

Qualitative Information about Consolidated Operating Results

The market environment for Casio's businesses through the first quarter of fiscal 2005 continued to show steady growth driven by digital home electrical appliances, as in the previous fiscal year.

In this environment, the Casio Group has been strongly promoting and developing high added-value and product differentiation in its five strategic businesses, which include timepieces, digital cameras, electronic dictionaries, cellular phones, and TFT LCDs. As a result, consolidated net sales for the first quarter of fiscal 2005 recorded substantial growth compared with the same period last year, reaching 131.7 billion yen. The Electronics segment and the Electronic Components and Others segment both turned in solid performances. In terms of region, sales expanded both in Japan and overseas, with the ratio of overseas sales unchanged from the same quarter last year. As a result of group-wide execution of strategies to improve earning capacity that focused on increasing added value by enhancing product appeal in strategic businesses and streamlining costs, operating income was favorable in both the Electronics and the Electronic Components and Others segments. Total consolidated operating income, allowing for elimination or unallocated amount was 7.1 billion yen, more than twice as much than in the first quarter of the previous fiscal year.

Qualitative Information about Changes in Financial Position

Total assets at the end of the first quarter of fiscal 2005 rose by 20.8 billion yen compared with the end of the previous fiscal year. This was due to further expansion in the content of business and production adjustments to provide for periods of demand. Shareholders' equity declined temporarily as a result of dividend payments.

Qualitative Information about Results Forecasts

In terms of the future business environment, Casio's markets are showing a moderate recovery, primarily in digital home electrical appliances, and positive business sentiment is expected to continue overall.

In this environment, Casio will take advantage of its core competences and consistently promote innovative product development, while executing business expansion and management structure reinforcement strategies from a long-term perspective, targeting higher earnings. The company will develop a range of proactive strategies in each business and further enhance efficiency and outcomes while promoting structural reform of the business and seeking to create new value with the aim of increasing the soundness of long-term management. It will continue to work to improve business results and improve management structure.

In terms of full year results forecasts for fiscal 2005, earnings are currently in line with the forecasts made in the projections published on May 11, 2004. There are no changes to results forecasts.

Notes concerning results forecasts

The exchange rates for the current fiscal year are calculated at US\$1 = ¥108 and Euro1 = ¥127.

Forecasts for business results are based on information available at the present time, and actual results may differ significantly from forecasts. Key factors affecting actual results may include, but are not limited to, the economic circumstances surrounding the company's business, fluctuations in the exchange rates of major currencies, including the yen-dollar rate, and significant changes in product prices.

Overview of Sales by Segment

Electronics Segment

Sales in the Electronics segment were 100.8 billion yen, up 29.1% compared to the first quarter of the previous fiscal year. For the Consumer category, Casio launched the EX-Z30 and EX-Z40 digital camera models. In addition to combining superior portability with high performance, they have a battery life 2.5 times longer than previous models. They have received high acclaim as cutting-edge models differentiated from competitor's products in a digital camera market that is focused on increasingly small and thin products. Steady growth in sales has been maintained without significant price reductions. Moreover, in the electronic dictionary business, where Casio boasts a high market share, the company achieved growth with the launch of a new model that contains an industry-leading 50 dictionaries, and sales of electronic dictionary products that target overseas markets have also been steady. As a result, overall sales in the Consumer category increased to 41.4 billion yen, up 12.9% year-on-year. The Timepieces category recorded sales of 14.6 billion yen, up 0.8% year-on-year, as a result of the continued steady performance of radio-controlled watches. In the Mobile Network Solutions (MNS) category, the company released the first cellular phone model equipped with a 2.0-megapixel CCD camera for the au brand last December, and this June, released the world's first cellular phone to be equipped with a 3.2-megapixel CCD camera. These models have been highly acclaimed as cutting-edge products at the forefront of the 3G cellular phone market, which is expanding steadily. As a result of Casio's speed in meeting market needs with products like these, the MNS category saw steady sales. Further, in April, the company established the joint venture cellular phone development company, Casio Hitachi Mobile Communications Co., Ltd., with Hitachi. As a result, sales for the category overall increased by 92.4% year-on-year to 34.8 billion yen. The System Equipment category also recorded steady sales, primarily for page printers, and sales in the category overall increased to 9.8 billion yen, up 12.9% year-on-year.

Electronic Components and Others Segment

Sales in the Electronic Components and Others segment were 30.9 billion yen, up 25.8% compared with the first quarter of the previous fiscal year. In the Electronic Components category, the company's TFT business saw substantially higher sales and turned in a strong performance, continuing to maintain its top share of the market in LCDs for digital camera monitors and focusing on high-end models (QVGA, QCIF) in the cellular phone market.

Outstanding Issues

Casio considers improving its earning capacity and strengthening its financial structure to be important issues. The company is aiming to deliver unique, high added-value products and services and to contribute to the building of abundantly creative communities in order to increase corporate value.

1. Improving Earning Capacity

Casio has positioned the Timepieces, Consumer (excluding digital cameras), and System Equipment businesses as Stable Businesses, and the digital camera, cellular phone, and Electronic Components businesses as Expansive Businesses. With these two types of business forming the core of its operations, Casio will pursue management that secures stable growth and profitability by developing strategies that take account of the unique characteristics of each business. The company is aiming to improve its operating income margin by securing stable income in Stable Businesses and expanding operating income in the Expansive Businesses.

As a specific step toward improving earning capacity, Casio is striving to significantly reduce the ratio of procurement costs to sales by streamlining costs from the time development of new products begins, through collaboration between the Production and Purchasing H.Q. and the Product Development H.Q. set up in December 2003.

2. Strengthening Financial Structure

The company is endeavoring to enhance cash flow, improve its financial ratios by reducing interest-bearing debt, and cut interest expenses. In addition, it is seeking to enhance shareholders' equity to allow flexible execution of capital policies.

3. Strengthening and Promoting Efforts to Fulfill Corporate Social Responsibility

Casio will work to improve corporate governance and compliance in the future through the practical application of "The Charter of Creativity for Casio" and the enhancement of its systems for promoting corporate social responsibility (CSR).