



Focusing on five strategic businesses to achieve further growth and improve profitability

Casio is positioning its timepieces and electronic dictionaries as core stable businesses that are expected to generate sustainable earnings, given their high market shares and brand power. We are currently focusing our efforts on the expansive businesses such as digital cameras, cellular phones and TFT LCDs, which have good growth potential, and can be expected to contribute to the expansion of Casio's business horizons. Through the optimal investment of management resources into these five strategic businesses, we are confident of ensuring the future growth of Casio.

Solar-Powered Radio-Controlled Watches

The timepieces, one of our stable businesses, continues to achieve a high level of profitability.

This category reported a substantial year-on-year rise in profits for the term ended March 2005. This is largely the result of a strategy targeting market expansion for our high-value-added solar-powered radio-controlled watches. We increased our sales of this product not only in Japan but also in overseas markets, and thereby raised this product's contribution to total revenue.

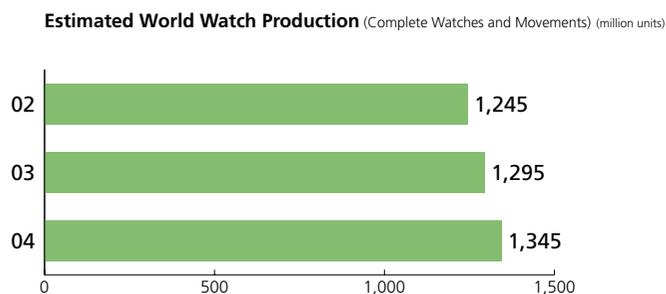
These past few years, it has been difficult to achieve substantial growth in the saturated timepiece market. However, the ability of radio-controlled watches to receive transmissions of the official local time has generated much interest. Casio launched its first radio-controlled watch in 1995, since when sales have been rising steadily in line with expansion of geographic locations where radio transmissions can be received. There are only a limited number of manufacturers who can produce radio-controlled watches that are also solar-powered, and Casio is the only company to commence sales on a global scale.

In November 2004, Casio launched the new Oceanus brand in Japan. The Oceanus line features for the first time the Company's solar-powered radio-controlled watches in all-metal finish. Because metal impedes transmissions of radio waves, conventional radio-controlled watches were forced to use of antennas built within the watchbands, or it was necessary to use non-metal materials for the back covers to maintain reception sensitivity. Oceanus, however, has been made possible by ingenious technological advances that have increased antenna sensitivity, in addition to a new type of mounting construction that modulates internal and external noise. The full-metal construction allows for more sophisticated, elegant styles.

With this brand at the core of our strategy, we aim to expand sales of our solar-powered radio-controlled watches in the global market, and also to reinvigorate the watch market in general.



Casio's Oceanus brand full-metal solar-powered radio-controlled watch is the crystallization of its cutting-edge technologies. (Model OCW-500DE-1AVER)



Source: The Japan Clock & Watch Association; vertical axis figures represent calendar years



Electronic Dictionaries

Casio's electronic dictionaries have a market share of over 50% in Japan. The Company estimates that size of the market for electronic dictionaries in Japan in 2004 was 3.35 million units. Although the market scale is expected to remain almost unchanged in 2005, the Company predicts sales of high-end (high-performance, high-priced) models will once again account for a greater portion of total sales in 2005. High-end products are now proving more popular as new and convenient features – such as a larger number of dictionaries – can be offered in one compact device. Users ranging from junior and senior high school students to business professionals and senior citizens are finding that the convenience of electronic dictionaries far surpasses that of conventional ones.

Our electronic dictionaries can hold as many as 80 different dictionaries without compromising portability. A search through several dictionaries can easily be conducted for a single item. If you find a word you don't know in a definition, you can "jump" to the definition of that word in the same or another dictionary. We have incorporated a feature that allows for a record of previous searches.

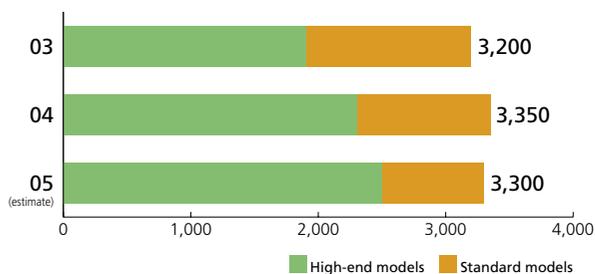
These features have been well received by users. Our recent models offer superior text readability like paper dictionaries, have an all-new feature that allows users to listen to the pronunciation of foreign words and phrases, and are equipped with memory devices that enable the dictionaries to be expanded.

Casio is expanding its electronic dictionary operations in overseas markets. In the term ended March 2005, we expanded the scale of operations in South Korea, Germany and Spanish-speaking countries. In April 2005 we launched sales in China, which promises to be a huge market in the future.

We will work to maintain our position as the leading manufacturer of electronic dictionaries in Japan, while increasing sales in overseas markets. Our goal is to make our electronic dictionary the top brand for language learners in the global market.

Our electronic dictionary, which reproduces the clear pronunciation of a native speaker, supports your language learning. (Model XD-LP4600)

Electronic Dictionary Sales in the Japanese Market (thousand units)



Source: Company estimates; vertical axis figures represent calendar years



Digital Cameras

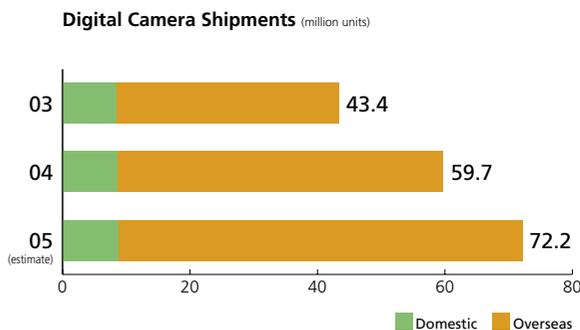
In 2004, the digital camera market in Japan was sluggish, but sales in overseas markets grew drastically year-on-year, according to figures provided by the Camera and Imaging Products Association (CIPA). In Japan, sales during 2005 are not expected to grow because of market saturation. In contrast, sales in overseas markets are expected to continue growing steadily.

Beginning with the Exilim EX S-1, our first credit-card-sized camera launched in 2002, Casio has continued to pioneer the development of truly innovative cameras that anticipate future needs, thereby outpacing rivals and creating new markets.

During the reporting term, we introduced the Exilim EX-S100 – the world’s first digital camera with a built-in transparent ceramic lens – and the Exilim EX-Z55, featuring a long-life battery and a large LCD monitor. These products proved so popular that Casio products were ranked among the top group in terms of Japanese market share taken on an average for the year. In March 2005, we launched the Exilim EX-Z750, with a large 2.5-inch LCD for shooting and viewing high-quality movies in addition to snapshots, all without compromising our popular long battery life feature or the size of our LCD monitors.

Our basic policy is to continue bringing to market highly differentiated products. Thanks to our high market share, the Exilim model has achieved considerable brand power in the Japanese market. In overseas markets, however, the market for compact sized digital cameras is just starting to grow strongly. We will apply the differentiation strategy developed in the Japanese market to achieve a competitive advantage overseas, and thereby raise our overseas market share.

Our compact sized digital camera, featuring a large liquid crystal display, lets you take both still photos and high-quality movies. (Model EX-Z750)



Source: Camera & Imaging Products Association (CIPA); vertical axis figures represent calendar years

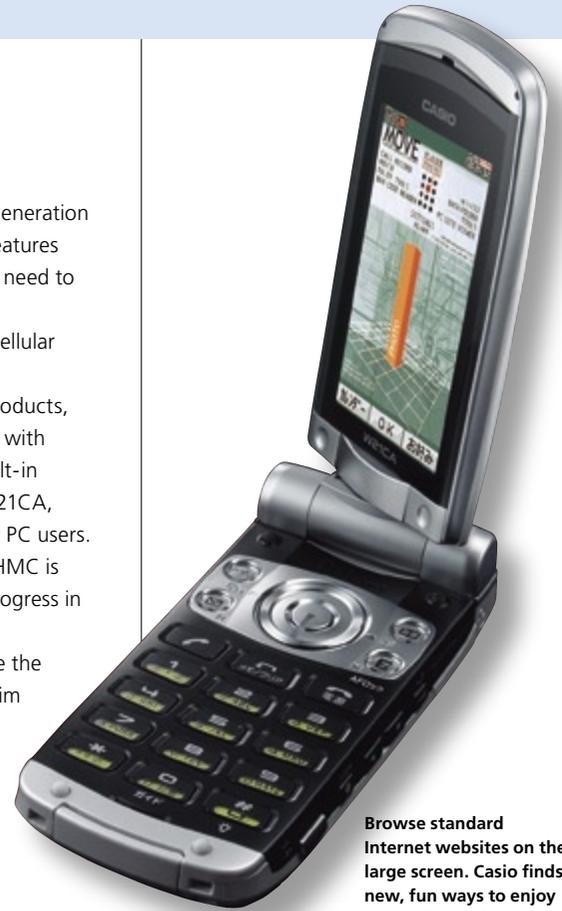
Cellular Phones

In Japan's cellular phone market, 2004 was the year that saw a shift toward third-generation products, allowing for high-speed, high-capacity data transmission, and product features were widely upgraded. Accordingly, third-generation cellular phone manufacturers need to speed up the development process while keeping down costs.

Casio mainly develops, manufactures and sells products for KDDI Corporation's cellular phone service "au."

With an eye toward improving efficiency in the development of cellular phone products, Casio established Casio Hitachi Mobile Communications Co., Ltd. (CHMC) together with Hitachi, Ltd. in April 2004. Since then, Casio has launched the A5406CA with a built-in 3.2-megapixel camera, marking a world's first for cellular phones, as well as the W21CA, featuring a 2.6-inch LCD and a PC site viewer for browsing websites designated for PC users. These cutting-edge products have been very well-received. Now, one year later, CHMC is conducting full-fledged operations, which has enabled Casio to make significant progress in improving the efficiency of product development.

Making full use of the joint venture company's strengths, we will continue to raise the efficiency of new product development while making efforts to reduce costs. We aim to expand our product line from high-end models to middle-of-the-range models.



Browse standard Internet websites on the large screen. Casio finds new, fun ways to enjoy your cellular phone. (Model W21CA)

TFT LCDs

In recent years, small-sized TFT LCD panels have been in strong demand mainly for digital cameras and cellular phones. We expect demand to remain strong.

Our operations are focused on small-sized TFT LCD panels. Our proprietary HAST (Hyper Amorphous Silicon TFT) technology offers the advantages of both high definition and low energy consumption. In addition, digital camera makers have been very impressed by our ability to fulfill customer requirements by manufacturing a wide variety of products in small quantities. Supplying TFT LCDs to digital camera makers has made Casio a top manufacturer of these devices, with about 40% of the market.

During the previous term, we also focused on TFT LCDs used as display screens in cellular phones. Our W21CA model cellular phone was the industry's first to incorporate a 2.6-inch QVGA TFT LCD, which enabled us to differentiate our product from those of competitors.

We will work to maintain our high share of the digital camera market through further refining of our TFT technology, and also focus on developing new applications, primarily targeting the cellular phone market.



2.4-inch QVGA TFT LCD for a cellular phone