

Message from the President



Kazuo Kashio,  
President & CEO

## Performance for the Term Ended March 2010

During fiscal 2010, ended March 31, 2010, the Japanese and global economies pulled out of the worst phase of the global recession and began to show signs of a gradual recovery, yet the outlook remains uncertain.

In this environment, consolidated net sales for fiscal 2010 fell 17.4% year-on-year to ¥427.9 billion.

By segment, sales dropped 17.6% to ¥380.5 billion in the Electronics segment. The digital camera business was a strong performer in the Japanese market, as Casio launched a total of 14 new models, including the Exilim ZOOM EX-Z2000, which comes with an even more advanced version of Casio's Dynamic Photo function for combining moving images right on the camera. Sales in markets outside of Japan languished in the first half of the fiscal year, but improved significantly in the second half, particularly in Europe and China. In the electronic dictionary business, sales of the EX-word series, which now features color LCD screens and completely updated flagship models, were firm, and Casio kept its top share of the market. In the timepieces business, sales of non-radio controlled watches were affected by the harsh market environment in the first half, but sales of radio-controlled watches were strong, particularly Casio's high value-added brands such as G-Shock, Oceanus, and Edifice. In the cell phone business, Casio released a total of seven new models, including the Exilim keitai CA003 for *au*, which is equipped with a variety of digital camera functions including high-speed burst shooting and the Dynamic Photo function. Also newly released was the G'zOne ROCK, a waterproof, shock-resistant cell phone for US-based Verizon Wireless. Sales lagged in the

Japanese market, failing to recover from the unexpected decline in market share at the end of the second quarter. Sales in markets outside of Japan were also hurt by the postponement of the launch of a new model for Verizon Wireless. As a result of these factors, sales were sharply down in the cell phone business.

Sales in the Electronic Components and Others segment fell 15.7% to ¥47.3 billion. This was because sales in Electronic Components were down due to the impact of sluggish demand for digital cameras and cell phones, as well as lower unit prices for TFT LCDs.

In income for fiscal 2010, the Electronics segment posted a ¥19.9 billion operating loss, primarily due to the sharp decline in sales of cell phones. However, timepieces and electronic dictionaries remained highly profitable, and the profitability of digital cameras steadily improved from the second half. The Electronic Components and Others segment recorded a ¥4.8 billion operating loss. As a result, Casio posted a total consolidated operating loss of ¥29.3 billion, allowing for elimination or unallocated amounts. Casio also posted a net loss of ¥20.9 billion for the fiscal year.

A dividend of ¥15 per share has been paid for the reporting term.

## Priorities for the current fiscal year

Casio will confront today's unpredictable business environment with a proactive global strategy that will raise earnings substantially. This strategy is based on popularizing new products that leverage Casio's original, global-standard technology. The main strategies are outlined below.

- In the digital camera business, Casio will work to expand sales in Europe and China, and aggressively launch new products equipped with cutting-edge technology that combines GPS with motion sensors.
- Casio intends its new business in Digital Art Frames and Art Clocks to contribute quickly to overall performance and aims to expand this new business. In addition, the company will drive a transformation from stand-alone units to full-featured main products with Internet connectivity.
- Casio will further expand its timepiece business by reinforcing the G-Shock brand with aggressive promotions in global markets and expanding its lineup of radio-controlled analog products for women.
- In the electronic dictionary business, Casio will work to become the top brand in the global education market by maintaining its top market share and high profitability in the Japanese market, and actively building up sales in the Chinese market by launching color models and expanding the target market.

- Casio will merge its cell phone business and TFT LCD business with other companies as planned to launch its global expansion on a full scale. This will capitalize on each company's strengths to create synergies that will result in a stable business structure.

### Medium- and Long-Term Management Strategy

To achieve continuous growth in corporate value despite today's difficult economic environment, Casio is improving global cost competitiveness in every business to build a robust earnings base that will allow the company to secure high profits, while also strengthening its financial structure. Casio also firmly recognizes that better performance in the area of corporate social responsibility is an important issue. To achieve these aims, Casio is working as one to execute the following strategies.

#### 1. Creating New Genres

Casio will develop new product genres that generate high profitability in each business. This will be accomplished by integrating Casio's unique technology with its product planning skills, which pinpoint the market's changing needs.

#### 2. Creating New Strategic Businesses

In the past, Casio has drawn on unique ideas and advanced technology to bring the world a range of exciting new products. To achieve steady growth in the future, Casio is determined not only to succeed in existing businesses, but also to create value in new business fields — which leverage Casio technologies that cannot be imitated by other companies. In order to achieve this, Casio will focus its

management resources on new business fields even more than in the past, with the aim of quickly establishing businesses that can realize a stable, highly profitable structure.

### 3. Strengthening the Financial Structure

Casio is moving ahead strongly with improvements in its equity ratio and debt/equity ratio with the aim of strengthening its financial foundations for future growth. The uncertainty in the outlook for financial conditions in the market today has reaffirmed Casio's conviction that securing financial liquidity is a key financial priority for the growth funds needed for future business expansion and future repayment of interest-bearing liabilities. Accordingly, Casio will flexibly adapt as it monitors changes in the external environment.

In the future, the company will continue to pursue even more thoroughly efficient cash flow management and strive to generate free cash flow, aiming to build a completely strong, stable financial structure.

### 4. CSR-focused Management

Casio understands that sustainable corporate growth will only come about with the preservation of global environment and development of society, and is actively managing its corporate social responsibility.

Based on the Charter of Creativity for Casio, which articulates the code of conduct for employees, Casio is striving to improve corporate governance and compliance by ensuring that all employees and officers understand and comply with laws and regulations, maintain social order, and contribute to society.

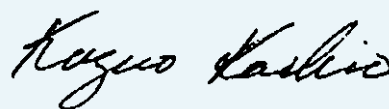
Through the execution of the four strategies described above, Casio seeks to deliver original products and services with high added value, increase corporate value, and contribute to the building of a society of abundant creativity.

Since Casio's foundation, its corporate creed has been "Creativity and Contribution." Casio's mission is to pursue growth as a company and increase corporate value by contributing to society. The company is accomplishing this by introducing innovative ideas going from 0 to 1, and outstanding solutions based on its proprietary advanced technologies.

Casio will continue to deliver the values of "function, quality, economy, speed, productivity, ethics, safety, and compatibility with the environment" in its products and services. In the months and years ahead, the company looks forward to providing all of its stakeholders with more "excitement" than they anticipate, and greater "inspiration" than ever before.

We ask all our shareholders and investors to continue their support.

July 2010



Kazuo Kashio, *President & CEO*