1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The Company and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). 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. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2003, which was ¥120 to U.S.$1. 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.

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.

The difference between the cost and underlying fair value of the net equity of investments in subsidiaries at acquisition is included in other assets and is amortized on a straight-line basis over five years.

Cash flow statements 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 All monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates at the balance sheet date, and the translation gains and losses are credited or charged to income.

Assets and liabilities of foreign subsidiaries are translated into yen at the current exchange rate at the balance sheet date while their revenue and expenses are translated at the average exchange rate for the period. Differences arising from such translation are included in minority interests and shareholders' equity as foreign currency translation adjustments.

Securities Debt securities designated as held-to-maturity are carried at amortized 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 primarily 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.

Derivatives and hedge accounting The accounting standard for financial instruments 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 hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in the 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 hedges 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 uses forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuations 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 receivables.

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. The building of the head office of the Company and buildings, excluding building fixtures, acquired after March 31, 1998 are depreciated using the straight-line method.

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

Software for market sales: The production costs for the master product are capitalized and amortized over no more than 3 years on a projected revenue basis.

Software for internal use: The acquisition costs of software for internal use are amortized over 5 years using the straight-line method.

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

Bond issuance expenses Bond issuance expenses are charged to income as incurred. Bond issuance expenses are included in other expenses in the consolidated statements of operations.

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.

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. The net transition obligation will be recognized in expenses in equal amounts over 10 years commencing with the year ended March 31, 2001.

Retirement benefits for directors and corporate auditors The annual provision for accrued retirement benefits for directors and corporate auditors of the Company and certain subsidiaries is calculated to state the liability at the amount that would be required if all directors and corporate auditors had retired at each balance sheet date. The provisions for the retirement benefits are not funded.

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.

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

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

Reclassifications Certain reclassifications have been made in the 2002 consolidated financial statements to conform to the 2003 presentation.

3 CASH AND CASH EQUIVALENTS AND STATEMENTS OF CASH FLOWS

Cash and cash equivalents at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash and time deposits	**¥77,183**	¥ 82,956	**$643,192**
Time deposits over three months	**(797)**	(829)	**(6,642)**
Marketable securities within three months	**20,050**	19,555	**167,083**
Cash and cash equivalents	**¥96,436**	¥101,682	**$803,633**

The amounts of assets and liabilities at September 30, 2002 of Aichi Casio Co., Ltd. and Casio (Malaysia) Sdn. Bhd. excluded from consolidation due to sales of the equity in the companies were as follows:

Aichi Casio Co., Ltd.	Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Current assets	¥9,041	$75,342	Current liabilities	¥7,154	$59,617
Long-term assets*	451	3,758	Long-term liabilities	177	1,475
Total assets	¥9,492	$79,100	Total liabilities	¥7,331	$61,092

Casio (Malaysia) Sdn. Bhd.	Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Current assets	¥4,400	$36,667	Current liabilities	¥2,977	$24,808
Long-term assets*	1,149	9,575			
Total assets	¥5,549	$46,242	Total liabilities	¥2,977	$24,808

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

4 INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Finished products	**¥47,366**	¥51,990	**$394,717**
Work in process	**10,390**	10,562	**86,583**
Materials and supplies	**13,107**	12,329	**109,225**
Total	**¥70,863**	¥74,881	**$590,525**

5 SECURITIES

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2003 and 2002.

(a) Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair values exceeding book values	**¥—**	**¥—**	**¥—**	¥ —	¥ —	¥ —	**$—**	**$—**	**$—**
Securities other than the above	**—**	**—**	**—**	2,601	2,595	(6)	**—**	**—**	**—**
Total	**¥—**	**¥—**	**¥—**	¥2,601	¥2,595	¥ (6)	**$—**	**$—**	**$—**

(b) Available-for-sale securities

Securities with book values exceeding acquisition costs:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥2,678**	**¥3,588**	**¥910**	¥6,479	¥7,630	¥1,151	**$22,317**	**$29,900**	**$7,583**
Bonds	**2,997**	**3,002**	**5**	3	5	2	**24,975**	**25,017**	**42**
Others	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
Total	**¥5,675**	**¥6,590**	**¥915**	¥6,482	¥7,635	¥1,153	**$47,292**	**$54,917**	**$7,625**

Others:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥23,351**	**¥14,225**	**¥(9,126)**	¥13,265	¥ 9,420	¥(3,845)	**$194,592**	**$118,542**	**$(76,050)**
Bonds	**11,921**	**11,901**	**(20)**	8,780	8,766	(14)	**99,342**	**99,175**	**(167)**
Others	**1,449**	**752**	**(697)**	1,207	760	(447)	**12,074**	**6,266**	**(5,808)**
Total	**¥36,721**	**¥26,878**	**¥(9,843)**	¥23,252	¥18,946	¥(4,306)	**$306,008**	**$223,983**	**$(82,025)**

(2) The following tables summarize book values of securities with no available fair values at March 31, 2003 and 2002.

(a) Book value of held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Certificates of deposit	**¥—**	¥7,300	**$—**

(b) Book value of available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Unlisted equity securities (excluding over-the-counter securities)	**¥ 2,290**	¥ 2,370	**$ 19,083**
Short-term treasury bonds	**20,050**	—	**167,084**
Bond investment trusts	**—**	2,050	**—**
Medium-term treasury funds	**—**	4,615	**—**
Money management funds	**—**	5,090	**—**
Free financial funds	**—**	500	**—**
Total	**¥22,340**	¥14,625	**$186,167**

(3) Available-for-sale securities sold in the year ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Sales amount	**¥113**	¥1,389	**$ 942**
Gross realized gains	**—**	50	**—**
Gross realized losses	**189**	671	**1,575**

(4) Available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2003 and 2002 were as follows:

	Millions of yen									
	2003					2002				
	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	**¥20,050**	**¥ —**	**¥ —**	**¥—**	**¥20,050**	¥ —	¥—	¥ —	¥—	¥ —
Corporate bonds	**5**	**—**	**—**	**—**	**5**	—	5	—	—	5
Others	**6,000**	**3,800**	**5,121**	**—**	**14,921**	9,900	—	8,780	—	18,680
Total	**¥26,055**	**¥3,800**	**¥5,121**	**¥—**	**¥34,976**	¥9,900	¥ 5	¥8,780	¥—	¥18,685

	Thousands of U.S. dollars				
	2003				
	Within one year	Within five years	Within ten years	Over ten years	Total
Bonds:					
Government bonds	**$167,083**	**$ —**	**$ —**	**$—**	**$167,083**
Corporate bonds	**42**	**—**	**—**	**—**	**42**
Others	**50,000**	**31,667**	**42,675**	**—**	**124,342**
Total	**$217,125**	**$31,667**	**$42,675**	**$—**	**$291,467**

6 DERIVATIVE TRANSACTIONS

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

The Group also utilizes forward foreign currency contracts and currency options to hedge currency fluctuation risks arising from the export of products and materials for products in addition to hedging through increases in overseas production and the 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 values of derivative transactions of the Group at March 31, 2003 and 2002 were as follows:

Currency-related derivatives:

	Millions of yen							
	2003				2002			
	Contract amount				Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:								
To sell:								
U.S. dollars	**¥13,000**	**¥—**	**¥13,282**	**¥ (282)**	¥ 7,114	¥ —	¥ 7,140	¥ (26)
Euros	**9,855**	**—**	**10,627**	**(772)**	7,387	—	7,757	(370)
Sterling pounds	**1,449**	**—**	**1,451**	**(2)**	1,275	—	1,375	(100)
Total	**¥24,304**	**¥—**	**¥25,360**	**¥(1,056)**	¥15,776	¥ —	¥16,272	¥(496)

	Thousands of U.S. dollars			
	2003			
	Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:				
To sell:				
U.S. dollars	**$108,333**	**$—**	**$110,683**	**$(2,350)**
Euros	**82,125**	**—**	**88,558**	**(6,433)**
Sterling pounds	**12,075**	**—**	**12,092**	**(17)**
Total	**$202,533**	**$—**	**$211,333**	**$(8,800)**

Interest rate swap and option-related derivatives:

The Group has entered into interest rate swap agreements to reduce its exposure resulting from adverse fluctuations in interest rate on underlying debt instruments. They are all designated as hedges meeting certain hedging criteria and there are no transactions that need to disclose contract amount, fair value and realized gain or loss to be reported for the years ended March 31, 2003 and 2002.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The average interest rate of short-term borrowings was 1.23% per annum at March 31, 2003 and 1.33% per annum at March 31, 2002.

Assets pledged as collateral for short-term borrowings as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Inventories	**¥—**	¥6,785	**$—**
Short-term borrowings	**—**	2,260	**—**

Long-term debt at March 31, 2003 and 2002 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
1.9% unsecured convertible bonds due in 2004	**¥ 23,811**	¥ 23,811	**$ 198,425**
2.0% unsecured bonds due in 2002	**—**	50,000	**—**
0.55% unsecured bonds due in 2004	**2,000**	2,000	**16,667**
2.15% unsecured bonds due in 2004	**10,000**	10,000	**83,333**
2.05% unsecured bonds due in 2005	**30,000**	30,000	**250,000**
2.575% unsecured bonds due in 2007	**10,000**	10,000	**83,333**
1.42% unsecured bonds due in 2009	**10,000**	10,000	**83,333**
Unsecured loans principally from banks at interest rates of 0.34% to 1.83% maturing through 2011	**86,825**	49,170	**723,542**
Total	**172,636**	184,981	**1,438,633**
Less amount due within one year	**26,500**	50,910	**220,833**
	¥146,136	¥134,071	**$1,217,800**

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 ($12.52) (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, 2003 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥26,500	$220,833
2005	13,814	115,117
2006	39,667	330,558
2007	20,705	172,542
2008	30,500	254,167
Thereafter	41,450	345,416

The line of credit with the main financial institutions agreed as of March 31, 2003 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Line of credit	**¥35,000**	¥60,000	**$291,667**
Unused	**35,000**	50,000	**291,667**

8 INCOME TAXES

The statutory income tax rate used for calculation of deferred income tax assets and liabilities was 42.1% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the statutory income tax rates of 42.1% and 40.5% for current items and non-current items, respectively, at March 31, 2003.

As a result of the change in the statutory tax rates, deferred income tax assets decreased by ¥548 million ($4,566 thousand) and net unrealized holding losses on securities decreased by ¥139 million ($1,158 thousand) and provision for deferred income taxes increased by ¥409 million ($3,408 thousand) compared with what would have been recorded under the previous local tax law.

Significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 8,017**	¥12,698	**$ 66,808**
Employees' severance and retirement benefits	**5,190**	3,512	**43,250**
Unrealized holding losses on securities	**3,984**	1,805	**33,200**
Accrued expenses (bonuses to employees)	**2,525**	1,755	**21,042**
Inventories	**2,403**	3,834	**20,025**
Other	**12,035**	10,989	**100,292**
Gross deferred tax assets	**34,154**	34,593	**284,617**
Valuation allowance	**(5,436)**	(7,122)	**(45,300)**
Total deferred tax assets	**28,718**	27,471	**239,317**
Deferred tax liabilities:			
Effect of valuation difference	**(2,018)**	(2,018)	**(16,817)**
Property, plant and equipment	**(396)**	(567)	**(3,300)**
Unrealized holding gains on securities	**(369)**	(479)	**(3,075)**
Other	**(90)**	(115)	**(750)**
Total deferred tax liabilities	**(2,873)**	(3,179)	**(23,942)**
Net deferred tax assets	**¥25,845**	¥24,292	**$215,375**

9 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for the employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2003 and 2002 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Projected benefit obligation	**¥97,229**	¥90,989	**$810,242**
Unrecognized prior service costs	**—**	—	**—**
Unrecognized actuarial differences	**(29,469)**	(19,961)	**(245,575)**
Less fair value of pension assets	**(40,567)**	(45,914)	**(338,058)**
Less unrecognized net transition obligation	**(13,698)**	(15,655)	**(114,150)**
Prepaid pension cost	**13**	38	**108**
Liabilities for the employees' severance and retirement benefits	**¥13,508**	¥ 9,497	**$112,567**

Included in the consolidated statements of operations for the years ended March 31, 2003 and 2002 are employees' severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost-benefits earned during the year	**¥4,561**	¥4,530	**$38,009**
Interest cost on projected benefit obligation	**2,586**	2,634	**21,550**
Expected return on plan assets	**(1,929)**	(1,986)	**(16,075)**
Amortization of prior service costs	**—**	—	**—**
Amortization of actuarial differences	**1,482**	709	**12,350**
Amortization of net transition obligation	**1,957**	1,957	**16,308**
Employees' severance and retirement benefit expenses	**¥8,657**	¥7,844	**$72,142**

The discount rate and the rate of expected return on plan assets used by the Company are 2.8% and 4.5% in 2003 and 3.0% and 4.5% in 2002, 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 to be 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 RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

Effective April 1, 2002, the Company changed its accounting policy for retirement benefits for directors and corporate auditors.

Previously, retirement benefits to directors and corporate auditors were recognized after the approval at the shareholders' meeting and charged to income when paid.

Under the new policy, the Company and certain subsidiaries fully accrue retirement benefits if all directors and corporate auditors had retired at each balance sheet date.

The cumulative effect of ¥2,295 million ($19,125 thousand) at the beginning was amortized on a straight-line basis over five years as other expenses.

The provision incurred during the current year ended March 31, 2003 was charged as selling, general and administrative expenses.

As a result of this accounting change, operating income and income before income taxes and minority interests for the year ended March 31, 2003 decreased by ¥139 million ($1,158 thousand) and ¥598 million ($4,983 thousand), respectively, compared with what would have been recorded under the previous accounting policy.

11 SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has been reached to 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Commercial Code.

At the current conversion prices, 15,849 thousand shares of common stock were issuable at March 31, 2003 upon full conversion of the 1.9% convertible bonds.

Diluted net income per share for the year ended March 31, 2002 was not calculated because of the net loss incurred for the year.

12 LEASE TRANSACTIONS

The amounts of outstanding future lease payments due at March 31, 2003 and 2002 and total lease expenses (including total assumed depreciation cost and total assumed interest cost) as lessee for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Future lease payments:			
Due within one year	**¥ 3,741**	¥ 3,697	**$ 31,175**
Due over one year	**9,249**	11,224	**77,075**
Total	**¥12,990**	¥14,921	**$108,250**
Total lease expenses	**¥ 4,602**	¥ 4,125	**$ 38,350**
Total assumed depreciation cost	**¥ 4,145**	¥ 3,699	**$ 34,542**
Total assumed interest cost	**¥ 589**	¥ 537	**$ 4,908**

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, 2003 and 2002 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			**2003**		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery	**¥14,414**	**¥4,482**	**¥ 9,932**	¥14,373	¥2,927	¥11,446	**$120,117**	**$37,350**	**$ 82,767**
Equipment	**3,711**	**1,709**	**2,002**	4,586	2,220	2,366	**30,925**	**14,242**	**16,683**
Other	**1,400**	**707**	**693**	1,617	792	825	**11,666**	**5,891**	**5,775**
Total	**¥19,525**	**¥6,898**	**¥12,627**	¥20,576	¥5,939	¥14,637	**$162,708**	**$57,483**	**$105,225**

13 SEGMENT INFORMATION

The business and geographical segment information and overseas sales for the Group for the years ended March 31, 2003 and 2002 were as follows:

(1) Business segments

	Millions of yen				
	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
For 2003					
Net sales:					
Outside customers	**¥350,145**	**¥ 90,422**	**¥440,567**	**¥ —**	**¥440,567**
Inside Group	**1,827**	**29,571**	**31,398**	**(31,398)**	**—**
Total	**351,972**	**119,993**	**471,965**	**(31,398)**	**440,567**
Costs and expenses	**334,161**	**115,180**	**449,341**	**(26,688)**	**422,653**
Operating income (loss)	**¥ 17,811**	**¥ 4,813**	**¥ 22,624**	**¥ (4,710)**	**¥ 17,914**
Total assets	**¥234,729**	**¥106,606**	**¥341,335**	**¥117,778**	**¥459,113**
Depreciation	**¥ 11,928**	**¥ 7,540**	**¥ 19,468**	**¥ 305**	**¥ 19,773**
Capital expenditures	**¥ 10,592**	**¥ 4,989**	**¥ 15,581**	**¥ 112**	**¥ 15,693**

	Thousands of U.S. dollars				
	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
For 2003					
Net sales:					
Outside customers	**$2,917,875**	**$753,517**	**$3,671,392**	**$ —**	**$3,671,392**
Inside Group	**15,225**	**246,425**	**261,650**	**(261,650)**	**—**
Total	**2,933,100**	**999,942**	**3,933,042**	**(261,650)**	**3,671,392**
Costs and expenses	**2,784,675**	**959,834**	**3,744,509**	**(222,400)**	**3,522,109**
Operating income (loss)	**$ 148,425**	**$ 40,108**	**$ 188,533**	**$ (39,250)**	**$ 149,283**
Total assets	**$1,956,075**	**$888,383**	**$2,844,458**	**$981,484**	**$3,825,942**
Depreciation	**$ 99,400**	**$ 62,833**	**$ 162,233**	**$ 2,542**	**$ 164,775**
Capital expenditures	**$ 88,267**	**$ 41,575**	**$ 129,842**	**$ 933**	**$ 130,775**

	Millions of yen				
	Electronics	Electronic components and others	Total	Elimination or unallocated amount	Consolidated
For 2002					
Net sales:					
Outside customers	¥299,003	¥ 83,151	¥382,154	¥ —	¥382,154
Inside Group	2,271	31,714	33,985	(33,985)	—
Total	301,274	114,865	416,139	(33,985)	382,154
Costs and expenses	309,850	112,161	422,011	(29,439)	392,572
Operating income (loss)	¥ (8,576)	¥ 2,704	¥ (5,872)	¥ (4,546)	¥ (10,418)
Total assets	¥238,255	¥ 90,545	¥328,800	¥120,424	¥449,224
Depreciation	¥ 11,587	¥ 6,559	¥ 18,146	¥ 552	¥ 18,698
Capital expenditures	¥ 10,225	¥ 10,180	¥ 20,405	¥ 82	¥ 20,487

Notes: 1. Business segments were classified by the 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, Electronic dictionaries, Label printers, Digital cameras, Electronic musical instruments, Digital watches, Analog watches, Clocks, PDAs, Cellular phones, 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 parent company, which amounted to ¥4,710 million ($39,250 thousand) and ¥4,546 million for the years ended March 31, 2003 and 2002, respectively.

4. Elimination or unallocated amounts of total assets principally consisted of cash and time deposits, marketable securities, investments in securities and administrative assets of the parent company, which amounted to ¥118,621 million ($988,508 thousand) and ¥123,185 million for the years ended March 31, 2003 and 2002, respectively.

5. As explained in Note 10, effective April 1, 2002, the Company provided accrued retirement benefits for directors and corporate auditors of the Company. The effect of this change was to increase costs and expenses in Electronics by ¥116 million ($967 thousand) and in Electronic components and others by ¥23 million ($191 thousand) and to decrease operating income of such segments by the same amounts.

(2) Geographical segments

	Millions of yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
For 2003							
Net sales:							
Outside customers	**¥341,955**	**¥41,333**	**¥49,579**	**¥ 7,700**	**¥440,567**	**¥ —**	**¥440,567**
Inside Group	**70,655**	**380**	**82**	**82,032**	**153,149**	**(153,149)**	**—**
Total	**412,610**	**41,713**	**49,661**	**89,732**	**593,716**	**(153,149)**	**440,567**
Costs and expenses	**396,653**	**41,055**	**48,787**	**88,817**	**575,312**	**(152,659)**	**422,653**
Operating income (loss)	**¥ 15,957**	**¥ 658**	**¥ 874**	**¥ 915**	**¥ 18,404**	**¥ (490)**	**¥ 17,914**
Total assets	**¥433,339**	**¥15,259**	**¥20,563**	**¥27,188**	**¥496,349**	**¥ (37,236)**	**¥459,113**

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
For 2003							
Net sales:							
Outside customers	**$2,849,625**	**$344,442**	**$413,158**	**$ 64,167**	**$3,671,392**	**$ —**	**$3,671,392**
Inside Group	**588,792**	**3,167**	**683**	**683,600**	**1,276,242**	**(1,276,242)**	**—**
Total	**3,438,417**	**347,609**	**413,841**	**747,767**	**4,947,634**	**(1,276,242)**	**3,671,392**
Costs and expenses	**3,305,442**	**342,125**	**406,558**	**740,142**	**4,794,267**	**(1,272,158)**	**3,522,109**
Operating income (loss)	**$ 132,975**	**$ 5,484**	**$ 7,283**	**$ 7,625**	**$ 153,367**	**$ (4,084)**	**$ 149,283**
Total assets	**$3,611,159**	**$127,158**	**$171,358**	**$226,567**	**$4,136,242**	**$ (310,300)**	**$3,825,942**

	Millions of yen						
	Japan	North America	Europe	Asia	Total	Elimination	Consolidated
For 2002							
Net sales:							
Outside customers....	¥292,994	¥46,711	¥35,643	¥ 6,806	¥382,154	¥ —	¥382,154
Inside Group	60,129	1,129	—	90,432	151,690	(151,690)	—
Total	353,123	47,840	35,643	97,238	533,844	(151,690)	382,154
Costs and expenses	362,149	50,593	35,304	96,287	544,333	(151,761)	392,572
Operating income (loss)...	¥ (9,026)	¥ (2,753)	¥ 339	¥ 951	¥ (10,489)	¥ 71	¥ (10,418)
Total assets	¥414,667	¥18,719	¥18,650	¥33,875	¥485,911	¥ (36,687)	¥449,224

Notes: 1. Segments of countries and areas were classified by the geographical factor.
2. The main countries and the areas which belong to 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, India, Indonesia, Thailand
3. As explained in Note 10, effective April 1, 2002, the Company provided accrued retirement benefits for directors and corporate auditors of the Company. The effect of this change was to increase costs and expenses in Japan by ¥139 million ($1,158 thousand) and to decrease operating income by the same amounts.

(3) Overseas sales

	Millions of yen				
	North America	Europe	Asia	Others	Total
For 2003					
Overseas net sales	**¥49,423**	**¥56,180**	**¥45,611**	**¥20,752**	**¥171,966**
Net sales (consolidated)..					**440,567**
Share of overseas net sales...	**11.2%**	**12.7%**	**10.4%**	**4.7%**	**39.0%**

	Thousands of U.S. dollars				
	North America	Europe	Asia	Others	Total
For 2003					
Overseas net sales	**$411,858**	**$468,167**	**$380,092**	**$172,933**	**$1,433,050**
Net sales (consolidated)..					**3,671,392**
Share of overseas net sales...	**11.2%**	**12.7%**	**10.4%**	**4.7%**	**39.0%**

	Millions of yen				
	North America	Europe	Asia	Others	Total
For 2002					
Overseas net sales	¥55,896	¥53,416	¥28,233	¥21,925	¥159,470
Net sales (consolidated)..					382,154
Share of overseas net sales...	14.6%	14.0%	7.4%	5.7%	41.7%

Notes: 1. Segments of countries and areas were classified by the geographical factor.
2. The main countries and the areas which belong to 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 parent company and consolidated subsidiaries.

14 CONTINGENT LIABILITIES

At March 31, 2003, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥2,193 million ($18,275 thousand) and as guarantor of others for bank loans in the amount of ¥1,221 million ($10,175 thousand).

15 ACCOUNTING STANDARD FOR TREASURY STOCK AND REVERSAL OF STATUTORY RESERVES

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on net income of the adoption of the new accounting standard was not material.

16 STOCK OPTION

By special resolution at the 46th annual shareholders' meeting held on June 27, 2002, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 27, 2002.

The stock purchase rights can be exercised at a price of ¥699 ($5.82) per share in the period from July 1, 2004 to June 30, 2009, and a total of 1,270 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

By special resolution at the 47th annual shareholders' meeting held on June 27, 2003, the Company introduced a stock option plan in accordance with Article 280-20, 21 of the Commercial Code in Japan, and granted stock purchase rights at advantageous terms to directors, corporate auditors and employees of the Company and subsidiaries, as of June 27, 2003.

The stock purchase rights can be exercised at a price, which is determined by the average of each day closing price during the previous month before the issue of stock options, in the period from July 1, 2005 to June 30, 2010, and a total of 500 thousand shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.

17 GAIN ON SALES OF INVESTMENT SECURITIES IN CONSOLIDATED SUBSIDIARIES

Initial public offering of Casio Micronics Co., Ltd. In August 2001, Casio Micronics Co., Ltd., a consolidated subsidiary, completed its initial public offering in Japan. In conjunction with such public offering, Casio Micronics Co., Ltd. issued new shares to third parties. The issuance of these shares was regarded as a sale of a part of the Company's interest in Casio Micronics Co., Ltd. resulting in a gain of ¥1,578 million. As a result, the Company's shareholdings in Casio Micronics Co., Ltd. declined from 92.6% to 85.4%.

18 RESTRUCTURING CHARGES

Restructuring charges for the year ended March 31, 2002 were due to the restructuring of business based on the aggressive redefinition of the Group's business strategy. They included loss on unutilized assets, extra personnel expenses such as retirement expenses and other expenses necessary for reorganizations of the business.

19 EARNINGS PER SHARE

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

Earnings per share for the year ended March 31, 2002 would have been reported as follows, if this new accounting standard were applied retroactively.

	Yen	U.S. dollars (Note 1)
Net loss per share:		
Basic	¥(91.84)	$(0.77)
Diluted	—	—

20 SUBSEQUENT EVENTS

At the annual shareholders' meeting held on June 27, 2003, the Company's shareholders approved the payment of a cash dividend of ¥12.50 ($0.10) per share aggregating ¥3,375 million ($28,125 thousand) to shareholders of record as of March 31, 2003.