

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

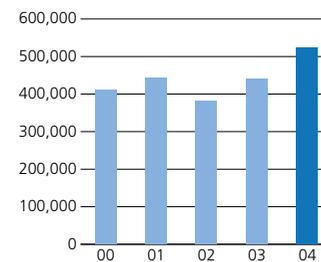
Years ended March 31, 2004 and 2003, Casio Computer Co., Ltd. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars*
	2004	2003	2004
For the year:			
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
At year-end:			
Shareholders' equity	144,403	131,957	1,362,292
Total assets	496,039	459,113	4,679,613
Amounts per share of common stock (in yen and U.S. dollars):			
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.

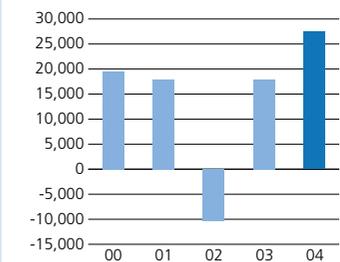
Net Sales

(Millions of yen)



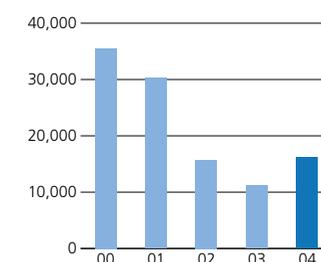
Operating Income (Loss)

(Millions of yen)



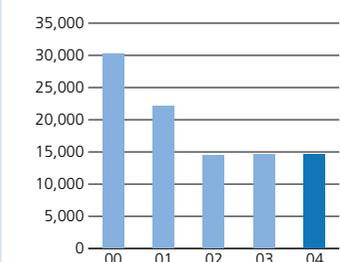
Capital Investment

(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.

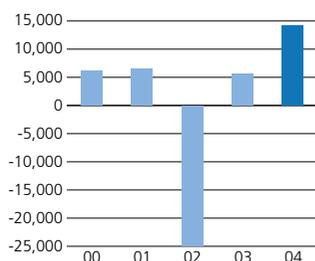
reflecting excellent progress centered on strategic businesses.

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.

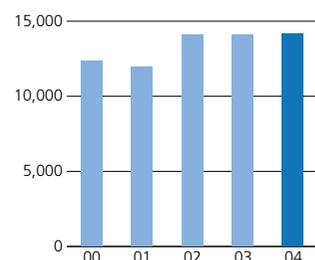
Net Income (Loss)

(Millions of yen)



R&D Expenses

(Millions of yen)



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

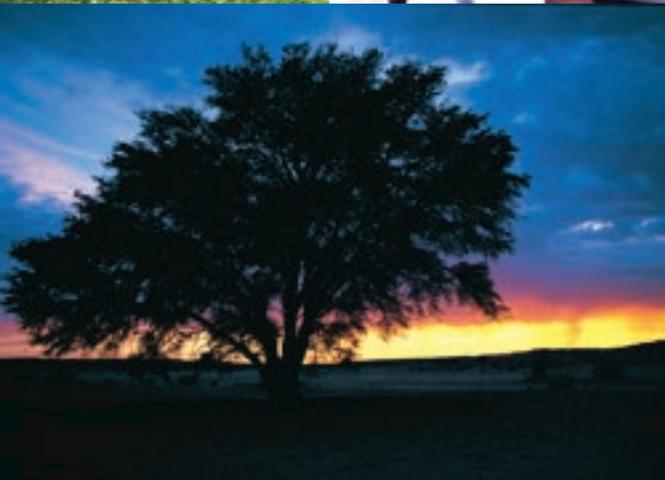
In order to achieve business targets categorically, reinforce competitive strengths, and raise our enterprise value, we recognize the crucial importance of swift decision-making and appropriate execution of duties, along with improvements in the management supervision system leading toward greater management 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