

Management's Discussion and Analysis

Net Sales

Consolidated net sales for the business year ended March 31, 2011 came to ¥341,678 million, a decrease of 20.2% from the previous year.

	Millions of yen	
	2011	2010
Consumer.....	¥252,083	¥337,035
System Equipment.....	46,511	43,555
Others.....	43,084	47,335
Total.....	¥341,678	¥427,925

Results by Segment

In the Consumer segment, sales decreased 25.2% year-on-year to ¥252,083 million. This segment accounted for 73.8% of net sales.

In the timepiece category, sales grew thanks to the effects of a worldwide promotion campaign and strong overseas demand, especially in North America and Asia, for the G-SHOCK and EDIFICE brands. In addition, we expanded our SHEEN lineup of metal analog wristwatches for women and developed the women's timepiece market.

In the electronic dictionary category, sales of the EX-word series were robust and we continued to win an overwhelming share of the domestic market. Sales in China also increased.

In the digital camera category, Casio developed and launched high value-added products such as the EX-ZR100, which incorporates an HDR ART function that makes it easy to take beautiful, artistic photos, as well as the EX-TR100, which offers photo shooting freedom thanks to its rotating LCD screen and frame.

In the System Equipment segment, sales climbed 6.8% year-on-year to ¥46,511 million, while sales in the Others segment declined 9.0%, to ¥43,084 million.

Results by Region

Sales in Japan decreased 27.1% year-on-year to ¥162,351 million, accounting for 47.5% of total sales. Sales in North America decreased 35.1% to ¥42,109 million, accounting for 12.3% of all sales, while European sales declined 10.4%, to ¥54,155 million, accounting for 15.8% of the total sales. Sales in Asia and the other regions (excluding Japan) increased 4.2%, to ¥83,063 million, accounting for 24.3% of total sales. Overall, domestic and overseas sales were down 20.2% year-on-year to ¥341,678 million.

Results of Operations

Operating income for the Consumer segment came to ¥16,521 million, a substantial improvement. Timepieces and electronic dictionaries remained highly profitable. The System Equipment segment recorded an operating loss of ¥1,488 million due to a temporary cost factor resulting from one-off start-up costs for the projector business. The Others segment recorded operating income of ¥576 million. As a result, Casio posted total consolidated operating income of ¥12,042 million after adjustments.

The financial account balance for the reporting year fell to ¥488 million from ¥585 million in the previous year. Net other expenses

increased to ¥2,197 million, from ¥834 million in the previous year. Net income came to ¥5,682 million.

Financial Condition

Total assets at the end of March 2011 declined 6.4% year-on-year to ¥402,456 million. Current assets declined by ¥6,300 million to ¥269,150 million, largely as a result of decreases in notes and accounts receivable—trade and accounts receivable—other. Noncurrent assets declined by ¥21,227 million to ¥133,306 million, largely as a result of decreases in investment securities and intangible assets, such as software.

Total liabilities dipped 4.6% year-on-year to ¥249,224 million. Current liabilities fell ¥35,229 million year-on-year to ¥117,886 million, due primarily to decreases in notes and accounts payable—trade and accounts payable—other. Noncurrent liabilities increased by ¥23,327 million year-on-year to ¥131,338 million, due chiefly to an increase in corporate bonds and long-term loans payable.

Net assets at the year-end fell 9.3% year-on-year to ¥153,232 million due to the acquisition of treasury stock and changes in minority interests.

Cash Flow Analysis

Cash and cash equivalents at the reporting year-end came to ¥117,119 million, an increase of ¥3,335 million, including a decrease of ¥6,257 million in cash and cash equivalents following exclusion of subsidiaries from consolidation.

Net cash provided by operating activities amounted to ¥13,713 million, an increase of ¥7,879 million from the previous year. This was chiefly attributable to an increase in income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥25,529 million, an increase of ¥10,532 million compared with the previous year. This was mainly due to higher expenditures from increased outflows due to fixed-term deposits.

Net cash provided by financing activities amounted to ¥22,984 million, an increase of ¥4,829 million from the previous year. This was chiefly attributable to proceeds from the issuance of corporate bonds.

Capital Investment

Capital investment decreased 38.6% year-on-year to ¥6,183 million. By segment, capital investment came to ¥4,370 million in the Consumer segment, ¥918 million in the System Equipment segment, and ¥859 million in the Others segment.

Research & Development

R&D expenses came to ¥7,838 million. By segment, R&D expenses came to ¥4,153 million in the Consumer segment, ¥916 million in the System Equipment segment, and ¥141 million in the Others segment.