Years ended March 31, 2001 and 2000
Casio Computer Co., Ltd. and Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The Company and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2001, which was ¥124 to U.S.$1.00. The convenience translations should not be construed as representations 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.

Certain reclassification has been made in the 2000 consolidated financial statements to conform to the 2001 presentation.

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.

Cash flow statement—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—Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payable denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries in Japan adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect on the consolidated income statement of adopting the Revised Accounting Standard was to increase income before income taxes and minority interests by ¥340 million ($2,742 thousand).

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Statements of income of consolidated overseas subsidiaries are translated at average rates.

Due to the adoption of the Revised Accounting Standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in the shareholders' equity and minority interests. The prior year's amount, which is included in assets, has not been reclassified.

Securities—Prior to April 1, 2000, investment securities listed on exchanges were stated at the lower of cost or market. Other investments were stated at cost. Cost was principally determined by the moving-average method.

Effective April 1, 2000, the Company and its consolidated subsidiaries in Japan adopted the new Japanese accounting standard "Accounting Standards for Financial Instruments" ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

As a result, debt securities designated as held-to-maturity are carried at amortized cost. Equity securities issued by affiliates which are not consolidated or accounted for using the equity method are stated at moving-average 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 shareholders' equity. The cost of such securities sold is determined 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.

The effect of adopting this new accounting standard was to increase income before income taxes and minority interests by ¥1,007 million ($8,121 thousand).

Upon applying the new standard, the Company and its consolidated subsidiaries in Japan examined the intent of holding each security at the beginning of the period and classified as held-to-maturity securities and available-for-sale securities with maturity of one year or less, and short-term highly liquidated available-for-securities like deposits. As a result, securities included in the current assets decreased by ¥9,942 million ($80,177 thousand) and investment securities increased by the same amount.

Derivatives and hedge accounting—The new accounting standard for financial instruments, effective from the year ended March 31, 2001, 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 hedge and meet certain hedging criteria, the Group defer recognition of gains or losses resulting from changes in 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 hedge 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 use forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation 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 receivable.

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 and leased equipment. The building of head office of the Company and buildings, excluding building fixtures, acquired after March 31, 1998 are depreciated using the straight-line method. Leased equipment is depreciated by the straight-line method over the lease term.

Software costs— Software is categorized by the following purposes and depreciated using the following two methods.

(Software for market sales) The production costs for master product are capitalized and depreciated over no more than 3 years by the projected revenue basis.

(Software for internal use) The acquisition costs of software for internal use are depreciated over 5 years by the straight-line method.

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

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. And those of some of its consolidated subsidiaries in Japan are covered by lump-sum indemnities.

Prior to April 1, 2000, such companies recognized pension expense when, and to the extent, payments were made to the pension plans. Remaining consolidated subsidiaries mainly provide for the allowance for employees' severance and retirement benefits in amounts required had all employees retired voluntarily at the balance sheet date.

Effective April 1, 2000, the Company and its consolidated subsidiaries in Japan adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, 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") amounted to ¥19,576 million ($157,871 thousand), The net transition obligation will be recognized in expenses in equal amounts over 10 years commencing with the year ended March 31, 2001.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥2,794 million ($22,532 thousand), operating income and income before income taxes and minority interests decreased by ¥2,762 million ($22,274 thousand) compared with what would have been recorded under the previous accounting standard.

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.

Amortization of goodwill—Goodwill is amortized over 5 years by the straight-line method. The amount of goodwill is included in other assets in consolidated balance sheets.

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 calculation of consolidated results of operations. In addition, some foreign subsidiaries recognize the 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 basis 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 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 the convertible bonds. Related interest expense, net of income taxes, is eliminated.

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

3. CASH AND CASH EQUIVALENTS AND STATEMENTS OF CASH FLOWS

Cash and cash equivalents at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Cash and time deposits	**¥53,540**	¥ 61,050	**$431,774**
Time deposits over three months	**(653)**	(944)	**(5,266)**
Shares and bonds within three months	**30,183**	53,645	**243,411**
Cash and cash equivalents	**¥83,070**	¥113,751	**$669,919**

The amounts of assets and liabilities at September 30, 2000 of The Casio Lease Co., Ltd. excluded from consolidation due to sales of a part of the equity in the company were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 9,917	$ 79,976
Long-term assets*	45,931	370,411
Total assets	¥55,848	$450,387

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥27,989	$225,718
Long-term liabilities	23,193	187,040
Total liabilities	¥51,182	$412,758

*Including property, plant and equipment and investments and other assets

4. INVENTORIES

Inventories at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Finished products	**¥57,444**	¥52,522	**$463,258**
Work in process	**14,992**	12,680	**120,903**
Materials and supplies	**16,376**	15,305	**132,065**
Total	**¥88,812**	¥80,507	**$716,226**

5. SECURITIES

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair values at March 31, 2001

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair values exceeding book values	¥ 999	¥ 1,005	¥ 6	$8,057	$8,105	$48
Securities other than the above	—	—	—	—	—	—
Total	¥ 999	¥ 1,005	¥ 6	$8,057	$8,105	$48

(b) Available-for-sale securities

Securities with book values exceeding acquisition costs:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 7,968	¥ 9,568	¥ 1,600	$64,258	$77,161	$12,903
Bonds	3	5	2	24	40	16
Others	20	20	0	161	161	0
Total	¥ 7,991	¥ 9,593	¥ 1,602	$64,443	$77,362	$12,919

Others:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥13,438	¥10,693	¥(2,745)	$108,371	$86,234	$(22,137)
Bonds	—	—	—	—	—	—
Others	2,352	1,500	(852)	18,968	12,097	(6,871)
Total	¥15,790	¥12,193	¥(3,597)	$127,339	$98,331	$(29,008)

(2) The following tables summarize book values of securities with no available fair values at March 31, 2001

(a) Held-to-maturity debt securities

	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Commercial paper	¥1,000	$ 8,065
Certificate of deposit	1,530	12,338
Total	¥2,530	$20,403

(b) Available-for-sale securities

	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Unlisted equity stocks (excluding over-the-counter stocks)	¥ 2,162	$ 17,436
Beneficiary certificate of investment trust	19,615	158,185
Bond investment trust	2,220	17,903
Money management fund	3,612	29,129
Free financial fund	1,006	8,113
Total	¥28,615	$230,766

(3) Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥1,016 million ($8,194 thousand) and the related gains and losses amounted to ¥86 million ($694 thousand) and ¥31 million ($250 thousand), respectively.

(4) Available-for-sale securities with maturities and held-to-maturity debt securities were as follows:

	Millions of yen					Thousands of U.S. dollars				
	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	—	5	—	—	5	—	40	—	—	40
Others	2,530	1,000	—	—	3,530	20,403	8,065	—	—	28,468
Total	¥2,530	¥1,005	¥ —	¥ —	¥3,535	$20,403	$8,105	$ —	$ —	$28,508

6. DERIVATIVE TRANSACTIONS

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

The Group also utilizes forward foreign currency contracts and currency options, in order to hedge currency fluctuation risks arising from export of products and materials for products, in addition to hedging through increases in overseas production and 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 value of derivative transactions in Japanese yen of the Group at March 31, 2001 and 2000 were as follows:

Currency related derivatives:

	Millions of yen								Thousands of U.S. dollars			
	2001				2000				**2001**			
	Contract amount				Contract amount				Contract amout			
	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Unrealized gain (loss)	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:												
To sell:												
U.S. dollars	**¥50,886**	**¥ —**	**¥54,222**	**¥(3,336)**	¥ —	¥ —	¥ —	¥ —	**$410,371**	**$ —**	**$437,274**	**$(26,903)**
Euro	**4,535**	**—**	**5,103**	**(568)**	134	—	126	8	**36,572**	**—**	**41,153**	**(4,581)**
Sterling pounds	**—**	**—**	**—**	**—**	15	—	15	0	**—**	**—**	**—**	**—**
Total	**¥55,421**	**¥ —**	**¥59,325**	**¥(3,904)**	¥149	¥ —	¥141	¥ 8	**$446,943**	**$ —**	**$478,427**	**$(31,484)**

Interest rate swap and option related derivatives:

	Millions of yen							
	2001				2000			
	Contract amount				Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Unrealized gain (loss)
Interest rate swaps:								
Receive fix/Pay float	**¥—**	**¥—**	**¥—**	**¥—**	¥30,000	¥30,000	¥(561)	¥(561)
Receive float/Pay fix	**—**	**—**	**—**	**—**	14,575	13,875	(216)	(216)
Receive float/Pay float	**—**	**—**	**—**	**—**	3,000	3,000	(41)	(41)
Total	**¥—**	**¥—**	**¥—**	**¥—**	¥47,575	¥46,875	¥(818)	¥(818)

The presentation of U.S. dollars at March 31, 2001 is omitted because there is no information of derivatives required to disclose.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

An average interest rate of short-term borrowings at March 31, 2001 was 1.93% per annum. The Group has had no difficulty in renewing when such renewal has been considered advisable.

Long-term debt at March 31, 2001 and 2000 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
1.9% convertible bonds due in 2004	**¥ 23,811**	¥ 23,811	**$ 192,024**
2.0% bonds due in 2002	**50,000**	50,000	**403,226**
2.15% bonds due in 2004	**10,000**	10,000	**80,645**
2.05% bonds due in 2005	**30,000**	30,000	**241,935**
2.575% bonds due in 2007	**10,000**	10,000	**80,645**
Loans principally from banks at interest rates of 1.55% to 2.33% maturing serially through 2006	**5,950**	33,445	**47,984**
Total	**129,761**	157,256	**1,046,459**
Less amount due within one year	**500**	10,372	**4,032**
	¥129,261	¥146,884	**$1,042,427**

The indentures covering the 1.9% convertible bonds provide, among other conditions, for (1) conversion into shares of common stock at the conversion prices per share of ¥1,502.4 ($12.12) (subject to change in certain circumstances), and (2) redemption at the option of the Company commencing March 1996 at prices ranging from 107% to 100% of the principal amount.

The annual maturities of long-term debt at March 31, 2001 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 500	$ 4,032
2003	50,500	407,258
2004	25,311	204,121
2005	10,500	84,677
2006	30,500	245,968
Thereafter	12,450	100,403

8. INCOME TAXES

The Company and its consolidated domestic subsidiaries were subject to a number of income taxes, which, in the aggregate, indicated a statutory rate in Japan of approximately 42.1% for the years ended March 31, 2001 and 2000, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Group's effective tax rate for financial statement purposes for the years ended March 31, 2001 and 2000:

	2001	2000
Statutory tax rate	**42.1%**	42.1%
Increase (Reduction) in tax resulting from:		
Nondeductible expenses (Entertainment, etc.)	**2.0**	2.3
Nontaxable income (Dividends received deduction, etc.)	**(14.2)**	(5.0)
Net current operating losses of subsidiaries	**12.9**	5.7
Difference in statutory tax rate (included in foreign subsidiaries)	**(2.3)**	(4.4)
Effect of elimination of dividends income	**19.6**	8.4
Effect of other elimination (sales of securities and dissolution on affiliated companies, etc.)	**(36.7)**	—
Other	**1.6**	0.4
Effective tax rate	**25.0%**	49.5%

Significant components of deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 8,945**	¥ 7,198	**$72,137**
Property, plant and equipment	**3,038**	2,870	**24,500**
Inventories	**—**	2,358	**—**
Allowance for doubtful accounts	**—**	1,525	**—**
Employees' severance and retirement benefits	**1,635**	—	**13,185**
Unrealized holding losses on securities	**1,512**	—	**12,194**
Accrued expenses (Bonuses to employees)	**1,500**	1,318	**12,097**
Other	**4,315**	3,838	**34,798**
Gross deferred tax assets	**20,945**	19,107	**168,911**
Valuation allowance	**(4,551)**	(5,827)	**(36,702)**
Total deferred tax assets	**16,394**	13,280	**132,209**
Deferred tax liabilities:			
Effect of valuation difference	**(2,018)**	(2,913)	**(16,274)**
Unrealized holding gains on securities	**(674)**	—	**(5,436)**
Property, plant and equipment	**(671)**	(672)	**(5,411)**
Other	**(110)**	(146)	**(887)**
Total deferred tax liabilities	**(3,473)**	(3,731)	**(28,008)**
Net deferred tax assets	**¥12,921**	¥ 9,549	**$104,201**

9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2, Significant Accounting Policies, effective April 1, 2000, the Company and its consolidated subsidiaries in Japan adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2001 consists of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 79,002	$ 637,113
Unrecognized prior service costs	—	—
Unrecognized actuarial differences	(9,791)	(78,960)
Less fair value of pension assets	(47,109)	(379,911)
Less unrecognized net transition obligation	(17,612)	(142,032)
Prepaid pension costs	8	64
Liabilities for severance and retirement benefits	¥ 4,498	$ 36,274

Included in the consolidated statements of income for the year ended March 31, 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Service costs—benefits earned during the year	¥ 3,932	$31,709
Interest cost on projected benefit obligation	2,417	19,492
Expected return on plan assets	(2,187)	(17,637)
Amortization of prior service costs	—	—
Amortization of actuarial differences	—	—
Amortization of net transition obligation	1,964	15,839
Severance and retirement benefit expenses	¥ 6,126	$49,403

The discount rate and the rate of expected return on plan assets used by the Group are 3.5% and 4.5%, respectively.

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 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).

10. SHAREHOLDERS' EQUITY

At the current conversion prices, 15,849 thousand shares of common stock were issuable at March 31, 2001 upon full conversion of the 1.9% convertible bonds.

In accordance with the Code, certain issues of shares of common stock, including conversions of convertible bonds and exercise of warrants, are required to be credited to the common stock account to the extent of the greater of par value or at least 50% of the proceeds. The remaining amounts are credited to additional paid-in capital.

Under the Code, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the reserve equals 25% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. The legal reserve is included in the retained earnings.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code. As a result, the retained earnings of the Company available for cash dividends at March 31, 2001 subject to shareholders' approval, amounted to ¥53,462 million ($431,145 thousand).

11. LEASE TRANSACTIONS

(1) Lessee

The amounts of outstanding future lease payments due at March 31, 2001 and 2000 and total lease expenses (including total assumed depreciation cost and total assumed interest cost) as lessee for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Future lease payments			
Due within one year	**¥3,107**	¥ 61	**$25,056**
Due over one year	**6,739**	129	**54,347**
Total	**¥9,846**	¥190	**$79,403**
Total lease expenses	**¥1,525**	¥ 66	**$12,298**
Total assumed depreciation cost	**¥1,368**	¥ 60	**$11,032**
Total assumed interest cost	**¥ 185**	¥ 6	**$ 1,492**

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, 2001 and 2000 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2001			2000			**2001**		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery	**¥ 8,104**	**¥2,333**	**¥5,771**	¥ 27	¥ 13	¥ 14	**$ 65,355**	**$18,814**	**$46,541**
Equipment	**4,936**	**1,953**	**2,983**	294	118	176	**39,806**	**15,750**	**24,056**
Other	**1,735**	**896**	**839**	—	—	—	**13,992**	**7,226**	**6,766**
Total	**¥14,775**	**¥5,182**	**¥9,593**	¥321	¥131	¥190	**$119,153**	**$41,790**	**$77,363**

(2) Lessor

The amounts of outstanding future lease receipts due at March 31, 2001 and 2000 and total lease income (including total assumed depreciation cost and total assumed interest income) as lessor for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Future lease receipts			
Due within one year	**¥ —**	¥ 7,613	**$ —**
Due over one year	**—**	15,720	**—**
Total	**¥ —**	¥23,333	**$ —**
Total lease income	**¥4,906**	¥10,385	**$39,565**
Total assumed depreciation cost	**¥4,230**	¥ 8,903	**$34,113**
Total assumed interest income	**¥ 611**	¥ 1,345	**$ 4,927**

Assumed data as to acquisition cost, accumulated depreciation and net book value of the leased assets under the finance lease contracts as lessor at March 31, 2001 and 2000 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2001			2000			**2001**		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery	**¥ —**	**¥ —**	**¥ —**	¥ 1,645	¥ 905	¥ 740	**$ —**	**$ —**	**$ —**
Equipment	**—**	**—**	**—**	44,393	22,908	21,485	**—**	**—**	**—**
Other	**—**	**—**	**—**	163	83	80	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥ —**	¥46,201	¥23,896	¥22,305	**$ —**	**$ —**	**$ —**

The Casio Lease Co., Ltd., which was the only lessor in consolidated subsidiaries, was accounted for by the equity method in the second half of the fiscal year. For this change, the data at March 31, 2001 was excluded from disclosure, except for total lease income, total assumed depreciation cost, total assumed interest income for the first half of 2001.

12. SEGMENT INFORMATION

The Business and geographical segment information and overseas sales for the Group for the years ended March 31, 2001 and 2000 were as follows:

(1) Business Segments

	Millions of yen			
	Electronics	Electronic components and others	Elimination or unallocated amount	Consolidated
For 2001				
Net sales:				
Outside customers	**¥327,580**	**¥116,350**	**¥ —**	**¥443,930**
Inside Group	**4,881**	**38,454**	**(43,335)**	**—**
Total	**332,461**	**154,804**	**(43,335)**	**443,930**
Costs and expenses	**324,133**	**141,451**	**(39,559)**	**426,025**
Operating income	**¥ 8,328**	**¥ 13,353**	**¥ (3,776)**	**¥ 17,905**
Total assets	**¥251,231**	**¥112,136**	**¥ 82,516**	**¥445,883**
Depreciation	**¥ 10,124**	**¥ 13,503**	**¥ 888**	**¥ 24,515**
Capital expenditures	**¥ 12,691**	**¥ 21,380**	**¥ 716**	**¥ 34,787**

	Thousands of U.S. dollars			
	Electronics	Electronic components and others	Elimination or unallocated amount	Consolidated
For 2001				
Net sales:				
Outside customers	**$2,641,774**	**$ 938,307**	**$ —**	**$3,580,081**
Inside Group	**39,363**	**310,113**	**(349,476)**	**—**
Total	**2,681,137**	**1,248,420**	**(349,476)**	**3,580,081**
Costs and expenses	**2,613,976**	**1,140,734**	**(319,024)**	**3,435,686**
Operating income	**$ 67,161**	**$ 107,686**	**$ (30,452)**	**$ 144,395**
Total assets	**$2,026,056**	**$ 904,323**	**$ 665,452**	**$3,595,831**
Depreciation	**$ 81,645**	**$ 108,895**	**$ 7,162**	**$ 197,702**
Capital expenditures	**$ 102,347**	**$ 172,419**	**$ 5,774**	**$ 280,540**

	Millions of yen			
	Electronics	Electronic components and others	Elimination or unallocated amount	Consolidated
For 2000				
Net sales:				
Outside customers	¥304,877	¥105,461	¥ —	¥410,338
Inside Group	9,345	39,020	(48,365)	—
Total	314,222	144,481	(48,365)	410,338
Costs and expenses	300,207	135,393	(44,739)	390,861
Operating income	¥ 14,015	¥ 9,088	¥ (3,626)	¥ 19,477
Total assets	¥225,454	¥155,151	¥126,500	¥507,105
Depreciation	¥ 9,975	¥ 21,113	¥ 838	¥ 31,926
Capital expenditures	¥ 10,522	¥ 26,931	¥ 912	¥ 38,365

Notes: 1. Business segment was classified by 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, Mobile PCs, Cellular phones, Handy terminals, Electronic cash registers, Office computers, Page printers 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 Company, which amounted to ¥3,776 million ($30,452 thousand) and ¥3,626 million for the year ended March 31, 2001 and 2000, respectively.
4. As explained in Note 2, effective April 1, 2000, the Company and its subsidiaries in Japan adopted the new accounting standard for employees' severance and retirement benefits. The effect of this adoption was to increase costs and expenses in Electronics by ¥2,038 million ($16,435 thousand) and in Electronic Components and Others by ¥580 million ($4,677 thousand) and to decrease operating income of such segments by the same amounts, respectively.
5. Elimination or unallocated amounts of total assets principally consisted of cash and time deposits, marketable securities, investment securities, administrative assets of the Company, which amounted to ¥87,599 million ($704,444 thousand) and ¥136,478 million for the year ended March 31, 2001 and 2000, respectively.

(2) Geographical Segments

	Millions of yen					
	Japan	North America	Europe	Asia	Elimination	Consolidated
For 2001						
Net sales:						
Outside customers	**¥351,823**	**¥57,874**	**¥23,199**	**¥ 11,034**	**¥ —**	**¥443,930**
Inside Group	**62,040**	**2,094**	**70**	**102,891**	**(167,095)**	**—**
Total	**413,863**	**59,968**	**23,269**	**113,925**	**(167,095)**	**443,930**
Costs and expenses	**397,902**	**59,743**	**22,878**	**113,023**	**(167,521)**	**426,025**
Operating income	**¥ 15,961**	**¥ 225**	**¥ 391**	**¥ 902**	**¥ 426**	**¥ 17,905**
Total assets	**¥405,483**	**¥29,633**	**¥11,165**	**¥ 36,800**	**¥ (37,198)**	**¥445,883**

	Thousands of U.S. dollars					
	Japan	North America	Europe	Asia	Elimination	Consolidated
For 2001						
Net sales:						
Outside customers	**$2,837,282**	**$466,726**	**$187,089**	**$ 88,984**	**$ —**	**$3,580,081**
Inside Group	**500,323**	**16,887**	**565**	**829,766**	**(1,347,541)**	**—**
Total	**3,337,605**	**483,613**	**187,654**	**918,750**	**(1,347,541)**	**3,580,081**
Costs and expenses	**3,208,888**	**481,798**	**184,500**	**911,476**	**(1,350,976)**	**3,435,686**
Operating income	**$ 128,717**	**$ 1,815**	**$ 3,154**	**$ 7,274**	**$ 3,435**	**$ 144,395**
Total assets	**$3,270,024**	**$238,976**	**$ 90,041**	**$296,774**	**$ (299,984)**	**$3,595,831**

	Millions of yen					
	Japan	North America	Europe	Asia	Elimination	Consolidated
For 2000						
Net sales:						
Outside customers	¥324,245	¥54,061	¥22,049	¥ 9,983	¥ —	¥410,338
Inside Group	64,846	1,453	—	87,318	(153,617)	—
Total	389,091	55,514	22,049	97,301	(153,617)	410,338
Costs and expenses	371,764	54,960	21,557	97,074	(154,494)	390,861
Operating income	¥ 17,327	¥ 554	¥ 492	¥ 227	¥ 877	¥ 19,477
Total assets	¥465,228	¥35,048	¥10,021	¥36,390	¥ (39,582)	¥507,105

Notes: 1. Segment of countries and areas was classified by the geographical factor.
2. The main countries and the areas which belong to the each segment except for Japan were as follows:
(1) North America........... U.S.A. Canada Mexico
(2) Europe........................ U.K. Germany France
(3) Asia .... Taiwan Hong Kong South Korea Malaysia Singapore China Philippines India Indonesia Thailand
3. As explained in Note 2, effective April 1, 2000, the Company and its subsidiaries in Japan adopted the new accounting standard for employees' severance and retirement benefits. The effect of this adoption was to increase costs and expenses in Japan by ¥2,762 million ($22,274 thousand) and to decrease operating income by the same amounts.

(3) Overseas Sales

	Millions of yen				
	North America	Europe	Asia	Others	Total
For 2001					
Overseas net sales	**¥65,826**	**¥50,413**	**¥31,962**	**¥26,193**	**¥174,394**
Net sales (consolidated)	**—**	**—**	**—**	**—**	**443,930**
Share of overseas net sales	**14.8%**	**11.4%**	**7.2%**	**5.9%**	**39.3%**

	Thousands of U.S. dollars				
	North America	Europe	Asia	Others	Total
For 2001					
Overseas net sales	**$530,855**	**$406,556**	**$257,758**	**$211,234**	**$1,406,403**
Net sales (consolidated)	**—**	**—**	**—**	**—**	**3,580,081**
Share of overseas net sales	**14.8%**	**11.4%**	**7.2%**	**5.9%**	**39.3%**

	Millions of yen				
	North America	Europe	Asia	Others	Total
For 2000					
Overseas net sales	¥65,089	¥43,549	¥34,082	¥36,437	¥179,157
Net sales (consolidated)	—	—	—	—	410,338
Share of overseas net sales	15.9%	10.6%	8.3%	8.9%	43.7%

Notes: 1. Segment of countries and areas was classified by the geographical factor.
2. The main countries and the areas which belong to the each segment were as follows:
(1) North America........... U.S.A. Canada
(2) Europe........................ U.K Germany France
(3) Asia............................. Hong Kong Singapore China
3. The above overseas net sales represent net sales made outside Japan by the Company and consolidated subsidiaries.

13. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2001, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥4,337 million ($34,976 thousand) and as guarantor of others for bank loans and trade liabilities in the amount of ¥1,943 million ($15,669 thousand).

14. SUBSEQUENT EVENTS

At the annual shareholders' meeting held on June 28, 2001, the Company's shareholders approved the payment of a cash dividend of ¥12.50 per share aggregating ¥3,395 million ($27,379 thousand) to shareholders of record as of March 31, 2001.