

TO OUR **Shareholders**

Performance

The fiscal year ended March 31, 2002, saw Casio's operating environment change rapidly, sparked by worse-than-predicted economic doldrums, which in turn paralyzed consumer demand. As a result, consolidated net sales fell 13.9%, to ¥382,154 million. These conditions resulted in a divergence from our original projections, with operating loss logging in at ¥10,418 million. Moreover, after calculating such strategic restructuring charges as the disposal and devaluation of inventories and investment securities and structural reform charges, net loss for the period was ¥24,928 million. The operating loss was mainly a result of steep drops in the prices of digital cameras and consumer PDAs brought about by intensified global competition. In addition,

sluggish demand worldwide for cellular phones, PCs, and other IT-related items led to decreased sales and income in our electronic components category.

One of our fundamental policies, however, is to maintain stable dividends, and we continued to pay a ¥12.50 dividend per share for the year.

Return to Profitable Growth

We aim to return to profitable growth by reemphasizing our management creed, "To use ingenious concepts and state-of-the-art technology to create products and services that will delight people throughout the world;" developing original products with a competitive edge; and cutting costs.

CONSOLIDATED **Financial Highlights**

Years ended March 31, 2002 and 2001
Casio Computer Co., Ltd. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars*
	2002	2001	2002
For the year:			
Net sales	¥382,154	¥443,930	\$2,873,338
Operating income (loss)	(10,418)	17,905	(78,331)
Net income (loss)	(24,928)	6,547	(187,429)
Capital investment	15,737	30,278	118,323
Depreciation	14,465	22,065	108,759
Research and development expenses	14,085	11,968	105,902
At year-end:			
Shareholders' equity	134,317	162,375	1,009,902
Total assets	449,224	445,883	3,377,624
Amounts per share of common stock (in yen and U.S. dollars):			
Net income (loss)	¥(91.82)	¥24.11	\$(0.69)
Diluted net income	—	23.72	—
Cash dividends applicable to the year	12.50	12.50	0.09

* U.S. dollar amounts have been translated from Japanese yen at the rate of ¥133 to U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2002.

1. Original products with a competitive edge

To improve earnings, it is essential that original products with a competitive edge be developed. We will accomplish this by utilizing our core competencies in lightweight and compact design, energy efficiency, high-density mounting, communications, and multimedia processing technologies to create value-added products. We will race ahead of other companies as we create new markets with timely launches of these products.

We have designated our timepieces, digital cameras, and Mobile Network Solutions (MNS) category as strategic businesses and have set the following strategies to fortify earnings from a long-term perspective.

- Create an “On Time All the Time” culture with WAVE CEPTOR (radio-controlled and solar powered) timepieces

No need to adjust the time + no need to change batteries = maintenance-free timepieces

Wristwatches have come a long way. They have evolved from mechanical to quartz and from quartz to radio controlled and solar powered. We aim to expand the market for radio-controlled watches and solar powered watches by boosting brand and product recognition.

- Inspire new applications for digital cameras with thin high-resolution card models

In June 2002, we launched EXILIM, the world’s thinnest card-sized digital camera with an LCD viewscreen (as of July 2002). We look to broaden the market by expanding possibilities, mainly through products based on a new concept: “Wearable Card Cameras.”



- Capitalize on the flying start of third-generation cellular phones

From the end of the fiscal year under review, we began supplying KDDI Corporation with its first camera-equipped GPS *au* service cellular phone, which incorporates our wafer-level chip-size package (W-CSP) technology. This product has been enjoying great popularity since its launch. In the future, we will continue to set ourselves apart by providing cellular phone models with tremendous competitive strength.

- In light of current market conditions, we have decided to hold off on new investment into consumer PDA models for the foreseeable future. However, as steady growth is expected in corporate PDAs, we will foster and even augment operations in this area.

2. Intensified cost-cutting measures

To reduce costs, we integrated and consolidated our production base, moving it to continental Asia, where China will serve as its hub. Moreover, we closed our factory in the United States. As a result, we achieved a reduction of 3,000 personnel. We will review the effects of these measures at an early stage in addition to continuing cost-reduction measures.

In May 2002, Casio entered into an outsourcing relationship with Flextronics International Ltd., the leading electronics manufacturing services provider. Our legendary lightweight, compact, and energy-efficient electronic products developed using cutting-edge technology combined with Flextronics' world-class procurement and high productivity will enable us to improve price competitiveness and fine-tune production, owing to shorter production lead times, which will allow us to respond more quickly to demand trends and product cycle changes. This agreement will also allow us to outsource the manufacturing of consumer products with costs that fluctuate greatly as well as help reduce assets through the equity transfer of two of our factories and the transfer of assets from one of our factories.

Corporate Governance

In fiscal 2000, Casio introduced a Corporate Officer System to clarify the Board of Directors' functions as well as expedite decision making. More than half the members of the Board of Corporate Auditors are outside auditors, which ensures that the independence of the Board of Corporate Auditors is maintained.

Environmental Conservation

In 1993, we established the Casio Environmental Charter as part of efforts to reduce the Casio Group's total environmental impact. We have acquired ISO 14001 certification for our main domestic sites and production bases as well as for our production bases overseas. In February 2002, we began collecting and recycling communications equipment and corporate PCs. Since its foundation, Casio has considered environmental conservation activities crucial to its operations. We will continue to make diverse contributions in this area.

The basic policy of Casio's medium-term management plan is to increase shareholder value. To achieve this objective, we are working toward a return to profitable growth by actively developing strategies in all our businesses that maximize profitability ratios through the careful consideration of capital costs. We plan to continue increasing management efficiency while we achieve improvements in our business performance. We believe this will create new corporate value and maximize value for our shareholders. Casio is stepping up efforts to achieve these objectives and continue to meet the expectations of shareholders.

July 2002



Kazuo Kashio
President and CEO