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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.

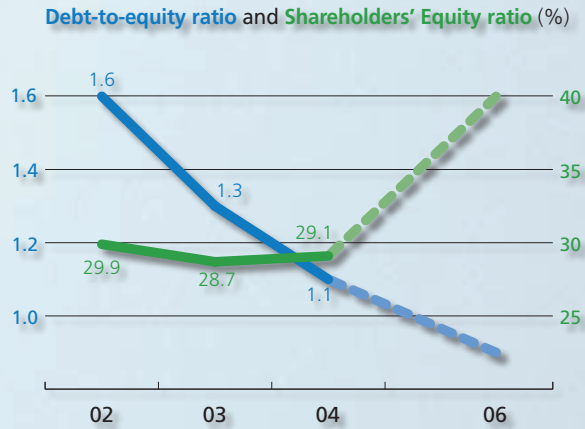
Reinforcement of management strengths

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

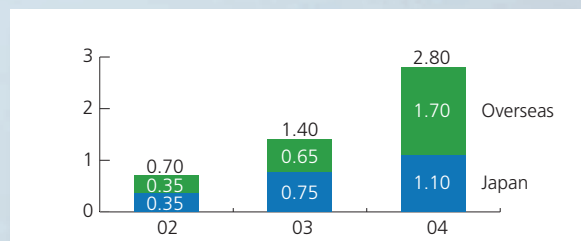
Digital Cameras



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)

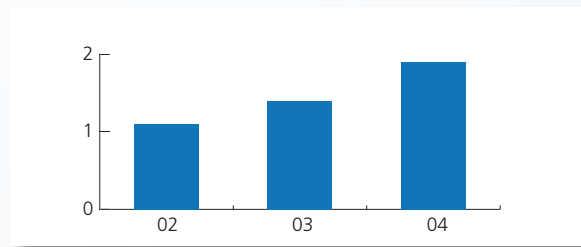




Electronic Dictionaries

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.

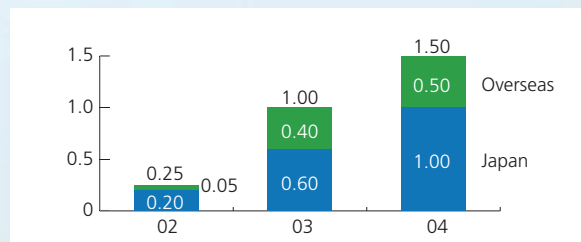
Electronic Dictionary (high-end type) Domestic Market Trends (Millions of units)
Source: Company Survey



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

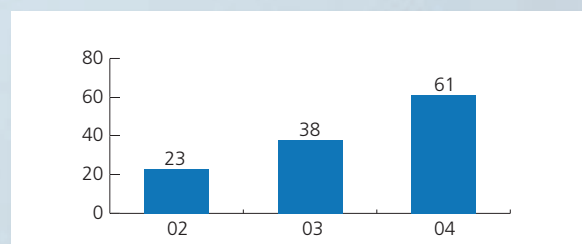


Recently, the size of the market for small-sized TFT LCDs panels has grown proportionately to the global expansion seen in the cellular phone and digital camera markets. Against this backdrop, we have been working to expand the scale of our business operations, and have secured the top share in the fields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