

Responsibilities
to
Our Customers
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Stable Supply of Products

We endeavor to strengthen the global supply chain to respond to rising demand for products against the backdrop of digitalization and network expansions.

Philosophy about Stable Supply

Supplying products in a stable fashion is one of the most basic responsibilities of a manufacturer to its customers. To respond to changes in demand and provide products in a stable fashion, it is important to optimize the entire supply chain, starting with the stable procurement of raw materials and including the construction of a production system, improvement of a distribution system, and establishment of wholesale and retail networks.

Based on this point of view, Casio endeavors to strengthen its global supply chain by upholding the following four policies:

Policies about Stable Product Supply

1. Streamlining of the supply chain (part vendors – factories – distribution and sales departments) with the introduction of supply chain management (SCM) and the extensive application of IT.
2. Construction of a good relationship with suppliers so as to increase efficiency and stabilize raw material procurement.
3. Construction of a decentralized production system that takes into account such production risks as natural disasters. (Construction of a decentralized production system for each manufacturing item. <Dispersion to a minimum of two sites>)
4. Construction of an optimum production system that corresponds to regional demand characteristics (labor cost, technological prowess, parts supply capability). (Japan: high function products / China: cost-focused products)

Policy Decisions on Production and Supply Systems

Casio holds Production Site Policy Meetings as necessary and makes decisions on policies regarding newly opening, integrating or closing production sites. In accordance with these policies, Business Plan Meetings are held every half-yearly period by the Group companies in manufacturing to make decisions on establishing specific production and supply systems, and production lead time for each product that they are responsible for.

Under the current production and supply systems of Casio, the Electronic Component Division consists of four Group companies and outside suppliers whereas the Electronics Equipment Division consists of 11 Group companies and outside suppliers.

Production System of Electronics Equipment Products

Today, demand for electronic dictionaries is growing at a phenomenal pace not only in Japan but also in markets all over the world. In light of this trend, Casio is stepping up to strengthen its production and supply systems at Jiu Shui Keng Casio Electronics Factory, and Casio Electronic (Zhongshan) Co., Ltd., which are the core electronic dictionary production sites of Casio Group.

Specifically, we adopted the “Weekly Review Production Method” in 2004. Using this method, we shortened the parts procurement time and the lead time to shipment, and enabled the production and

shipment of our products to adjust flexibly to changes in demand. In fiscal 2005, we plan to expand the application of this method horizontally to the manufacturing processes of our other major products, such as electronic calculators, digital cameras and watches.

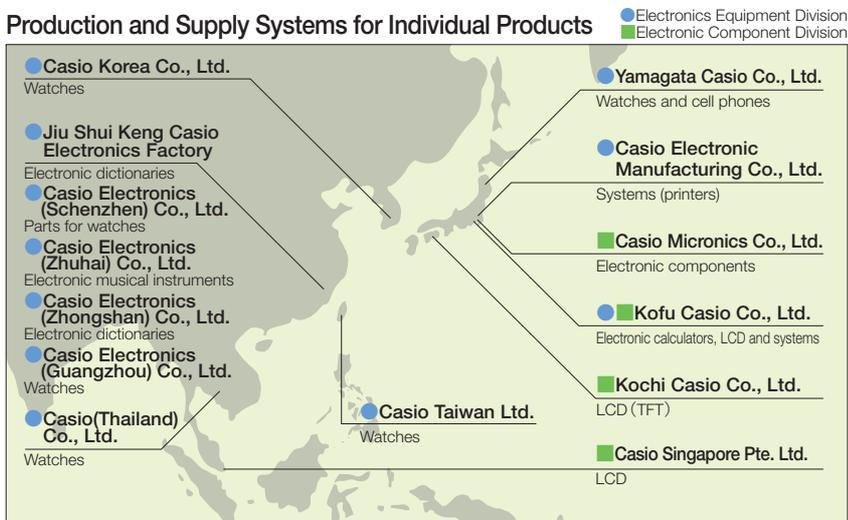
***Weekly Review Production Method:** A new production method that aims to realize production and shipment that respond flexibly to changes in sales. In this method, production planning, which is conventionally performed once every other week, is done weekly, and the lead time from the creation of a sales and purchasing plan to shipment is shortened to five weeks.

Production System of Electronic Component Products

Casio Micronics Co., Ltd. plans to double its current capacity for the manufacture of semiconductor-related parts by the beginning of 2007, projecting continued growth of demand in the markets of digital home electronic equipment, including flat-screen TV sets, personal computers and cell phones.

In January 2005, Casio Micronics bought a semiconductor plant and approximately 7,000 square meters of land in Ome, Tokyo from a company in the Renesas Technology Corp. Group. In preparation for its start-up during fiscal 2005, Casio Micronics is pressing forward with the establishment of a production system. Furthermore, capital investment is planned at the adjacent Casio Micronics’ headquarters and its factory to increase its 200-mm wafer production capacity. At the company’s Yamanashi factory, a capacity increase is planned for the production of film substrates for driving that are sold to LCD panel makers. Investment in these production capacity increases, including land acquisitions, is expected to amount to approximately ¥13.0 billion.

Production and Supply Systems for Individual Products



Casio Micronics Plant at its Headquarters (Ome City)