

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2006

English Translation of "KESSAN TANSHIN"

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

(Summary for reference)

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

May 10, 2006

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, 2006

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

## 1. Consolidated Financial Results for the year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

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, 2006	580,309	3.8%	43,114	10.4%	38,915	15.9%
Year ended March 31, 2005	559,006	6.8%	39,040	42.0%	33,588	56.6%

	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, 2006	23,745	10.3%	88.57	84.43	13.4	7.8	6.7
Year ended March 31, 2005	21,534	51.9%	80.27	76.47	14.0	6.8	6.0

Notes: 1. Equity in gains of affiliates:

Year ended March 31, 2006: 138 million yen

Year ended March 31, 2005: 96 million yen

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

Year ended March 31, 2006: 265,753,174

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

3. Changes in accounting methods: None

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, 2006	501,960	191,011	38.1	717.40
Year ended March 31, 2005	495,743	162,271	32.7	610.23

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

Year ended March 31, 2006: 265,964,801

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

**(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, 2006	43,875	(29,682)	(39,818)	125,232
Year ended March 31, 2005	64,955	(28,836)	(13,529)	147,589

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

Number of consolidated subsidiaries: 56

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

Number of affiliates accounted for by the equity method: 4

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

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

Companies accounted for by the equity method: (Newly included) 0 (Excluded) 2

**2. Consolidated Results Forecast for Fiscal 2007 (From April 1, 2006 to March 31, 2007)**

(Millions of yen)

	Net sales	Ordinary income	Net income
First Half	280,000	19,500	11,500
Fiscal 2007	620,000	45,000	27,000

(Estimated net income per share: 101.52 yen)

Note: For items related to assumptions and others of the above forecast, see pages from 9 to 10.

## The Casio Group

The Casio Group consists of Casio Computer Co., Ltd., and its 56 consolidated subsidiaries and 4 equity-method subsidiaries, as of March 31, 2006. 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.
	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 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. 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 Casio France S.A. to Europe, and through distributors to other regions. In the Electronic Components category, LCDs are marketed by Casio Electronic Devices Co., Ltd., both in Japan and overseas. 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 and increase corporate value by contributing to society. The company is accomplishing this by introducing innovative ideas and outstanding 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 3 yen per share from the 17 yen per share paid last fiscal year to 20 yen per share for the year under review, taking factors such as business performance into consideration. This is the third consecutive year, beginning in fiscal 2004, that Casio has increased the dividend.

Casio has not planned any particular changes due to the elimination of limits on the number of dividend payments per year with the coming into force of Japan's new Corporate Law.

### **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. For this reason, 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**

There are several key issues when it comes to improving corporate value through continued business growth. These are: strengthening global cost competitiveness in every business field; building a strong earning base that allows Casio to secure high profits; strengthening the company's financial structure; and taking corporate social responsibility (CSR) more seriously than ever before. To achieve these goals, Casio is promoting the following strategies group-wide.

### (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 promoting styles of business operation that suit the characteristics of each type of business. The company aims to secure stable profits in Stable Businesses while increasing sales and operating income in Expansive Businesses, with the goal of achieving a 10% operating income margin overall.

As a measure to improve earning capacity, Casio is striving to reduce the cost of sales ratio by optimizing costs, starting from the time development of new products begins at the Product Development H.Q. (Production and Purchasing H.Q. was integrated into Product Development H.Q. in June 2005). Specifically, Casio is focusing on the following four measures:

- (a) Pursuing stability of sales prices by enhancing product strength.
- (b) Realizing appropriate inventory levels by strengthening production management capability.
- (c) Reducing direct material costs by realizing greater commonality of components.
- (d) Controlling production costs by improving the operating rate of production bases.

### (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.

As of the end of fiscal 2006, Casio has realized improvements: the consolidated equity ratio improved to 38.1%, and the D/E ratio went to 0.6. 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.

### (3) CSR-focused Management

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).

In an effort to bolster its activities in this area, the company established the CSR Operations 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. In December 2005, Casio published the English-language *Corporate Social Responsibility Report*, which covered the three aspects of CSR — economic, social, and environmental responsibility — and disclosed the results of its CSR activities.

Through the execution of the three 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.

**Matters Related to the Parent Company**

Not applicable

## Operating Results and Financial Position

### Performance Highlights for Fiscal 2006

During fiscal 2006, the Japanese economy experienced an upswing, growing steadily on improved corporate earnings, an accompanying increase in private-sector capital expenditures, and a general rise in consumer spending.

Overseas, the expansion of the US, Chinese, and other Asian economies continued, while Europe showed signs of mild recovery.

With adjustments in the manufacture of products in the area of consumer digital electronics (digital cameras, cellular phones, LCD TVs, and DVDs) nearly complete, these products continued to drive growth and the overall market for Casio businesses improved.

In this environment, Casio pursued its management goals by aggressively promoting and developing strategic businesses (timepieces, digital cameras, electronic dictionaries, cellular phones, and TFT LCDs). At the same time, the company focused on realizing greater management efficiency, including efforts to improve profit ratios and capital efficiency.

As a result, consolidated net sales for fiscal 2006 expanded 3.8% year-on-year to ¥580.3 billion, primarily driven by growth in strategic businesses, for a fourth consecutive year of growth.

Reporting results by segment, sales in the Electronics segment grew 5.7% year-on-year to ¥473.4 billion. In the Consumer category, stylish Exilim digital cameras continued their strong performance from the previous year as a result of further expansion buoyed by overseas promotions. Sales rose 7.7% year-on-year to ¥213.8 billion. Presented as a “carry all the time, use any time” new-style camera that is slim and fast, the Exilim brand is enjoying strong consumer support. In the Timepieces category, Casio strengthened its lineup of Oceanus watches for men. Oceanus watches enclose the latest technologies, such as solar-powered radio-controlled functionality, in a full metal case that exudes a sense of luxury. For the first time, Casio also introduced a model for women, and developed this aggressively as a brand symbolizing the best of Casio watches. As a result, sales in this category expanded 3.8% to ¥71.0 billion. The Mobile Network Solutions (MNS) category saw growth in sales, driven by the strong performance of such new products as the W31CA WIN model cellular phone with built-in 3.2-megapixel CCD camera and 2.6-inch QVGA wide-screen LCD monitor, the G’zOne TYPE-R, a collapsible cellular phone with a built-in 1.28-megapixel camera that is waterproof and impact resistant, and the latest W41CA, a collapsible, slim profile, 22-mm thin cellular phone that allows ready access to many WIN services. Strong performance by all these new products boosted MNS sales 6.5% year-on-year to ¥139.8 billion. Though the System Equipment category focused on the development of various solutions that provide customers with the optimal combination of hardware and applications, the impact of falling prices for IT-related products resulted in a 1.7% year-on-year decrease in sales, which recorded ¥48.6 billion. In the Electronic Components and Others segment, sales were ¥106.8 billion, down 3.8% year-on-year. In the Electronic Components category, while sales of chip-on-film (COF), the leading product of Casio Micronics Co., Ltd., were firm and boosted sales for this company, overall sales in the Electronic Components category declined 5.4% year-on-year to ¥73.9 billion due to falling unit prices in the TFT LCD business. In the Others category, sales dipped 0.1% year-on-year to ¥32.9 billion.

Operating income in the Electronics segment reached ¥41.7 billion, up 15.5% year-on-year, due



to efforts to substantially increase added value by enhancing product strength in strategic businesses and to strengthen earning potential by promoting greater management efficiency. The Electronic Components and Others segment had operating income of ¥7.1 billion, down 17.0% year-on-year. Total consolidated operating income, allowing for elimination or unallocated amounts, rose 10.4% year-on-year to ¥43.1 billion, for a fourth consecutive year of growth. Ordinary income, at ¥38.9 billion, grew 15.9% year-on-year due to measures to strengthen the company's financial structure, including improving net financial expenses. Net income for fiscal 2006 rose 10.3% year-on-year to ¥23.7 billion. As a result of these efforts, Casio has now set new records for both net sales and net income for three consecutive years.

### **Financial Position**

Net cash provided by operating activities in fiscal 2006 was ¥43.8 billion in income. The main components of this included ¥39.6 billion in income before income taxes and minority interests and ¥26.6 billion in depreciation expenses. Meanwhile, net cash used in investing activities recorded ¥29.6 billion in expenditure. The main components of this were ¥19.9 billion in payments for acquisitions of tangible fixed assets and an ¥11.8 billion increase in intangible fixed assets. Net cash used in financing activities recorded ¥39.8 billion in expenditure. The main components of this included ¥30.0 billion in the redemption of bonds, ¥9.6 billion in the payments for long-term borrowings.

As a result, cash and cash equivalents totaled ¥125.2 billion at the end of fiscal 2006, a decrease of ¥22.3 billion over the end of the previous year.

### **Forecast for Fiscal 2007 Business Results**

Casio believes that the business environment going forward will offer conditions conducive to globally stable growth, although conditions remain unpredictable due to various uncertainties, including concerns over the impact on the global economy of rising crude oil prices and inventory adjustments of some products. In this environment, the company will draw on its core technologies for creating products that are compact, lightweight, slim, and energy efficient to continue strengthening its strategic businesses. The following are the strategies for the main business areas.

- (a) For digital cameras, Casio will work to expand its lineup of stylish models, focusing on high-end models featuring a 2.8-inch high-intensity wide-screen LCD with effective 10.1 megapixels, which can deliver high-resolution pictures similar to those of an SLR camera. In addition to the Japanese market, the company will focus strongly in the future on expanding sales in the overseas markets where growth is expected.
- (b) For solar-powered radio-controlled watches, Casio will expand its mid-range and higher priced lineups for men and women by strengthening the Oceanus brand, and seek to expand its share of the analog market. This is expected to give its solar-powered radio-controlled watches a larger proportion of the Timepiece business and to improve earning capacity.
- (c) For electronic dictionaries, Casio expects demand, especially in the domestic student market, to remain firm. The company aims to expand its share of such overseas markets as South Korea, Germany, and the Spanish-speaking countries, and to become the top brand in the world education market.
- (d) For cellular phones, with the shift to third-generation cellular phones now in full swing, Casio will utilize its advantage in development joint venture, and work to retain its top share in the domestic KDDI "au" market through competitive products adapted to the

technological innovations of the future. In addition, the company will further strengthen its focus on overseas markets and aim to expand sales and profits. The company will also seek to improve earning capacity by reducing costs and increasing speed in the development process through use of common platforms.

- (e) For TFT LCDs, in addition to digital camera monitors, where Casio enjoys an overwhelming market share, the company will become involved in GPS and other new applications and work to strengthen earnings by expanding its share of TFT LCD's for cellular phones and securing capacity through a tie-up with HannStar Display Corporation of Taiwan.

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 its businesses, and is working to achieve earnings growth and further improve its management practices.

Current results forecasts for fiscal 2007 are as below.

Net sales:	¥620.0 billion (up 6.8% year-on-year)
Operating income:	¥50.0 billion (up 16.0% year-on-year)
Ordinary income:	¥45.0 billion (up 15.6% year-on-year)
Net income:	¥27.0 billion (up 13.7% year-on-year)

Exchange rates for fiscal 2007 are estimated at US\$ 1 = ¥110 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 Casio'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 Casio's business performance, financial position and share price are described below. Casio 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 current 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 Casio'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 Casio's potential products or technology infringes the intellectual property rights of another company
- (8) The loss of social trust and liability for damages due to data leaks
- (9) Foreign exchange risk and interest rate risk
- (10) The occurrence of a disaster related to the environment, such as fire or earthquake, or of an accident in operations
- (11) Social unrest due to factors such as war, terrorism or infectious disease

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2006	As of March 31, 2005	Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>	319,179	329,948	(10,769)
Cash and time deposits	71,818	83,528	(11,710)
Notes and accounts receivable-trade	104,098	91,552	12,546
Marketable securities	29,171	44,678	(15,507)
Inventories	57,643	62,576	(4,933)
Deferred tax assets	12,010	12,070	(60)
Short-term loans receivable with resale agreement	25,000	20,000	5,000
Accounts receivable-other	14,871	12,842	2,029
Other current assets	5,876	4,240	1,636
Allowance for doubtful accounts	(1,308)	(1,538)	230
<b>Fixed assets</b>	182,781	165,795	16,986
Property, plant and equipment	96,115	94,425	1,690
Buildings and structures	30,370	30,567	(197)
Machinery and vehicles	15,337	13,360	1,977
Tools and equipment	11,660	11,169	491
Land	37,462	37,749	(287)
Construction in progress	1,286	1,580	(294)
Intangibles	14,746	12,379	2,367
Investments and other assets	71,920	58,991	12,929
Investment securities	50,464	38,609	11,855
Deferred tax assets	5,254	9,974	(4,720)
Long-term time deposits	3,000	3,000	
Other assets	13,601	8,472	5,129
Allowance for doubtful accounts	(399)	(1,064)	665
<b>Total assets</b>	501,960	495,743	6,217

(Millions of yen)

	As of March 31, 2006	As of March 31, 2005	Increase (Decrease)
<b>Liabilities</b>			
<b>Current liabilities</b>	183,967	196,089	(12,122)
Notes and accounts payable-trade	94,341	87,384	6,957
Short-term borrowings	911	641	270
Long-term borrowings due within one year	20,747	9,655	11,092
Bonds due within one year		30,000	(30,000)
Accounts payable-other	35,821	33,947	1,874
Accrued expenses	14,332	13,345	987
Income taxes payable	8,526	11,656	(3,130)
Warranty reserve	2,042	2,096	(54)
Other current liabilities	7,247	7,365	(118)
<b>Long-term liabilities</b>	114,948	126,894	(11,946)
Bonds	20,000	20,000	
Bonds with stock acquisition rights	20,000	20,000	
Long-term borrowings	59,450	74,155	(14,705)
Deferred tax liabilities	1,908	1,905	3
Employees' severance and retirement benefits	7,402	6,961	441
Retirement benefits for directors and corporate auditors	1,895	1,408	487
Other long-term liabilities	4,293	2,465	1,828
<b>Total liabilities</b>	298,915	322,983	(24,068)
<b>Minority interests</b>	12,034	10,489	1,545
<b>Shareholders' equity</b>			
Common stock	41,549	41,549	
Additional paid-in capital	57,523	57,523	
Retained earnings	90,236	71,314	18,922
Net unrealized holding gains on securities	9,861	3,060	6,801
Foreign currency translation adjustments	(3,168)	(5,771)	2,603
Treasury stock, at cost	(4,990)	(5,404)	414
<b>Total shareholders' equity</b>	191,011	162,271	28,740
<b>Total liabilities, minority interests and shareholders' equity</b>	501,960	495,743	6,217

	(March 31, 2006)	(March 31, 2005)
1. Accumulated depreciation on property, plant and equipment	136,711	124,130
2. Guarantee	220	869

## Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Increase (Decrease)
	Amount	% of Net sales	Amount	% of Net sales	
<b>Net sales</b>	580,309	100.0	559,006	100.0	21,303
Cost of sales	407,940	70.3	398,186	71.2	9,754
Gross income	172,369	29.7	160,820	28.8	11,549
Selling, general and administrative expenses	129,255	22.3	121,780	21.8	7,475
<b>Operating income</b>	43,114	7.4	39,040	7.0	4,074
Non-operating income	3,383	0.6	2,735	0.5	648
Interest and dividends income	1,858		1,047		811
Other	1,525		1,688		(163)
Non-operating expenses	7,582	1.3	8,187	1.5	(605)
Interest expense	1,300		1,494		(194)
Other	6,282		6,693		(411)
<b>Ordinary income</b>	38,915	6.7	33,588	6.0	5,327
Extraordinary gains	2,397	0.4	2,456	0.4	(59)
Gain on sales of fixed assets	392		21		371
Gain on sales of investment securities	76		206		(130)
Gain on sales of consolidated subsidiaries and affiliates	1,928		293		1,635
Gain on change in interests in consolidated subsidiaries			1,918		(1,918)
Other	1		18		(17)
Extraordinary losses	1,641	0.3	2,951	0.5	(1,310)
Loss on disposal and sales of fixed assets	995		748		247
Loss on devaluation of investment securities	44		78		(34)
Provision for accrued retirement benefits for directors and corporate auditors	459		477		(18)
Loss on impairment of fixed assets			1,494		(1,494)
Other	143		154		(11)
<b>Income before income taxes and minority interests</b>	39,671	6.8	33,093	5.9	6,578
<b>Income taxes-current</b>	13,902	2.4	12,436	2.2	1,466
<b>Income taxes-deferred</b>	261	0.0	(2,013)	(0.4)	2,274
<b>Minority interests</b>	(1,763)	(0.3)	(1,136)	(0.2)	(627)
<b>Net income</b>	23,745	4.1	21,534	3.9	2,211

## Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2005
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	39,671	33,093
Depreciation (including software)	26,629	22,927
Loss on impairment of fixed assets		1,494
Loss on disposal and sales of fixed assets	603	727
Gain on sales of investment securities	(75)	(205)
Loss on devaluation of investment securities	44	78
Gain on sales of consolidated subsidiaries and affiliates	(1,928)	(293)
Gain on change in interests in consolidated subsidiaries		(1,918)
Increase in liabilities for the employees' severance and retirement benefits	395	782
Interest and dividends income	(1,858)	(1,047)
Interest expense	1,300	1,494
Foreign exchange gain	(1,220)	(1,370)
Decrease (Increase) in notes and accounts receivable	(10,696)	8,762
Decrease in inventories	7,093	3,777
Increase (Decrease) in notes and accounts payable	6,121	(15,104)
Other	(5,580)	17,292
Total	60,499	70,489
Interest and dividends received	1,790	1,019
Interest paid	(1,291)	(1,538)
Income taxes paid	(17,123)	(5,015)
<b>Net cash provided by operating activities</b>	<b>43,875</b>	<b>64,955</b>
<b>Cash flows from investing activities:</b>		
Deposits in time deposits	(688)	(91)
Withdrawals from time deposits	647	827
Payments for acquisitions of tangible fixed assets	(19,935)	(20,065)
Proceeds from sales of tangible fixed assets	1,039	392
Net increase in intangible fixed assets	(11,814)	(8,966)
Net increase in investment securities	(1,650)	(1,073)
Proceeds from sales of consolidated subsidiaries and affiliates	2,958	437
Other	(239)	(297)
<b>Net cash used in investing activities</b>	<b>(29,682)</b>	<b>(28,836)</b>
<b>Cash flows from financing activities:</b>		
Net decrease in short-term borrowings	(1,519)	(275)
Proceeds from long-term borrowings	6,000	1,500
Payments for long-term borrowings	(9,688)	(1,792)
Redemption of bonds	(30,000)	(11,000)
Proceeds from minority shareholders		3,343
Payments for acquisitions and proceeds from sales of treasury stock, net	312	(1,251)
Payments for cash dividends	(4,515)	(3,992)
Other	(408)	(62)
<b>Net cash used in financing activities</b>	<b>(39,818)</b>	<b>(13,529)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,268</b>	<b>1,858</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(22,357)</b>	<b>24,448</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>147,589</b>	<b>123,141</b>
<b>Cash and cash equivalents at end of year</b>	<b>125,232</b>	<b>147,589</b>

Note: Cash and cash equivalents at March 31, 2006 and 2005 for the Consolidated Statements of Cash Flows consist of the followings:

	(March 31, 2006)	(March 31, 2005)
Cash and time deposits	71,818	83,528
Time deposits over three months	(757)	(617)
Marketable securities within three months	29,171	44,678
Short-term loans receivable with resale agreement	25,000	20,000
Cash and cash equivalents	125,232	147,589

## Segment Information

### 1. Business Segments

Year ended March 31, 2006

(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	473,420	106,889	580,309		580,309
(2) Inside Group	453	33,477	33,930	(33,930)	
Total	473,873	140,366	614,239	(33,930)	580,309
Costs and expenses	432,114	133,181	565,295	(28,100)	537,195
Operating income (loss)	41,759	7,185	48,944	(5,830)	43,114
II Total assets, depreciation and capital expenditures					
Total assets	257,759	106,591	364,350	137,610	501,960
Depreciation	18,988	7,327	26,315	314	26,629
Capital expenditures	22,128	9,013	31,141	385	31,526

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

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 5,830 million yen, 5,773 million yen for the years ended March 31, 2006 and 2005, 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 139,714 million yen and 147,145 million yen for the years ended March 31, 2006 and 2005, respectively.



## 2. Geographical Segments

Year ended March 31, 2006

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
I Net sales and operating income							
Net sales							
(1) Outside customers	438,321	50,779	70,997	20,212	580,309		580,309
(2) Inside Group	103,434	28	125	91,553	195,140	(195,140)	
Total	541,755	50,807	71,122	111,765	775,449	(195,140)	580,309
Costs and expenses	504,783	48,696	69,853	109,450	732,782	(195,587)	537,195
Operating income (loss)	36,972	2,111	1,269	2,315	42,667	447	43,114
II Total assets	463,403	23,475	26,123	39,034	552,035	(50,075)	501,960

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

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, 2006

(Millions of yen)

	North America	Europe	Asia	Others	Total
I Overseas net sales	58,868	78,822	70,370	27,519	235,579
II Net sales (consolidated)					580,309
III Share of overseas net sales	10.2%	13.6%	12.1%	4.7%	40.6%

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%

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, Taiwan

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, 2006			Year ended March 31, 2005	
	Amount	% of total	% change	Amount	% of total
Consumer	213,810	36.8	7.7	198,515	35.5
Timepieces	71,086	12.3	3.8	68,473	12.3
MNS (Mobile Network Solutions)	139,896	24.1	6.5	131,408	23.5
System equipment	48,628	8.4	(1.7)	49,447	8.8
Electronics	473,420	81.6	5.7	447,843	80.1
Electronic components	73,976	12.7	(5.4)	78,230	14.0
Others	32,913	5.7	(0.1)	32,933	5.9
Electronic components and others	106,889	18.4	(3.8)	111,163	19.9
Total	580,309	100.0	3.8	559,006	100.0