

## TO OUR SHAREHOLDERS

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To continue being an attractive company worthy of shareholders' and investors' attention, Casio directs its corporate management toward maximizing shareholders' value. We created a three-year medium-term management plan to further clarify this management stance, and began implementing this plan in the current fiscal year. While we will be talking about this plan in greater detail below, we would first like to explain Casio's performance in the fiscal year ended March 31, 2001.

### **PERFORMANCE**

Our operating environment on the whole remained severe. While we saw growth in demand for digital-, network- and other IT-related areas, the worldwide PC industry entered a slowdown led by weaker demand in the United States. In addition, inventories of cellular handsets rose around the world in the second half of 2000, and these inventories led to declines in electronic component prices. And sales prices fell worldwide as global-scale market competition intensified.

Amid this operating environment, Casio worked to strengthen its strategically important Mobile Network Solutions (MNS) business and its Electronic Components business by allocating more of its management resources toward these two areas.

We saw some tangible results from these efforts during the fiscal year under review, as consolidated net sales rose 8.2% to ¥443,930 million. By business segment, sales of the Electronics segment grew 7.4% to ¥327,580 million as sales in Casio's MNS business more than doubled. Sales of the Electronic Components and Others segment rose 10.3% to ¥116,350 million, with electronic components sales up nearly 40%.

Compared with previous fiscal year results, operating income was down 8.1% to ¥17,905 million. However, we mainly attribute this decline to increases in cost of sales and selling, general and administrative (SG&A) expenses,

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owing to new accounting standards for employees' severance and retirement benefits that we adopted in the fiscal year. Net income rose 6.1% to ¥6,547 million.

### **THREE-YEAR MEDIUM-TERM MANAGEMENT PLAN**

Casio has been committed to concentrating its technologies and management resources while working toward more efficient management and increased cost competitiveness. The three-year medium-term management plan that starts in the current fiscal year will help us continue our strategic selection and concentration of businesses and further boost our management position. The plan defines management's vision as "creating new value by providing products and services for a digital life," and is governed by a basic policy of



"shareholder-value-based management." Management targets for the final year of the plan include operating income margins of 8% and invested capital turnover of 1.6 times.

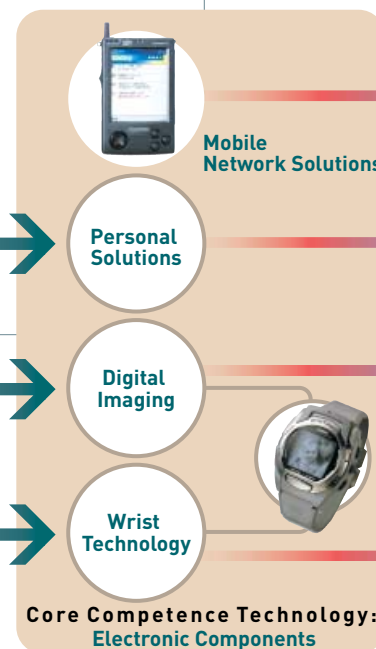
Based on this management vision, Casio is focusing business development on the following four key areas:

- 1) Digital imaging: in anticipation of growth in digital-camera-related markets at the expense of the conventional film camera market, this business will seek to provide users with digital imaging possibilities from new digital cameras with Casio's signature creativity, from image album editing and Web sites for publishing digital images to digital printing stations in stores.

- 2) Wrist technology: this business will explore the possibilities for mobile hardware worn on the wrist, including PDAs and the integration of cellular phones and wristwatches. Casio is one of the few companies in the world that manufactures both wristwatches and PDAs.
  - 3) Personal solutions: this business will focus on turning ordinary stand-alone consumer products into Internet appliances. For example, Casio is planning not only to offer music manuscripts, but also music school services by connecting musical instruments to the Internet.
  - 4) MNS: in the current fiscal year, we added the Pocket Manager series to the CASSIOPEIA® lineup as a part of our PDA product strategy. The Pocket Manager series features high-performance hardware at reasonable prices. Casio will continue to concentrate efforts in the MNS business as a component of its medium-term management plan.
- These business areas have the potential to expand the world of mobile networking, and we see our core compe-

## EVOLUTION OF CASIO PRODUCTS

### Stand-Alone Products



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tences in electronic component technologies as being able to make this happen.

Under the new plan, Casio will also explore ways to boost management efficiency. Specifically, this will include the following four measures:

- 1) Casio Cost Engineering (CCE) activities: CCE activities aim to boost cost competitiveness through all-out cost reductions, beginning in the product planning stage, to provide high-quality products.
- 2) Raising efficiency of production bases: Casio will work to construct a system that integrates production functions from design stages to delivery, merge or close production bases in ASEAN countries and China and shorten production lead times.
- 3) Increasing staff productivity: Casio will adopt and put into practice a personnel system that links position with job results.
- 4) Maximizing investment returns and moving ahead with strategic selection and concentration of businesses: this will involve the introduction of Casio's own performance valuation standard called Casio Economic Profit (CEP).

The current fiscal year will be a period for strengthening its management base under the three-year medium-term management plan and further cultivating core business areas. We plan to continue increasing management efficiency while we achieve improvements in our business performance. We believe this will create new corporate value and maximize value for our shareholders. Casio is stepping up efforts to achieve these objectives while meeting the expectations of its shareholders.

We ask for your continued understanding and support as we move forward.

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**Kazuo Kashio**  
President and CEO