, and has a reporting system for derivative transactions reflecting proper internal control functions.

### Fair value of derivative transactions

The aggregate amounts contracted to be paid or received and the fair values of derivative transactions of the Group at March 31, 2004 and 2003 were as follows:

#### Currency-related derivatives:

	Millions of Yen								Thousands of U.S. Dollars			
	2004				2003				2004			
	Contract amount		Fair value	Realized gain (loss)	Contract amount		Fair value	Realized gain (loss)	Contract amount		Fair value	Realized gain (loss)
Total	Due after one year	Total			Due after one year	Total			Due after one year			
Forward contracts:												
To sell:												
U.S. dollars...	¥16,063	¥—	¥15,657	¥406	¥13,000	¥—	¥13,282	¥ (282)	\$151,538	\$—	\$147,708	\$3,830
Euros.....	10,528	—	10,760	(232)	9,855	—	10,627	(772)	99,321	—	101,509	(2,188)
Sterling pounds ...	1,235	—	1,285	(50)	1,449	—	1,451	(2)	11,651	—	12,123	(472)
Total .....	¥27,826	¥—	¥27,702	¥124	¥24,304	¥—	¥25,360	¥(1,056)	\$262,510	\$—	\$261,340	\$1,170
To buy:												
U.S. dollars...	¥55	¥—	¥53	¥(2)	¥—	¥—	¥—	¥—	\$519	\$—	\$500	\$(19)
Total .....	¥55	¥—	¥53	¥(2)	¥—	¥—	¥—	¥—	\$519	\$—	\$500	\$(19)

#### Interest rate swap and option-related derivatives:

The Group has entered into interest rate swap agreements to reduce its exposure resulting from adverse fluctuations in interest rate on underlying debt instruments. They are all designated as hedges meeting certain hedging criteria and there are no transactions that need to disclose contract amount, fair value and realized gain or loss to be reported for the years ended March 31, 2004 and 2003.

## 7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings represent unsecured bank loans and its average interest rates were 1.06% and 1.23% per annum at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
1.9% unsecured convertible bonds due in 2004 .....	¥ —	¥ 23,811	\$ —
0.55% unsecured bonds due in 2004 .....	1,000	2,000	9,434
2.15% unsecured bonds due in 2004 .....	10,000	10,000	94,340
2.05% unsecured bonds due in 2005 .....	30,000	30,000	283,019
2.575% unsecured bonds due in 2007 .....	10,000	10,000	94,340
1.42% unsecured bonds due in 2009 .....	10,000	10,000	94,340
0% unsecured bonds with stock acquisition rights due in 2010 .....	20,000	—	188,679
Unsecured loans principally from banks at interest rates of 0.34% to 1.83% maturing through 2011 .....	84,102	86,825	793,414
Total.....	165,102	172,636	1,557,566
Less amount due within one year .....	12,792	26,500	120,679
	¥152,310	¥146,136	\$1,436,887

0% unsecured bonds with stock acquisition rights provide, among other conditions, for conversion into shares of common stock at the conversion prices per share of ¥1,642 (\$15.49), subject to change in certain circumstances.

The annual maturities of long-term debt at March 31, 2004 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005 .....	¥12,792	\$120,679
2006 .....	39,655	374,104
2007 .....	20,705	195,330
2008 .....	30,500	287,736
2009 .....	30,500	287,736
Thereafter .....	30,950	291,981

The line of credit with the main financial institutions agreed as of March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Line of credit .....	¥59,010	¥35,000	\$556,698
Unused.....	59,010	35,000	556,698

## 8. INCOME TAXES

The statutory income tax rate used for calculation of deferred income tax assets and liabilities was 42.1% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the statutory income tax rates of 42.1% and 40.5% for current items and non-current items, respectively, at March 31, 2003.

As a result of the change in the statutory tax rates, deferred income tax assets for the year ended March 31, 2003 decreased by ¥548 million and net unrealized holding losses on securities decreased by ¥139 million and provision for deferred income taxes increased by ¥409 million compared with what would have been recorded under the previous local tax law.

The Company and consolidated domestic subsidiaries used the statutory income tax rate of 40.7% for calculation of deferred income tax assets and liabilities at March 31, 2004.

The following table summarizes the significant differences between statutory tax rate and the Group's tax rate for financial statement purposes for the years ended March 31, 2004:

Statutory tax rate .....	42.1%
Increase (Reduction) in tax resulting from:	
Nondeductible expenses (Entertainment, etc.) .....	0.6
Nontaxable income (Dividends received deduction, etc.) .....	(1.2)
Inhabitants' per capita taxes and other .....	0.5
Effect of change in statutory tax rate .....	1.2
Prior periods adjustment of income tax .....	(5.5)
Difference in statutory tax rate (included in foreign subsidiaries) .....	(1.7)
Other .....	(1.2)
Effective tax rate .....	34.8%

Due to the difference of tax rate between statutory tax rate and the Group's tax rate for financial statement purpose being less than 5% for the year ended March 31, 2003, reconciliation of tax rate between statutory tax rate and effective tax rate is not disclosed.

Significant components of deferred tax assets and liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Employees' severance and retirement benefits .....	¥ 5,738	¥ 5,190	\$ 54,132
Net operating loss carryforwards .....	3,413	8,017	32,198
Unrealized holding losses on securities.....	—	3,984	—
Accrued expenses (bonuses to employees).....	2,764	2,525	26,075
Inventories.....	2,459	2,403	23,198
Property, plant and equipment .....	1,113	—	10,500
Other .....	10,754	12,035	101,453
Gross deferred tax assets .....	26,241	34,154	247,556
Valuation allowance .....	(3,305)	(5,436)	(31,179)
Total deferred tax assets .....	22,936	28,718	216,377
Deferred tax liabilities:			
Unrealized holding gains on securities .....	(2,192)	(369)	(20,679)
Effect of valuation difference.....	(1,878)	(2,018)	(17,717)
Property, plant and equipment .....	(331)	(396)	(3,123)
Other .....	(125)	(90)	(1,179)
Total deferred tax liabilities .....	(4,526)	(2,873)	(42,698)
Net deferred tax assets .....	¥18,410	¥25,845	\$173,679

## 9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for the employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2004 and 2003 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation .....	¥59,572	¥97,229	\$562,000
Unrecognized prior service costs .....	4,961	—	46,802
Unrecognized actuarial differences .....	(12,228)	(29,469)	(115,358)
Less fair value of pension assets .....	(30,668)	(40,567)	(289,321)
Less unrecognized net transition obligation .....	(7,380)	(13,698)	(69,623)
Prepaid pension cost .....	35	13	330
Liabilities for the employees' severance and retirement benefits .....	¥14,292	¥13,508	\$134,830

Included in the consolidated statements of income for the years ended March 31, 2004 and 2003 are employees' severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost—benefits earned during the year .....	¥3,736	¥4,561	\$35,245
Interest cost on projected benefit obligation .....	2,244	2,586	21,170
Expected return on plan assets .....	(1,551)	(1,929)	(14,632)
Amortization of prior service costs .....	(363)	—	(3,425)
Amortization of actuarial differences .....	2,074	1,482	19,566
Amortization of net transition obligation .....	1,780	1,957	16,793
Employees' severance and retirement benefit expenses .....	7,920	8,657	74,717
Gain on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme .....	(2,753)	—	(25,972)
Total .....	¥5,167	¥8,657	\$48,745

The discount rate and the rate of expected return on plan assets used by the Company are 2.5% and 4.5% in 2004 and 2.8% and 4.5% in 2003, respectively.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are to be recognized in expenses using the straight-line method over 9–15 years (a certain period not exceeding the average of the estimated remaining service lives commencing with the next period). Prior service costs are to be recognized in expenses using the straight-line method over 13–15 years (a certain period not exceeding the average of the estimated remaining service lives).

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company and its domestic consolidated subsidiaries decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. (The permission date of The Company and a part of its domestic consolidated subsidiaries was January 26, 2004 and the permission date of other its domestic consolidated subsidiaries was February 25, 2004.)

The Company and its domestic consolidated subsidiaries applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)," and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As a result, in the year ended March 31, 2004, the Company and its consolidated domestic subsidiaries recorded gains on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥2,753 million (\$25,972 thousand), which was calculated based on the amount of the substitutional portion of the projected benefit obligations as of the permission date, the related pension assets determined pursuant to the government formula, and the related unrecognized items. The amount of pension plan assets expected to be transferred back to the government approximated ¥20,326 million (\$191,755 thousand) as at March 31, 2004.

## 10. RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

Effective April 1, 2002, the Company changed its accounting policy for retirement benefits for directors and corporate auditors.

Previously, retirement benefits to directors and corporate auditors were recognized after the approval at the shareholders' meeting and charged to income when paid.

Under the new policy, the Company and certain subsidiaries fully accrue retirement benefits if all directors and corporate auditors had retired at each balance sheet date.

The cumulative effect of ¥2,295 million at the beginning is amortized on a straight-line basis over five years as other expenses.

The provision incurred during the current year ended March 31, 2003 was charged as selling, general and administrative expenses.

As a result of this accounting change, operating income and income before income taxes and minority interests for the year ended March 31, 2003 decreased by ¥139 million and ¥598 million, respectively, compared with what would have been recorded under the previous accounting policy.

## 11. SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has been reached to 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Commercial Code.

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on net income of the adoption of the new accounting standard was not material.

## 12. LEASE TRANSACTIONS

### (1) Finance leases

The amounts of outstanding future lease payments due at March 31, 2004 and 2003 and total lease expenses (including total assumed depreciation cost and total assumed interest cost) as lessee for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Future lease payments:			
Due within one year .....	¥ 4,416	¥ 3,741	\$ 41,660
Due over one year .....	8,814	9,249	83,151
Total .....	¥13,230	¥12,990	\$124,811
Total lease expenses .....	¥ 4,551	¥ 4,602	\$ 42,934
Total assumed depreciation cost .....	¥ 4,121	¥ 4,145	\$ 38,877
Total assumed interest cost .....	¥ 495	¥ 589	\$ 4,670

Assumed data as to acquisition cost, accumulated depreciation and net book value of the leased assets under the finance lease contracts as lessee at March 31, 2004 and 2003 were summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			2004		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery .....	¥16,346	¥6,980	¥ 9,366	¥14,414	¥4,482	¥ 9,932	\$154,208	\$65,849	\$ 88,359
Equipment .....	4,723	2,236	2,487	3,711	1,709	2,002	44,556	21,094	23,462
Other .....	1,577	627	950	1,400	707	693	14,877	5,915	8,962
Total .....	¥22,646	¥9,843	¥12,803	¥19,525	¥6,898	¥12,627	\$213,641	\$92,858	\$120,783

### (2) Operating leases

The amount of outstanding future lease payments due at March 31, 2004 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Future lease payments:		
Due within one year .....	¥ 57	\$ 538
Due over one year .....	89	839
Total .....	¥146	\$1,377

### 13. SEGMENT INFORMATION

The business and geographical segment information and overseas sales for the Group for the years ended March 31, 2004 and 2003 were as follows:

(1) Business segments

For 2004	Millions of Yen				
	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
Outside customers .....	¥405,602	¥117,926	¥523,528	¥ —	¥523,528
Inside Group .....	1,316	32,777	34,093	(34,093)	—
Total .....	406,918	150,703	557,621	(34,093)	523,528
Costs and expenses .....	381,692	143,637	525,329	(29,292)	496,037
Operating income (loss) .....	¥ 25,226	¥ 7,066	¥ 32,292	¥ (4,801)	¥ 27,491
Total assets .....	¥243,691	¥109,293	¥352,984	¥143,055	¥496,039
Depreciation .....	¥ 12,445	¥ 6,804	¥ 19,249	¥ 216	¥ 19,465
Capital expenditures .....	¥ 15,863	¥ 7,014	¥ 22,877	¥ 188	¥ 23,065

For 2004	Thousands of U.S. Dollars				
	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
Outside customers .....	\$3,826,434	\$1,112,509	\$4,938,943	\$ —	\$4,938,943
Inside Group .....	12,415	309,217	321,632	(321,632)	—
Total .....	3,838,849	1,421,726	5,260,575	(321,632)	4,938,943
Costs and expenses .....	3,600,868	1,355,066	4,955,934	(276,340)	4,679,594
Operating income (loss) .....	\$ 237,981	\$ 66,660	\$ 304,641	\$ (45,292)	\$ 259,349
Total assets .....	\$2,298,972	\$1,031,066	\$3,330,038	\$1,349,575	\$4,679,613
Depreciation .....	\$ 117,405	\$ 64,189	\$ 181,594	\$ 2,038	\$ 183,632
Capital expenditures .....	\$ 149,651	\$ 66,170	\$ 215,821	\$ 1,773	\$ 217,594

For 2003	Millions of Yen				
	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
Outside customers .....	¥350,145	¥ 90,422	¥440,567	¥ —	¥440,567
Inside Group .....	1,827	29,571	31,398	(31,398)	—
Total .....	351,972	119,993	471,965	(31,398)	440,567
Costs and expenses .....	334,161	115,180	449,341	(26,688)	422,653
Operating income (loss) .....	¥ 17,811	¥ 4,813	¥ 22,624	¥ (4,710)	¥ 17,914
Total assets .....	¥234,729	¥106,606	¥341,335	¥117,778	¥459,113
Depreciation .....	¥ 11,928	¥ 7,540	¥ 19,468	¥ 305	¥ 19,773
Capital expenditures .....	¥ 10,592	¥ 4,989	¥ 15,581	¥ 112	¥ 15,693

Notes: 1. Business segments were classified by the application or nature of each product, method of manufacturing and sales, profit management and related assets.

2. Major products in each business segment:

(1) Electronics:

Electronic calculators, Electronic dictionaries, Label printers, Digital cameras, Electronic musical instruments, Digital watches, Analog watches, Clocks, Cellular phones, Electronic cash registers, Office computers, Page printers, Data projectors, etc.

(2) Electronic components and others:

LCDs, Bump processing consignments, TCP assembly and processing consignments, Carrier tape, Factory automation, Molds, Toys, etc.

3. Elimination or unallocated amounts of costs and expenses principally consisted of administrative expenses and R&D expenses for fundamental research of the parent company, which amounted to ¥4,801 million (\$45,292 thousand) and ¥4,710 million for the years ended March 31, 2004 and 2003, respectively.

4. Elimination or unallocated amounts of total assets principally consisted of cash and time deposits, marketable securities, investments in securities and administrative assets of the parent company, which amounted to ¥145,722 million (\$1,374,736 thousand) and ¥118,621 million for the years ended March 31, 2004 and 2003, respectively.

5. As explained in Note 10, effective April 1, 2002, the Company provided accrued retirement benefits for directors and corporate auditors of the Company. The effect of this change was to increase costs and expenses in Electronics by ¥116 million and in Electronic components and others by ¥23 million and to decrease operating income of such segments by the same amounts.

## (2) Geographical segments

For 2004	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Net sales:							
Outside customers .....	¥407,038	¥43,935	¥61,969	¥10,586	¥523,528	¥ —	¥523,528
Inside Group .....	84,304	114	100	63,768	148,286	(148,286)	—
Total .....	491,342	44,049	62,069	74,354	671,814	(148,286)	523,528
Costs and expenses.....	468,940	41,492	60,839	73,173	644,444	(148,407)	496,037
Operating income (loss).....	¥ 22,402	¥ 2,557	¥ 1,230	¥ 1,181	¥ 27,370	¥ 121	¥ 27,491
Total assets.....	¥468,476	¥18,310	¥21,510	¥26,936	¥535,232	¥ (39,193)	¥496,039

For 2004	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Net sales:							
Outside customers .....	\$3,839,981	\$414,481	\$584,613	\$ 99,868	\$4,938,943	\$ —	\$4,938,943
Inside Group .....	795,321	1,075	944	601,585	1,398,925	(1,398,925)	—
Total .....	4,635,302	415,556	585,557	701,453	6,337,868	(1,398,925)	4,938,943
Costs and expenses.....	4,423,962	391,434	573,953	690,311	6,079,660	(1,400,066)	4,679,594
Operating income (loss).....	\$ 211,340	\$ 24,122	\$ 11,604	\$ 11,142	\$ 258,208	\$ 1,141	\$ 259,349
Total assets.....	\$4,419,585	\$172,736	\$202,924	\$254,113	\$5,049,358	\$ (369,745)	\$4,679,613

For 2003	Millions of Yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Net sales:							
Outside customers .....	¥341,955	¥41,333	¥49,579	¥ 7,700	¥440,567	¥ —	¥440,567
Inside Group .....	70,655	380	82	82,032	153,149	(153,149)	—
Total .....	412,610	41,713	49,661	89,732	593,716	(153,149)	440,567
Costs and expenses.....	396,653	41,055	48,787	88,817	575,312	(152,659)	422,653
Operating income (loss).....	¥ 15,957	¥ 658	¥ 874	¥ 915	¥ 18,404	¥ (490)	¥ 17,914
Total assets.....	¥433,339	¥15,259	¥20,563	¥27,188	¥496,349	¥ (37,236)	¥459,113

Notes: 1. Segments of countries and areas were classified by the geographical factor.

2. The main countries and the areas which belong to each segment except for Japan were as follows:

(1) North America .....U.S.A., Canada, Mexico

(2) Europe.....U.K., Germany, France

(3) Asia .....Taiwan, Hong Kong, South Korea, Malaysia, Singapore, China, India, Indonesia, Thailand

3. As explained in Note 10, effective April 1, 2002, the Company provided accrued retirement benefits for directors and corporate auditors of the Company. The effect of this change was to increase costs and expenses in Japan by ¥139 million and to decrease operating income by the same amounts.

## (3) Overseas sales

For 2004	Millions of Yen				
	North America	Europe	Asia	Others	Total
Overseas net sales.....	¥51,230	¥68,132	¥82,740	¥22,202	¥224,304
Net sales (consolidated) .....					523,528
Share of overseas net sales ....	9.8%	13.0%	15.8%	4.2%	42.8%

For 2004	Thousands of U.S. Dollars				
	North America	Europe	Asia	Others	Total
Overseas net sales.....	\$483,302	\$642,754	\$780,566	\$209,453	\$2,116,075
Net sales (consolidated) .....					4,938,943
Share of overseas net sales ....	9.8%	13.0%	15.8%	4.2%	42.8%

For 2003	Millions of Yen				
	North America	Europe	Asia	Others	Total
Overseas net sales.....	¥49,423	¥56,180	¥45,611	¥20,752	¥171,966
Net sales (consolidated) .....					440,567
Share of overseas net sales ....	11.2%	12.7%	10.4%	4.7%	39.0%

Notes: 1. Segments of countries and areas were classified by the geographical factor.

2. The main countries and the areas which belong to each segment were as follows:

(1) North America .....U.S.A., Canada

(2) Europe.....U.K., Germany, France

(3) Asia .....Hong Kong, Singapore, China

3. The above overseas net sales represent net sales made outside Japan by the parent company and consolidated subsidiaries.

#### 14. CONTINGENT LIABILITIES

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At March 31, 2004, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥3,116 million (\$29,396 thousand) and as guarantor of others for bank loans in the amount of ¥1,032 million (\$9,736 thousand).

#### 15. STOCK OPTION

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By special resolution at the 46th annual shareholders' meeting held on June 27, 2002, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 27, 2002.

The stock purchase rights can be exercised at a price of ¥699 (\$6.59) per share in the period from July 1, 2004 to June 30, 2009, and a total of 1,270 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

By special resolution at the 47th annual shareholders' meeting held on June 27, 2003, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 27, 2003.

The stock purchase rights can be exercised at a price of ¥1,221 (\$11.52) per share in the period from July 1, 2005 to June 30, 2010, and a total of 280 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

By special resolution at the 48th annual shareholders' meeting held on June 29, 2004, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 29, 2004.

The stock purchase rights can be exercised at a price, which is determined by the average of each day closing price during the previous month before the issue of stock options, in the period from July 1, 2006 to June 30, 2011, and a total of 500 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

#### 16. EARNINGS PER SHARE

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Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

Earnings per share for the year ended March 31, 2002 would have been reported as follows, if this new accounting standard were applied retroactively.

	Yen
Net loss per share:	
Basic .....	¥(91.84)
Diluted .....	—

#### 17. SUBSEQUENT EVENTS

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At the annual shareholders' meeting held on June 29, 2004, the Company's shareholders approved the payment of a cash dividend of ¥15.00 (\$0.14) per share aggregating ¥3,992 million (\$37,660 thousand) to shareholders of record as of March 31, 2004 and the payments of bonuses to directors and corporate auditors totaling ¥141 million (\$1,330 thousand).

## Independent Auditors' Report

### To the Shareholders and Board of Directors of CASIO COMPUTER CO., LTD.:

We have audited the accompanying consolidated balance sheets of CASIO COMPUTER CO., LTD. (a Japanese corporation) and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CASIO COMPUTER CO., LTD. and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
June 29, 2004



## Principal Subsidiaries

(As of March 31, 2004)

### OVERSEAS SUBSIDIARIES

#### Europe

- **Casio Europe GmbH**  
Germany  
Sales of Casio products
- **Casio Electronics Co., Ltd.**  
U.K.  
Sales of Casio products
- **Montres Casio France S.A.**  
France  
Sales of electronic timepieces

#### Asia

- **Casio Computer (Hong Kong) Ltd.**  
Hong Kong  
Production of electronic calculators
- **Casio Korea Co., Ltd.**  
The Republic of Korea  
Production of electronic timepieces
- **Casio Taiwan Ltd.**  
Taiwan  
Production of timepiece cases
- **Casio Singapore Pte., Ltd.**  
Singapore  
Production of electronic components and sales of Casio products
- **Casio India Co., Pvt. Ltd.**  
India  
Production and sales of electronic calculators and electronic timepieces

- **Casio Electronics (Zhuhai) Co., Ltd.**  
The People's Republic of China  
Production and sales of electronic musical instruments
- **Casio Electronics (Zhongshan) Co., Ltd.**  
The People's Republic of China  
Production and sales of electronic calculators
- **Casio Electronics (Shenzhen) Co., Ltd.**  
The People's Republic of China  
Production of electronic timepieces
- **Casio Electronics (Guangzhou) Co., Ltd.**  
The People's Republic of China  
Production and sales of electronic timepieces
- **Casio (Thailand) Co., Ltd.**  
Thailand  
Production of electronic timepieces
- **Casio (Shanghai) Co., Ltd.**  
The People's Republic of China  
Sales of Casio products

#### North America

- **Casio, Inc.**  
U.S.A.  
Sales of Casio products
- **Casio Canada Ltd.**  
Canada  
Sales of Casio products
- **Casio Holdings, Inc.**  
U.S.A.  
Holding company

### DOMESTIC SUBSIDIARIES

- **Yamagata Casio Co., Ltd.**  
Production of electronic timepieces, cellular phones, and digital cameras
- **Casio Micronics Co., Ltd.**  
Production and sales of electronic components
- **Casio Electronic Manufacturing Co., Ltd.**  
Production of page printers
- **Kochi Casio Co., Ltd.**  
Production of LCDs
- **Kofu Casio Co., Ltd.**  
Production of electronic calculators, handy terminals and LCDs
- **Casio Techno Co., Ltd.**  
Customer service for Casio products
- **Casio Information Systems Co., Ltd.**  
Sales of system equipment
- **Casio Electronic Devices Co., Ltd.**  
Sales of electronic components
- **CCP Co., Ltd.**  
Production and sales of toys and home appliances
- **Casio Hitachi Mobile Communications Co., Ltd.\***  
Development, design, procurement, product, quality assurance, sales and services for cellular phones  
\* April 1, 2004 establishment

(53 consolidated subsidiaries and 7 equity-method affiliates)

## Directors and Corporate Auditors

(As of June 29, 2004)

\*Corporate officers

**Chairman and Representative Director**  
Toshio Kashio

**President and CEO**  
Kazuo Kashio\*

**Executive Vice President and Representative Director**  
Yukio Kashio\*

**Managing Directors**  
Masayuki Hakata\*  
Yozo Suzuki\*  
Akinori Takagi\*  
Yoshio Ono\*

**Directors**  
Tadashi Takasu\*  
Atsushi Mawatari\*  
Kouichi Takeichi\*  
Akira Kashio\*  
Fumitsune Murakami\*  
Katsuhiro Endo\*

**Corporate Auditors**  
Takeshi Honda  
Yoshinobu Yamada  
Hironori Daitoku

**Corporate Officers**  
Naomitsu Satoh  
Kiyotaka Hachiya  
Tomimoto Umeda  
Shinji Yamamoto  
Eiichi Takeuchi  
Harunori Fukase  
Isamu Shimozato  
Susumu Takashima  
Ichiro Ohno  
Katsuhisa Sorita

## Corporate Data

(As of March 31, 2004)

**Established:** June 1957  
**Paid-in Capital:** ¥41,549 million  
**Employees:** 11,637  
**Home Page Address:** <http://world.casio.com/>

### DOMESTIC OFFICES

#### Head Office

6-2, Hon-machi 1-chome,  
Shibuya-ku, Tokyo 151-8543

**Accounting Department**  
Tel: (03) 5334-4852

### R&D CENTERS

#### Hamura Research & Development Center

3-2-1, Sakae-cho,  
Hamura City, Tokyo 205-8555  
Tel: (042) 579-7111

#### Hachioji Research & Development Center

2951-5, Ishikawa-cho,  
Hachioji City, Tokyo 192-8556  
Tel: (0426) 39-5111

### OVERSEAS OFFICES

#### Casio Inc.

570 Mt. Pleasant Avenue,  
Dover, New Jersey 07801,  
United States  
Tel: 973-361-5400

#### Casio Europe GmbH

Bornbarch 10,  
22848 Norderstedt, Germany  
Tel: 040-528-65-0

# Investor Information

(As of March 31, 2004)

## Stock Exchange Listings

Tokyo, Osaka, Amsterdam, Frankfurt and London

## Transfer Agent

The Sumitomo Trust and Banking Corporation  
 Stock Transfer Agency Dept.  
 4-4, Marunouchi 1-chome, Chiyoda-ku,  
 Tokyo 100-8233, Japan

## Number of Shares

Authorized: 471,693,000 shares  
 Issued: 270,442,868 shares

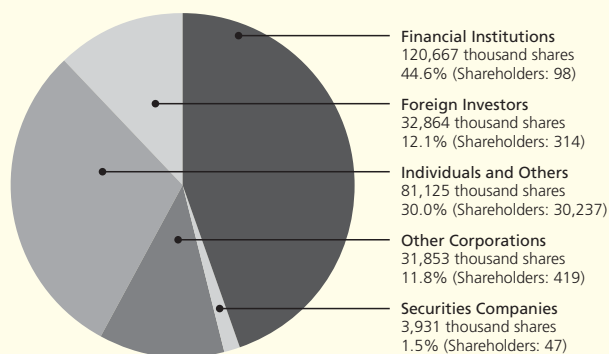
## Number of Shareholders

31,115

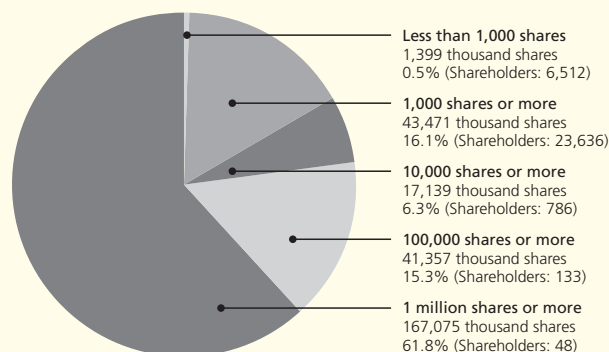
## Principal Shareholders

	Shareholdings (thousands)	Outstand- ing voting share
Japan Trustee Services Bank, Ltd. (Trust Account)	17,408	6.60%
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,579	6.29
Nippon Life Insurance Company	13,670	5.19
Sumitomo Mitsui Banking Corp.	13,304	5.05
Casio Bros. Corp.	10,000	3.79
Toshio Kashio	5,337	2.02
Sumitomo Life Insurance Company	4,206	1.60
Mitsui Sumitomo Insurance Co., Ltd.	4,122	1.56
Casio Employee Shareholders' Association	3,870	1.47
Yukio Kashio	3,702	1.40

## Breakdown of Shareholders



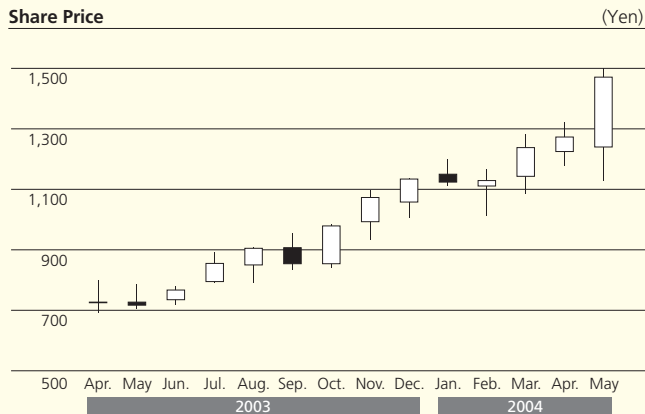
## Breakdown of Shareholdings by Size



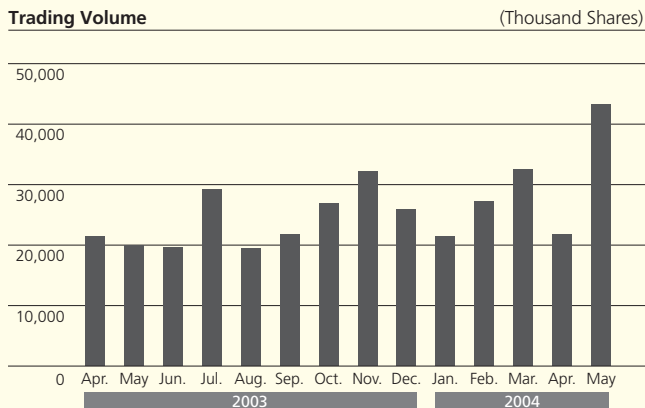
## Share Price Range

Year	Month	Yen		
		High	Low	
2003	Apr.	¥ 798	¥ 690	
	May	785	704	
	Jun.	780	720	
	Jul.	893	791	
	Aug.	907	791	
	Sep.	955	835	
	Oct.	984	841	
	Nov.	1,096	932	
	Dec.	1,139	1,007	
	2004	Jan.	1,200	1,114
		Feb.	1,167	1,014
		Mar.	1,283	1,086
Apr.		1,323	1,180	
May		1,501	1,130	

## Share Price



## Trading Volume





**CASIO COMPUTER CO., LTD.**

6-2, Hon-machi 1-chome, Shibuya-ku, Tokyo 151-8543, Japan  
<http://world.casio.com/>