

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2005

English Translation of "KESSAN TANSHIN"

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

(Summary for reference)

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

May 10, 2005

Stock Exchange Listings: Tokyo (First Section)

Code Number: 6952

Head Office: 6-2, Hon-machi 1-chome, Shibuya-ku, Tokyo 151-8543, Japan

President and CEO: Kazuo Kashio

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Board of Directors Meeting: May 10, 2005

U.S. accounting principles and practices have not been adopted in this statement.

## 1. Consolidated Financial Results for the year ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

Monetary amounts are rounded to the nearest million yen.

### (1) Operating Results

(Millions of yen)

	Net sales		Operating income		Ordinary income	
Year ended March 31, 2005	559,006	6.8%	39,040	42.0%	33,588	56.6%
Year ended March 31, 2004	523,528	18.8%	27,491	53.5%	21,454	74.8%

	Net income		Net income per share (Yen)	Diluted net income per share (Yen)	Net income / Shareholders' equity (%)	Ordinary income /Total assets (%)	Ordinary income /Net sales (%)
Year ended March 31, 2005	21,534	51.9%	80.27	76.47	14.0	6.8	6.0
Year ended March 31, 2004	14,176	151.0%	51.99	51.23	10.3	4.5	4.1

Notes: 1. Equity in gains of affiliates:

Year ended March 31, 2005: 96 million yen

Year ended March 31, 2004: 180 million yen

2. Average number of shares outstanding during the year (consolidated):

Year ended March 31, 2005: 265,696,515

Year ended March 31, 2004: 269,011,946

3. Changes in accounting methods: Yes

4. Percentages in the net sales, operating income, ordinary income and net income columns indicate changes from the previous fiscal year.

### (2) Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Year ended March 31, 2005	495,743	162,271	32.7	610.23
Year ended March 31, 2004	496,039	144,403	29.1	541.93

Note: Number of shares outstanding at end of the year (consolidated):

Year ended March 31, 2005: 265,577,608

Year ended March 31, 2004: 266,108,728

**(3)Cash Flows**

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Year ended March 31, 2005	64,955	(28,836)	(13,529)	147,589
Year ended March 31, 2004	61,777	(15,694)	(17,693)	123,141

**(4)Scope of Consolidation and Equity Method**

Number of consolidated subsidiaries: 53

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 6

**(5)Changes in Scope of Consolidation and Equity Method**

Consolidated subsidiaries: (Newly included) 4 (Excluded) 4

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

**2. Consolidated Results Forecast for Fiscal 2006 (From April 1, 2005 to March 31, 2006)**

(Millions of yen)

	Net sales	Ordinary income	Net income
First Half	285,000	17,500	10,000
Fiscal 2006	580,000	37,000	23,000

(Estimated net income per share: 86.60 yen)

Note: For items related to assumptions and others of the above forecast, see pages from 10 to 11.

## The Casio Group

The Casio Group consists of Casio Computer Co., Ltd., and its 53 consolidated subsidiaries and 6 equity-method subsidiaries, as of March 31, 2005. The business activities of these companies range from development and production to sales and service in the categories of Consumer, Timepieces, Mobile Network Solutions (MNS), System Equipment, Electronic Components and Others.

The Casio Group's development efforts are primarily the responsibility of Casio Computer Co., Ltd., which conducts basic research and development, and also develops new products and new production technologies. Further development of production technologies is largely conducted by the companies involved in production.

In terms of production, Casio Micronics Co., Ltd., and Kochi Casio Co., Ltd., are responsible for electronic components, and Casio Computer Co., Ltd. supplies other production subsidiaries with primary components. They carry out fabrication and processing of products using these main components and other components they procure, then supplying the respective products to Casio Computer Co., Ltd.

The main production subsidiaries by product category are as shown below.

Product category		Principal products	The main production subsidiaries
Electronics	Consumer	Electronic calculators Label printers Electronic dictionaries Visual-related products Digital cameras Electronic musical instruments	Yamagata Casio Co., Ltd. Kofu Casio Co., Ltd. Casio Computer (Hong Kong) Ltd. Casio Electronics (Zhuhai) Co., Ltd.
	Timepieces	Digital watches Analog watches Clocks	Yamagata Casio Co., Ltd. Casio Korea Co., Ltd. Casio Electronics (Shenzhen) Co., Ltd. Casio (Thailand) Co., Ltd.
	MNS	Cellular phones Pocket computers Handy terminals	Yamagata Casio Co., Ltd. Kofu Casio Co., Ltd. Casio Hitachi Mobile Communications, Co., Ltd.
	System Equipment	Electronic cash registers (including POS) Office computers Page printers Data projectors	Casio Electronic Manufacturing Co., Ltd. Kofu Casio Co., Ltd.
Electronic Components and Others	Electronic Components	LCDs BUMP processing consignments TCP assembly and processing consignments Carrier tape	Kofu Casio Co., Ltd. Kochi Casio Co., Ltd. Casio Micronics Co., Ltd. Casio Singapore Pte., Ltd.
	Others	Factory automation Molds Toys	Yamagata Casio Co., Ltd. Kofu Casio Co., Ltd.

In domestic sales, products other than system equipment are mainly marketed through distributors. However, the company sells its products through affiliated companies in some regions. Moreover, Casio Computer Co., Ltd. sells system equipment directly to some customers, such as central and local government offices, although some sales of system equipment are conducted through sales affiliates in leading regions and distributors. Overseas, the company sells its products through direct or indirect export by Casio, Inc. to North America, by Casio Electronics Co., Ltd., Casio Europe GmbH, and Montres Casio France S.A. to Europe, and through distributors to other regions. Casio Techno Co., Ltd. carries out maintenance and servicing for the Group's products.

## **Management Policy**

### **Basic Management Policy**

Since Casio's foundation, its corporate creed has been "Creativity and Contribution." Casio's mission is to pursue growth as a company, increase corporate value, and remain attractive for all investors and customers by creating an affluent life for people around the world and contributing to society. The company is accomplishing this by introducing innovative ideas and astonishingly good solutions based on its proprietary advanced technologies.

Casio will continue to deliver the values of "function, quality, economy, speed, productivity, ethics, safety, and compatibility with the environment" in its products and services. In the months and years ahead, the company looks forward to providing all of its stakeholders with more "excitement" than they anticipate, and greater inspiration than ever before.

### **Basic Policy on Allocation of Company Profit**

Casio has positioned the maintenance and expansion of profits for all of its shareholders as an important challenge, and is striving to improve business performance and strengthen its financial structure. The company's dividend policy is based on maintaining stable dividends, improving the allocation of profit by taking factors such as profit levels, financial position and the dividend payout ratio into overall consideration, and strengthening returns for shareholders.

The company allocates internal reserves to the research and development and investment required for corporate stability and growth.

Casio plans to increase the dividend by 2 yen per share from the 15 yen per share paid last fiscal year to 17 yen per share for the year under review, taking factors such as business performance into consideration. This increase in the dividend follows on an increase in the previous year.

### **Philosophy and Policy on Lowering the Investment Unit**

Extending the classes of investors and increasing the liquidity of the company's stock is an important issue in its capital policy, and Casio recognizes that lowering the investment unit is an effective means of stimulating activity in the stock market. In light of current trends in the company's stock price and the requirements of market conditions, Casio lowered the investment unit from 1,000 shares to 100 shares effective September 1, 2004.

### **Medium and Long-Term Management Strategy and Issues to Be Addressed**

The Casio Group considers increasing its earning capacity and strengthening its financial structure to be pressing issues, and the entire company has been united in promoting the strategies described below since fiscal 2004.

## (1) Improving Earning Capacity

Casio has positioned businesses that have maintained top market share and are expected to obtain stable cash flow without requiring significant additional investment as Stable Businesses. These businesses include Timepieces, Consumer (excluding digital cameras), and System Equipment. The company has positioned businesses that are expected to experience significant global market growth in the future, while also experiencing intensifying competition as a large number of companies enter the market, as Expansive Businesses. These include the digital camera and cellular phone businesses, as well as Electronic Components (TFT LCDs). With these two types of businesses at the core, Casio is pursuing management that secures stable growth and profitability by developing strategies that suit the characteristics of each type of business. In fiscal 2005, Stable Businesses accounted for 47% of net sales and Expansive Businesses accounted for 53% of net sales. The operating income margin was 10.6% in Stable Businesses and 5.7% in Expansive Businesses. As a result, the operating income margin for the company overall, allowing for eliminations or unallocated amounts, was 7.0%, which is a substantial improvement from the 4.1% of fiscal 2003. Going forward, the company aims to secure stable profits in Stable Businesses while increasing operating income in Expansive Businesses. Casio is focused on the near-term goal of achieving a 10% operating income margin overall.

## (2) Strengthening Financial Structure

Casio is moving ahead strongly with improvements in its shareholders' equity ratio and debt/equity (D/E) ratio with the aim of strengthening the financial foundations for future growth.

In fiscal 2005, Casio realized major improvements: the consolidated equity ratio improved from 28.7% in fiscal 2003 to 32.7%, and the D/E ratio went from 1.34 in fiscal 2003 to 0.95. In the future, the company will continue to pursue even more thoroughly efficient cash flow management and strive to generate free cash flow, aiming for a complete turnaround to a strong and stable financial structure.

Through the execution of the two strategies described above, Casio seeks to deliver original products and services with high added value, increase corporate value, and contribute to the building of a society of abundant creativity.

## **Basic Philosophy on Corporate Governance and Status of Strategy**

In order to ensure the achievement of management objectives, enhance competitiveness, and increase corporate value, Casio recognizes the critical importance of rapid decision-making, appropriate business execution, and enhancing management supervisory functions to improve transparency. The company has implemented a range of measures with the aim of enhancing corporate governance.

### (1) Implementation Status of Corporate Governance Strategies

Casio has established a corporate governance framework that combines a director system and auditor system with an original corporate officer system and internal audit system.

The board of directors is structured to ensure rational and rapid management decision-making. The company has adopted a decision-making process in which important management issues are discussed at meetings of the board of directors that are attended by directors and corporate auditors (held 18 times during fiscal 2005). Important matters related to the execution of business are discussed at meetings of corporate officers attended by corporate officers, directors, and corporate auditors in order to facilitate smooth company-wide adjustments and strategy implementation.

The board of corporate auditors consists of 3 auditors, including 2 external auditors. In line with auditing policy and the division of duties determined by the board of corporate auditors, corporate auditors attend the meetings of the board of directors and corporate officers described above. In addition, they conduct rigorous audits using interviews with and reports from directors and reviews of documentation related to decisions on important matters (11 times in fiscal 2005). They also work in cooperation with the internal audit division and independent accountants, requesting reports from them regularly and as required. External auditors do not have any special interests in Casio.

External audits by independent accountants are conducted by KPMG AZSA & Co., based on auditing standards generally accepted in Japan. The company also receives proposals that lead to improvements in its operations. The 2 certified public accountants who carry out the work are Yasuaki Takayama and Eiichi Kamiya, and Mr. Kamiya has been conducting audits of Casio for 11 years. In addition, their assistants in the auditing work consist of 4 certified public accountants as well as 7 others.

In fiscal 2005, Casio paid ¥225 million as remuneration to directors and ¥27 million to auditors (including ¥18 million to external auditors). Fees payable to the independent accountants by Casio were ¥38 million in consideration of the statement of audit based on the auditing agreement.

The internal audit division consists of 5 members, and they conduct audits on the status of organizational operations based on laws and regulations as well as in-house administrative standards for organizational functions and other matters, make evaluations and provide guidance for improvements. The division in charge of each operation is largely responsible for audits of quality, the environment, safety, security, and other issues in cooperation with the manager responsible for the organization. Casio has also extended the various in-house standards on quality, the environment, safety, and security to Casio Group companies.

Casio continues to strive to provide timely and accurate information about business conditions to shareholders and investors by improving results briefings, annual reports, sustainability report, and the company's website.

In this way, Casio continues to take a variety of initiatives to enhance corporate governance.

## (2) Efforts to Enhance Corporate Governance over the Past Year

Casio understands that sustainable corporate growth will only come about with the sustainable development of the global community, and is actively managing its corporate social responsibility (CSR). For Casio, CSR is a key pillar of corporate management.

In an effort to bolster its activities in this area, the company established the CSR Operation Section in April 2004 to improve its company-wide organization. In December 2004, Casio also inaugurated the CSR Committee, which consists of directors and auditors with the President as Chairman. The CSR Committee determines the direction of

company-wide CSR activities, including basic policy and other important matters, and works to enhance the company-wide risk management system.

The company also sought to improve corporate governance and compliance by ensuring that all employees and officers understand and comply with laws and regulations, maintain social order, and contribute to society based on the Casio Common Commitment and Casio Code of Conduct prepared in accordance with the Charter of Creativity for Casio.

Further, the company replaced its previous Environmental Report with the Sustainability Report, which was published in July 2004, in order to integrate reporting on the environmental as well as social aspects of the company's activities. Casio plans to publish an even more detailed CSR Report covering the economic, social, and environmental aspects of the company's activities in June 2005.



## **Operating Results and Financial Position**

### **Performance Highlights for Fiscal 2005**

During fiscal 2005, the Japanese economy performed well, showing signs of a moderate recovery including improvement in corporate earnings, an accompanying increase in private-sector capital expenditures, and signs of improvement in consumer spending.

Nevertheless, some causes for concern, including a slowdown in exports and a leveling off in private consumption, also emerged during the second half of the year, and there has been some uncertainty about the economic outlook.

Overseas, economic expansion also became more moderate, with growth slowing in the US economy and Asia, including China, all of which had been performing steadily.

The overall market for Casio's businesses improved and continued to be driven by growth in new products, typically consumer digital electronics (digital cameras, cellular phones, LCD TVs, and DVDs). However, some causes for concern over the future, such as inventory adjustment and falling product prices, have emerged as a result of the deterioration in the balance between demand and supply since the beginning of fall.

In this environment, the Casio Group has been strongly promoting and developing its strategic businesses, which are timepieces, digital cameras, electronic dictionaries, cellular phones, and TFT LCDs, in pursuit of management targets. At the same time, the company has been focusing on realizing greater management efficiency, including raising operating income margins and improving capital efficiency.

As a result, consolidated net sales grew 6.8% year-on-year to ¥559.0 billion in fiscal 2005, primarily driven by growth in strategic businesses.

Reporting on results by segment, sales in the Electronics segment were ¥447.8 billion, up 10.4% year-on-year. In the Consumer category, Exilim digital cameras continued their strong performance from the previous year and won strong support as a leading brand in the digital camera market. They were lauded for creating the genre of credit card-sized cameras, featuring large LCD monitors, and achieving long battery life and high quality movie functions. Moreover, electronic dictionaries, for which Casio controls an overwhelming share of the market in Japan, also recorded growth as a result of overseas expansion to South Korea and elsewhere. Both digital cameras and electronic dictionaries achieved sales that surpassed initial expectations, which brought sales in this category up 5.1% year-on-year to ¥198.5 billion. The Timepieces category continued its good performance from last year, as the market for solar-powered radio-controlled watches steadily expanded, primarily in Japan and North America. Profits improved significantly due to changes to the product mix to emphasize profit ratios by reducing the proportion of regular models and expanding the lineup of high-value-added models. However, sales in the category fell 2.4% year-on-year to ¥68.4 billion. In the Mobile Network Solutions (MNS) category, the A5406CA cellular phone, which is equipped with the world's first 3.2-megapixel camera, and the W21CA WIN model, which features the industry's first 2.6 inch QVGA LCD monitor and "PC site viewer" that can browse web pages for PCs, performed strongly. In addition, Casio established Casio Hitachi Mobile Communications Co., Ltd., with Hitachi, Ltd., as a joint venture in April 2004 with a view to reducing costs and increasing speed in the development of cellular phones. As a result, sales in this category were up 34.4% year-on-year to ¥131.4 billion. In the System

Equipment category, sales rose 1.5% year-on-year to ¥49.4 billion, driven by robust sales of page printers driven by an advanced business model in the solutions business, which provides customers with the optimal combination of hardware and applications.

In the Electronic Components and Others segment, sales were ¥111.1 billion, down 5.7% year-on-year. In the Electronic Components category, the TFT business expanded, maintaining its top global share of TFTs for digital cameras. However, the category was affected by worldwide inventory adjustments for IT-related products from the beginning of fall, and sales fell 10.0% year-on-year to ¥78.2 billion. Sales in the Others category were up 6.2% year-on-year to ¥32.9 billion.

With efforts to substantially increase added value by enhancing product strength in strategic businesses and to strengthen earning potential by promoting greater management efficiency, the Electronics segment recorded operating income of ¥36.1 billion, up 43.3% year-on-year, and the Electronic Components and Others segment had operating income of ¥8.6 billion, up 22.6% year-on-year. Total consolidated operating income, allowing for elimination or unallocated amount, jumped 42.0% year-on-year to ¥39.0 billion. Ordinary income grew 56.6% year-on-year to ¥33.5 billion due to measures to strengthen the company's financial structure, including improving net financial expenses. Net income rose 51.9% year-on-year to ¥21.5 billion.

As a result of these efforts, the company achieved record-high sales and income.

### **Financial Position**

Net cash provided by operating activities in fiscal 2005 was ¥64.9 billion in income, an increase of ¥3.1 billion compared to the end of the previous consolidated fiscal year. The main components of this included ¥33.0 billion in income before income taxes and minority interests and ¥22.9 billion in depreciation expenses. Meanwhile, net cash used in investing activities recorded ¥28.8 billion in expenditure, a decrease of ¥13.1 billion compared to the end of the previous consolidated fiscal year. The main components of this were ¥20.0 billion in payments for acquisitions of tangible fixed assets and an ¥8.9 billion increase in intangible fixed assets. Net cash used in financing activities recorded ¥13.5 billion in expenditure, an increase of ¥4.1 billion compared to the end of the previous consolidated fiscal year. The main components of this included ¥11.0 billion in redemption of bonds and ¥3.9 billion in payments for cash dividends.

As a result, cash and cash equivalents totaled ¥147.5 billion at the end of fiscal 2005, an increase of ¥24.4 billion over the end of the previous year.

### **Forecast for Fiscal 2006 Business Results**

While the global economy is expected to remain fairly stable in the future, the outlook for the business environment will nevertheless remain unpredictable due to uncertainties including concerns over the impact of factors such as rising crude oil prices and inventory adjustments in some products on the global economy. In this environment, Casio will draw on its core technologies for creating products that are compact, lightweight, slim and energy efficient to continue bolstering its strategic businesses.

Casio will implement the following strategies in its main business segments.

- (a) For digital cameras, the company will push hard to achieve growth not only in the Japanese market, but also in overseas markets, where growth is expected in future, with high quality movie models that combine high precision photography with top grade, long video recording capacity.
- (b) For solar-powered radio-controlled watches, the company will expand the lineup of men's and women's models by strengthening the OCEANUS brand and seek to increase its share of the analog market, increasing the proportion of solar-powered radio-controlled watches in its Timepieces business and further improving earning capacity.
- (c) For electronic dictionaries, the company forecasts firm demand, especially in the Japanese student market, and it will strive to become the top brand in global educational markets by increasing its share in overseas markets, starting with South Korea, Germany, and Spanish-speaking countries.
- (d) For cellular phones, the company will draw on the strengths of its development joint venture with Hitachi, Ltd., amid the full-scale shift to third-generation cellular phones, to develop competitive products adapted to the technological innovations of the future. Casio also aims to increase earning capacity by reducing costs and improving speed in development through means such as the construction of a common platform.
- (e) For TFT LCDs, in addition to digital camera monitors, for which Casio enjoys an overwhelming market share, the company is continuing its efforts to improve productivity by increasing the share of its LCDs for cellular phones.

Casio is continuing to pursue measures to promote innovative product development, enhance its long-term earning capacity, and strengthen its management and financial structure. The company is also actively implementing a variety of measures in all business segments with a view to improving the long-term health of these businesses, and it is working to achieve earnings growth and further improve its management practices.

Current results forecasts for fiscal 2006 are as below.

Net sales:	¥580.0 billion (up 3.8% year-on-year)
Operating income:	¥43.0 billion (up 10.1% year-on-year)
Ordinary income:	¥37.0 billion (up 10.2% year-on-year)
Net income:	¥23.0 billion (up 6.8% year-on-year)

Exchange rates for fiscal 2006 are estimated at US\$1 = ¥103 and Euro 1 = ¥130.

Note: 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. The following factors may affect actual results.

- (a) Trends in the economic and social conditions as well as laws, regulations and tax systems in major markets in Japan, Europe, the US, Asia and elsewhere.
- (b) Fluctuations in product supply and demand and significant changes in product prices in major markets.
- (c) Rapid changes in technology, the development of products that use new technology and the timing of manufacturing and market introduction.
- (d) Fluctuations in the exchange rates of major currencies, including the yen-dollar rate.

## **Business Risks**

The main risks that may affect the Group's business performance, financial position and share price are described below. The Casio Group endeavors to prevent the occurrence of these risks and to respond when they do occur. Information on risks is current as of the end of the consolidated fiscal year.

- (1) Personal consumption trends in each country of the world
- (2) Sharp price fluctuations in the short term
- (3) Inability to launch popular new products on a timely and regular basis
- (4) Strategy changes, product specification changes, and order cancellations by major customers, and schedule changes to and cancellations of major orders
- (5) Obsolescence of the Group's products due to rapid technological change and radical change of market needs, etc.
- (6) Overseas political and economic conditions and unexpected changes in regulations and applications of legislation
- (7) A view that the Group's potential products or technology infringes the intellectual property rights of another company
- (8) Foreign exchange risk and interest rate risk
- (9) The occurrence of a disaster related to the environment, such as fire or earthquake, or of an accident in operations
- (10) Social unrest due to factors such as war, terrorism or infectious disease

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2005	As of March 31, 2004	Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>	329,948	329,787	161
Cash and time deposits	83,528	79,977	3,551
Notes and accounts receivable-trade	91,552	98,969	(7,417)
Marketable securities	44,678	44,500	178
Inventories	62,576	62,259	317
Deferred tax assets	12,070	11,356	714
Short-term loans receivable with resale agreement	20,000		20,000
Accounts receivable-other	12,842	29,750	(16,908)
Other current assets	4,240	4,900	(660)
Allowance for doubtful accounts	(1,538)	(1,924)	386
<b>Fixed assets</b>	165,795	166,252	(457)
Property, plant and equipment	94,425	94,035	390
Buildings and structures	30,567	32,496	(1,929)
Machinery and vehicles	13,360	13,459	(99)
Tools and equipment	11,169	9,306	1,863
Land	37,749	38,356	(607)
Construction in progress	1,580	418	1,162
Intangibles	12,379	10,364	2,015
Investments and other assets	58,991	61,853	(2,862)
Investment securities	38,609	42,748	(4,139)
Deferred tax assets	9,974	8,941	1,033
Long-term time deposits	3,000	3,000	
Other assets	8,472	8,512	(40)
Allowance for doubtful accounts	(1,064)	(1,348)	284
<b>Total assets</b>	495,743	496,039	(296)

(Millions of yen)

	As of March 31, 2005	As of March 31, 2004	Increase (Decrease)
<b>Liabilities</b>			
<b>Current liabilities</b>	196,089	178,340	17,749
Notes and accounts payable-trade	87,384	102,406	(15,022)
Short-term borrowings	641	906	(265)
Long-term borrowings due within one year	9,655	1,792	7,863
Bonds due within one year	30,000	11,000	19,000
Accounts payable-other	33,947	35,756	(1,809)
Accrued expenses	13,345	12,819	526
Income taxes payable	11,656	4,213	7,443
Other current liabilities	9,461	9,448	13
<b>Long-term liabilities</b>	126,894	170,413	(43,519)
Bonds	20,000	50,000	(30,000)
Bonds with stock acquisition rights	20,000	20,000	
Long-term borrowings	74,155	82,310	(8,155)
Deferred tax liabilities	1,905	1,887	18
Employees' severance and retirement benefits	6,961	14,292	(7,331)
Retirement benefits for directors and corporate auditors	1,408	814	594
Other long-term liabilities	2,465	1,110	1,355
<b>Total liabilities</b>	322,983	348,753	(25,770)
<b>Minority interests</b>	10,489	2,883	7,606
<b>Shareholders' equity</b>			
Common stock	41,549	41,549	
Additional paid-in capital	57,523	57,524	(1)
Retained earnings	71,314	54,223	17,091
Net unrealized holding gains on securities	3,060	2,525	535
Foreign currency translation adjustments	(5,771)	(7,003)	1,232
Treasury stock, at cost	(5,404)	(4,415)	(989)
<b>Total shareholders' equity</b>	162,271	144,403	17,868
<b>Total liabilities, minority interests and shareholders' equity</b>	495,743	496,039	(296)

(March 31, 2005)

(March 31, 2004)

1. Accumulated depreciation on property, plant and equipment

124,130

115,557

2. Guarantee

869

1,032

## Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2005		Year ended March 31, 2004		Increase (Decrease)
	Amount	% of Net sales	Amount	% of Net sales	
<b>Net sales</b>	559,006	100.0	523,528	100.0	35,478
Cost of sales	398,186	71.2	377,422	72.1	20,764
Gross income	160,820	28.8	146,106	27.9	14,714
Selling, general and administrative expenses	121,780	21.8	118,615	22.6	3,165
<b>Operating income</b>	39,040	7.0	27,491	5.3	11,549
Non-operating income	2,735	0.5	4,204	0.8	(1,469)
Interest and dividends income	1,047		828		219
Other	1,688		3,376		(1,688)
Non-operating expenses	8,187	1.5	10,241	2.0	(2,054)
Interest expense	1,494		2,390		(896)
Other	6,693		7,851		(1,158)
<b>Ordinary income</b>	33,588	6.0	21,454	4.1	12,134
Extraordinary gains	2,456	0.4	3,910	0.7	(1,454)
Gain on sales of fixed assets	21		34		(13)
Gain on sales of investment securities	206		1,116		(910)
Gain on sales of investment securities in consolidated subsidiaries	293				293
Dilution gain	1,918				1,918
Gain on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme			2,753		(2,753)
Other	18		7		11
Extraordinary losses	2,951	0.5	2,828	0.5	123
Loss on disposal and sales of fixed assets	748		1,695		(947)
Loss on impairment of fixed assets	1,494				1,494
Loss on devaluation of investment securities	78		136		(58)
Provision for accrued retirement benefits for directors and corporate auditors	477		459		18
Other	154		538		(384)
<b>Income before income taxes and minority interests</b>	33,093	5.9	22,536	4.3	10,557
<b>Income taxes-current</b>	12,436	2.2	5,818	1.1	6,618
<b>Income taxes-deferred</b>	(2,013)	(0.4)	2,013	0.4	(4,026)
<b>Minority interests</b>	(1,136)	(0.2)	(529)	(0.1)	(607)
<b>Net income</b>	21,534	3.9	14,176	2.7	7,358

## Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2004
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	33,093	22,536
Depreciation (including software)	22,927	19,465
Loss on impairment of fixed assets	1,494	
Loss on disposal and sales of fixed assets	727	1,661
Gain on sales of investment securities	(205)	(1,115)
Loss on devaluation of investment securities	78	136
Gain on sales of investment securities in consolidated subsidiaries	(293)	
Dilution gain	(1,918)	
Increase in liabilities for the employees' severance and retirement benefits	782	859
Interest and dividends income	(1,047)	(828)
Interest expense	1,494	2,390
Foreign exchange loss (gain)	(1,370)	83
Decrease (Increase) in notes and accounts receivable	8,762	(9,148)
Decrease in inventories	3,777	7,528
Increase (Decrease) in notes and accounts payable	(15,104)	22,411
Other	17,292	1,327
Total	70,489	67,305
Interest and dividends received	1,019	734
Interest paid	(1,538)	(2,365)
Income taxes paid	(5,015)	(3,897)
<b>Net cash provided by operating activities</b>	<b>64,955</b>	<b>61,777</b>
<b>Cash flows from investing activities:</b>		
Deposits in time deposits	(91)	(1,184)
Withdrawals from time deposits	827	550
Deposits in long-term time deposits		(3,000)
Net decrease in marketable securities		6,005
Payments for acquisitions of tangible fixed assets	(20,065)	(13,365)
Proceeds from sales of tangible fixed assets	392	623
Net increase in intangible fixed assets	(8,966)	(6,066)
Net decrease (increase) in investment securities	(1,073)	145
Other	140	598
<b>Net cash used in investing activities</b>	<b>(28,836)</b>	<b>(15,694)</b>
<b>Cash flows from financing activities:</b>		
Net decrease in short-term borrowings	(275)	(2,846)
Proceeds from long-term borrowings	1,500	
Payments for long-term borrowings	(1,792)	(2,723)
Proceeds from issuance of bonds		20,260
Redemption of bonds	(11,000)	(24,811)
Proceeds from minority shareholders	3,343	
Payments for acquisitions and proceeds from sales of treasury stock, net	(1,251)	(4,131)
Payments for cash dividends	(3,992)	(3,375)
Other	(62)	(67)
<b>Net cash used in financing activities</b>	<b>(13,529)</b>	<b>(17,693)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,858</b>	<b>(1,685)</b>
<b>Net increase in cash and cash equivalents</b>	<b>24,448</b>	<b>26,705</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>123,141</b>	<b>96,436</b>
<b>Cash and cash equivalents at end of year</b>	<b>147,589</b>	<b>123,141</b>

Note: Cash and cash equivalents at March 31, 2005 and 2004 for the Consolidated Statements of Cash Flows consist of the followings:

	(March 31, 2005)	(March 31, 2004)
Cash and time deposits	83,528	79,977
Time deposits over three months	(617)	(1,336)
Marketable securities within three months	44,678	44,500
Short-term loans receivable with resale agreement	20,000	
Cash and cash equivalents	147,589	123,141



## Segment Information

### 1. Business Segments

Year ended March 31, 2005

(Millions of yen)

	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
I Net sales and operating income					
Net sales					
(1) Outside customers	447,843	111,163	559,006		559,006
(2) Inside Group	1,107	32,363	33,470	(33,470)	
Total	448,950	143,526	592,476	(33,470)	559,006
Costs and expenses	412,798	134,865	547,663	(27,697)	519,966
Operating income (loss)	36,152	8,661	44,813	(5,773)	39,040
II Total assets, depreciation, loss on impairment and capital expenditures					
Total assets	248,809	103,956	352,765	142,978	495,743
Depreciation	16,117	6,570	22,687	240	22,927
Loss on impairment	267	1,227	1,494		1,494
Capital expenditures	19,293	7,382	26,675	294	26,969

Year ended March 31, 2004

(Millions of yen)

	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
I Net sales and operating income					
Net sales					
(1) Outside customers	405,602	117,926	523,528		523,528
(2) Inside Group	1,316	32,777	34,093	(34,093)	
Total	406,918	150,703	557,621	(34,093)	523,528
Costs and expenses	381,692	143,637	525,329	(29,292)	496,037
Operating income (loss)	25,226	7,066	32,292	(4,801)	27,491
II Total assets, depreciation and capital expenditures					
Total assets	243,691	109,293	352,984	143,055	496,039
Depreciation	12,445	6,804	19,249	216	19,465
Capital expenditures	15,863	7,014	22,877	188	23,065

Notes: 1. Business segments are classified by the application or nature of each product, method of manufacturing and sales, profit management and related assets.

2. Major products in each business segment:

(1) Electronics

Electronic calculators, Label printers, Electronic dictionaries, Digital cameras, Electronic musical instruments, Digital watches, Analog watches, Clocks, Cellular phones, Electronic cash registers, Office computers, Page printers, Data projectors, etc.

(2) Electronic components and others

LCDs, BUMP processing consignments, TCP assembly and processing consignments, Carrier tape, Factory automation, Molds, Toys, etc.

3. Elimination or unallocated amounts of costs and expenses principally consist of administrative expenses and R&D expenses for fundamental research of the parent company, which amounted to 5,773 million yen, 4,801 million yen for the years ended March 31, 2005 and 2004, respectively.

4. Elimination or unallocated amounts of total assets principally consist of cash and time deposits, marketable securities, investments in securities and administrative assets of the parent company, which amounted to 147,145 million yen and 145,722 million yen for the years ended March 31, 2005 and 2004, respectively.

## 2. Geographical Segments

Year ended March 31, 2005

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
I Net sales and operating income							
Net sales							
(1) Outside customers	437,461	38,734	67,592	15,219	559,006		559,006
(2) Inside Group	90,021	35	79	73,181	163,316	(163,316)	
Total	527,482	38,769	67,671	88,400	722,322	(163,316)	559,006
Costs and expenses	492,869	37,738	66,720	86,470	683,797	(163,831)	519,966
Operating income (loss)	34,613	1,031	951	1,930	38,525	515	39,040
II Total assets	464,742	18,385	23,087	28,898	535,112	(39,369)	495,743

Year ended March 31, 2004

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
I Net sales and operating income							
Net sales							
(1) Outside customers	407,038	43,935	61,969	10,586	523,528		523,528
(2) Inside Group	84,304	114	100	63,768	148,286	(148,286)	
Total	491,342	44,049	62,069	74,354	671,814	(148,286)	523,528
Costs and expenses	468,940	41,492	60,839	73,173	644,444	(148,407)	496,037
Operating income (loss)	22,402	2,557	1,230	1,181	27,370	121	27,491
II Total assets	468,476	18,310	21,510	26,936	535,232	(39,193)	496,039

Notes: 1. Segments of countries and areas are classified by the geographical factor.

2. The main countries and the areas which belong to each segment except for Japan are as follows:

- (1) North America ..... U.S.A., Canada, Mexico
- (2) Europe ..... U.K., Germany, France
- (3) Asia ..... Taiwan, Hong Kong, South Korea, Malaysia, Singapore, China, India, Indonesia, Thailand

### 3. Overseas Sales

Year ended March 31, 2005

(Millions of yen)

	North America	Europe	Asia	Others	Total
I Overseas net sales	46,698	74,796	75,400	25,749	222,643
II Net sales (consolidated)					559,006
III Share of overseas net sales	8.3%	13.4%	13.5%	4.6%	39.8%

Year ended March 31, 2004

(Millions of yen)

	North America	Europe	Asia	Others	Total
I Overseas net sales	51,230	68,132	82,740	22,202	224,304
II Net sales (consolidated)					523,528
III Share of overseas net sales	9.8%	13.0%	15.8%	4.2%	42.8%

Notes: 1. Segments of countries and areas are classified by the geographical factor.

2. The main countries and the areas which belong to each segment are as follows:

(1) North America ..... U.S.A., Canada

(2) Europe ..... U.K., Germany, France

(3) Asia ..... Hong Kong, Singapore, China, South Korea

3. The above overseas net sales represent net sales made outside Japan by the parent company and consolidated subsidiaries.

Sales by Product Category

(Millions of yen)

	Year ended March 31, 2005			Year ended March 31, 2004	
	Amount	% of total	% change	Amount	% of total
Consumer	198,515	35.5	5.1	188,960	36.1
Timepieces	68,473	12.3	(2.4)	70,131	13.4
MNS (Mobile Network Solutions)	131,408	23.5	34.4	97,805	18.7
System equipment	49,447	8.8	1.5	48,706	9.3
Electronics	447,843	80.1	10.4	405,602	77.5
Electronic components	78,230	14.0	(10.0)	86,903	16.6
Others	32,933	5.9	6.2	31,023	5.9
Electronic components and others	111,163	19.9	(5.7)	117,926	22.5
Total	559,006	100.0	6.8	523,528	100.0