

Message from the President



Income Rebounds

In fiscal 2003, ended March 31, 2003, private capital spending was on a down-trend, stock prices flagged, and few signs of a pickup in economic activity emerged in Japan. The economies of other industrialized nations were also generally stagnant. Consumer spending in the United States, for example, deteriorated in fiscal 2003, undermining the strength of the economy. In Europe, the economies of Germany, France, and other nations were sluggish. Overall, the global economic environment remained challenging.

To steer through the current business environment, the Casio Group boosted revenues and increased profitability through activities focused on three strategic businesses: timepieces, digital cameras, and Mobile Network Solutions (MNS). By focusing on these three key target markets, we enhanced product appeal and significantly upgraded value added in a variety of ways. As a result, net sales for fiscal 2003 climbed 15.3% year on year, to ¥440,567 million.

To ensure sales translated into healthy profit performance, Casio reorganized its business structure to boost management efficiency overall, improve capital efficiency, and extensively cut fixed costs. Operating income rose to ¥17,914 million in fiscal 2003, up ¥28,332 million compared with the previous fiscal year. Net income for fiscal 2003 jumped to ¥5,647 million, up ¥30,575 million over the loss in fiscal 2002.

Management Strategy and Issues to Be Tackled

For a global corporation to outpace the competition, waste-free production, cutting-edge technologies, and the careful distribution of management resources are critical. Casio's ongoing structural reforms and measures will strengthen the management system, expand business, and create new value to meet the demands of the global age as well as improve the way people live.

1. Measures to Expand Business

- Achieving Full Potential in the Electronics Business

Casio is taking full advantage of its expertise in its core areas to proactively develop unique products with a strategic focus in key areas to drive up long-term profitability.

Solar-Powered, Radio-Controlled Wristwatches: Casio expanded its product lineup of radio-controlled wristwatches through investments in solar wristwatches for women and its cutting-edge series The G, which adds solar-powered and radio-controlled functions to our smash hit G-SHOCK wristwatch. Constant adjustment to standard time by cesium atomic clocks makes Casio's wristwatches "On Time All the Time" and the ultimate in timepiece technology. Casio has used its long experience in energy-saving and high precision mounting technology to redefine the conventional timepiece market and increase market share.

Consolidated Financial Highlights

Years ended March 31, 2003 and 2002
Casio Computer Co., Ltd. and Subsidiaries

	Millions of yen		Thousands of U.S. dollars*
	2003	2002	2003
For the year:			
Net sales	¥440,567	¥382,154	\$3,671,392
Operating income (loss)	17,914	(10,418)	149,283
Net income (loss)	5,647	(24,928)	47,058
Capital investment	11,168	15,737	93,067
Depreciation	14,621	14,465	121,842
Research and development expenses	14,114	14,085	117,617
At year-end:			
Shareholders' equity	131,957	134,317	1,099,642
Total assets	459,113	449,224	3,825,942
Amounts per share of common stock (in yen and U.S. dollars):			
Net income (loss)	¥20.27	¥(91.82)	\$0.17
Diluted net income	20.10	—	0.17
Cash dividends applicable to the year	12.50	12.50	0.10

* U.S. dollar amounts have been translated from Japanese yen at the rate of ¥120 to U.S.\$1, the approximate exchange rate prevailing on March 31, 2003.

“Wearable Card Cameras”: Casio’s quick-response, high-resolution, full-function digital camera EXILIM is roughly the same size as a credit card. This revolutionary camera is unprecedented in being both high performance and highly portable. The EXILIM incorporates the strengths of the top selling EX-Z3 to bolster our product lineup and expand our market share. Casio also cut the cost per unit by moving production overseas and standardizing software and hardware used in the EXILIM to simplify product development.

Electronic Dictionaries: Casio commands over half of the domestic market for electronic dictionaries and boasts the largest line of electronic dictionaries of any company in Japan, thanks to its ability to incorporate a large number of reference volumes in an extremely compact unit. Casio is pursuing a strategy to offer a range of products to suit the diverse needs of a society that constantly desires to learn new languages. We are also making full use of our experience and knowledge in the Japanese market to expand overseas.

- Strengthening the Electronic Components Businesses

Thin-Film Transistor (TFT) LCDs: The digital interface TFT LCD offers a more brilliant screen image than is possible with conventional TFT LCDs. The EXILIM was the first digital camera in the world to use this technology, and Casio supplies a large number of digital camera manufacturers with this new TFT LCD and earned high praise. Casio anticipates increased demand for the TFT LCD from overseas customers for cellular phone production. In addition to boosting market share, Casio is raising the value added of its products through providing such high-end products as TFT LCD panels for Airbus S.A.S., a European consortium.

2. Structural Reforms and Measures

Casio embarked on a program for structural reform in fiscal 2002 to make Group management more efficient, and ¥15 billion in fixed costs was trimmed from the previous fiscal year. Casio will continue these efforts and reduce working capital levels via accelerating the collection of accounts receivable and shortening the inventories turnover ratio. These steps will lead to improved cash flow and reinforce our financial base.

Corporate Governance

Effective corporate governance has improved management transparency and made companies more international amid the trends of globalization and business diversification. Believing that good corporate governance is crucial to

sound management, we have taken steps to further improve our good relations with shareholders and other stakeholders, enhance the system for management supervision, and accelerate decision making. These measures have produced many improvements throughout the Company, including the introduction of a corporate officer system comparable to the best standards of corporate governance at other global corporations. Turning to improvements in compliance to laws and regulations, Casio created its Rules for Ethical Behavior in October 1998 and has encouraged employees Companywide to make the fullest efforts to observe ethical standards and legal regulations as a daily part of their jobs. Casio renewed its commitment to the highest standards of compliance in June 2003 with the compilation of The Charter of Creativity for Casio as a guideline for incorporating compliance into the daily activities of all employees and tying this to the goal of improving creativity among all our employees. In fiscal 2002, Casio adopted a performance-based reward system, and, as a part of that, our shareholders voted to introduce a stock option system in June 2002. Casio is confident this system will enhance employees' sense of personal responsibility and increase the value of the Company.

Casio will continue to respond rapidly and appropriately to emerging changes in the business environment and is determined to offer consumers products, services, and solutions incorporating the highest levels of value added and quality possible. At the same time, Casio will work to be a company worthy of the admiration of its shareholders and the public through contributing to digitally linking the entire world.

July 2003

A handwritten signature in black ink, reading "Kazuo Kashio". The signature is written in a cursive, flowing style.

Kazuo Kashio
President and CEO