

Consolidated Financial Results for the Nine Months Ended December 31, 2004

February 2, 2005

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

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

Stock Exchange Listings: Tokyo (First Section), Frankfurt

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: Yes

The accounting standard for impairment of fixed assets is applied at early stage.

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

Consolidated subsidiaries: (Newly included) 4 (Excluded) 1

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

2. Consolidated Financial Results for the Nine Months from April 1, 2004 to December 31, 2004

Monetary amounts are rounded to the nearest million yen.

(1) Operating Results

(Millions of yen)

| | Net sales | Operating income | Ordinary income | Net income |
|--|---------------|------------------|-----------------|---------------|
| Nine months ended December 31, 2004 | 415,430 12.7% | 28,389 59.5% | 24,637 94.0% | 14,798 95.1% |
| Nine months ended December 31, 2003 | 368,456 | 17,794 | 12,699 | 7,584 |
| (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) |
|--|-------------------------------|---------------------------------------|
| Nine months ended December 31, 2004 | 55.69 | 53.04 |
| Nine months ended December 31, 2003 | 28.15 | 27.23 |
| (Reference) Year ended March 31, 2004 | 51.99 | 51.23 |

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

(2) Financial Position

(Millions of yen)

| | Total assets | Shareholders' equity | Shareholders' equity ratio (%) | Shareholders' equity per share (Yen) |
|--|--------------|----------------------|-----------------------------------|---|
| Nine months ended December 31, 2004 | 496,636 | 154,002 | 31.0 | 579.88 |
| Nine months ended December 31, 2003 | 493,922 | 139,498 | 28.2 | 519.30 |
| (Reference) Year ended March 31, 2004 | 496,039 | 144,403 | 29.1 | 541.93 |

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

(Millions of yen)

| | Net sales | Operating income | Ordinary income | Net income |
|---|--------------|------------------|-----------------|--------------|
| Current forecast | 560,000 7.0% | 39,000 41.9% | 34,500 60.8% | 21,000 48.1% |
| Previous forecast (Announced November 4, 2004) | 600,000 | 42,000 | 37,000 | 20,000 |

(Estimated net income per share: 79.07yen)

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

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 December 31, 2004 | As of March 31, 2004 | Increase (Decrease) | As of December 31, 2003 |
|---|----------------------------|-------------------------|------------------------|----------------------------|
| Assets | | | | |
| Current assets | 326,985 | 329,787 | (2,802) | 327,109 |
| Cash and time deposits | 90,012 | 79,977 | 10,035 | 71,216 |
| Notes and accounts receivable-trade | 95,907 | 98,969 | (3,062) | 93,135 |
| Marketable securities | 27,181 | 44,500 | (17,319) | 45,000 |
| Inventories | 73,347 | 62,259 | 11,088 | 75,369 |
| Other current assets | 42,376 | 46,006 | (3,630) | 44,346 |
| Allowance for doubtful accounts | (1,838) | (1,924) | 86 | (1,957) |
| Fixed assets | 169,651 | 166,252 | 3,399 | 166,813 |
| Property, plant and equipment | 93,064 | 94,035 | (971) | 96,065 |
| Buildings and structures | 30,888 | 32,496 | (1,608) | 29,416 |
| Machinery and vehicles | 13,217 | 13,459 | (242) | 13,187 |
| Land | 37,264 | 38,356 | (1,092) | 38,867 |
| Other property, plant and equipment | 11,695 | 9,724 | 1,971 | 14,595 |
| Intangibles | 13,115 | 10,364 | 2,751 | 10,211 |
| Investments and other assets | 63,472 | 61,853 | 1,619 | 60,537 |
| Investment securities | 42,856 | 42,748 | 108 | 39,988 |
| Other assets | 21,694 | 20,453 | 1,241 | 21,910 |
| Allowance for doubtful accounts | (1,078) | (1,348) | 270 | (1,361) |
| Total assets | 496,636 | 496,039 | 597 | 493,922 |
| Liabilities | | | | |
| Current liabilities | 194,569 | 178,340 | 16,229 | 177,770 |
| Notes and accounts payable-trade | 91,258 | 102,406 | (11,148) | 88,483 |
| Short-term borrowings | 667 | 906 | (239) | 2,042 |
| Long-term borrowings due within one year | 6,621 | 1,792 | 4,829 | 1,667 |
| Bonds due within one year | 30,000 | 11,000 | 19,000 | 12,000 |
| Convertible bonds due within one year | - | - | - | 23,811 |
| Other current liabilities | 66,023 | 62,236 | 3,787 | 49,767 |
| Long-term liabilities | 137,855 | 170,413 | (32,558) | 173,821 |
| Bonds | 20,000 | 50,000 | (30,000) | 50,000 |
| Bonds with stock acquisition rights | 20,000 | 20,000 | - | 20,000 |
| Long-term borrowings | 77,770 | 82,310 | (4,540) | 83,066 |
| Employees' severance and retirement benefits | 15,013 | 14,292 | 721 | 16,983 |
| Other long-term liabilities | 5,072 | 3,811 | 1,261 | 3,772 |
| Total liabilities | 332,424 | 348,753 | (16,329) | 351,591 |
| Minority interests | 10,210 | 2,883 | 7,327 | 2,833 |
| Shareholders' equity | | | | |
| Common stock | 41,549 | 41,549 | - | 41,549 |
| Additional paid-in capital | 57,523 | 57,524 | (1) | 57,524 |
| Retained earnings | 64,622 | 54,223 | 10,399 | 47,631 |
| Net unrealized holding gains on securities | 2,222 | 2,525 | (303) | 894 |
| Foreign currency translation adjustments | (6,536) | (7,003) | 467 | (6,591) |
| Treasury stock, at cost | (5,378) | (4,415) | (963) | (1,509) |
| Total shareholders' equity | 154,002 | 144,403 | 9,599 | 139,498 |
| Total liabilities, minority interests and shareholders' equity | 496,636 | 496,039 | 597 | 493,922 |

Consolidated Statements of Income

(Millions of yen)

| | Nine months ended December 31, 2004 | | Nine months ended December 31, 2003 | | Increase (Decrease) | Year ended March 31, 2004 |
|--|--|-------------------|--|-------------------|------------------------|---------------------------------|
| | Amount | % of Net sales | Amount | % of Net sales | | |
| Net sales | 415,430 | 100.0 | 368,456 | 100.0 | 46,974 | 523,528 |
| Cost of sales | 296,279 | 71.3 | 267,488 | 72.6 | 28,791 | 377,422 |
| Gross income | 119,151 | 28.7 | 100,968 | 27.4 | 18,183 | 146,106 |
| Selling, general and administrative expenses | 90,762 | 21.9 | 83,174 | 22.6 | 7,588 | 118,615 |
| Operating income | 28,389 | 6.8 | 17,794 | 4.8 | 10,595 | 27,491 |
| Non-operating income | 1,775 | 0.4 | 2,844 | 0.8 | (1,069) | 4,204 |
| Non-operating expenses | 5,527 | 1.3 | 7,939 | 2.2 | (2,412) | 10,241 |
| Ordinary income | 24,637 | 5.9 | 12,699 | 3.4 | 11,938 | 21,454 |
| Extraordinary gains | 1,992 | 0.5 | 975 | 0.3 | 1,017 | 3,910 |
| Extraordinary losses | 2,616 | 0.6 | 1,220 | 0.3 | 1,396 | 2,828 |
| Income before income taxes and minority interests | 24,013 | 5.8 | 12,454 | 3.4 | 11,559 | 22,536 |
| Income taxes | 8,243 | 2.0 | 4,499 | 1.2 | 3,744 | 7,831 |
| Minority interests | (972) | (0.2) | (371) | (0.1) | (601) | (529) |
| Net income | 14,798 | 3.6 | 7,584 | 2.1 | 7,214 | 14,176 |

Business Segment Information

Nine months ended December 31, 2004

(Millions of yen)

| | Electronics | Electronic components and others | Total | Elimination or unallocated amount | Consolidated |
|-------------------------|-------------|----------------------------------|---------|-----------------------------------|--------------|
| Net sales: | | | | | |
| (1) Outside customers | 330,840 | 84,590 | 415,430 | | 415,430 |
| (2) Inside Group | 897 | 24,834 | 25,731 | (25,731) | |
| Total | 331,737 | 109,424 | 441,161 | (25,731) | 415,430 |
| Costs and expenses | 306,301 | 102,177 | 408,478 | (21,437) | 387,041 |
| Operating income (loss) | 25,436 | 7,247 | 32,683 | (4,294) | 28,389 |

Nine months ended December 31, 2003

(Millions of yen)

| | Electronics | Electronic components and others | Total | Elimination or unallocated amount | Consolidated |
|-------------------------|-------------|----------------------------------|---------|-----------------------------------|--------------|
| Net sales: | | | | | |
| (1) Outside customers | 283,309 | 85,147 | 368,456 | | 368,456 |
| (2) Inside Group | 1,019 | 24,469 | 25,488 | (25,488) | |
| Total | 284,328 | 109,616 | 393,944 | (25,488) | 368,456 |
| Costs and expenses | 268,059 | 104,731 | 372,790 | (22,128) | 350,662 |
| Operating income (loss) | 16,269 | 4,885 | 21,154 | (3,360) | 17,794 |

Sales by product category

(Millions of yen)

| | Nine months ended December 31, 2004 | | | Nine months ended December 31, 2003 | |
|--|-------------------------------------|-----------------|---------------|-------------------------------------|-----------------|
| | Amount | % of total | % change | Amount | % of total |
| Consumer (Electronic calculators, Electronic dictionaries, Digital cameras, etc.) | 145,629 | 35.0 | 5.5 | 138,020 | 37.5 |
| Timepieces | 50,914 | 12.3 | (3.5) | 52,769 | 14.3 |
| MNS (Mobile Network Solutions) (Cellular phones, Pocket computers, etc.) | 99,410 | 23.9 | 68.4 | 59,032 | 16.0 |
| System equipment (Electronic cash registers, Office computers, Page printers, etc.) | 34,887 | 8.4 | 4.2 | 33,488 | 9.1 |
| Electronics | 330,840 | 79.6 | 16.8 | 283,309 | 76.9 |
| Electronic components (LCDs, BUMP processing consignments, etc.) | 58,494 | 14.1 | (5.7) | 62,004 | 16.8 |
| Others | 26,096 | 6.3 | 12.8 | 23,143 | 6.3 |
| Electronic components and others | 84,590 | 20.4 | (0.7) | 85,147 | 23.1 |
| Total [Overseas sales] | 415,430 [172,112] | 100.0 [41.4] | 12.7 [6.0] | 368,456 [162,355] | 100.0 [44.1] |

Qualitative Information about Consolidated Operating Results

Up through the third quarter, Japan's economy showed a recovery trend, with improvement in corporate earnings and increase in capital expenditures driven by growth in exports. However, such conditions as high oil prices, sluggish overseas economic growth, and flat consumer spending make the future of the economy unclear. Turning to Casio's markets, the overall business environment was challenging, as the rate of growth of digital home electrical appliances (digital cameras, cellular phones, LCD TVs, and DVDs), which had led the market with their strong growth, slowed due to factors such as a sudden fall in prices and inventory adjustments.

In this market environment, the Casio Group has been strongly promoting and developing a strategy of focusing on high-value-added and differentiated products in its five strategic businesses: timepieces, digital cameras, electronic dictionaries, cellular phones, and TFT LCDs. At the same time, the company is focused on enhancing management efficiency and strengthening earning potential. On the strength of these efforts, consolidated net sales for the first three quarters of fiscal 2005 were up 12.7% over the same period of fiscal 2004, to ¥415.4 billion. Driven by group-wide efforts on business reform strategies aimed at greater management efficiency, and substantial improvement in added value by enhancing product strength in strategic businesses, operating income in the Electronics segment for the three quarters was ¥25.4 billion, up 56.3% year-on-year, and in the Electronic Components and Others segment, jumped to ¥7.2 billion, up 48.4% year-on-year. Total consolidated operating income, allowing for elimination or unallocated amount, was ¥28.3 billion, up 59.5% year-on-year. Non-operating income and expenses also improved due to strategies to strengthen the company's financial structure. As a result, ordinary income improved 94.0% to ¥24.6 billion and net income rose 95.1% to ¥14.7 billion.

Qualitative Information about Changes in Consolidated Financial Position

At the end of the third quarter, total assets had increased ¥500 million over the end of fiscal 2004. The increase in assets resulting from higher net sales and seasonal factors was offset by the reduction of interest-bearing debt and other management efficiency measures. Shareholders' equity went up by ¥9.5 billion due to an increase in retained earnings resulting from the improved results, and this brought the shareholders' equity ratio to 31.0% at the end of the period.

Qualitative Information about Results Forecasts

Looking to the business environment ahead, conditions are expected to remain difficult because of factors such as continuing deflation and exchange rate fluctuations. Despite these conditions, the company's Consumer, Timepieces, and System Equipment categories are expected to remain firm in the fourth quarter as well. However, reflecting current orders for cellular phones in the Mobile Network Solutions (MNS) category and TFT LCDs and others in the Electronic Components category, Casio revised the forecasts for net sales down by ¥40 billion, for operating income down by ¥3 billion, and for ordinary income down by ¥2.5 billion from the consolidated full-year earnings forecasts for fiscal 2005 announced November 4, 2004. However, Casio revised the forecast for net income up ¥1 billion from the previous

forecast because of a capital increase in Casio Micronics Co., Ltd. Thus, for fiscal 2005, Casio is confident that net sales and net income will reach record levels, as shown in the Consolidated Results Forecast table on the bottom of the front page. Looking at the income margin, the company expects the operating income margin to reach its expected target of 7.0%, and the ordinary income margin and the net income margin to achieve the expected targets of 6.2% and 3.8% respectively. In the future, Casio will continue to respond swiftly to changes in the business environment, strongly promote reforms designed to emphasize the operating income margin, evaluate earnings and growth capacity in all businesses, and raise efficiency and effectiveness and create new value by developing strategies adapted to the characteristics of each of businesses.

Notes concerning results forecasts

- 1) The exchange rates are calculated at US\$1 = ¥103 and Euro1 = ¥130.
- 2) Results forecasts 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 Product Category

In the Consumer category, Casio offered new Exilim products. Exilim has won strong support as a leading brand in the digital camera market for creating the genre of credit card-sized cameras, featuring large LCD monitors, and achieving long battery life. The new products introduced were the EX-S100, the world's smallest digital camera equipped with the world's first optical zoom ceramic lens, and the EX-Z55, which provides longer battery life while offering enhanced features such as a large, high-pixel screen. On the momentum of these new products, Casio continued to record steady sales in the digital camera market, and avoided most of the effects of the substantial price reductions seen in that market. As a result, net sales in the Consumer category for the first three quarters of fiscal 2005 overall rose 5.5% over the same period of fiscal 2004, to ¥145.6 billion.

In the Timepieces category, the market for solar-powered radio-controlled models steadily expanded. Casio shifted its emphasis away from standard models, resulting in a decline in net sales by 3.5% year-on-year to ¥50.9 billion. Conversely, the company expanded its lineup in the high-value-added genre such as all-metal, analog, and solar-powered radio-controlled watches, restructuring its product lineup to emphasize operating income margins. As a result, profits substantially improved across the category.

In the Mobile Network Solutions (MNS) category, the A5406CA cellular phone — the first cellular phone in the world with a built-in 3.2-megapixel camera — and the W21CA — the first in the industry to have a 2.6-inch wide QVGA LCD — achieved steady sales. In addition, the effect of establishing Casio Hitachi Mobile Communications Co., Ltd., which is a joint venture company with Hitachi, Ltd. set out to curtail lead times and costs associated with development of mobile handsets, helped boost overall net sales in the MNS category 68.4% year-on-year to ¥99.4 billion.

In the System Equipment category, Casio achieved robust sales with its integrated solutions business, which provides customers with the optimal combination of

hardware and applications. Sales in this category rose 4.2% year-on-year to ¥34.8 billion.

In the Electronic Components category, inventory adjustments in the digital home electronic appliances business impacted sales, which fell 5.7% year-on-year to ¥58.4 billion.

In the Others category, sales climbed 12.8% year-on-year to ¥26.0 billion.

Medium and Long-Term Management Strategy and Issues to be Addressed

Casio considers increasing its earning capacity and strengthening its financial structure to be the most urgent issues, and the entire company is united in promoting the strategies described below.

(1) Improving earning capacity

Casio responds swiftly and effectively to changes in the business environment and develops businesses able to secure stable growth and profits by taking the following steps.

- (a) Marketing differentiated products by enhancing technological and product planning power
- (b) Building a sound cost structure by reducing the ratios of cost of sales and SG&A expenses to net sales

(2) Strengthening financial structure

Casio is strongly promoting the strategies described below with the aim of strengthening its financial structure.

- (a) Improving the debt/equity (D/E) ratio and shareholders' equity ratio by reducing interest-bearing debt and increasing shareholders' equity
- (b) Reducing front-loaded working capital, including prompt collection of notes and accounts receivables and inventory reductions
- (c) Effective and efficient capital expenditure

The company is endeavoring to enhance cash flow and strengthen its financial base through these strategies.

(3) Actively promoting corporate social responsibility (CSR) management

In order to continue to achieve its 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. Casio is implementing various efforts to enhance corporate governance.

- (a) Strengthening company-wide systems, centered on the CSR Operation Section
- (b) Improving corporate governance and compliance based on the Casio Common Commitment and Casio Code of Conduct prepared in accordance with the Charter of Creativity for Casio
- (c) In all aspects of corporate activities, firmly promoting an environmentally sensitive business approach that reflects the needs of the environment, the economy, and society

Casio believes that the strategies described above will enable the company to continue to deliver original, high-value-added products and services, enhance creativity in society everywhere, and increase corporate value.