Net Sales

Net sales for the business term ended March 31, 2009 came to ¥518,036 million, a decrease of 16.9% over the previous term.

	Millions of yen	
	2009	2008
Electronics:		
Consumer	¥177,950	¥228,634
Timepieces	80,350	86,922
Mobile Network Solutions (MNS)	163,223	165,800
System Equipment	40,345	45,296
Subtotal	461,868	526,652
Electronic Components and Others:		
Electronic Components	32,452	68,368
Others	23,716	28,030
Subtotal	56,168	96,398
Total	¥518,036	¥623,050

Results by Segment

Sales in the Electronics segment amounted to ¥461,868 million, a decrease of 12.3% from the previous year. This segment accounted for 89.2% of net sales.

In the Consumer category, sales decreased 22.2% to ¥177,950 million. An overall decline in market prices and the depreciation of European currencies against the yen resulted in lower digital camera sales. We addressed this situation through aggressive fourth-quarter launches of such groundbreaking new models as the Exilim Zoom EX-Z400, equipped with Dynamic Photo, and the High Speed Exilim EX-FC100. We also conducted sales promotion activities on a worldwide scale in an effort to bolster segment sales in the upcoming fiscal year. Meanwhile, sales of electronic dictionaries were firm, owing to strong sales of high-value-added Ex-word models.

In the Timepieces category, sales declined 7.6% year-on-year to ¥80,350 million. Sales of non-radio-controlled watches decreased. However, sales were robust for such high-end radio-controlled watches as the Oceanus and G-Shock models, which have a Multi Band 6 radio wave receiver system capable of receiving standard-frequency broadcasts from six stations worldwide.

In the category of Mobile Network Solutions (MNS), sales declined by 1.6% to ¥163,223 million. In cell phones, we introduced the Exilim series W63CA model for the *au* service and the SoftBank 930CA for Softbank Mobile Corp. Furthermore, sales of our toughness cell phone for Verizon Wireless of the United States were firm.

In the System Equipment category, sales declined 10.9% year-on-year to ¥40,345 million.

Sales in the Electronic Components and Others segment declined 41.7% to ¥56,168 million, accounting for 10.8% of net sales.

By category, the Electronic Components saw sales fall by 52.5% year-on-year to ¥32,452 million. This decline was due to the impact of lower unit prices for TFT-LCDs as demand from global digital camera and cell phone tailed off, as well as the transfer of unprofitable operations at Casio Micronics Co., Ltd., during the term.

In Others category, sales declined 15.4% to ¥23,716 million.

Results by Region

Sales in Japan recorded a year-on-year decline of 18.4% to ¥267,748 million, accounting for 51.7% of total sales. Sales in North America increased 5.6% to ¥85,312 million for 16.5% of total sales, while European sales declined 24.5% to ¥71,212 million, for 13.7% of the total. Sales in Asia (excluding Japan) and other regions fell 21.8% to ¥93,764 million, accounting for 18.1% of total sales. Overall, overseas sales declined 15.2% year-on-year to ¥250,288 million.

Results of Operations

The Electronics segment posted a 66.5% decline in operating income to ¥15,606 million, while Electronic Components and Others segment registered an operating loss of ¥5,850 million. Total operating income on a consolidated basis, after adjustments for elimination for unallocated amount, fell 89.4% to ¥4,016 million. Although stable businesses, such as timepieces and electronic dictionaries maintained high levels of profitability, profit deterioration in digital camera operations weighed heavily from the second half, when business conditions worsened and European currencies declined. Lower sales of TFT-LCDs also contributed to a fall in profitability. The operating income margin for the reporting term stood at 0.8%.

The financial account balance for the reporting term rose slightly from ¥1,502 million in the previous term to ¥1,532 million. Net other expenses increased from ¥15,367 million to ¥34,596 million. The principal factor in this change was the recognition of impairment loss on noncurrent assets under a business structure improvement expenses, and the posting of an extraordinary loss as non-recurring depreciation on noncurrent assets primarily on software and facilities to improve the earnings structure.

As a result of the foregoing, the Company posted a net loss for the term of ¥23,149 million.

Financial Condition

Total assets as at the end of March 2009 stood at ¥444,653 million, representing a decline of ¥7,182 million from the previous term-end. Current assets declined by ¥6,411 million to ¥278,199 million, largely as a result of a decrease in notes and accounts receivable—trade. Noncurrent assets decreased by ¥771 million to ¥166,454 million. Major changes included a decrease in property, plant and equipment, such as buildings and structures and an increase in investment securities.

Total liabilities increased ¥39,050 million year-on-year to ¥259,672 million. Current liabilities decreased ¥17,567 million to ¥169,601 million due primarily to decreases in notes and accounts payable—trade. Noncurrent liabilities increased by ¥56,617 million year-on-year to ¥90,071 million due to issuance of euro-yen convertible bonds with stock warrants.

Net assets at the term-end amounted to ¥184,981 million, down ¥46,232 million from one year earlier, owing to decreases in retained earnings, foreign currency translation adjustments and minority interests. Consequently, the equity ratio fell 8.2 percentage points, to 41.2%, while debt-equity ratio was 0.53.

Cash Flow Analysis

Cash and cash equivalents at the reporting term-end came to ¥104,248 million, an increase of ¥16,291 million.

Net cash provided by operating activities decreased by ¥48,288 million year-on-year to ¥23,461 million. This breaks down into loss before income taxes and minority interests in the amount of ¥29,048 million (compared with income of ¥23,888 million in the previous term), depreciation and amortization expenses of ¥30,213 million (compared with ¥33,959 million in the previous term), and adjustment for non-cash items such as business structure improvement expenses of ¥10,845 million and non-recurring depreciation on noncurrent assets of ¥11,345 million.

Net cash used in investing activities amounted to ¥44,708 million, an increase of ¥8,606 million over the previous term. This breaks down into expenditure for the purchase of property, plant and equipment in the amount of ¥12,316 million (¥22,538 million in the previous term), expenditure for purchase of intangible assets in the amount of ¥18,762 million (compared with ¥15,521 million in the previous term), and net expenditure for investment securities totaling ¥21,487 million (compared with ¥2,954 million in the previous term).

Net cash provided by financing activities amounted to ¥38,807 million, an increase of ¥81,292 million over the previous term. This breaks down into an expense of ¥16,500 million for repayment of long-term loans payable (¥30,000 million in the previous term), and proceeds of ¥59,732 million from issue of corporate bonds.

Capital Investment

Capital investment increased by 19.5% from the previous term to ¥16,157 million. Broken down by business segment, capital investment in the Electronics segment came to ¥11,387 million, up by 22.0% from the previous term, while the figure for the Electronic Components and Others segment was ¥4,598 million, up 23.6%.

Research & Development

R&D expenses decreased by 14.4% to ¥12,631 million. Expenses in the Electronics segment came to ¥7,598 million, down 15.8%, and in the Electronic Components and Others segment came to ¥1,439 million, down 2.0%.