

# Management's Discussion and Analysis

## Operating Results

Consolidated net sales for the years ended March 31, 2013 and 2012:

	Millions of Yen	
	2013	2012
Consumer	¥227,861	¥215,327
System Equipment	41,778	43,103
Others	28,124	43,230
<b>Total</b>	<b>¥297,763</b>	<b>¥301,660</b>

Consolidated net sales for the year ended March 31, 2013 were ¥297,763 million, a decrease of 1.3% from the previous year. Consolidated operating income came to ¥20,053 million, an increase of 121.2% compared to the previous year, and ¥11,876 million was posted in net income, which was an increase of 364.6%.

In the Consumer segment, sales were ¥227,861 million, an increase of 5.8% from the previous year. In the timepiece business, brands such as G-SHOCK and PRO TREK continued to perform well, primarily in overseas markets such as North America and Asia, driven by a stronger global brand strategy, and timepiece sales increased overall. Casio also launched G-SHOCK watches capable of connecting to smartphones with Bluetooth® and developed a new market. Casio also expanded the line-up of watches for women in brands such as Baby-G and SHEEN, and they continued to sell well. In the electronic dictionary business, sales of the EX-word series remained strong, mainly for the student model, and Casio continued to hold the overwhelming No.1 share of the Japanese market. In income, the Consumer segment posted ¥26,554 million in operating income, an increase of 81.3% compared to the previous year and an operating profit margin of 11.7%, as a result of sustained high profitability in the timepiece and electronic dictionary businesses.

In the System Equipment segment, sales were ¥41,778 million, a decrease of 3.1% from the previous year and operating loss back to ¥702 million as a result of improvement of profitability (an operating loss of ¥2,350 million in the previous year).

In the Others segment, sales were ¥28,124 million, a decrease of 34.9% from the previous year and an operating loss was ¥293 million (an operating profit of ¥299 million in the previous year).

## Financial Condition

Total assets at the end of March 2013 rose ¥3,110 million year-on-year to ¥369,322 million. Current assets increased by ¥5,697 million to ¥249,719 million, partly as a result of increases in securities. Noncurrent assets declined by ¥2,587 million to ¥119,603 million, largely as a result of a decrease in deferred tax assets.

Total liabilities decreased by ¥11,604 million year-on-year to ¥205,354 million. Current liabilities rose ¥23,717 million to ¥115,302 million and noncurrent liabilities declined by ¥35,321 million to ¥90,052 million, due primarily to transfer of the noncurrent portion of bonds and long-term loans payable to the current portion of bonds and long-term loans payable.

Net assets at year-end rose ¥14,714 million to ¥163,968 million due mainly to an increase of retained earnings.

## Cash Flow Analysis

Cash and cash equivalents at year-end came to ¥97,350 million, a decrease of ¥3,360 million.

Net cash provided by operating activities amounted to ¥9,478 million, a decrease of ¥1,315 million from the previous year, even though the income before income taxes increased. This was mainly due to a decrease in provision for retirement benefits and increase in working capital.

Net cash used in investing activities amounted to ¥13,377 million, an increase of ¥16,484 million from a net cash inflow of ¥3,107 in the previous year. This was partly attributable to increase in net cash outflow of purchase, sales and redemption of investment securities.

Net cash used in financing activities amounted to ¥4,695 million, a decrease of ¥26,034 million from the previous year, when net cash inflow of proceeds and repayment of short-term and long-term loans payable was ¥18,658 million while net cash outflow due to issuance and redemption of bonds was ¥44,057 million.

## Capital Investment

Capital investment came to ¥7,637 million. By segment, capital investment came to ¥5,815 million in the Consumer segment, ¥1,330 million in the System Equipment segment, and ¥305 million in the Others segment.

## Research & Development

R&D expenses came to ¥7,918 million. By segment, R&D expenses were ¥3,465 million in the Consumer segment, ¥1,181 million in the System Equipment segment, and ¥26 million in the Others segment.