

# Consolidated Financial Results for the First Quarter Ended June 30, 2004

August 3, 2004

Company Name: **CASIO COMPUTER CO., LTD.**

(URL <http://www.casio.co.jp>)

Stock Exchange Listings: Tokyo, Osaka, (First Section)  
Amsterdam, Frankfurt, London

Code Number: 6952

President and CEO: Kazuo Kashio

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## 1. Notes to quarterly financial information

(1) Adoption of the simplified accounting method : Yes

The simplified method is used for the tax effect accounting.

(2) Changes in accounting methods in the most recent fiscal year : None

(3) Changes in scope of consolidation and equity method : Yes

Consolidated subsidiaries: (Newly included) 2 (Excluded) 0

Companies accounted for by the equity method: (Newly included) 0 (Excluded) 1

## 2. Consolidated Financial Results for the Three Months from April 1, 2004 to June 30, 2004

Monetary amounts are rounded to the nearest million yen.

### (1) Operating Results

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Three months ended June 30, 2004	131,720 28.3%	7,101 135.6%	6,806 194.7%	3,541 235.7%
Three months ended June 30, 2003	102,658	3,014	2,309	1,055
(Reference)Year ended March 31, 2004	523,528 18.8%	27,491 53.5%	21,454 74.8%	14,176 151.0%

	Net income per share (Yen)	Diluted net income per share (Yen)
Three months ended June 30, 2004	13.32	12.67
Three months ended June 30, 2003	3.91	3.91
(Reference)Year ended March 31, 2004	51.99	51.23

Notes: 1. Percentages in the net sales, operating income and other columns indicate changes from the same period of the previous fiscal year.

2. Casio did not disclose figures for categories other than net sales and operating income for the first quarter of fiscal 2004, and figures shown are calculated using the same method as for the first quarter of fiscal 2005.

### (2) Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Three months ended June 30, 2004	516,865	142,796	27.6	537.73
Three months ended June 30, 2003	450,776	133,037	29.5	492.72
(Reference)Year ended March 31, 2004	496,039	144,403	29.1	541.93

Note: Casio did not disclose figures related to financial position for the first quarter of fiscal 2004, and figures shown are calculated using the same method as for the first quarter of fiscal 2005.

## 3. Consolidated Results Forecast for Fiscal 2005 from April 1, 2004 to March 31, 2005

(Millions of yen)

	Net sales	Ordinary income	Net income
First Half	290,000	15,000	8,000
Fiscal 2005	610,000	34,000	18,000

(Estimated net income per share for fiscal 2005 : 67.78 yen)

Note: For items related to assumptions and others of the above forecast, see pages from 5 to 6.

## Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2004	As of March 31, 2004	Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>	346,391	329,787	16,604
Cash and time deposits	83,060	79,977	3,083
Notes and accounts receivable-trade	81,240	98,969	(17,729)
Marketable securities	54,000	44,500	9,500
Inventories	79,185	62,259	16,926
Other current assets	50,701	46,006	4,695
Allowance for doubtful accounts	(1,795)	(1,924)	129
<b>Fixed assets</b>	170,474	166,252	4,222
Property, plant and equipment	95,254	94,035	1,219
Buildings and structures	32,624	32,496	128
Machinery and vehicles	13,114	13,459	(345)
Land	38,376	38,356	20
Other property, plant and equipment	11,140	9,724	1,416
Intangibles	11,048	10,364	684
Investments and other assets	64,172	61,853	2,319
Investment securities	43,349	42,748	601
Other assets	22,004	20,453	1,551
Allowance for doubtful accounts	(1,181)	(1,348)	167
<b>Total assets</b>	516,865	496,039	20,826
<b>Liabilities</b>			
<b>Current liabilities</b>	194,794	178,340	16,454
Notes and accounts payable-trade	118,282	102,406	15,876
Short-term borrowings	991	906	85
Long-term borrowings due within one year	1,792	1,792	
Bonds due within one year	11,000	11,000	
Other current liabilities	62,729	62,236	493
<b>Long-term liabilities</b>	171,290	170,413	877
Bonds	50,000	50,000	
Bonds with stock acquisition rights	20,000	20,000	
Long-term borrowings	82,020	82,310	(290)
Employees' severance and retirement benefits	14,608	14,292	316
Other long-term liabilities	4,662	3,811	851
<b>Total liabilities</b>	366,084	348,753	17,331
<b>Minority interests</b>	7,985	2,883	5,102
<b>Shareholders' equity</b>			
Common stock	41,549	41,549	
Additional paid-in capital	57,524	57,524	0
Retained earnings	53,583	54,223	(640)
Net unrealized holding gains on securities	2,050	2,525	(475)
Foreign currency translation adjustments	(6,652)	(7,003)	351
Treasury stock, at cost	(5,258)	(4,415)	(843)
<b>Total shareholders' equity</b>	142,796	144,403	(1,607)
<b>Total liabilities, minority interests and shareholders' equity</b>	516,865	496,039	20,826

## Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2004		(Reference) Year ended March 31, 2004	
	Amount	% of Net sales	Amount	% of Net sales
<b>Net sales</b>	131,720	100.0	523,528	100.0
Cost of sales	95,990	72.9	377,422	72.1
Gross income	35,730	27.1	146,106	27.9
Selling, general and administrative expenses	28,629	21.7	118,615	22.6
<b>Operating income</b>	7,101	5.4	27,491	5.3
Non-operating income	769	0.6	4,204	0.8
Non-operating expenses	1,064	0.8	10,241	2.0
<b>Ordinary income</b>	6,806	5.2	21,454	4.1
Extraordinary gains	33	0.0	3,910	0.7
Extraordinary losses	269	0.2	2,828	0.5
<b>Income before income taxes and minority interests</b>	6,570	5.0	22,536	4.3
<b>Income taxes</b>	2,825	2.1	7,831	1.5
<b>Minority interests</b>	(204)	(0.2)	(529)	(0.1)
<b>Net income</b>	3,541	2.7	14,176	2.7

## Business Segment Information

Three months ended June 30, 2004

(Millions of yen)

	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
(1) Outside customers	100,808	30,912	131,720		131,720
(2) Inside Group	223	7,671	7,894	(7,894)	
Total	101,031	38,583	139,614	(7,894)	131,720
Costs and expenses	95,391	35,955	131,346	(6,727)	124,619
Operating income (loss)	5,640	2,628	8,268	(1,167)	7,101

Three months ended June 30, 2003

(Millions of yen)

	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
(1) Outside customers	78,092	24,566	102,658		102,658
(2) Inside Group	350	7,468	7,818	(7,818)	
Total	78,442	32,034	110,476	(7,818)	102,658
Costs and expenses	75,566	30,847	106,413	(6,769)	99,644
Operating income (loss)	2,876	1,187	4,063	(1,049)	3,014

## Sales by Product Category

(Millions of yen)

	Three months ended June 30, 2004			Three months ended June 30, 2003	
	Amount	% of total	% change	Amount	% of total
Consumer (Electronic calculators, Electronic dictionaries, Digital cameras, etc.)	41,455	31.5	12.9	36,726	35.8
Timepieces	14,660	11.1	0.8	14,549	14.2
MNS (Mobile Network Solutions) (Cellular phones, Pocket computers, etc.)	34,893	26.5	92.4	18,140	17.7
System equipment (Electronic cash registers, Office computers, Page printers, etc.)	9,800	7.4	12.9	8,677	8.4
Electronics	100,808	76.5	29.1	78,092	76.1
Electronic components (LCDs, BUMP processing consignments, etc.)	23,882	18.1	28.2	18,624	18.1
Others	7,030	5.4	18.3	5,942	5.8
Electronic components and others	30,912	23.5	25.8	24,566	23.9
Total [ Overseas sales ]	131,720 [53,203]	100.0 [40.4]	28.3 [29.4]	102,658 [41,117]	100.0 [40.1]

Note: Casio did not disclose overseas sales for the first quarter of fiscal 2004, and figures shown are calculated using the same method as for the first quarter of fiscal 2005.

## **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).