

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

|                              | Net income |       | Net income<br>per share<br>(Yen) | Diluted net<br>income per<br>share (Yen) | Net income/<br>Shareholders'<br>equity (%) | Ordinary<br>income/Total<br>assets (%) | Ordinary<br>income/Net<br>sales (%) |
|------------------------------|------------|-------|----------------------------------|--|--|--|-------------------------------------|
| Year ended<br>March 31, 2006 | 23,745     | 10.3% | 88.57                            | 84.43                                    | 13.4                                       | 7.8                                    | 6.7                                 |
| Year ended<br>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<br>ratio (%) | Shareholders' equity<br>per share (Yen) |
|------------------------------|--------------|----------------------|-----------------------------------|---|
| Year ended<br>March 31, 2006 | 501,960      | 191,011              | 38.1                              | 717.40                                  |
| Year ended<br>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<br>Label printers<br>Electronic dictionaries<br>Visual-related products<br>Digital cameras<br>Electronic musical instruments | Yamagata Casio Co., Ltd.<br>Kofu Casio Co., Ltd.<br>Casio Computer (Hong Kong) Ltd.                                       |
|                                  | Timepieces            | Digital watches<br>Analog watches<br>Clocks   | Yamagata Casio Co., Ltd.<br>Casio Korea Co., Ltd.<br>Casio Electronics (Shenzhen) Co., Ltd.<br>Casio (Thailand) Co., Ltd. |
|                                  | MNS                   | Cellular phones<br>Handy terminals  | Yamagata Casio Co., Ltd.<br>Kofu Casio Co., Ltd.<br>Casio Hitachi Mobile Communications, Co., Ltd.                        |
|                                  | System Equipment      | Electronic cash registers (including POS)<br>Office computers<br>Page printers<br>Data projectors   | Casio Electronic Manufacturing Co., Ltd.<br>Kofu Casio Co., Ltd.  |
| Electronic Components and Others | Electronic Components | LCDs<br>BUMP processing consignments<br>TCP assembly and processing consignments<br>Carrier tape  | Kofu Casio Co., Ltd.<br>Kochi Casio Co., Ltd.<br>Casio Micronics Co., Ltd.<br>Casio Singapore Pte., Ltd.                  |
|                                  | Others                | Factory automation<br>Molds<br>Toys   | Yamagata Casio Co., Ltd.<br>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<br>31, 2006 | As of March<br>31, 2005 | Increase<br>(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<br>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<br>31, 2006 | As of March<br>31, 2005 | Increase<br>(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<br>March 31, 2006 |                   | Year ended<br>March 31, 2005 |                   | Increase<br>(Decrease) |
|--|------------------------------|-------------------|------------------------------|-------------------|------------------------|
|  | Amount                       | % of<br>Net sales | Amount                       | % of<br>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<br>March 31, 2006 | Year ended<br>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<br>March 31, 2006 |            |          | Year ended<br>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      |