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Five Strategic Businesses



Focusing on five strategic businesses to achieve further growth and profitability

Casio is positioning its timepieces, electronic dictionaries, digital cameras, cellular phones, and TFT LCDs as its five strategic businesses. In particular, timepieces and electronic dictionaries are the main elements of the Company's core Stable Business, which are expected to generate a sustainable and high level of earnings, given their high market share. We are also focusing our efforts on products in our Expansive Businesses category, such as digital cameras, cellular phones and TFT LCDs, which have good growth potential. Our plan for achieving sustainable growth is to invest the profits generated by the Stable Businesses into Expansive Businesses, to increase in global market share and raise brand value. In this way, our five strategic businesses will serve as the engines of Casio's growth strategy.

Solar-Powered Radio-Controlled Watches



OCW-600WCE-7AV-ER

Our timepieces, led by our G-Shock brand, have carved out a strong position in the world market. Timepieces, one of our core businesses, boasts a stable share in world markets, and continues to achieve a high level of profitability. The world timepiece market, as a saturated market, cannot be expected to show substantial growth in the future. Amid this environment, our main strategy has been to develop a market for solar-powered radio-controlled watches, a high-value-added product that makes full use of the Company's core technologies. Casio has been steadily increasing its share in those markets that have the necessary infrastructure for radio transmissions – Japan, Europe, and North America – and this product category continually shows a year-on-year rise in its contribution to total sales in the timepiece operations.

In the term under review, regarding our flagship brand Oceanus, a solar-powered radio-controlled analog watch, we expanded our lineup of men's watches and launched our first ladies' model, with chronographic features, in November 2005. For this latest model, we have developed a new, slim (4.5mm) module that is operated by five motors. It features seven hands, with dials showing the time overseas and chronographic measurements. As for our other brands, which include G-Shock and Baby-G, we are incorporating solar-powered radio-controlled technology. At the end of March this year, we launched i-Range, a multi-band model that maintains its accuracy through the reception of transmissions from five stations worldwide – two in Japan, and three others, in Germany, the U.K. and the U.S.

We will work to expand our business in solar-powered radio-controlled watches. Specifically, by strengthening the Oceanus brand, we aim to offer expanded product lineups for both men and women, to increase our share of the analog-type watch market. We will make further efforts to develop multiple-band radio-controlled watches that are able to receive radio transmissions from five stations worldwide.

In Japan, electronic dictionaries are not only tools for language learning, but are also taken on business trips and other trips abroad. In a market like this, Casio's electronic dictionaries with attractive new features, including easy-to-read high-resolution screens and high-quality audio pronunciation features, are gaining growing popularity, and consequently, an overwhelming share of the market.

In February 2006 we implemented large-scale model changes, equipping over 80% of our new products with audio pronunciation capabilities. These new electronic dictionaries reproduce the pronunciation of important vocabulary words, which have been recorded by native speakers of each foreign language, while other words and expressions are read aloud by a synthetic voice. This feature has been well-received by customers, making our new electronic dictionaries hit products.

One social development behind our decision was the inclusion of an English listening comprehension test as part of the university entrance exams for Japanese universities from 2006. Meanwhile, Japanese business people who make contact with overseas clients and business associates frequently need electronic dictionaries equipped with audio pronunciation capabilities.

Overseas, anticipating the future needs of the Chinese market, Casio entered this market in April 2005.

Casio will maintain its high market share by working to accurately identify its customers' needs and develop products that incorporate the latest features. The Company has already made inroads in such markets as South Korea, Germany and Spanish-speaking countries, and now China. In this way, we are making steady efforts to cultivate new markets and expand existing markets for electronic dictionaries. We are making full use of the know-how gained in the domestic market to identify potential demand in overseas markets.



XD-ST4800
Model for students with enhanced listening function

Electronic Dictionaries



Digital Cameras



EX-Z600

Recently, faced with ever-increasing competition in the digital camera market, every digital camera manufacturer has been forced to strengthen brand power and develop products with distinctive features to differentiate them from those of competitors or else risk a decreasing market share and a downward trend in prices, which would make it difficult to remain in the market. Amid this environment, Casio created a market for compact, stylish cameras. In 2002, we introduced its new Exilim series of compact, stylish cameras that can be taken anywhere, for use anytime. Since then, we have continued to expand our market share, not only in Japan, but overseas, too.

In the term under review, we introduced several new stylish compact models. For the first time, the EX-S500 incorporates Anti-shake DSP (digital signal processors), our proprietary technology, which reduces blurring due to camera shake and subject movement, and also has an expanded video function. The EX-Z600 features a 2.7-inch TFT LCD that is approximately three times as bright as our previous model, and can take up to approximately 550 photos per charge. The EX-Z850, a 8.1-megapixel camera, also offers improved new features. In terms of its market share in Japan, Casio remains among the top-ranking digital camera makers, and the Company has successfully carved a place for its Exilim brand in the Japanese market. Moreover, as a result of its aggressive marketing efforts overseas, Casio has expanded its market share, primarily in the U.S. A breakdown of shipments shows that domestic sales accounted for just under 30% of total shipments, while overseas sales accounted for over 70%, marking a rise from the previous year's level.

We will continue to undertake product development, making full use of the Company's core technologies. Having successfully established the Exilim brand in the Japanese market, we will continue working to maintain our share among the top-ranking camera makers. In overseas markets, Casio expects to make major inroads in the stylish, compact camera segment. To this end, we plan to strengthen our sales network in overseas markets, and expand the lineup of the Exilim series of digital cameras, with the aim of increasing market share.



EX-S600
The latest model in the S series, representing a further advance on the EX-S500



G'zOne TYPE-R



Cellular Phones

In the cellular phone market, a variety of sophisticated new features were introduced as part of the global shift toward third-generation (3G) products, allowing for high-speed, high-capacity data transmission. Casio mainly develops, manufactures and sells products for KDDI Corporation's cellular phone service "au" which is ranked No. 2 in Japan. Casio offers superior cellular phone products with attractive designs which have proven popular with a wide range of users in Japan.

Casio established Casio Hitachi Mobile Communications Co., Ltd. (CHMC) together with Hitachi Ltd. in April 2004. During the two-year period following CHMC's establishment, the joint venture has improved efficiency in the development of cellular phone products and has enabled Casio to achieve a year-on-year increase in the number of models released on the market. Maximizing the benefits afforded by the business integration, we are making full use of both joint venture partners' strengths to create synergies, with the aim of developing more sophisticated terminals. For example, the W41CA is 22mm thick and has a PC site viewer for browsing websites designed for PC users. It allows for music downloads and playing, and a variety of services, which include high-speed transmissions of large volumes of data. Our G'zOne TYPE-R is collapsible, water-resistant and shock-proof. Among *au* terminals, they are high-end models, offering superior functionality and an attractive design. Since its launch, W41CA has held the top share, on a unit-sales basis, in the cellular phone terminal market for 13 consecutive weeks, according to a survey by GfK Marketing Services Japan.

As the world moves toward the introduction of 3G products, we will draw on the strengths of our joint venture with Hitachi Ltd. and continue developing and launching competitive products that are compatible with the latest technologies, while maintaining the position of a leading brand for the *au* service. Aiming to further expand our scale, we plan to enter the North American market in Fiscal 2007. Meanwhile, last December we signed a licensing agreement with Qualcomm Incorporated, to widen the scope of application for telecommunications technologies developed by Qualcomm Incorporated to include all 3G standards. Through this move, we were able to broaden our options in the development of third-generation cellular phones. The year ending March 2007 has been positioned as a crucial period for making further progress in overseas expansion.



W41CA

These days, TFT LCDs are key components of digital cameras, cellular phones and other mobile communications equipment. At Casio, our operations are focused on small-sized TFT LCD panels. These panels, primarily for digital cameras and cellular phones, are used in our own products, and are also supplied to other manufacturers.

In the term under review, the market for small-sized TFT LCD panels experienced an accelerated decline in product prices. At Casio, although production volumes exceeded previous-year levels, the plunge in unit prices was much greater than expected. Consequently, sales and operating income showed year-on-year declines. In response to the downward trend in prices in the small-sized TFT LCD market, we formed a tie-up with HannStar Display Corporation, a Taiwan-based maker of TFT LCDs in August 2005. This agreement enables us to expand our capacity without having to undertake additional capital investment. In this way, we will ensure an adequate level of inventory without having to undertake additional investments to increase in-house production capabilities.

We expect that our operating environment will remain challenging, and have formulated the following two measures. From the current term, we will undertake full-scale procurement of LCD panels from HannStar, to secure a sufficient level of inventory. This enables us to undertake more aggressive marketing activities, while working to increase our flexibility in responding to market changes to minimize risk. Another measure is to develop a third, high-value-added application for TFT LCDs, in addition to digital cameras and cellular phones. Specifically, we will begin supplying our TFT LCDs for portable GPS (global positioning system) car navigation devices, which are currently in strong demand in Europe and North America.

TFT LCDs



2.4-inch QVGA TFT LCD for a cellular phone