Kazuo Kashio, *President and CEO*

It is my great pleasure to report on the Company's performance for the term ended March 31, 2006, and to describe our future business strategies.

Business Performance for Fiscal 2006

During the term under review, ended March 31, 2006 (hereinafter fiscal 2006), the Casio Group strongly promoted and developed its strategic businesses, including timepieces, digital cameras, electronic dictionaries, cellular phones, and TFT LCDs, in pursuit of its business targets. At the same time, the Company has been focusing on realizing greater management efficiency, including raising profit ratios and improving capital efficiency.

As a result, net sales (on a consolidated basis) grew by 3.8% year-on-year to ¥580.3 billion in the reporting period, primarily driven by growth in strategic businesses. Thus, sales rose for a fourth straight year.

By business segment, sales in the Electronics Segment were up 5.7% year-on-year at ¥473.4 billion. In the digital camera business, sales of our popular, stylish digital camera Exilim once again recorded favorable results, thanks to growth in sales in overseas markets. Timepieces, led by Casio's Oceanus brand, a high-end full-metal solar-powered radio-controlled watch, saw a year-on-year rise in sales. This is largely the result of our strategy of targeting market expansion for our solar-powered radio-controlled watches. In cellular phones, our new products all posted strong sales. These products include our water-proof, shock-resistant "G'zOne TYPE-R" model, featuring a megapixel camera. The W41CA, a slim folding model, is a mere 22mm thick when folded, and is compatible with various WIN services provided by *"au."*

In contrast, sales in the Electronic Components and Others Segment declined 3.8% to ¥106.8 billion. Casio Micronics Co., Ltd. saw a rise in sales as a result of a strong performance by its COF (chip-on-film) operations but TFT operations reported a decline in revenue, attributable to a decrease in product prices on a unit basis.

Operating income rose 10.4% to ¥43.1 billion, showing a year-on-year rise for the fourth consecutive year. This is largely attributable to efforts to increase the profit margins of our products by developing products with more attractive features especially in our strategic businesses, as well as to improve our operational efficiency. Net income increased 10.3% to ¥23.7 billion, thanks to steps to establish a strong financial structure by reducing financial expenses. The Company achieved record-high sales and net income for the third consecutive year.

We increased our annual dividend by ¥3 per share from the ¥17 per share for the previous year to ¥20 per share for the year under review, taking into account our favorable business performance. This resulted in an increase in the dividend for three years in a row.

Medium and Long-Term Management Strategy

In order to raise Casio's corporate value through continual expansion of business operations, it is necessary to strengthen our cost efficiency worldwide, create solid revenue bases capable of generating a high level of profits, and bolster our financial position. To realize these goals, the Company has implemented the following measures.

(1) Improving Earning Capacity

Casio has positioned businesses that have maintained the top market share and are expected to obtain stable cash flow without requiring significant additional investment as Stable Businesses. These businesses include Timepieces, Consumer Products (excluding digital cameras), and System Equipment. We have positioned businesses that are expected to experience significant global market growth in the future, while also facing 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. Going forward, the Company aims to secure stable profits in Stable Businesses while increasing revenues and operating income in Expansive Businesses. Casio is focused on achieving a 10% operating income margin overall.

As means of improving our earnings capabilities, the Production and Purchasing Headquarters was merged with the Product Development Headquarters in June 2005. We aim to lower the cost of sales ratio by reducing production costs from the design stage. For this purpose, we are implementing the following four measures.

1. Achieve a stable selling price by increasing product appeal through the incorporation of unique features
2. Realize an appropriate level of inventory by more tightly controlling every stage of the production process
3. Minimize materials costs by standardizing components and procurement
4. Curb production costs by increasing the capacity utilization rate at our plants

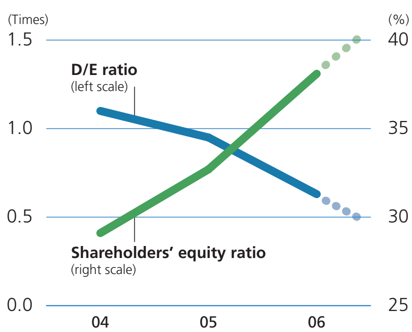
(2) Strengthening Financial Structure

We are working to improve the shareholders' equity ratio and debt/equity (D/E) ratio with the aim of strengthening our financial position to ensure future growth.

In the term under review, the shareholders' equity ratio improved from 32.7% in the previous term to 38.1%, and the D/E ratio went from 0.95 to 0.6. In the future, we will maintain our efforts to optimize cash flow management while working to generate a sufficient level of free cash flow, with the aim of achieving a complete turnaround to a strong and stable financial position. By leveraging our core technologies, which enable the development of lightweight, compact and energy-efficient products, we will continue strengthening our strategic businesses, including Timepieces, Digital Cameras, Electronic Dictionaries, Cellular Phones, and TFT LCDs. The specific strategies for these strategic businesses appear on p. 8-13.

In addition, we will continue our efforts to create distinctive products fully utilizing our core technologies, and simultaneously implement measures to strengthen our business structure and bolster our financial position to increase profitability over the long term, thus further improving the quality of our management.

D/E ratio and
Shareholders' equity ratio



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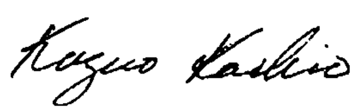

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