

Management's Discussion and Analysis

Net Sales

Net sales for the business term ended March 31, 2008 came to ¥623,050 million, up by 0.4% over the previous term. The achievement of this revenue increase is attributable to vigorous marketing efforts in the Company's strategic fields of digital cameras, timepieces, electronic dictionaries, and cell phones, as well as measures to improve management efficiency.

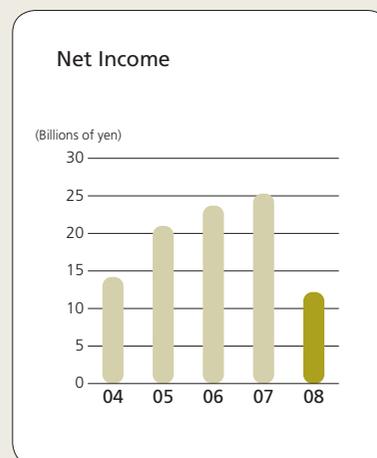
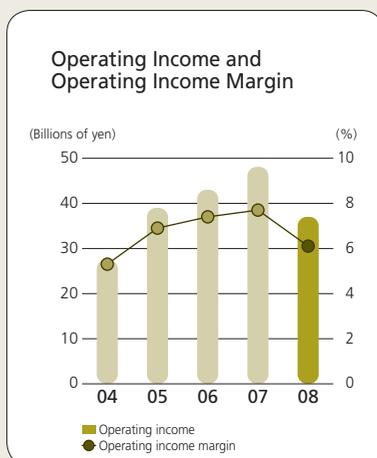
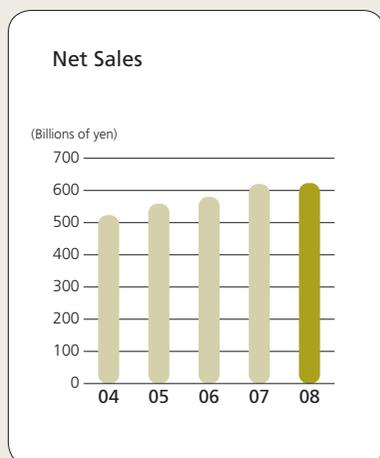
	Millions of yen	
	2008	2007
Electronics:		
Consumer.....	¥228,634	¥229,352
Timepieces.....	86,922	77,948
Mobile Network Solutions (MNS).....	165,800	171,314
System Equipment.....	45,296	48,602
Subtotal.....	526,652	527,216
Electronic Components & Others:		
Electronic Components.....	68,368	62,790
Others.....	28,030	30,763
Subtotal.....	96,398	93,553
Total.....	¥623,050	¥620,769

Results by Segment

Sales by the Electronics segment amounted to ¥526,652 million, for a decrease of 0.1% from the previous year. This segment accounted for 84.5% of net sales.

In the Consumer Category, sales decreased 0.3% to ¥228,634 million. In digital cameras, Casio enjoyed another year of firm demand thanks to the launch of a number of differentiated new models. These included the latest model in the Exilim series — the EXILIM Card EX-S10 — which is the world's thinnest and most compact digital camera with a picture quality of 10 megapixels.

In the category of Timepieces, sales rose by 11.5% over the previous year, to ¥86,922 million. This is largely attributable to good sales of radio-controlled watches, led by our Oceanus brand, sales of which were boosted by the launch of new high-end models capable of receiving standard frequency broadcasts from five stations worldwide (two in Japan and one each in the U.S., Germany, and the U.K.).



In the category of MNS (Mobile Network Solutions), sales declined by 3.2% to ¥165,800 million. In cell phones, both the Exilim series W53CA model and W53H model (which features a 2.8-inch-wide QVGA organic electroluminescent display) proved popular, and strong sales growth was posted in the latter half of the year.

In the Electronic Components and Others segment, sales posted year-on-year growth of 3.0% to ¥96,398 million, accounting for 15.5% of net sales. The Electronic Components category enjoyed a sales increase of 8.9%, to ¥68,368 million. This was due to a recovery in demand for TFT LCDs, which put a stop to the slide in unit prices, in addition to a rise in the ratio of LCDs used in cell phone and GPS applications.

Subsidiary Casio Micronics Co., Ltd. in March 2008 signed an agreement with Hitachi Cable, Ltd. to transfer its Film Device business, which will enable us to carry out a radical restructuring of the subsidiary. In the Others category, sales of ¥28,030 million were registered, for a decline of 8.9% from the previous year.

Results by Region

Sales in Japan recorded a year-on-year decline of 5.1%, to ¥327,999 million, accounting for 52.6% of total sales. Sales in North America were down 3.8% at ¥80,790 million for 13.0% of total sales, while sales in Europe rose 3.8% to ¥94,333 million for 15.2% of the total. Sales in Asia (excluding Japan) and other regions category posted an increase of 19.8%, to ¥119,928 million, accounting for 19.2% of total sales. Overseas sales as a whole rose 7.3% to ¥295,051 million.

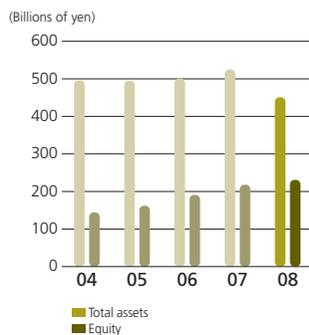
Results of Operations

The Electronics segment posted a 13.6% decline in operating income, to ¥46,537 million, while the Electronic Components and Others segment registered an operating loss of ¥3,259 million. Total operating income on a consolidated basis, after adjustments for elimination or unallocated amount, was down 21.5% from the previous year's figure, at ¥37,753 million. These results represent a recovery from a significantly worse performance in the first half of the term, thanks to improvements made in our product lineup with the launching of new value-added items, including radio-controlled watches, electronic dictionaries, and cell phones, as well as improved efficiency in product development and operational methods, and steps taken to increase productivity. The operating margin for the reporting term was 6.1%.

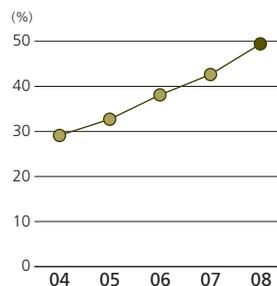
The financial account balance for the reporting term rose from ¥1,106 million for the previous term to ¥1,502 million. Net other expenses increased from ¥7,797 million to ¥15,367 million. The principal factor in this change was the posting of extraordinary losses resulting from the transference of the Film Device business of Casio Micronics to Hitachi Cable.

Net income for the term came to ¥12,188 million, with EPS at ¥44.17.

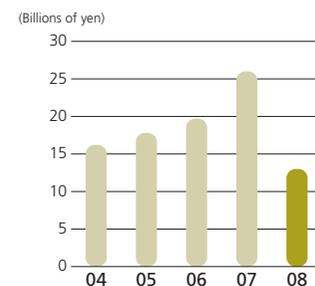
Total Assets and Equity



Equity Ratio



Capital Investment



Financial Condition

Total assets as of the end of March 2008 stood at ¥451,835 million, representing a decline of 14.0% from the previous term-end. Current assets declined by ¥45,526 million to ¥284,610 million, largely as a result of a decrease in trade receivables. The value of noncurrent assets decreased by ¥28,122 million to ¥167,225 million, owing to declines in the value of machinery & equipment and vehicles, as well as the transference of a certain portion of investment securities to the current assets account.

Total liabilities decreased by 23.6% to ¥220,622 million. As a result of a decrease in long-term debt due for repayment within one year as well as trade payables, current liabilities declined by ¥40,394 million to ¥187,168 million. Long-term liabilities shrank by ¥27,798 million to ¥33,454 million, due to the transference of corporate bonds and long-term borrowings to the current liabilities account.

The debt-equity ratio improved sharply, to 0.21 from 0.37 at the previous term-end.

Net assets at the term-end amounted to ¥231,213 million, while the equity ratio rose by 6.8 percentage points, to 49.4%.

Cash Flow Analysis

Cash and cash equivalents at the reporting term-end came to ¥87,957 million, for a decrease of ¥9,282 million from the previous term-end. This is attributable to a decrease in working capital (trade receivables, inventory assets, trade payables) and expenditure for the repayment of long-term debt.

Net cash provided by operating activities came to ¥71,749 million, for an increase of ¥35,800 million over the previous term. This breaks down into income before income taxes and minority interests in the amount of ¥23,888 million (compared with ¥41,383 million for the previous term), depreciation expenses of ¥33,959 million (compared with ¥31,613 million), a decline of ¥22,988 million in trade receivables (compared with an increase of ¥21,208 million), a decline in inventory assets of ¥8,150 million (compared with an increase of ¥7,652 million), a decline in trade payables of ¥4,531 million (compared with an increase of ¥10,076 million), and income taxes paid of ¥14,244 million (compared with ¥14,208 million).

Net cash used in investing activities amounted to ¥36,102 million, for a decrease of ¥1,577 million from the previous term. This breaks down into expenditure for the acquisition of property, plant and equipment in the amount of ¥22,538 million (¥16,865 million for the previous term), proceeds from the sale of property, plant and equipment in the amount of ¥6,539 million (¥595 million for the previous term), and expenditure on the acquisition of intangible assets in the amount of ¥15,521 million (¥17,942 million for the previous term).

Net cash used in financing activities rose by ¥13,772 million from the previous term, to ¥42,485 million. This breaks down into ¥30,000 million on the repayment of long-term debt (¥20,747 million for the previous term) and ¥10,000 million on the redemption of bonds.

Capital Investment

Capital investment declined by 49.6% from the previous term, to ¥13,515 million. Broken down by business segment, capital investment in the Electronics segment came to ¥9,335 million, down by 19.9% from the previous term, while the figure for the Electronic Components and Others segment was ¥3,720 million, down by 73.5%.

Research & Development

R&D expenses decreased by 18.1% to ¥14,750 million. R&D expenses in the Electronics segment amounted to ¥9,029 million, down 25.6%, while expenses in the Electronic Components and Others segment came to ¥1,469 million, down 11.9%.