

Message from the President



Kazuo Kashio, President and CEO

In June 2007, Casio marked its 50th anniversary. It is therefore an opportune time for me to express our deep appreciation for the outstanding support we have received from our shareholders and investors over the years.

I am delighted to report on the Company's business performance for the term ended March 31, 2007 as well as on its strategies for the future.

Business Performance for Fiscal 2007

During the term under review, ended March 31, 2007 (fiscal 2007), Casio sought to achieve its targets with a focus on its strategic businesses, including timepieces, digital cameras, electronic dictionaries and cell phones. In addition, the Company took steps to bolster its management efficiency, by improving indices such as profit margin and capital efficiency.

As a result of this approach, net sales grew 7.0% year on year, to ¥620.7 billion in the term under review.

By business segment, sales in the Electronics Segment rose 11.4% year-on-year, to ¥527.2 billion. A number of factors contributed to this performance. The digital camera business continued its strong performance from the previous term and registered positive results, thanks to the release of the EX-Z1000, the world's first digital camera to achieve 10.1 megapixels in a compact body. Growing sales in overseas markets, achieved through proactive measures, also contributed to the strong results. Aggressive sales of Oceanus, our flagship brand for radio-controlled watches, in North America, in addition to Japan and Europe, produced a year-on-year revenue increase for timepieces. In the cell phone business, following the success of W41CA, the best selling model for KDDI Corporation's cell phone service "au" we successfully released W51CA, compatible with one-segment TV broadcasting,

which enables users to watch high-quality pictures for many hours. In contrast, sales in the Electronic Components and Others Segment declined 12.5% year on year, to ¥93.5 billion, as Casio Micronics Co., Ltd. reported falling revenues, and unit prices of TFT-LCDs declined.

Looking at profitability, as a result of rising sales of digital cameras and cell phones, action taken to add value to radio-controlled watches and electronic dictionaries through greater product appeal, as well as measures to raise productivity, including strategies to improve the efficiency of development and operations, operating income in the Electronics Segment rose 29.1% year on year, to ¥53.8 billion. The operating income margin was 10.2%. The Electronic Components and Others Segment recorded a loss of ¥700 million, reflecting falling unit prices of TFT-LCDs and the fall in revenues reported by Casio Micronics Co., Ltd. As a result, consolidated operating income rose 11.5% year on year, to ¥48.0 billion. Net income grew 5.9% year on year, to ¥25.1 billion. The Company consequently achieved record sales and net income for the fourth consecutive year.

We increased our annual dividend for the term under review to ¥23 per share, up ¥3 per share from the ¥20 per share paid in the previous term. This increase reflects the performance reported above, and is the fourth consecutive annual dividend increase.

Medium- and Long-Term Management Strategy

The term ending March 31, 2008 is a milestone for Casio, which will celebrate its 50th year in business. We also view this fiscal year as a period in which we will establish a foothold for the start of the second phase in our history in the term ending March 31, 2009. We plan to push forward to achieve full-scale expansion in this phase. Based on our plan, we will endeavor to build solid revenue bases and bolster our financial position, and in doing so, increase our corporate value.

To achieve these objectives, the Company has begun implementing the following measures across the board.

(1) Ensuring High Profitability

We aim to achieve an overall operating income margin of 10% or more. To reach this target, the Company will focus its management policies on securing stable growth with consistent profitability.

We have already made stable, high double-digit profit margins possible in the businesses of digital cameras, solar-powered radio-controlled watches and electronic dictionaries. To further expand margins in these areas, we will lower the cost-of-sales ratio by pursuing best practice with costs, and will conduct comprehensive reviews of our expenses with an emphasis on productivity.

With respect to our operations in cell phones, we have steadily expanded sales through a strategy of differentiation that leverages our technologies. Going forward, we will seek to bolster profitability by expanding overseas sales and introducing more products with high added value.

(2) Creating New Strategic Businesses

We have introduced new products to the world by employing original ideas and taking full advantage of its advanced technologies. To move forward and achieve significant growth in this second phase of our history, we believe it will be indispensable for us to use our technologies to create new value that cannot be matched by any other company in new businesses, in addition to our existing operations. Based on this view, the Company will focus its management resources on new fields, to rapidly introduce new businesses that are capable of achieving a solid profit structure.

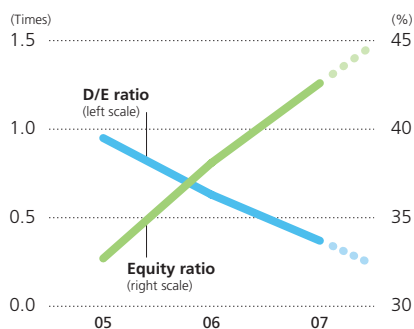
(3) Strengthening Financial Structure

We are improving our equity ratio and the debt/equity (D/E) ratio, with the aim of building a strong financial foundation to support its growth.

In the term under review, the equity ratio and the D/E ratio exceeded their initial targets at 42.6% and 0.37, respectively. We will continue to build a strong and stable financial position by redoubling our efforts

to efficiently manage cash flows and generate free cash flows.

D/E ratio and Equity ratio



(4) Managing CSR

A company can enjoy sustained growth only when the global community is able to achieve sustainable growth. Recognizing this, we are committed to its corporate social responsibility (CSR) activities.

Under the Charter of Creativity for Casio, which expressly sets out action guidelines for employees, the Company is taking a number of initiatives. We ensure that every one of our employees and directors is fully aware of their role in complying with laws and regulations, upholding community values and contributing to society. At the same time, we are taking steps to improve the levels of corporate governance and compliance.

The Company is resolved to continue to expand its businesses and improve its management practices. We seek to do this by developing original products and improving profitability from a long-term perspective, and by taking action in each segment to improve the soundness of long-term management and increase enterprise value.

We ask our shareholders and investors to continue their support.

July 2007

Kazuo Kashio
President & CEO