Annual Report 2007

For the year ended March 31, 2007

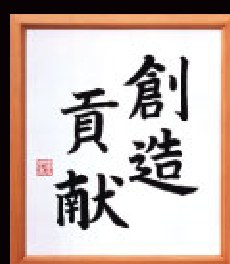
Development made by innovations drives further breakthroughs

CASIO

In 1957, the four Kashio brothers pooled their talents and efforts to create the 14-A – the world's first compact electric calculator. This achievement led to the establishment of Casio Computer Co., Ltd., which celebrated the 50th anniversary of its founding in June 2007.

From the start, the management of Casio has been guided by the principles encapsulated in the Company's creed: "Creativity and Contribution." Our mission — to create innovative products that contribute to society by enriching people's lives — is always at the forefront of our minds. The concepts of creativity and contribution have been a constant guide for the staff of Casio: they have helped us develop and send out into the world a stream of original products.

From here on, as we enter the second half-century of our existence, we will firmly uphold the same business principles. We will continue to work to make a positive contribution to the well-being and prosperity of the society of which we are part, and to help make people's lives easier and more enjoyable.



Corporate creed – "Creativity and Contribution"

Contents

Forward-looking Statements

Earnings estimates and expectations that are not historical fact included in this report are forward-looking statements.
Although such forward-looking statements reflect the judgment of management based on information currently available to it, various factors could cause actual results to differ materially.

Consolidated Financial Highlights

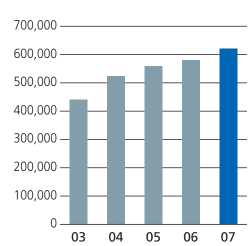
Years ended March 31, 2007 and 2006 Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars*
	2007	2006	2007
For the year:			
Net sales	¥620,769	¥580,309	$5,260,754
Operating income	48,074	43,114	407,407
Net income	25,147	23,745	213,110
Capital investment	26,810	19,711	227,203
Depreciation	17,895	17,431	151,653
Research and development expenses	18,019	18,205	152,703
At year-end:			
Net assets**	236,669	191,011	2,005,669
Total assets	525,483	501,960	4,453,246
Amounts per share of common stock (in yen and U.S. dollars):			
Net income	¥92.67	¥88.57	$0.79
Diluted net income	90.30	84.43	0.77
Cash dividends applicable to the year	23.00	20.00	0.19

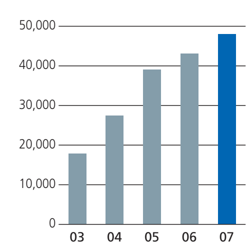
* U.S. dollar amounts have been translated from Japanese yen at the rate of ¥118 to U.S.$1, the approximate exchange rate prevailing on March 31, 2007.

** Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).

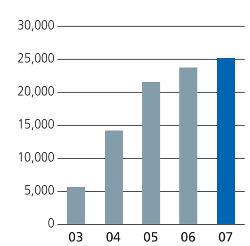
Net Sales
(Millions of yen)



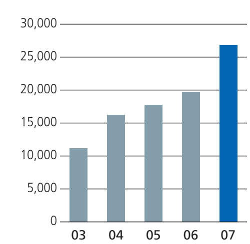
Operating Income
(Millions of yen)



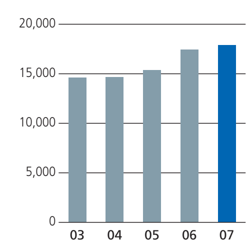
Net Income
(Millions of yen)



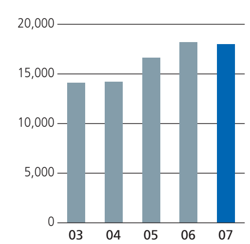
Capital Investment
(Millions of yen)



Depreciation
(Millions of yen)



R&D Expenses
(Millions of yen)



Message from the President

Kazuo Kashio, *President and CEO*

In June 2007, Casio marked its 50th anniversary. It is therefore an opportune time for me to express our deep appreciation for the outstanding support we have received from our shareholders and investors over the years.

I am delighted to report on the Company's business performance for the term ended March 31, 2007 as well as on its strategies for the future.

Business Performance for Fiscal 2007

During the term under review, ended March 31, 2007 (fiscal 2007), Casio sought to achieve its targets with a focus on its strategic businesses, including timepieces, digital cameras, electronic dictionaries and cell phones. In addition, the Company took steps to bolster its management efficiency, by improving indices such as profit margin and capital efficiency.

As a result of this approach, net sales grew 7.0% year on year, to ¥620.7 billion in the term under review.

By business segment, sales in the Electronics Segment rose 11.4% year-on-year, to ¥527.2 billion. A number of factors contributed to this performance. The digital camera business continued its strong performance from the previous term and registered positive results, thanks to the release of the EX-Z1000, the world's first digital camera to achieve 10.1 megapixels in a compact body. Growing sales in overseas markets, achieved through proactive measures, also contributed to the strong results. Aggressive sales of Oceanus, our flagship brand for radio-controlled watches, in North America, in addition to Japan and Europe, produced a year-on-year revenue increase for timepieces. In the cell phone business, following the success of W41CA, the best selling model for KDDI Corporation's cell phone service *"au"* we successfully released W51CA, compatible with one-segment TV broadcasting, which enables users to watch high-quality pictures for many hours. In contrast, sales in the Electronic Components and Others Segment declined 12.5% year on year, to ¥93.5 billion, as Casio Micronics Co., Ltd. reported falling revenues, and unit prices of TFT-LCDs declined.

Looking at profitability, as a result of rising sales of digital cameras and cell phones, action taken to add value to radio-controlled watches and electronic dictionaries through greater product appeal, as well as measures to raise productivity, including strategies to improve the efficiency of development and operations, operating income in the Electronics Segment rose 29.1% year on year, to ¥53.8 billion. The operating income margin was 10.2%. The Electronic Components and Others Segment recorded a loss of ¥700 million, reflecting falling unit prices of TFT-LCDs and the fall in revenues reported by Casio Micronics Co., Ltd. As a result, consolidated operating income rose 11.5% year on year, to ¥48.0 billion. Net income grew 5.9% year on year, to ¥25.1 billion. The Company consequently achieved record sales and net income for the fourth consecutive year.

We increased our annual dividend for the term under review to ¥23 per share, up ¥3 per share from the ¥20 per share paid in the previous term. This increase reflects the performance reported above, and is the fourth consecutive annual dividend increase.

Medium- and Long-Term Management Strategy

The term ending March 31, 2008 is a milestone for Casio, which will celebrate its 50th year in business. We also view this fiscal year as a period in which we will establish a foothold for the start of the second phase in our history in the term ending March 31, 2009. We plan to push forward to achieve full-scale expansion in this phase. Based on our plan, we will endeavor to build solid revenue bases and bolster our financial position, and in doing so, increase our corporate value.

To achieve these objectives, the Company has begun implementing the following measures across the board.

(1) Ensuring High Profitability

We aim to achieve an overall operating income margin of 10% or more. To reach this target, the Company will focus its management policies on securing stable growth with consistent profitability.

We have already made stable, high double-digit profit margins possible in the businesses of digital cameras, solar-powered radio-controlled watches and electronic dictionaries. To further expand margins in these areas, we will lower the cost-of-sales ratio by pursuing best practice with costs, and will conduct comprehensive reviews of our expenses with an emphasis on productivity.

With respect to our operations in cell phones, we have steadily expanded sales through a strategy of differentiation that leverages our technologies. Going forward, we will seek to bolster profitability by expanding overseas sales and introducing more products with high added value.

(2) Creating New Strategic Businesses

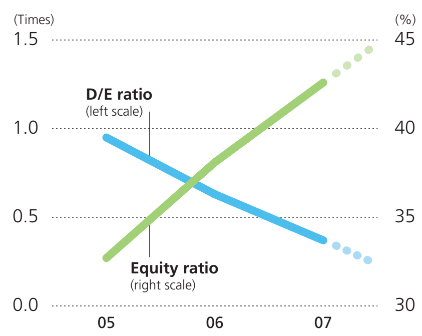
We have introduced new products to the world by employing original ideas and taking full advantage of its advanced technologies. To move forward and achieve significant growth in this second phase of our history, we believe it will be indispensable for us to use our technologies to create new value that cannot be matched by any other company in new businesses, in addition to our existing operations. Based on this view, the Company will focus its management resources on new fields, to rapidly introduce new businesses that are capable of achieving a solid profit structure.

(3) Strengthening Financial Structure

We are improving our equity ratio and the debt/equity (D/E) ratio, with the aim of building a strong financial foundation to support its growth.

In the term under review, the equity ratio and the D/E ratio exceeded their initial targets at 42.6% and 0.37, respectively. We will continue to build a strong and stable financial position by redoubling our efforts to efficiently manage cash flows and generate free cash flows.

D/E ratio and Equity ratio



(4) Managing CSR

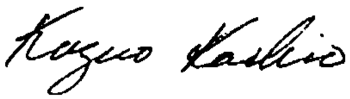
A company can enjoy sustained growth only when the global community is able to achieve sustainable growth. Recognizing this, we are committed to its corporate social responsibility (CSR) activities.

Under the Charter of Creativity for Casio, which expressly sets out action guidelines for employees, the Company is taking a number of initiatives. We ensure that every one of our employees and directors is fully aware of their role in complying with laws and regulations, upholding community values and contributing to society. At the same time, we are taking steps to improve the levels of corporate governance and compliance.

The Company is resolved to continue to expand its businesses and improve its management practices. We seek to do this by developing original products and improving profitability from a long-term perspective, and by taking action in each segment to improve the soundness of long-term management and increase enterprise value.

We ask our shareholders and investors to continue their support.

July 2007



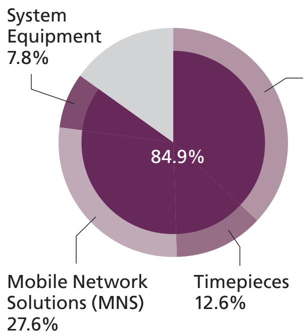
Kazuo Kashio
President & CEO

CASIO at a Glance

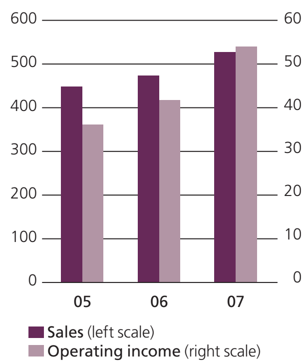
BUSINESS SEGMENT

Electronics

Sales
(%)

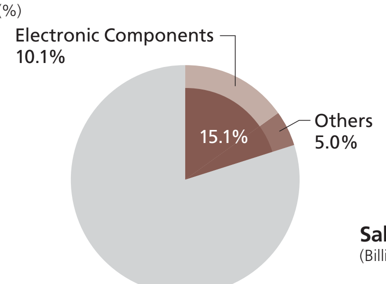


Sales and Operating Income
(Billions of yen)

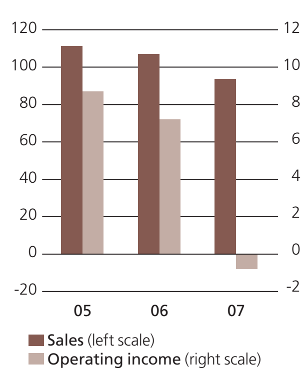


Electronic Components and Others

Sales
(%)



Sales and Operating Income
(Billions of yen)



PRODUCT CATEGORY

Electronics

Consumer

Principal Products

- Electronic Calculators
- Electronic Dictionaries
- Label Printers
- Digital Cameras
- Electronic Musical Instruments

Timepieces

Principal Products

- Digital Watches
- Analog Watches
- Clocks

Mobile Network Solutions (MNS)

Principal Products

- Cellular Phones
- Handy Terminals

System Equipment

Principal Products

- Electronic Cash Registers (including POS)
- Office Computers
- Page Printers
- Data Projectors

Electronic Components and Others

Electronic Components

Principal Products

- LCDs
- Bump Processing Consignments
- TCP Assembly and Processing Consignments
- Carrier Tape

Others

Principal Products

- Molds
- Factory Automation

Designed to bring both greater convenience and more enjoyment to people's daily lives, Casio's broad product lineup ranges from digital cameras and electronic dictionaries, to a wide range of calculators for business and educational uses, label printers, as well as electronic musical instruments that can be enjoyed even by beginners.



In Timepieces Category we have a variety of brands such as world-famous G-Shock and Baby-G, as well as Oceanus, a series of full-metal solar-powered radio-controlled watches. By incorporating cutting-edge technologies, we have differentiated our product from conventional watches by making it a wearable mobile terminal.

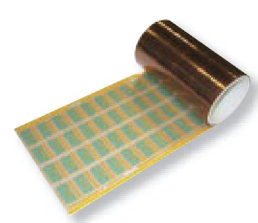


In addition to cell phones, we offer handy terminals and other mobile terminals, as well as the solutions made possible by these technologies. These portable products offer greater convenience in people's professional and personal lives.



The System Equipment Category supports a wide range of functions for corporate clients in many industries by providing them with the optimal combinations of hardware and application software, such as ADPS Strategic Integrated Personnel System, which supports our corporate clients' personnel strategies. Other important products include high-speed color page printers, cash registers and data projectors.


Our Electronic Components Category specializes in the production of the small-sized STN and TFT LCDs that have become indispensable to all mobile digital appliances. While our subsidiary, Casio Micronics Co., Ltd. undertakes Bump processing and COF (chip-on-film) operations for post processing of LCD driver LSIs.




This category mainly consists of the independent operations of our subsidiaries.

Focusing management resources on strategic businesses for higher growth and higher profitability

Casio positions digital cameras, timepieces, electronic dictionaries, and cell phones as its strategic businesses. All these products leverage Casio's core technological strengths of compactness and thinness, lightweight construction, and energy-saving features. Our timepieces and electronic dictionaries have attained significant market shares. Acting as steady earnings generators, these businesses are at the very core of Casio's overall operations. Meanwhile, our digital camera and cell phone businesses have excellent potential for future expansion. By focusing management resources on these strategic businesses, We are aiming to achieve a vigorous expansion of its overall enterprise scale and profitability.

Solar-Powered Radio-Controlled Watches

Oceanus

Sales in the timepieces business increased at a healthy rate of 9.7% in the reporting period. Expanding sales of solar-powered radio-controlled watches in Japan and overseas was a primary factor in this result. In particular, our series of solar-powered radio-controlled watches under our flagship Oceanus brand enjoy an extremely good reputation, with their combination of sophisticated functions, including a solar-power drive, the ability to receive time signals from five transmitters worldwide, as well as their class and style.

Our ultimate goal is to use radio-controlled timepieces for all its offerings in this segment in countries and regions of the world with a developed infrastructure for radio transmitters. We believe the potential market for radio-controlled timepieces is large. In the current term, in addition to the existing operating areas of Japan, Europe and North America, the Company plans to introduce its products to the Chinese market, which is building radio transmitters. Areas in which our radio-controlled timepieces can be used are steadily expanding. Compared with Japan, however, overseas recognition of radio-controlled timepieces remains low, and raising their market profile is a task we need to address. We will seek to do this, by relying mainly on the power of our G-Shock and Oceanus brands, and by expanding our overseas markets through a focus on the advantages of solar-powered, radio-controlled watches, which require no time adjustment, battery replacement or maintenance.

The mechanism of Oceanus model

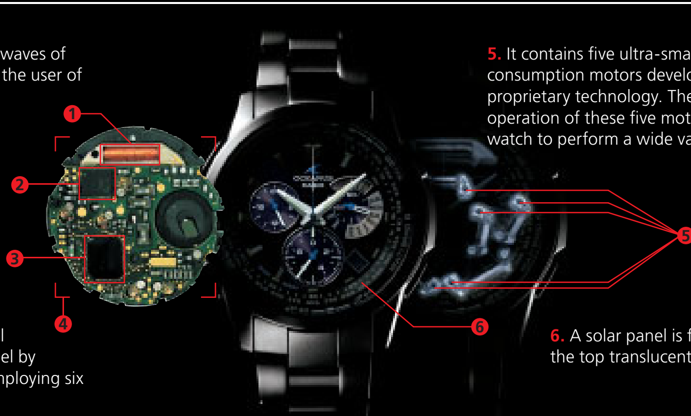
The Oceanus solar-powered, radio-controlled full-metal analog watch is operated by five motors, and features reception of transmissions from five radio transmitters worldwide to ensure accuracy. This watch incorporates many technical features that are unique to Casio.

1. Its compact, high-precision antenna can receive radio waves of many different frequencies and power outputs, assuring the user of accurate and uninterrupted reception at all times.

2. Oceanus features a new IC, which is compatible with different frequencies, enabling uninterrupted reception of transmissions even through the all-metal case.

3. It features an ultra-compact, large-capacity IC with low energy consumption that controls a large number of programs, including the operation of the five motors and the radio reception functions.

4. We have dealt with the increased number of individual parts required by the sophisticated functions of this model by utilizing our unique high-density mounting technique employing six discrete layers, and a compact layout.



5. It contains five ultra-small, low energy consumption motors developed with our proprietary technology. The simultaneous operation of these five motors enables the watch to perform a wide variety of functions.

6. A solar panel is fitted underneath the top translucent clock-face.

Cellular Phones

The cell phone number portability system was introduced to Japan in the fall of 2006. In a mature market with a high cell phone penetration rate, competition to acquire customers is intensifying among carriers. The attractiveness of handsets has become an increasingly important factor in customer acquisition.

In this market, Casio, a supplier for KDDI Corporation's *au* brand cell phones, achieved one of the leading annual sales shares among all *au* suppliers in the reporting term. Our analysis suggests that the high level of user support was attributable to our continual introduction of distinctive cell phone models that take full advantage of our core technologies. These technologies enable us to create cell phones renowned for their toughness and clear moving images, as well as their high-quality cameras. Casio products such as the G'zOne W42CA, a water-resistant and shock-proof model designed for use in tough conditions, and the W51CA, a one-segment TV broadcast-compatible phone only 22 mm thick that guarantees unprecedented viewing time of 5 hours and 30 minutes, were enormously popular as flagship *au* models.

We are also focusing on expanding its business overseas. In the second half of the reporting period, the Company began supplying a terminal to Verizon Wireless in the United States. Called G'zOne TYPE-V, the model features the same water-resistant and shock-proof technologies that made the G'zOne series a success in Japan.

Moving forward, we will seek to efficiently expand its business by continuing to be the first to introduce products featuring unique technologies to the domestic market, followed by overseas markets.

W51CA

"#1 Mobile Telephone Handset in Customer Satisfaction, Two Years in a Row"

Disclaimer: J.D. Power Asia Pacific 2005 - 2006 Japan Mobile Telephone Handset Satisfaction Studies℠. 2006 Study based on a total of 3,187 responses from mobile phone users during the first 12 months of ownership. www.jdpower.co.jp

Casio's cell phones ranked number one for the second consecutive year among eleven major cell phone manufacturers in a customer satisfaction study conducted in Japan in 2006 by J.D. Power Asia Pacific, Inc., an international organization specializing in customer satisfaction studies. Customer satisfaction was evaluated in eight factors: design/size; battery; quality; operability; e-mail; camera; display; and Internet. Our cell phones received the highest evaluations in overall satisfaction.

Digital Cameras

We estimate that the market for digital cameras expanded 15% year on year, to 91 million units in fiscal 2007. Replacement demand driven by the release of digital cameras with more advanced functions is believed to have been a primary factor in this growth. We expect the market to grow at a year-on-year rate of 7%, to 97 million units in the current term, supported by continuing replacement purchases in advanced nations and rising demand in emerging countries.

In this environment, we are steadily increasing its share by stealing a march on our rivals through the development and global marketing of new products that satisfy users' diversifying needs. In the reporting period, the Company introduced to the market the EX-Z1000, the world's first model offering 10.1-megapixel pictures in a compact body. It also released the EX-Z700, which features battery life for 460 shots and a high-luminance LCD, and the EX-V7, the thin model equipped with a 7X optical zoom lens. Each of these new models was well received by the market.

At present, the Company maintains a share that ranks it among the top suppliers in the Japanese market. To grow further, the Company needs to increase market share in overseas markets where scope for growth remains. To do this, Casio stepped up its efforts to improve and develop distribution networks in the term under review. In North America, we successfully began dealing with a major distributor. The addition of this distributor to channels developed earlier enabled us to cover almost all of North America with our distribution networks. In Europe, we established Casio Benelux B.V. in the Netherlands to cover the Benelux region, Casio Scandinavia AS in Norway to service the Scandinavian market, and Casio Espana, S. L. in Spain. With the addition of these three new marketing bases, we increased the number of our marketing bases in Europe to six. The establishment of these new bases enabled us to cover an area that accounts for approximately 70% of the total European GDP. In an additional step, we set up Casio Latin America, Inc. in Miami in the United States, with the aim of developing our markets in Central and South America. Through worldwide distribution networks, the Company plans to increase its focus on expanding shares in the digital camera markets.

EXILIM EX-S770

Receives German iF Design Award

In January 2007, Casio's digital cameras EXILIM EX-Z1000 and EX-S770 have received the iF product design award 2007, a prestigious international award for industrial product designs, together with our data projector XJ-S35.

In 2007, applications for 2,293 products were made from 35 countries around the world for this award, which sponsored by iF-Industrie Forum Design Hannover in Germany. A total of 756 entries received the award based on screening that examined such aspects as quality, price and environmental consciousness, in addition to design.

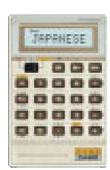
EXILIM EX-Z1000

Electronic Dictionaries

Casio secures and maintains leading shares in the Japanese market for electronic dictionaries by always being the first to develop and introduce new products that meet users' demands. In the reporting term, the Company released 18 new models together for the spring shopping season, when demand for these types of goods peaks in Japan. As common features, these new products offered a new function to recognize handwritten character input, in addition to an improved audio pronunciation function using recordings by native speakers of foreign languages.

We believe cultivating overseas markets is indispensable if we are to continue to expand our electronic dictionary business. Although the business scale remains small, we are selling our electronic dictionaries in Germany, Spanish-speaking nations, South Korea, China and other countries where there is a strong interest in foreign language study. Casio will continue to bolster its marketing organizations in Europe and East Asia, and will steadily develop overseas markets for its electronic dictionaries.

EX-word XD-SW4800



TR-2000

Electronic Dictionaries Incorporate Users' Needs

Casio's electronic dictionaries go back to 1981, when we launched our first three models, including the TR-2000. Our dictionaries are now sold under the EX-word brand-name.

Born out of the technology we developed in our electronic calculator business, the designs of our electronic dictionaries have always taken user comments carefully into consideration, and these products have undergone a steady evolution towards greater sophistication and improved performance. For example, they now incorporate panels on which the user can write characters by hand, as well as a voice-output feature. In addition, the following three new features have been included at our users' request.

- The cases have been redesigned to be stronger and thus very resistant to being dropped, stepped on, or exposed to vibrations. This makes it safer for users to carry them about in a wide variety of situations.
- Additional data can now be input from CD-ROMs or data cards, allowing the user to access a wider range of contents.
- We employ super-clarity LCDs with backlights, making even the smallest letters or the most complicated Chinese characters easy to read.

50 YEARS' HISTORY

- **1957** — Casio Computer Co., Ltd. established in Mitaka City, Tokyo, with Shigeru Kashio as President and CEO.

- **1960** — Tadao Kashio appointed President and CEO. Commercial production of the world's first small, fully electric calculator starts. Casio Computer Co., Ltd. founded.
- **1965** — Casio 001, its first transistor-based electronic desktop calculator, released.
- **1966** — Export of electronic desktop calculators to overseas markets begins.
- **1970** — Sales company Casio Inc., founded in New York, U.S.
- **1972** — Stock listed for trading on second section of Tokyo Stock Exchange. Sales company Casio Europe GmbH established in Hamburg, Germany. Casio Mini, the world's first personal electronic calculator, released.

- **1974** — Casio enters timepiece market with the release of Casiotron, a digital wristwatch. Casio Stock transferred to the first section of the Tokyo Stock Exchange.
- **1975** — Sales company Casio Electronics Co., Ltd., established in London, U.K.
- **1976** — Electronic cash register released.
- **1978** — Production of liquid crystal panels for watches begins.
- **1979** — Σ-S8700 series of Japanese-language office computers released.
- **1980** — Casio Tone electronic keyboards released.

- **1981** — SL-801 solar-powered electronic calculator released. TR-2000, Casio's first electronic dictionary, released.
- **1982** — Casio Science Promotion Foundation established.

- **1983** — First G-SHOCK, a shock-resistant wristwatch, released. TV-10 pocket-sized LCD color TV released.
- **1984** — First LCD shutter page printer released.
- **1985** — PELA super-thin digital watch released.
- **1987** — Casio Micronics Co., Ltd., established in Ome City, Tokyo.
- **1988** — Kazuo Kashio appointed President and CEO.
- **1989** — ADPS R1, an office information processing device that requires no user program, released.
- **1990** — TFT-LCD production subsidiary Kochi Casio Co. established in Kochi Prefecture.
- **1991** — Name land (KL-1000) label printer released.

- **1995** — QV-10, the first digital camera in the world with an LCD monitor, released.

- **1996** — DQD-10 radio-controlled clock released.
- **1998** — Head Office moved to Shibuya-ku. (Tokyo)
- **1999** — World's first watch equipped with GPS function released. C303CA, a shock-and water-resistant, cdmaOne-compatible cellular phone, released.
- **2001** — Casio Micronics Co., Ltd., registered for trading on JASDAQ over-the-counter market. WVA-300D/300K solar-powered radio-controlled watch released.

- **2002** — R&D success achieved on small, high performance fuel cells for mobile devices. Casio delivers first camera-equipped cellular phone with GPS to au of KDDI. EXILIM, world's thinnest, wearable card-sized digital camera, released.
- **2003** — Casio enters the data projector market.
- **2004** — Casio Hitachi Mobile Communications Co., Ltd., a joint venture with Hitachi, Ltd., for developing cellular phones, established.

- **2005** — Casio forms alliance in LCDs with Taiwan's HannStar Display Corp. OCEANUS five-motor chronograph released.
- **2006** — Aggregate sales of electronic calculators reached one billion.

Casio's Research and Development Policy

Under a corporate creed of "Creativity and Contribution," Casio is committed to research and development, aiming to contribute to society by developing original products.

Our R&D structure consists of two systems: basic research and elemental technology development, which focuses on new businesses and incorporates a medium-to-long-term perspective, and development aimed at product commercialization, which relates directly to existing businesses.

Through alliances with research institutes affiliated with central and prefectural governments and industry-government-academic bodies such as universities, we are actively pursuing collaborative projects in fields where medium-to-long term growth is anticipated, as well as in areas that are likely to produce innovations in critical technologies that can be translated into our core technologies.

Prioritized Technological Fields

- LSI technology
- High-density mounting technology
- Electronic component technology
- Telecommunications and digital broadcasting technology
- Information network/system technology
- Software and IP (algorithm) technology
- Environmental technology

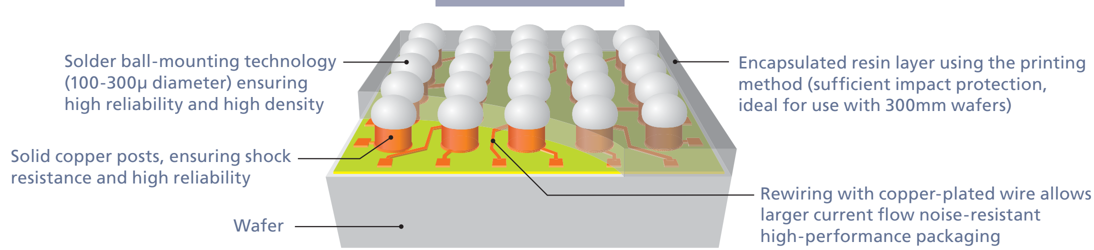
W-CSP — semiconductor packages best suited for high-frequency wireless connection

"Radio" functions including wireless LAN and Bluetooth® are increasingly becoming standard features of such common electronic equipment as PCs, cell phones and portable game consoles. The semiconductors that enable these wireless connections need to become ever smaller and more functional. Given this trend, W-CSP (Wafer-Level Chip Size Package), an original semiconductor packaging technology developed by our subsidiary Casio Micronics Co., Ltd., is earning a growing reputation in the market.

W-CSP is a technology for processing LSIs in the state of wafers and completing them as packages. Previously, wires were used for external LSI connections. In W-CSP, posts for rewiring are formed on LSIs for connecting ball-shaped electrodes. W-CSP offers excellent reception as it uses no wire that is subject to strong noise influence. High-function LSIs, including those using 300-millimeter wafers, have recently become more widespread. However, they are vulnerable to physical impact because of the special materials they use. Our W-CSP offers a high level of impact-resistance thanks to a solid structure that absorbs impacts with posts and an encapsulated resin layer.

We are determined to refine this W-CSP technology and encourage its use as a global standard for next-generation semiconductor packages.

Structure of W-CSP



Corporate Governance

Casio understands that, in addition to speedy decisions and the appropriate execution of duties, strong monitoring of management to bolster transparency is vital for sustained growth in enterprise value. Based on this awareness, the Company has been taking steps to strengthen its corporate governance.

We employ the Corporate Officer System, which clearly distinguishes between supervisory and executive functions in management. In this system, corporate officers, directors and corporate auditors attend meetings of the Board of Corporate Officers to discuss matters that are important for the execution of duties and to ensure that changes and measures are made smoothly throughout the Company.

With the aim of implementing swift and rational decision-making with respect to management issues, the directors, with the attendance of the corporate auditors, deliberate and pass resolutions on important matters at meetings of the Board of Directors. At the meetings of the Board of Corporate Auditors, the corporate auditors, in accordance with the auditing policy previously laid down by the Board, exercise rigorous oversight of the performance of their duties by the directors and corporate officers. This is accomplished through the perusal of the minutes of meetings of the Board of Directors and Board of corporate officers at which resolutions have been made, by information obtained through the personal attendance of the corporate auditors at meetings of the Board of Directors and the Board of Corporate Officers; and by information obtained from direct interviews with directors, corporate officers, as well as from reports submitted by directors to the corporate auditors.

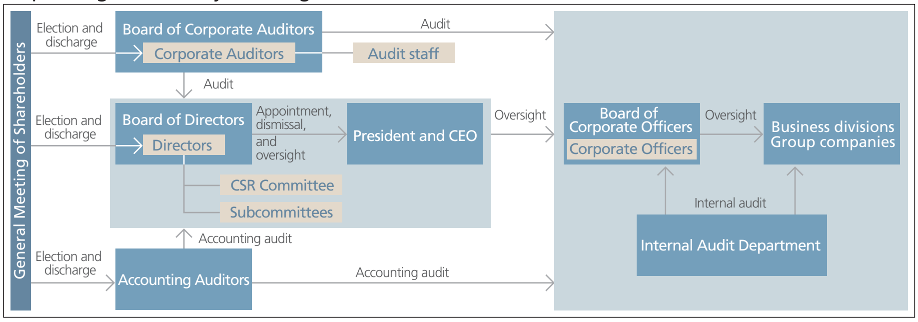
In addition, to ensure that duties are properly executed and that there is management transparency, the Board of Directors passed a resolution at a meeting held in May 2006 supporting a basic policy to improve internal control systems. Under this policy, the Company is acting to strengthen these systems.

Compliance

To increase corporate value through stronger internal controls, the Company has established the Charter of Creativity for Casio and the Casio Common Commitment as action guidelines for its employees. These guidelines are based on the creed the Company has followed since it was founded: “Creativity and Contribution.”

To manage risks under its basic policies for risk management, we have established a Risk Management Committee chaired by the Chief Risk Management Officer. Under the Committee, Main risk management department and the Risk Management Committee Secretariat work together to practice risk management.

Corporate governance system diagram



Risk management system

Corporate Social Responsibility (CSR) Activities

Casio established a Charter of Creativity for Casio. We are now committed to ensuring that the Charter is observed, so that we can live up to our creed of “Creativity and Contribution,” maintain a creative corporate culture, and continue to contribute to society through our business activities.

The Company has set up a CSR Committee, which is chaired by the President and which consists of directors and auditors. In addition, the Company has established the CSR Operation Section to discuss and institute specific policies and strategies on company-wide issues relating to corporate social responsibility.

Highlights among our environmental protection activities

Casio’s universal design activities

We practice universal design (UD) to develop products that all people can use comfortably. To date, the Company has developed environmentally friendly products, taking advantage of its original technologies that focus on products that are compact, lightweight, slim and energy-efficient. In addition, from this point on, the Company will attempt to develop products that are friendly for both people and the environment, by taking into account user-friendly and safety aspects.

As a policy in this area, the Company has set out specific ideas for product development in the original Casio Universal Design Policies developed in 2005. Going forward, the Company will seek to make products more user friendly in all aspects, including the products themselves, their packaging and their operating instructions, and to pursue product development from the standpoint of users.

Casio Universal Design Policies

1. Make directions easy to understand
2. Design easy-to-operate products
3. Reduce physical and mental burden
4. Provide safe and reliable products
5. Pursue enhancement of product value

Energy-saving activities at business offices

As part of its activities to help prevent further global warming, Casio is working to conserve energy at its business offices and manufacturing bases. Among its initiatives, the Hachioji Research & Development Center completed in 2003 is equipped with facilities that incorporate the latest energy-saving technologies. The Center is implementing cutting-edge measures to save energy. As specific steps, the Center is standardizing power consumption using the thermal storage layers within buildings based on weather forecast data, has introduced a natural ventilation system, and is controlling air-conditioners, lights, ventilators and blinds automatically. In addition to using the new facilities, the Center has switched from complete automatic control to partial manual operation of its air-conditioning system to further save energy. This activity has been given high marks by the Tokyo Metropolitan Government as a groundbreaking measure that combines hardware with voluntary action, and they are introducing it as a model activity.

Highlights among our CSR activities

Welcoming visitors

As a responsible corporate citizen, Casio values opportunities to communicate with all types of stakeholders. To facilitate such communication, the Company allowed students from Chiba Prefectural Kashiwa Senior High School to visit its Hamura Research & Development Center in August 2006. This school is designated as a Super Science High School, with an emphasis on developing talent in science and technology, by the Ministry of Education, Culture, Sports, Science and Technology. The Company accepted the school's request to "learn about logic circuits in electronic calculators and look at R&D activities on site." During the visit, the Company showed the students the process of developing new products and gave them a study tour of the facilities, in addition to a talk covering the subjects of corporate activities, logic circuits for addition, subtraction, multiplication and division, and basic technologies relating to electronic calculators. Through activities like these, the Company plans to continue contributing to the education of the next generation, the key players in future Japan.

Establishment of the Casio Education Fellowship at three universities in Shanghai

In line with its long-held corporate creed of "Creativity and Contribution," Casio actively supports the scholarly and research activities that are critical for the advance of society. As part of this support, Casio (Shanghai) Co., Ltd. set up the Casio Education Fellowship at Fudan University, Shanghai International Studies University and East China University of Politics and Law in Shanghai in November 2006. This followed the establishment of the Casio Monetary Fund Committee for Peking University Japan Study at Peking University in 2005.

The three institutions are renowned, prestigious universities in Shanghai. Among their graduates are a significant number of important figures. We will actively support the research activities of each of the three universities over the next ten years by offering grants across a broad range of fields and by offering support in areas such as personnel exchanges.

Management's Discussion and Analysis

Net Sales

Net sales rose 7.0% year on year on a consolidated basis in fiscal 2007, to ¥620,769 million. This was chiefly the result of strong performances by our strategic businesses – timepieces, digital cameras, electronic dictionaries, and cell phones, among others – thanks to aggressive marketing initiatives.

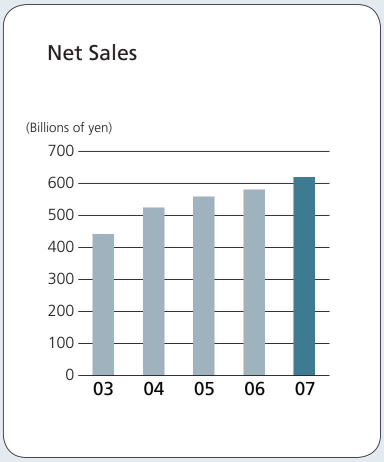
	Millions of yen	
	2007	2006
Electronics:		
Consumer	**¥229,352**	¥213,810
Timepieces	**77,948**	71,086
Mobile Network Solutions (MNS)	**171,314**	139,896
System Equipment	**48,602**	48,628
Subtotal	**527,216**	473,420
Electronic Components & Others:		
Electronic Components	**62,790**	73,976
Others	**30,763**	32,913
Subtotal	**93,553**	106,889
Total	**¥620,769**	¥580,309

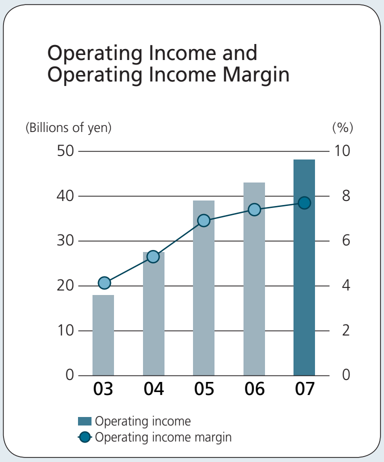
Results by Segment

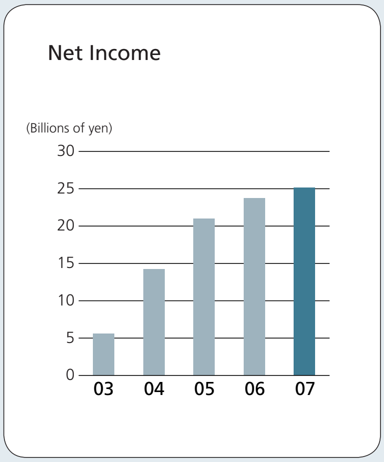
Sales in the electronics segment increased 11.4% to ¥527,216 million, accounting for 84.9% of net sales.

In the Consumer Category, sales increased 7.3% to ¥229,352 million. The digital camera business continued its strong performance from the previous term and registered positive results, thanks to the release of EX-Z1000, the world's first digital camera to achieve 10.1 megapixels in a compact body. Growing sales in overseas markets, achieved through proactive measures, also contributed to the strong results.

In the Timepieces Category, sales rose 9.7% to ¥77,948 million. This was mainly the result of aggressive marketing of solar-powered radio-controlled watches, led by the full-metal high-end Oceanus brand, in Japan, Europe and North America.







In the MNS (Mobile Network Solutions) Category, sales surged 22.5% to ¥171,314 million. This is due to strong performances by W51CA, a one-segment TV broadcast compatible phone, followed by W41CA widescreen cell phone.

In the System Equipment Category, sales declined 0.1% to ¥48,602 million. Sales were on par with the previous year's level thanks to steady sales of a compact high-speed color printer that uses A3-sized paper, and a super slim projector.

Sales in the Electronic Components and Others Segments Category fell 12.5% to ¥93,553 million, accounting for 15.1% of net sales. Specifically, sales in the Electronic Components Category fell 15.1% to ¥62,790 million. This was the result of a decrease in revenue from our TFT LCD business due to a decline in the unit price, as well as the impact of a fall in income for Casio Micronics Co., Ltd. Sales in the Others Category decreased 6.5% to ¥30,763 million.

Results by Region

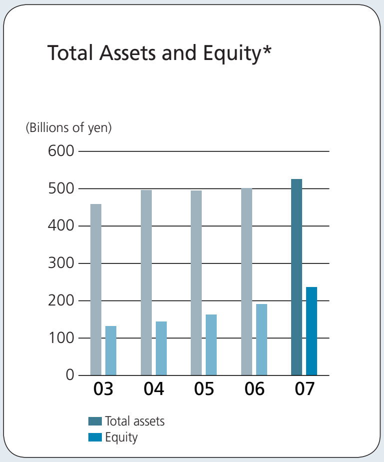
Sales in Japan grew 0.3% to ¥345,790 million, comprising 55.7% of total sales. Sales in North America rose 42.6% to ¥83,951 million, accounting for 13.5% of total sales, while sales in Europe were up 15.3% at ¥90,902 million, accounting for 14.7% of total sales. Sales in Asia and other overseas regions increased 2.3% to ¥100,126 million, accounting for 16.1% of total sales. Consequently, overseas sales increased 16.7% to ¥274,979 million.

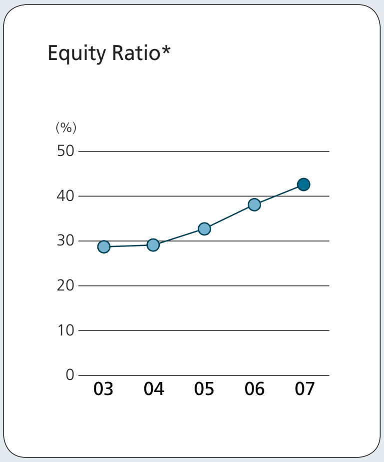
Results of Operations

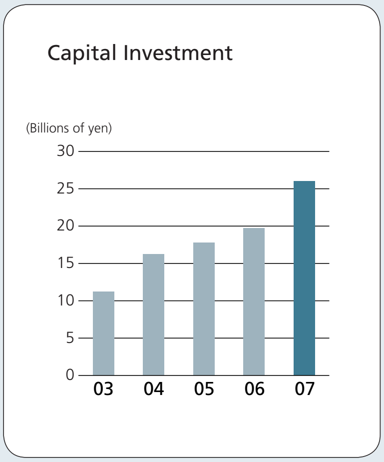
For fiscal 2007, operating income came to ¥48,074 million, up 11.5% year on year. The Electronics Segment posted an operating income (prior to consolidation adjustments) of ¥53,891 million, up 29.1%, while the Electronic Components and Others Segment posted an operating loss of ¥785 million. This increase in operating income is the result of our strategy of raising value-added by strengthening the appeal of its digital cameras, cell phones, radio-controlled watches, and electronic dictionaries, as well as company-wide efforts to improve productivity by improving the efficiency of development and operational processes. The operating income margin rose 0.3 of a percentage point to 7.7%.

Net financial income amounted to ¥1,106 million, compared with ¥558 million in the previous reporting period. Net other expenses came to ¥7,797 million, up from ¥4,001 million in the previous term.

Net income grew 5.9% to ¥25,147 million, setting a record for the fourth straight term. Net income per share came to ¥92.67, up ¥4.1 from fiscal 2006.







* see page 31

Financial Condition

Total assets at the end of March 2007 increased 4.7% year-on-year to ¥525,483 million. Current assets rose by ¥10,957 million to ¥330,136 million due mainly to an increase in trade receivables. Noncurrent assets rose ¥12,566 million to ¥195,347 million mainly due to increases in buildings and structures and software. Total liabilities decreased 3.4% to ¥288,814 million, due mainly to the conversion of bonds with stock acquisition rights (convertible bonds). The debt-to-equity ratio was 0.37, compared with 0.63 for the previous year, marking a substantial improvement.

Net assets* amounted to ¥236,669 million. The equity ratio** increased 4.5 percentage points to 42.6%.

* Beginning with the fiscal year ended March 2007, the term "net assets" has been employed instead of "shareholders' equity" in line with the new accounting standards.
** The equity ratio is defined as net assets minus minority interests as a percentage of total assets.

Cash Flow Analysis

Cash and cash equivalents as of the reporting term-end amounted to ¥97,239 million, a decline of ¥27,993 million from the previous term-end. The principal factors in the decline are repayment of long-term debt and an increase in trade receivables as a result of the fact that the last day of the business term fell on a bank holiday.

Net cash provided by operating activities posted a decline of ¥7,926 million from the previous term to ¥35,949 million, mainly consisting of income before income taxes of ¥41,383 million (¥39,671 million for the previous term) and depreciation expenses of ¥31,613 million (¥26,629 million for the previous term), which more than offset an increase in trade receivables of ¥21,208 million (¥10,696 million for the previous term) and income taxes paid of ¥14,208 million (¥17,123 million for the previous term).

Net cash used in investing activities increased by ¥7,997 million from the previous term to ¥37,679 million, as a result of a net increase in outlay for the acquisition of tangible fixed assets of ¥16,865 million (¥19,935 million for the previous term), of intangible fixed assets of ¥17,942 million (¥11,815 million for the previous term), and of investments in securities of ¥9,039 million (¥3,353 million for the previous term).

Net cash used in financing activities decreased by ¥11,105 million from the previous term to ¥28,713 million, due mainly to a net increase in short-term borrowings of ¥4,285 million (a net decrease of ¥1,519 million for the previous term). Other main components were repayment of long-term debt of ¥20,747 million (¥9,688 million for the previous term) and expenditure for the acquisition of treasury stock of ¥6,557 million (¥47 million for the previous term).

Capital Investment

Capital investment amounted to ¥26,810 million, up 36.0% over the previous term. Broken down by business segment, capital investment came to ¥11,661 million in the Electronics Segment, up 10.1%, and ¥14,020 million in the Electronic Components and Others Segment, up 60.0%. The remaining capital investment, made by the Company as a whole, cannot be accounted for by business segment.

Research & Development

R&D expenses remained almost the same level as the previous term, at ¥18,019 million. By business segment, R&D expenses in the Electronics Segment increased 6.2% to ¥12,133 million, while a decrease of 33.4% to ¥1,668 million was recorded in the Electronic Components and Others Segment. The remaining R&D expenses were used throughout the Company and cannot be accounted for by business segment.

Business Risks

The management performance, financial position and share price of Casio are subject to the following risks. We have prepared a list of items that might have an impact on the forecasts included in this report as of the consolidated reporting period ended March 2007.

1) Japan’s economy and the global economy

The Casio Group’s products are sold in Japan and in markets around the world, and demand is thus subject to the economic trends of each country. Given that the majority of our products are marketed to consumers, the Casio Group is especially affected by trends in consumer spending.

2) Downward pressure on product prices

In the industries in which the Casio Group is active, competition is intensifying as many companies make aggressive efforts to increase their shares in Japan and in overseas markets. There is the possibility that a rapid decline in product prices will have a negative impact on the Casio Group’s business performance.

3) New products

In the event that the Casio Group is unable to speedily bring to market popular new products at a steady pace, or in the event that competitors release products similar to those being launched by the Casio Group, especially in the case where the launch of competing products coincide, there is a possibility that the Casio Group may see an erosion of the competitive advantage achieved as part of the first-mover advantage enjoyed by the pioneer of a new product.

4) Mobile communications industry

Sales to the mobile communications industry account for a major portion of the Group’s total sales. Thus, the Casio Group is affected by any major changes in strategy or product specifications made by the major customers. In addition, changes in schedules or cancellation of large-lot orders might have a significant negative impact on the Group’s earnings performance.

5) Outsourcing

With the aim of improving the Casio Group’s production efficiency and the operating income margin, we have outsourced a substantial portion of our manufacturing and assembly work to outside service suppliers. There is a risk, however, that quality control will become difficult to enforce. Moreover, problems may arise concerning violations of laws, regulations, and intellectual property rights of third parties, by the outside supplier. Such occurrences could have a negative impact on the Group’s earnings performance, and might possibly hurt the product’s reputation.

6) Technology development and changes in technologies

In those business areas in which the Casio Group is active, the pace of technological development is quite rapid and the swift pace at which the market’s needs evolve brings with it the risk that Casio Group products may be rendered obsolete more quickly than expected. This, in turn, would cause an unexpected sudden sharp decline in sales.

7) Risks associated with international developments and overseas operations

The majority of the Casio Group’s production and sales activities take place in locations outside Japan. Consequently, overseas political and economic developments and revisions of laws and legislation may have a significant impact on the Group’s financial position. In particular, the amendment of laws or the enactment of new laws in foreign countries is difficult to predict, and such developments might have a negative impact on the Casio Group’s earnings performance.

8) Intellectual property

The Group principally uses proprietary technologies, and protects these proprietary technologies through a combination of patents, registered trade marks and other intellectual property. The following is a list of accompanying risks.

- Competitors might develop the same technologies as the Group's own proprietary technologies
- Denial of approval for a pending patent submitted by a Group member
- Ineffectiveness of measures aimed at preventing the misuse or violation of intellectual property rights held by a Group member
- Legislation relating to intellectual property might not provide adequate protection for the Group's intellectual property
- The Group's future products and technologies might constitute a violation of another company's intellectual property rights

9) Defective products and lawsuits

As a manufacturer and marketer of consumer products, we ensure strict quality control for our products. To date, we have never been subject to a damaging claim and have never had our reputation endangered. Even so, it is impossible to ensure that claims regarding product liability and product safety will not be brought against Casio Group members in the future.

10) Risks related to information management

The Casio Group maintains personal information and confidential business information relating to the promotion and development of its business operations. There are in-house rules governing the use of this information, and each Group company raises awareness of the need for strict control of such information in its employee training program. However, there is always the possibility that information may be leaked, and such a leak of information might have a negative impact on the Group's business, financial position and earnings performance.

11) Alliances, mergers and strategic investments

The Casio Group may engage in alliances and mergers, or undertake strategic investments, in Japan or overseas to expand its business operations or raise the efficiency of management. Changes in the business partner's management environment, business strategies, or operating environment might have a negative impact on the Casio Group's business, financial position and earnings performance.

12) Risks arising from fluctuations in foreign exchange rates and interest rates

The Casio Group maintains operations in numerous countries around the world. Consequently, the Group is substantially affected by exchange rate fluctuations. The Group's gross profit might be negatively affected as a result of movements in foreign currencies against the yen. Moreover, the Group is exposed to risk associated with interest rate changes. These risks could have an impact on overall operating costs, procurement costs, value of monetary assets and liabilities (particularly long-term liabilities).

13) Other risks

The following other factors might have an impact on the Group's business operations in the future.

- Cyclical trends in the IT sector
- Uncertainties as to whether the required equipment, raw materials, facilities, and electricity can be procured at an appropriate price
- A decline in the value of securities held by the Group
- Revisions to laws and regulations regarding the accounting standards for retirement benefits and rapid changes in pension fund operations
- Damage caused by fires, earthquakes and other natural disasters, as well as other accidents that disrupt operations
- Social unrest caused by wars, terrorist attacks, and epidemics

Consolidated Six-Year Summary

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

	Millions of Yen					
	2007	2006	2005	2004	2003	2002
For the year:						
Net sales	¥620,769	¥580,309	¥559,006	¥523,528	¥440,567	¥382,154
Cost of sales	436,548	407,940	398,186	377,422	315,530	284,093
Selling, general and administrative expenses	118,128	111,050	105,164	104,428	93,009	94,394
Research and development expenses	18,019	18,205	16,616	14,187	14,114	14,085
Operating income (loss)	48,074	43,114	39,040	27,491	17,914	(10,418)
Net income (loss)	25,147	23,745	21,534	14,176	5,647	(24,928)
Capital investment	26,810	19,711	17,782	16,213	11,168	15,737
Depreciation	17,895	17,431	15,370	14,655	14,621	14,465
At year-end:						
Current assets	330,136	319,179	329,948	329,787	300,212	281,985
Current liabilities	227,562	183,967	196,089	178,340	161,568	166,026
Working capital	102,574	135,212	133,859	151,447	138,644	115,959
Net assets*	236,669	191,011	162,271	144,403	131,957	134,317
Total assets	525,483	501,960	495,743	496,039	459,113	449,224
Amounts per share of common stock (in yen):						
Net income (loss)	¥92.67	¥88.57	¥80.27	¥51.99	¥20.27	¥(91.82)
Diluted net income	90.30	84.43	76.47	51.23	20.10	—
Cash dividends applicable to the year	23.00	20.00	17.00	15.00	12.50	12.50
Performance indicators:						
Return on equity (%)	12.2	13.4	14.0	10.3	4.2	(16.8)
Return on assets (%)	4.9	4.8	4.3	3.0	1.2	(5.6)
Equity ratio (%)	42.6	38.1	32.7	29.1	28.7	29.9
Interest coverage (times)	31.6	34.6	26.8	11.8	6.2	(2.9)
Assets turnover (times)	1.2	1.2	1.1	1.1	1.0	0.9
Inventories turnover (months)	1.8	1.7	1.9	2.0	2.7	3.2
Other:						
Number of employees	13,013	12,673	12,140	11,637	11,481	14,670

* Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).

Consolidated Balance Sheets

Years ended March 31, 2007 and 2006 Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	2007	2006	2007
Current assets:			
Cash and time deposits (Note 3)	¥ 52,768	¥ 71,818	$ 447,186
Marketable securities (Note 5)	36,305	29,171	307,670
Notes and accounts receivable:			
Trade	126,117	104,098	1,068,788
Other	22,286	14,871	188,865
Allowance for doubtful accounts	(1,369)	(1,308)	(11,602)
Inventories (Note 4)	65,857	57,643	558,110
Deferred tax assets (Note 8)	11,531	12,010	97,720
Short-term loans receivable with resale agreement (Note 3)	10,650	25,000	90,254
Other current assets	5,991	5,876	50,772
Total current assets	330,136	319,179	2,797,763
Property, plant and equipment:			
Land	37,326	37,462	316,322
Buildings and structures	72,508	66,940	614,475
Machinery and equipment	135,526	127,138	1,148,525
Construction in progress	793	1,286	6,720
	246,153	232,826	2,086,042
Accumulated depreciation	(143,506)	(136,711)	(1,216,152)
Net property, plant and equipment	102,647	96,115	869,890
Investments and other assets:			
Investments in affiliates	1,769	1,636	14,992
Investment securities and other investments (Note 5)	51,432	54,573	435,864
Long-term time deposits	3,000	3,000	25,424
Deferred tax assets (Note 8)	8,552	5,254	72,475
Other assets	28,199	22,602	238,974
Allowance for doubtful accounts	(252)	(399)	(2,136)
Total investments and other assets	92,700	86,666	785,593
	¥525,483	¥501,960	$4,453,246

See accompanying notes.

Liabilities, Minority Interests and Shareholders' Equity / Net Assets	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
Current liabilities:			
Short-term borrowings (Note 7)	¥ 4,196	¥ 911	$ 35,559
Long-term debt due within one year (Note 7)	32,000	20,747	271,186
Notes and accounts payable:			
Trade	103,616	94,341	878,102
Other	41,835	35,821	354,534
Accrued expenses	16,034	14,332	135,881
Income taxes payable (Note 8)	11,328	8,526	96,000
Other current liabilities	18,553	9,289	157,230
Total current liabilities	227,562	183,967	1,928,492
Long-term liabilities:			
Long-term debt due after one year (Note 7)	47,450	99,450	402,119
Employees' severance and retirement benefits (Note 9)	6,995	7,402	59,280
Retirement benefits for directors and corporate auditors (Note 10)	2,495	1,895	21,144
Deferred tax liabilities (Note 8)	1,911	1,908	16,195
Other long-term liabilities	2,401	4,293	20,347
Total long-term liabilities	61,252	114,948	519,085
Minority interests		12,034	
Contingent liabilities (Note 14)			
Shareholders' equity (Note 11):			
Common stock:			
Authorized — 471,693,000 shares			
Issued — 270,442,868 shares	—	41,549	—
Additional paid-in capital	—	57,523	—
Retained earnings	—	90,236	—
Net unrealized holding gains on securities	—	9,861	—
Foreign currency translation adjustments	—	(3,168)	—
	—	196,001	—
Treasury stock, at cost	—	(4,990)	—
Total shareholders' equity	—	191,011	—
	—	¥501,960	—
Net assets (Note11):			
Owners' equity			
Common stock:			
Authorized — 471,693,000 shares			
Issued — 279,020,914 shares	48,592	—	411,797
Additional paid-in capital	66,737	—	565,568
Retained earnings	109,654	—	929,271
Treasury stock, at cost	(6,964)	—	(59,017)
Total owners' equity	218,019	—	1,847,619
Valuation and translation adjustments			
Net unrealized holding gains on securities	8,615	—	73,008
Deferred losses on hedges	(1,082)	—	(9,169)
Foreign currency translation adjustments	(1,609)	—	(13,636)
Total valuation and translation adjustments	5,924	—	50,203
Minority interests	12,726	—	107,847
Total net assets	236,669	—	2,005,669
	¥525,483	—	$4,453,246

Consolidated Statements of Income

Years ended March 31, 2007 and 2006 Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Net sales (Note 13)	¥620,769	¥580,309	$5,260,754
Costs and expenses (Note 13):			
Cost of sales	436,548	407,940	3,699,559
Selling, general and administrative expenses	118,128	111,050	1,001,085
Research and development expenses	18,019	18,205	152,703
	572,695	537,195	4,853,347
Operating income (Note 13)	48,074	43,114	407,407
Other income (expenses):			
Interest and dividends income	2,713	1,858	22,991
Interest expense	(1,607)	(1,300)	(13,619)
Foreign exchange loss—net	(4,999)	(1,216)	(42,364)
Disposal and devaluation of inventories	(3,624)	(3,946)	(30,712)
Loss on disposal and sales of property, plant and equipment	(751)	(603)	(6,364)
Gain on devaluation and sales of investment securities	1,102	31	9,339
Gain on sales of consolidated subsidiaries and affiliates	231	1,928	1,958
Government grants	360	—	3,051
Other—net	(116)	(195)	(984)
	(6,691)	(3,443)	(56,704)
Income before income taxes and minority interests	41,383	39,671	350,703
Income taxes (Note 8):			
Current	16,407	13,902	139,042
Deferred	(1,424)	261	(12,068)
	14,983	14,163	126,974
Income before minority interests	26,400	25,508	223,729
Minority interests	(1,253)	(1,763)	(10,619)
Net income	¥ 25,147	¥ 23,745	$ 213,110

	Yen		U.S. Dollars (Note 1)
Amounts per share of common stock:			
Net income	¥92.67	¥88.57	$0.79
Diluted net income	90.30	84.43	0.77
Cash dividends applicable to the year	23.00	20.00	0.19

See accompanying notes.

Consolidated Statements of Shareholders' Equity / Consolidated Statements of Changes in Net Assets

Years ended March 31, 2007 and 2006 Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen							
	Shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance at March 31, 2005	270,442,868	¥41,549	¥57,523	¥71,314	¥3,060	¥(5,771)	¥(5,404)	¥162,271
Net income	—	—	—	23,745	—	—	—	23,745
Cash dividends paid (¥17.00 per share)	—	—	—	(4,515)	—	—	—	(4,515)
Bonuses to directors and corporate auditors	—	—	—	(206)	—	—	—	(206)
Loss on sale of treasury stock	—	—	—	(102)	—	—	—	(102)
Increase in net unrealized holding gains on securities	—	—	—	—	6,801	—	—	6,801
Decrease in foreign currency translation adjustments	—	—	—	—	—	2,603	—	2,603
Decrease in treasury stock—net	—	—	—	—	—	—	414	414
Balance at March 31, 2006	270,442,868	¥41,549	¥57,523	¥90,236	¥9,861	¥(3,168)	¥(4,990)	¥191,011

	Millions of Yen									
	Shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Minority interests	Total
Shareholders' equity at March 31, 2006 as previously reported	270,442,868	¥41,549	¥57,523	¥ 90,236	¥(4,990)	¥9,861	¥ —	¥(3,168)		¥191,011
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006									¥12,034	12,034
Net assets at April 1, 2006	270,442,868	¥41,549	¥57,523	¥ 90,236	¥(4,990)	¥9,861	¥ —	¥(3,168)	¥12,034	¥203,045
Conversion of bonds with stock acquisition rights	8,578,046	7,043	7,042	—	—	—	—	—	—	14,085
Net income	—	—	—	25,147	—	—	—	—	—	25,147
Cash dividends paid (¥20.00 per share)	—	—	—	(5,319)	—	—	—	—	—	(5,319)
Bonuses to directors and corporate auditors	—	—	—	(208)	—	—	—	—	—	(208)
Acquisitions of treasury stock	—	—	—	—	(6,557)	—	—	—	—	(6,557)
Sales of treasury stock	—	—	1,970	—	4,583	—	—	—	—	6,553
Transfer from retained earnings to additional paid-in capital for merger of consolidated subsidiaries	—	—	202	(202)	—	—	—	—	—	—
Net changes during the year other than those exercised	—	—	—	—	—	(1,246)	(1,082)	1,559	692	(77)
Balance at March 31, 2007	279,020,914	¥48,592	¥66,737	¥109,654	¥(6,964)	¥8,615	¥(1,082)	¥(1,609)	¥12,726	¥236,669

	Thousands of U.S. Dollars (Note 1)								
Shareholders' equity at March 31, 2006 as previously reported	$352,110	$487,483	$764,712	$(42,288)	$83,567	$ —	$(26,847)		$1,618,737
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006								$101,983	101,983
Net assets at April 1, 2006	$352,110	$487,483	$764,712	$(42,288)	$83,567	$ —	$(26,847)	$101,983	$1,720,720
Conversion of bonds with stock acquisition rights	59,687	59,678	—	—	—	—	—	—	119,365
Net income	—	—	213,110	—	—	—	—	—	213,110
Cash dividends paid ($0.17 per share)	—	—	(45,076)	—	—	—	—	—	(45,076)
Bonuses to directors and corporate auditors	—	—	(1,763)	—	—	—	—	—	(1,763)
Acquisitions of treasury stock	—	—	—	(55,568)	—	—	—	—	(55,568)
Sales of treasury stock	—	16,695	—	38,839	—	—	—	—	55,534
Transfer from retained earnings to additional paid-in capital for merger of consolidated subsidiaries	—	1,712	(1,712)	—	—	—	—	—	—
Net changes during the year other than those exercised	—	—	—	—	(10,559)	(9,169)	13,211	5,864	(653)
Balance at March 31, 2007	$411,797	$565,568	$929,271	$(59,017)	$73,008	$(9,169)	$(13,636)	$107,847	$2,005,669

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2007 and 2006 Casio Computer Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 41,383	¥ 39,671	$ 350,703
Depreciation (including software)	31,613	26,629	267,907
Amortization of goodwill	—	57	—
Loss on disposal and sales of property, plant and equipment	751	603	6,364
Gain on devaluation and sales of investment securities	(1,102)	(31)	(9,339)
Gain on sales of consolidated subsidiaries and affiliates	(231)	(1,928)	(1,958)
Government grants	(360)	—	(3,051)
Increase (Decrease) in liabilities for the employees' severance and retirement benefits	(411)	395	(3,483)
Increase in retirement benefits for directors and corporate auditors	600	487	5,085
Interest and dividends income	(2,713)	(1,858)	(22,992)
Interest expense	1,607	1,300	13,619
Foreign exchange gain	(1,158)	(1,220)	(9,814)
Equity in gains of affiliates	(135)	(138)	(1,144)
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(21,208)	(10,696)	(179,729)
Decrease (Increase) in inventories	(7,652)	7,093	(64,846)
Increase in other current assets	(3,756)	(3,450)	(31,831)
Increase in notes and accounts payable	10,076	6,121	85,390
Increase (Decrease) in consumption tax payable	7	(502)	59
Increase in other current liabilities	4,410	1,994	37,373
Increase (Decrease) in trade notes and export drafts discounted	(559)	40	(4,737)
Payments of bonuses to directors and corporate auditors	(208)	(206)	(1,763)
Other	(1,898)	(3,862)	(16,084)
Total	49,056	60,499	415,729
Interest and dividends received	2,737	1,790	23,195
Interest paid	(1,636)	(1,291)	(13,864)
Income taxes paid	(14,208)	(17,123)	(120,407)
Net cash provided by operating activities	35,949	43,875	304,653
Cash flows from investing activities:			
Deposits in time deposits	(1,135)	(688)	(9,619)
Withdrawals from time deposits	1,132	647	9,593
Payments for acquisitions of tangible fixed assets	(16,865)	(19,935)	(142,924)
Proceeds from sales of tangible fixed assets	595	1,039	5,042
Payments for acquisitions of intangible fixed assets	(17,942)	(11,815)	(152,051)
Proceeds from sales of intangible fixed assets	—	1	—
Payments for purchases of investment securities	(9,039)	(3,353)	(76,602)
Proceeds from sales and redemption of investment securities	4,717	1,703	39,975
Proceeds from sales of consolidated subsidiaries and affiliates	319	2,958	2,703
Payments for long-term loans receivable	(45)	(18)	(381)
Collections from long-term loans receivable	30	64	254
Net decrease in loans receivable	1	587	9
Other	553	(872)	4,687
Net cash used in investing activities	(37,679)	(29,682)	(319,314)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	4,285	(1,519)	36,314
Proceeds from long-term debt	—	6,000	—
Payments for long-term debt	(20,747)	(9,688)	(175,822)
Redemption of bonds	—	(30,000)	—
Payments for acquisitions of treasury stock	(6,557)	(47)	(55,568)
Proceeds from sales of treasury stock	338	359	2,864
Payments for cash dividends	(5,319)	(4,515)	(45,076)
Other	(713)	(408)	(6,043)
Net cash used in financing activities	(28,713)	(39,818)	(243,331)
Effect of exchange rate changes on cash and cash equivalents	2,450	3,268	20,763
Net decrease in cash and cash equivalents	(27,993)	(22,357)	(237,229)
Cash and cash equivalents at beginning of year (Note 3)	125,232	147,589	1,061,288
Cash and cash equivalents at end of year (Note 3)	¥ 97,239	¥125,232	$ 824,059

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2007 and 2006 Casio Computer Co., Ltd. and Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of CASIO COMPUTER CO., LTD. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure and the inclusion of the consolidated statement of shareholders' equity for 2006) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 2 "Accounting Standard for Presentation of Net Assets in the Balance Sheet," is presented with the consolidated balance sheet as of March 31, 2006 prepared in accordance with the previous presentation rules.

Also, as discussed in Note 2 "Accounting Standard for Statement of Changes in Net Assets," the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required to be filed with the Local Finance Bureau.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118 to U.S. $1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (together with the Company, the "Group") which the Company controls through majority voting right or existence of certain conditions. Investments in affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

In the elimination of investments in subsidiaries, the portion of assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company are recorded based on the fair value as of the respective dates when such shares were acquired. The amounts of assets and liabilities attributable to minority shareholders of the subsidiary are determined using the financial statements of the subsidiary.

Material intercompany balances, transactions and profits have been eliminated in consolidation.

The difference between the cost and underlying fair value of the net equity of investments in subsidiaries at acquisition is included in other assets and is amortized on a straight-line basis over five years.

Cash flow statements

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates at the balance sheet date, and the translation gains and losses are credited or charged to income.

Assets and liabilities of foreign subsidiaries are translated into yen at the current exchange rate at the balance sheet date while their revenue and expenses are translated at the average exchange rate for the period. Differences arising from such translation are included in minority interests and net assets (shareholders' equity) as foreign currency translation adjustments.

Securities

Debt securities designated as held-to-maturity are carried at amortized cost. Other securities except for trading securities (hereafter, "available-for-sale securities") for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets or liabilities, not reflected in earnings but directly reported as a separate component of net assets (shareholders' equity). The cost of such securities sold is determined primarily by the moving-average method. Available-for-sale securities for which market value is not readily determinable are stated primarily at moving-average cost except for debt securities, which are stated at amortized cost.

Derivatives and hedge accounting

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Group uses forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates with respect to foreign currency assets and liabilities and of interest rate increases with respect to cash management.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover probable losses on the collection of receivables. For the Group, the amount of the allowance is determined based on past write-off experience and an estimated amount of probable bad debt based on a review of the collectibility of individual receivables.

Inventories

Inventories are stated principally at the lower of cost (first-in, first-out) or market (replacement cost or net realizable value).

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is principally determined by the declining-balance method at rates based on estimated useful lives except for the following buildings. The building of the head office of the Company and buildings, excluding building fixtures, acquired after March 31, 1998 are depreciated using the straight-line method. The depreciation period ranges from 2 years to 65 years for buildings and structures and 1 year to 20 years for machinery and equipment.

Software costs

Software is categorized by the following purposes and amortized using the following two methods.

Software for market sales: The production costs for the master product are capitalized and amortized over no more than 3 years on a projected revenue basis.

Software for internal use: The acquisition costs of software for internal use are amortized over 5 years using the straight-line method.

The amount of software costs capitalized is included in other assets in the consolidated balance sheets.

Stock issuance expenses

Stock issuance expenses are charged to income as incurred. Stock issuance expenses are included in other expenses in the consolidated statements of income.

Bond issuance expenses and bond premium

Bond issuance expenses are charged to income as incurred. Bond issuance expenses are included in other expenses in the consolidated statements of income.

Bond premium was amortized using the straight-line method over the life of the bond (6 years and 10 months) however, bonds with stock acquisition rights had been all converted by October 30, 2006.

Employees' severance and retirement benefits

Under the terms of the employees' severance and retirement plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to severance payments based on compensation at the time of severance and years of service.

Employees' severance and retirement benefits of the Company and some of its consolidated subsidiaries are covered by two kinds of pension plans which are employees' pension fund plan and tax-qualified pension plan. And those of some of its consolidated subsidiaries in Japan are covered by lump-sum indemnities.

The Company and its domestic consolidated subsidiaries received the permission from the Minister of Health, Labor and Welfare, for release from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme. Concurrently, employees' pension fund plan was changed to defined benefit corporate pension fund plan.

The Company and its domestic consolidated subsidiaries provide defined contribution plan. In addition, the Company has established an employee retirement benefits trust.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries in Japan provided liabilities for severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation"). The net transition obligation is recognized in expenses in equal amounts over 10 years commencing with the year ended March 31, 2001.

Retirement benefits for directors and corporate auditors

The annual provision for accrued retirement benefits for directors and corporate auditors of the Company and certain subsidiaries is calculated to state the liability at the amount that would be required if all directors and corporate auditors had retired at each balance sheet date. The provisions for the retirement benefits are not funded.

Accounting for certain lease transactions

Finance leases, which do not transfer titles to lessees, are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

Income taxes

Taxes on income consist of corporation, inhabitants and enterprise taxes.

Deferred income taxes are provided for the items relating to intercompany profit elimination in connection with the calculation of the consolidated results of operations. In addition, some foreign subsidiaries recognize deferred income taxes in accordance with accounting practices prevailing in their respective countries of domicile.

The Group recognizes tax effects of temporary differences between the financial statement and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and minority interests included in the statements of income of each company of the Group. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

Amounts per share of common stock

Net income per share of common stock has been computed based on the weighted average number of shares of common stock outstanding during each fiscal year (less the treasury stock). For diluted net income per share, the number of shares outstanding is adjusted to assume the conversion of convertible bonds. Related interest expense, net of income taxes, is eliminated.

Cash dividends per share represent the actual amount applicable to the respective years.

Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes unrealized gains/losses on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains/losses on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interests is included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present minority interests between the long-term liabilities and the shareholders' equity sections.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥225,025 million ($1,906,992 thousand) would have been presented.

Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules of 2007.

Reclassifications

Certain reclassifications have been made in the 2006 consolidated financial statements to conform to the 2007 presentation.

3. Cash and Cash Equivalents and Statements of Cash Flows

Cash and cash equivalents at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash and time deposits	¥52,768	¥ 71,818	$447,186
Time deposits over three months	(784)	(757)	(6,644)
Marketable securities within three months	34,605	29,171	293,263
Short-term loans receivable with resale agreement	10,650	25,000	90,254
Cash and cash equivalents	¥97,239	¥125,232	$824,059

Significant non-cash transactions at March 31, 2007 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Increase in common stock for conversion of bonds with stock acquisition rights	¥ 7,043	$ 59,686
Increase in additional paid-in capital for conversion of bonds with stock acquisition rights	7,042	59,678
Decrease in transfer of treasury stock for conversion of bonds with stock acquisition rights	4,230	35,847
Proceeds from sales of treasury stock for conversion of bonds with stock acquisition rights	1,985	16,822
Others	(128)	(1,084)
Decrease in conversion of bonds with stock acquisition rights	¥20,172	$170,949

4. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥39,471	¥35,792	$334,500
Work in process	7,626	7,733	64,627
Materials and supplies	18,760	14,118	158,983
Total	¥65,857	¥57,643	$558,110

5. Securities

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2007 and 2006.

(a) Held-to-maturity debt securities

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair values exceeding book values	¥2,230	¥2,311	¥81	¥2,230	¥2,399	¥169	$18,899	$19,585	$686
Securities other than the above	—	—	—	—	—	—	—	—	—
Total	¥2,230	¥2,311	¥81	¥2,230	¥2,399	¥169	$18,899	$19,585	$686

(b) Available-for-sale securities

Securities with book values exceeding acquisition costs:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥11,024	¥25,722	¥14,698	¥13,767	¥28,956	¥15,189	$ 93,424	$217,983	$124,559
Bonds	11,144	11,265	121	4,186	4,293	107	94,441	95,466	1,025
Others	1,802	1,862	60	431	1,860	1,429	15,271	15,780	509
Total	¥23,970	¥38,849	¥14,879	¥18,384	¥35,109	¥16,725	$203,136	$329,229	$126,093

Others:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥3,521	¥3,179	¥(342)	¥ 638	¥ 575	¥ (63)	$29,839	$26,941	$(2,898)
Bonds	925	924	(1)	5,973	5,959	(14)	7,839	7,830	(9)
Others	1,617	1,606	(11)	1,869	1,845	(24)	13,703	13,610	(93)
Total	¥6,063	¥5,709	¥(354)	¥8,480	¥8,379	¥(101)	$51,381	$48,381	$(3,000)

(2) The following tables summarize book values of securities with no available fair values at March 31, 2007 and 2006.

(a) Book value of held-to-maturity debt securities

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Certificates of deposit	**¥5,130**	¥10,000	**$43,475**

(b) Book value of available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unlisted equity securities	**¥ 2,955**	¥ 3,109	**$ 25,042**
Commercial paper	**29,475**	19,171	**249,788**
Unlisted bonds	**1,700**	—	**14,407**
Total	**¥34,130**	¥22,280	**$289,237**

(3) Available-for-sale securities sold in the year ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Sales amount	**¥3,440**	¥198	**$29,153**
Gross realized gains	**1,247**	76	**10,568**
Gross realized losses	**—**	1	**—**

(4) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen									
	2007					2006				
	Within one year	Within five years	Within ten years	Over ten years	Total	Within one year	Within five years	Within ten years	Over ten years	Total
Bonds:										
Government bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	4,630	100	—	4,730	—	2,230	300	—	2,530
Others	36,323	8,200	1,386	—	45,909	29,174	8,773	1,087	—	39,034
Others:										
Others	—	539	1,000	1,617	3,156	—	—	1,000	872	1,872
Total	¥36,323	¥13,369	¥2,486	¥1,617	¥53,795	¥29,174	¥11,003	¥2,387	¥872	¥43,436

	Thousands of U.S. Dollars				
	2007				
	Within one year	Within five years	Within ten years	Over ten years	Total
Bonds:					
Government bonds	$ —	$ —	$ —	$ —	$ —
Corporate bonds	—	39,237	848	—	40,085
Others	$307,822	69,492	11,745	—	389,059
Others:					
Others	—	4,568	8,475	13,703	26,746
Total	$307,822	$113,297	$21,068	$13,703	$455,890

6. Derivative Transactions

Status of derivative transactions

The Group utilizes interest rate swap and swaption contracts as derivative transactions to hedge interest rate risks arising from normal business transactions and improve the efficiency of the utilization of available funds.

The Group also utilizes forward foreign currency contracts and currency options to hedge currency fluctuation risks arising from the export of products and materials for products in addition to hedging through increases in overseas production and the overseas procurement of materials.

The derivative transactions are solely made with highly rated financial institutions; therefore, the Group does not expect any credit risks.

The Group utilizes derivatives following the internal regulation for derivatives, which stipulates policy, objective, scope, organization, procedures and financial institutions to deal with, and has a reporting system for derivative transactions reflecting proper internal control functions.

Fair value of derivative transactions

The aggregate amounts contracted to be paid or received and the fair values of derivative transactions of the Group at March 31, 2007 and 2006 were as follows:

Currency-related derivatives:

	Millions of Yen								Thousands of U.S. Dollars			
	2007				2006				2007			
	Contract amount				Contract amount				Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:												
To sell:												
U.S. dollars...	¥21,243	¥—	¥21,792	¥ (549)	¥22,161	¥—	¥22,697	¥(536)	$180,026	$—	$184,678	$ (4,652)
Euros............	16,995	—	18,092	(1,097)	10,488	—	10,830	(342)	144,025	—	153,322	(9,297)
Sterling pounds ...	714	—	724	(10)	1,565	—	1,590	(25)	6,051	—	6,136	(85)
Total	¥38,952	¥—	¥40,608	¥(1,656)	¥34,214	¥—	¥35,117	¥(903)	$330,102	$—	$344,136	$(14,034)
To buy:												
U.S. dollars...	¥—	¥—	¥—	¥—	¥115	¥—	¥117	¥2	$—	$—	$—	$—
Total	¥—	¥—	¥—	¥—	¥115	¥—	¥117	¥2	$—	$—	$—	$—

Interest rate swap and option-related derivatives:

	Millions of Yen								Thousands of U.S. Dollars			
	2007				2006				2007			
	Contract amount				Contract amount				Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Realized gain (loss)
Interest rate swaps:												
Receive fix/ Pay float	¥20,000	¥20,000	¥(1,121)	¥31	¥—	¥—	¥—	¥—	$169,492	$169,492	$(9,500)	$263
Total..............	¥20,000	¥20,000	¥(1,121)	¥31	¥—	¥—	¥—	¥—	$169,492	$169,492	$(9,500)	$263

Notes: 1. Fair values of derivative transactions are determined by prices principally reported by the financial institutions with which the Company engages in derivative transactions.

2. Interest rate swaps that no longer meet hedging criteria are stated separately. Amounts corresponding to fair values are included in "other long-term liabilities" in consolidated balance sheets. The net deferred amounts to be paid or received under the said interest rate swaps are periodically charged to expenses or income over the remaining contract periods.

3. Derivative transactions under hedge accounting are treated as outside scope of disclosure.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings represent unsecured bank loans and its average interest rates were 0.9% and 1.0% per annum at March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
2.575% unsecured bonds due in December 2007	¥10,000	¥ 10,000	$84,746
1.42% unsecured bonds due in March 2009	10,000	10,000	84,746
0% unsecured bonds with stock acquisition rights due in September 2010	—	20,000	—
Unsecured loans principally from banks at interest rates of 0.36% to 1.83% maturing through 2012		80,197	
Unsecured loans principally from banks at interest rates of 0.76% to 1.83% maturing through 2012	59,450		503,813
Total..	79,450	120,197	673,305
Less amount due within one year	32,000	20,747	271,186
	¥47,450	¥ 99,450	$402,119

0% unsecured bonds with stock acquisition rights provide, among other conditions, for conversion into shares of common stock at the conversion prices per share of ¥1,642 ($13.92), subject to change in certain circumstances. In fiscal 2007, 0% unsecured bonds with stock acquisition rights had been all converted.

The annual maturities of long-term debt at March 31, 2007 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥32,000	$271,186
2009	26,500	224,576
2010	10,500	88,983
2011	450	3,814
2012	10,000	84,746

The line of credit with the main financial institutions agreed as of March 31, 2007 and 2006 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Line of credit	¥38,500	¥50,500	$326,271
Unused	38,500	50,500	326,271

8. Income Taxes

The Company and consolidated domestic subsidiaries used the statutory income tax rate of 40.7% for calculation of deferred income tax assets and liabilities at March 31, 2007 and 2006.

The following table summarizes the significant differences between statutory tax rate and the Group's tax rate for financial statement purposes for the years ended March 31, 2007 and 2006:

	2007	2006
Statutory tax rate	40.7%	40.7%
Increase (Reduction) in tax resulting from:		
Nondeductible expenses (Entertainment, etc.)	0.4	0.3
Nontaxable income (Dividends received deduction, etc.)	(2.9)	(1.5)
Difference in statutory tax rate (included in foreign subsidiaries)	(2.0)	(1.9)
Income tax credits	(3.7)	(4.4)
Effect of elimination of dividends income	3.9	2.6
Other	(0.2)	(0.1)
Effective tax rate	36.2%	35.7%

Significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Employees' severance and retirement benefits	¥ 6,302	¥ 6,433	$ 53,407
Intangible fixed assets	3,529	2,181	29,907
Accrued expenses (bonuses to employees)	3,142	3,042	26,627
Inventories	2,568	2,402	21,763
Net operating loss carryforwards	2,521	2,229	21,364
Property, plant and equipment	1,826	1,670	15,475
Other	10,474	9,274	88,762
Gross deferred tax assets	30,362	27,231	257,305
Valuation allowance	(3,881)	(2,772)	(32,890)
Total deferred tax assets	26,481	24,459	224,415
Deferred tax liabilities:			
Unrealized holding gains on securities	(6,029)	(6,775)	(51,093)
Effect of valuation difference	(1,878)	(1,878)	(15,915)
Property, plant and equipment	(219)	(233)	(1,856)
Other	(183)	(217)	(1,551)
Total deferred tax liabilities	(8,309)	(9,103)	(70,415)
Net deferred tax assets	¥18,172	¥15,356	$154,000

9. Employees' Severance and Retirement Benefits

The liabilities for the employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2007 and 2006 consists of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥63,771	¥62,265	$540,432
Unrecognized prior service costs	9,996	10,935	84,712
Unrecognized actuarial differences	(675)	(1,611)	(5,720)
Less fair value of pension assets*	(62,666)	(59,323)	(531,068)
Less unrecognized net transition obligation	(3,511)	(4,920)	(29,754)
Prepaid pension cost	80	56	678
Liabilities for the employees' severance and retirement benefits	¥ 6,995	¥ 7,402	$ 59,280

* Including employee retirement benefit trust

Included in the consolidated statements of income for the years ended March 31, 2007 and 2006 are employees' severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost—benefits earned during the year	¥3,124	¥2,932	$26,475
Interest cost on projected benefit obligation	1,463	1,329	12,398
Expected return on plan assets	(1,696)	(1,217)	(14,373)
Amortization of prior service costs	(910)	(912)	(7,712)
Amortization of actuarial differences	442	1,135	3,746
Amortization of net transition obligation	1,200	1,230	10,169
Other	122	121	1,034
Employees' severance and retirement benefit expenses	¥3,745	¥4,618	$31,737

The discount rate and the rate of expected return on plan assets used by the Company are 2.5% and 3.0% in both 2007 and 2006.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are to be recognized in expenses using the straight-line method over 9–15 years (a certain period not exceeding the average of the estimated remaining service lives commencing with the next period). Prior service costs are to be recognized in expenses using the straight-line method over 9–15 years (a certain period not exceeding the average of the estimated remaining service lives).

10. Retirement Benefits for Directors and Corporate Auditors

Effective April 1, 2002, the Company changed its accounting policy for retirement benefits for directors and corporate auditors.

Previously, retirement benefits to directors and corporate auditors were recognized after the approval at the shareholders' meeting and charged to income when paid.

Under the new policy, the Company and certain subsidiaries fully accrue retirement benefits if all directors and corporate auditors had retired at each balance sheet date.

The cumulative effect at the beginning is amortized on a straight-line basis over five years as other expenses.

11. Shareholders' Equity / Net Assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

12. Lease Transactions

(1) Finance leases

The amounts of outstanding future lease payments due at March 31, 2007 and 2006 and total lease expenses (including total assumed depreciation cost and total assumed interest cost) as lessee for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Future lease payments:			
Due within one year	¥ 4,074	¥ 4,132	$34,526
Due over one year	7,264	5,898	61,559
Total	¥11,338	¥10,030	$96,085
Total lease expenses	¥ 4,711	¥ 5,194	$39,924
Total assumed depreciation cost	¥ 4,321	¥ 4,746	$36,619
Total assumed interest cost	¥ 306	¥ 387	$ 2,593

Assumed data as to acquisition cost, accumulated depreciation and net book value of the leased assets under the finance lease contracts as lessee at March 31, 2007 and 2006 were summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery	¥15,183	¥ 7,055	¥ 8,128	¥17,712	¥11,604	¥6,108	$128,670	$59,788	$68,882
Equipment	4,197	2,350	1,847	4,272	1,958	2,314	35,568	19,916	15,652
Other	2,181	1,096	1,085	2,077	834	1,243	18,483	9,288	9,195
Total	¥21,561	¥10,501	¥11,060	¥24,061	¥14,396	¥9,665	$182,721	$88,992	$93,729

(2) Operating leases

The amount of outstanding future lease payments due at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Future lease payments:			
Due within one year	¥184	¥279	$1,560
Due over one year	167	79	1,415
Total	¥351	¥358	$2,975

13. Segment Information

The business and geographical segment information and overseas sales for the Group for the years ended March 31, 2007 and 2006 were as follows:

(1) Business segments

	Millions of Yen				
For 2007	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
Outside customers	¥527,216	¥ 93,553	¥620,769	¥ —	¥620,769
Inside Group	673	34,648	35,321	(35,321)	—
Total	527,889	128,201	656,090	(35,321)	620,769
Costs and expenses	473,998	128,986	602,984	(30,289)	572,695
Operating income (loss)	¥ 53,891	¥ (785)	¥ 53,106	¥ (5,032)	¥ 48,074
Total assets	¥287,998	¥124,427	¥412,425	¥113,058	¥525,483
Depreciation	¥ 23,692	¥ 7,520	¥ 31,212	¥ 401	¥ 31,613
Capital expenditures	¥ 29,331	¥ 14,225	¥ 43,556	¥ 1,197	¥ 44,753

	Thousands of U.S. Dollars				
For 2007	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
Outside customers	$4,467,932	$ 792,822	$5,260,754	$ —	$5,260,754
Inside Group	5,703	293,627	299,330	(299,330)	—
Total	4,473,635	1,086,449	5,560,084	(299,330)	5,260,754
Costs and expenses	4,016,932	1,093,102	5,110,034	(256,687)	4,853,347
Operating income (loss)	$ 456,703	$ (6,653)	$ 450,050	$ (42,643)	$ 407,407
Total assets	$2,440,661	$1,054,466	$3,495,127	$958,119	$4,453,246
Depreciation	$ 200,779	$ 63,729	$ 264,508	$ 3,399	$ 267,907
Capital expenditures	$ 248,568	$ 120,551	$ 369,119	$ 10,144	$ 379,263

	Millions of Yen				
For 2006	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
Net sales:					
Outside customers	¥473,420	¥106,889	¥580,309	¥ —	¥580,309
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
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

Notes: 1. Business segments were 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 consisted of administrative expenses and R&D expenses for fundamental research of the parent company, which amounted to ¥5,032 million ($42,643 thousand) and ¥5,830 million for the years ended March 31, 2007 and 2006, respectively.

4. Elimination or unallocated amounts of total assets principally consisted of cash and time deposits, marketable securities, investments in securities and administrative assets of the parent company, which amounted to ¥114,864 million ($973,424 thousand) and ¥139,714 million for the years ended March 31, 2007 and 2006, respectively.

(2) Geographical segments

	Millions of Yen						
For 2007	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Net sales:							
Outside customers	¥450,762	¥61,095	¥84,029	¥ 24,883	¥620,769	¥ —	¥620,769
Inside Group	127,274	87	48	120,826	248,235	(248,235)	—
Total	578,036	61,182	84,077	145,709	869,004	(248,235)	620,769
Costs and expenses............	538,543	57,986	80,599	143,253	820,381	(247,686)	572,695
Operating income (loss).......	¥ 39,493	¥ 3,196	¥ 3,478	¥ 2,456	¥ 48,623	¥ (549)	¥ 48,074
Total assets	¥475,494	¥24,205	¥35,359	¥ 42,977	¥578,035	¥ (52,552)	¥525,483

	Thousands of U.S. Dollars						
For 2007	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Net sales:							
Outside customers	$3,820,017	$517,754	$712,110	$ 210,873	$5,260,754	$ —	$5,260,754
Inside Group	1,078,593	737	407	1,023,949	2,103,686	(2,103,686)	—
Total	4,898,610	518,491	712,517	1,234,822	7,364,440	(2,103,686)	5,260,754
Costs and expenses..............	4,563,924	491,407	683,042	1,214,008	6,952,381	(2,099,034)	4,853,347
Operating income (loss).......	$ 334,686	$ 27,084	$ 29,475	$ 20,814	$ 412,059	$ (4,652)	$ 407,407
Total assets	$4,029,610	$205,127	$299,653	$ 364,212	$4,898,602	$ (445,356)	$4,453,246

	Millions of Yen						
For 2006	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
Net sales:							
Outside customers	¥438,321	¥50,779	¥70,997	¥ 20,212	¥580,309	¥ —	¥580,309
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
Total assets	¥463,403	¥23,475	¥26,123	¥ 39,034	¥552,035	¥ (50,075)	¥501,960

Notes: 1. Segments of countries and areas were classified by the geographical factor.
2. The main countries and the areas which belong to each segment except for Japan were as follows:
(1) North America .........U.S.A., Canada, Mexico
(2) Europe.....................U.K., Germany, France, Spain, Netherlands, Norway
(3) Asia ....Taiwan, Hong Kong, South Korea, Malaysia, Singapore, China, India, Indonesia, Thailand

(3) Overseas sales

	Millions of Yen				
For 2007	North America	Europe	Asia	Others	Total
Overseas net sales..................	¥83,951	¥90,902	¥70,301	¥29,825	¥274,979
Net sales (consolidated)					620,769
Share of overseas net sales	13.5%	14.7%	11.3%	4.8%	44.3%

	Thousands of U.S. Dollars				
For 2007	North America	Europe	Asia	Others	Total
Overseas net sales..................	$711,449	$770,356	$595,771	$252,755	$2,330,331
Net sales (consolidated)					5,260,754
Share of overseas net sales	13.5%	14.7%	11.3%	4.8%	44.3%

	Millions of Yen				
For 2006	North America	Europe	Asia	Others	Total
Overseas net sales..................	¥58,868	¥78,822	¥70,370	¥27,519	¥235,579
Net sales (consolidated)					580,309
Share of overseas net sales	10.2%	13.6%	12.1%	4.7%	40.6%

Notes: 1. Segments of countries and areas were classified by the geographical factor.
2. The main countries and the areas which belong to each segment were 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.

14. Contingent Liabilities

At March 31, 2007, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥1,960 million ($16,610 thousand).

15. Stock Option

By special resolution at the 46th annual shareholders' meeting held on June 27, 2002, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 27, 2002.

The stock purchase rights can be exercised at a price of ¥699 ($5.92) per share in the period from July 1, 2004 to June 30, 2009, and a total of 191 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

By special resolution at the 47th annual shareholders' meeting held on June 27, 2003, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 27, 2003.

The stock purchase rights can be exercised at a price of ¥1,221 ($10.35) per share in the period from July 1, 2005 to June 30, 2010, and a total of 78 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

By special resolution at the 48th annual shareholders' meeting held on June 29, 2004, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 29, 2004.

The stock purchase rights can be exercised at a price of ¥1,575 ($13.35) per share in the period from July 1, 2006 to June 30, 2011, and a total of 148 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

16. Subsequent Events

At the annual shareholders' meeting held on June 28, 2007, the Company's shareholders approved the payment of a cash dividend of ¥23.00 ($0.19) per share aggregating ¥6,346 million ($53,780 thousand) to shareholders of record as of March 31, 2007.

Independent Auditors’ Report

To the Shareholders and Board of Directors of CASIO COMPUTER CO., LTD.:

We have audited the accompanying consolidated balance sheets of CASIO COMPUTER CO.,LTD. (a Japanese corporation) and consolidated subsidiaries as of March 31, 2007 and 2006, the related consolidated statements of income for the years then ended, the consolidated statement of net assets for the year ended March 31, 2007, the consolidated statement of shareholders’ equity for the year ended March 31, 2006, and the consolidated statements of cash flows for the years ended March 31, 2007 and 2006, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CASIO COMPUTER CO.,LTD. and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2007

Principal Subsidiaries (As of March 31, 2007)

Overseas Subsidiaries

Europe

- *Casio Europe GmbH*
  Germany
  Sales of Casio products
- *Casio Electronics Co., Ltd.*
  U.K.
  Sales of Casio products
- *Casio France S.A.*
  France
  Sales of Casio products
- *Casio Benelux B.V.*
  The Netherlands
  Sales of Casio products
- *Casio Scandinavia AS*
  Norway
  Sales of Casio products
- *Casio Espana, S.L.*
  Spain
  Sales of Casio products

Asia

- *Casio Computer (Hong Kong) Ltd.*
  Hong Kong
  Production of electronic calculators and LCDs
- *Casio Korea Co., Ltd.*
  The Republic of Korea
  Production of electronic timepieces
- *Casio Taiwan Co., Ltd.*
  Taiwan
  Production of timepiece cases and sales of Casio products
- *Casio Singapore Pte., Ltd.*
  Singapore
  Production of electronic components and sales of Casio products
- *Casio India Co., Pvt. Ltd.*
  India
  Production and sales of electronic calculators and electronic timepieces
- *Casio Electronic Technology (Zhongshan) Co., Ltd.*
  The People's Republic of China
  Production and sales of electronic calculators, electronic dictionaries and electronic musical instruments
- *Casio Electronics (Shenzhen) Co., Ltd.*
  The People's Republic of China
  Production of electronic timepieces
- *Casio (Guangzhou) Co., Ltd.*
  The People's Republic of China
  Sales of electronic timepieces
- *Casio (Thailand) Co., Ltd.*
  Thailand
  Production of electronic timepieces
- *Casio (Shanghai) Co., Ltd.*
  The People's Republic of China
  Sales of Casio products

North America

- *Casio, Inc.**
  U.S.A.
  Sales of Casio products
- *Casio Latin America, Inc.*
  U.S.A.
  Sales of Casio products
- *Casio Canada Ltd.*
  Canada
  Sales of Casio products
- *Casio Holdings, Inc.*
  U.S.A.
  Holding company

Domestic Subsidiaries

- *Yamagata Casio Co., Ltd.*
  Production of digital cameras, electronic timepieces, and cellular phones
- *Casio Micronics Co., Ltd.*
  Production and sales of electronic components
- *Casio Electronic Manufacturing Co., Ltd.*
  Production of page printers
- *Kochi Casio Co., Ltd.*
  Production of LCDs
- *Kofu Casio Co., Ltd.*
  Production of handy terminals, system equipments, and LCDs
- *Casio Hitachi Mobile Communications Co., Ltd.*
  Development, design, and production of cellular phones
- *Casio Techno Co., Ltd.*
  Customer service for Casio products
- *Casio Information Systems Co., Ltd.*
  Sales of system equipment

(52 consolidated subsidiaries and 3 equity-method affiliates)
* Casio, Inc. will be renamed Casio America, Inc., effective August 1, 2007.

Directors and Corporate Auditors (As of June 28, 2007)

*Corporate officers

Chairman and Representative Director
Toshio Kashio

President and CEO
Kazuo Kashio*

Executive Vice President and Representative Director
Yukio Kashio*

Senior Managing Directors
Yozo Suzuki*
Fumitsune Murakami*

Managing Directors
Akinori Takagi*
Akira Kashio*
Susumu Takashima*

Directors
Tadashi Takasu*
Kouichi Takeichi*

Corporate Auditors
Takeshi Honda
Yoshinobu Yamada
Tomimoto Umeda
Hironori Daitoku

Corporate Officers
Eiichi Takeuchi
Harunori Fukase
Isamu Shimozato
Ichiro Ohno
Yuichi Masuda
Osamu Ohno
Atsushi Yazawa
Hiroshi Nakamura
Kazuhiro Kashio

Corporate Data (As of March 31, 2007)

Established: June 1957
Paid-in Capital: ¥48,592 million
Employees: 13,013
Home Page Address: http://world.casio.com/

Domestic Offices

Head Office
6-2, Hon-machi 1-chome,
Shibuya-ku, Tokyo 151-8543

Accounting Department
Tel: (03) 5334-4852

R&D Centers

Hamura Research & Development Center
3-2-1, Sakae-cho,
Hamura City, Tokyo 205-8555
Tel: (042) 579-7111

Hachioji Research & Development Center
2951-5, Ishikawa-cho,
Hachioji City, Tokyo 192-8556
Tel: (042) 639-5111

Overseas Offices

Casio, Inc.
570 Mt. Pleasant Avenue,
Dover, New Jersey 07801,
United States
Tel: 973-361-5400

Casio Europe GmbH
Bornbarch 10,
22848 Norderstedt, Germany
Tel: 040-528-65-0

Investor Information (As of March 31, 2007)

Stock Exchange Listings

Tokyo

Transfer Agent

The Sumitomo Trust and Banking Corporation
Stock Transfer Agency Dept.
4-4, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8233, Japan

Number of Shares

Authorized: 471,693,000 shares
Issued: 279,020,914 shares*

Number of Shareholders

29,560

* The number of shares issued at the reporting term-end increased by 8,578,046 shares compared with the previous term-end, as a result of the conversion of bonds with stock acquisition rights.

Principal Shareholders

	Shareholdings (thousands)	% of outstanding share*
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,155	10.21%
Japan Trustee Services Bank, Ltd. (Trust Account)	15,838	5.74
Nippon Life Insurance Company	13,669	4.95
Casio Bros. Corp.	10,000	3.62
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust and Banking Co., Ltd. Retrust Portion, Sumitomo Mitsui Banking Corp. Pension Trust Account)	9,865	3.58
Sumitomo Mitsui Banking Corp.	6,789	2.46
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,077	1.84
Toshio Kashio	4,834	1.75
The Chase Manhattan Bank 385036	4,180	1.52
Mitsui Sumitomo Insurance Co., Ltd.	4,122	1.49

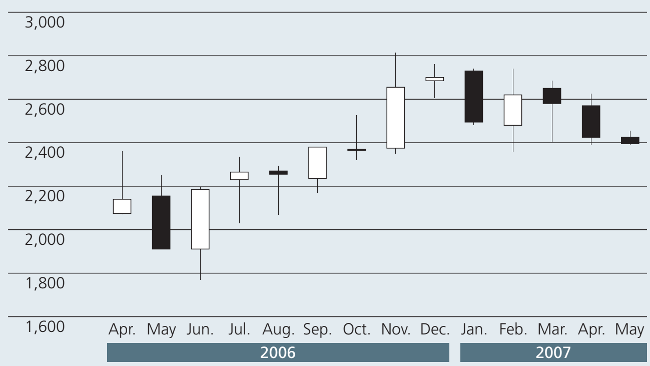
* Outstanding shares are calculated after deduction of shares in treasury (3,124,881).

Share Price Range

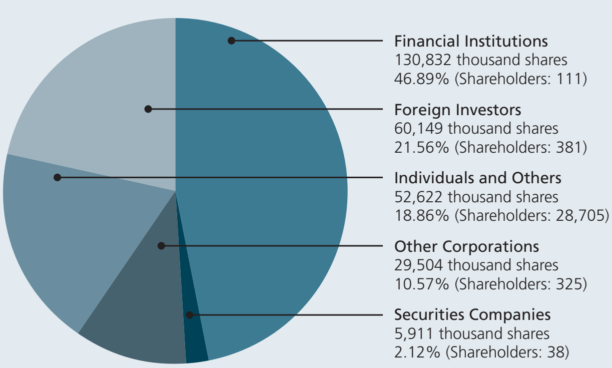
Year	Month	Yen High	Yen Low
2006	Apr.	¥2,360	¥2,070
	May	2,250	1,907
	Jun.	2,195	1,770
	Jul.	2,335	2,030
	Aug.	2,295	2,070
	Sep.	2,380	2,170
	Oct.	2,525	2,320
	Nov.	2,815	2,350
	Dec.	2,760	2,605
2007	Jan.	2,740	2,480
	Feb.	2,740	2,360
	Mar.	2,685	2,405
	Apr.	2,625	2,390
	May	2,455	2,390

Share Price

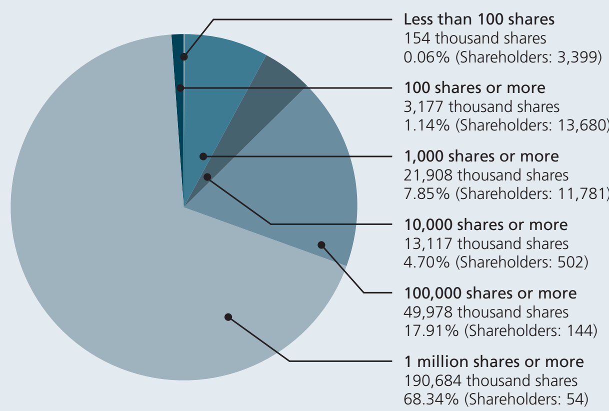
(Yen)



Breakdown of Shareholders



Breakdown of Shareholdings by Size



CASIO COMPUTER CO., LTD.

6-2, Hon-machi 1-chome, Shibuya-ku, Tokyo 151-8543, Japan
http://world.casio.com/

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