

Company: Casio Computer Co., Ltd.
Representative: Kazuo Kashio
President and CEO
Stock code: 6952 (TSE First Section)

Company: Casio Micronics Co., Ltd.
Representative: Yoshio Ono
President and CEO
Stock code: 6760 (JASDAQ)

Casio Computer Co., Ltd., concludes memorandum of understanding on the creation of a consolidated subsidiary through receipt of third-party allocation of new shares issued by Casio Micronics Co., Ltd., and the exchange of shares

TOKYO, March 28, 2008 — Casio Computer Co., Ltd., (hereafter “Casio Computer”) announced today that following meetings of the board of directors of Casio Computer and Casio Micronics Co., Ltd. (hereafter “Casio Micronics”) held today, it has been decided to implement a policy whereby Casio Computer will receive a third-party allocation of new shares (hereafter “new stock issue”) from Casio Micronics, making Casio Computer the consolidated parent company of Casio Micronics, with an exchange of shares (hereafter “the share exchange”) making Casio Micronics a consolidated subsidiary. Accordingly the two companies have concluded a memorandum of understanding concerning the new stock issue agreement and the share exchange. The share exchange is planned to be carried out by Casio Computer without gaining the approval of the general meeting of shareholders, based on a simple share exchange method stipulated in Article 796.3 of the Company Act.

On the day prior to the entry into force of the share exchange, Casio Micronics is scheduled to be delisted from the JASDAQ Securities Exchange.

Details

1. Objectives of creating a consolidated subsidiary through new stock issue and the share exchange

(1) Objectives of the share exchange

Casio Computer, with a management philosophy of “Creation and Contribution,” has been striving to contribute to society through the development of its unique products, while also actively advancing and developing strategic businesses in the areas of digital cameras, clocks, digital dictionaries, mobile phones, and more. Furthermore, Casio Computer has been advancing four policies – the establishment of a high profitability rate, the establishment of new strategic businesses, the enhancement of its financial standing, and CSR management – for a full-scale business expansion. In addition, Casio Computer has been providing original products and services with high added-value in order to contribute to the creation of a unique society and to enhance its corporate value. Moreover, Casio Computer has introduced and implemented a fundamental policy in order to construct a solid business strategy basis for the consolidated subsidiary Casio Micronics to swiftly contribute in the consolidated business.

Casio Micronics, since its establishment in 1987, has advocated as its basic management policy to contribute to society through providing unique “high-precision mounting devices.” Accordingly, it has engaged in researches and developments of the high-precision mounting technology in various areas including semiconductor devices and flat panel displays (FPD), while with the main focus on the micro-fabrication packaging technology and precision joining technology, leading to the increase in the BUMP business.

In August 2001, Casio Micronics itself registered shares in the over-the-counter market with the Japan Securities Dealers Association (JSDA) and went public with the perspective to implement expeditious procurement of funds from the stock market and use those funds to raise its corporate value. In December 2004, further funds were procured from the stock market through new public stock and equity offerings.

Subsequently, regarding profits and losses, the BUMP Business has maintained its profitability while absorbing its investment burden. However, the Film Device Business in which Casio Micronics has sustained an advantageous position and maintained stable profits with the development of Chip on Film (COF) ahead of other companies, has inevitably been facing difficulties in its business operation since last fiscal year with a decrease in net sales accompanied by an increase in fixed costs as price competition intensified in the liquid crystal-related business following an increase in foreign new entrants, together with excess supply due to capital investment competition among the concerned companies, and more. The sales forecast for this fiscal year is a 6% decline from the last fiscal year; moreover the unit price relative to the previous fiscal year is expected to fall 15% in the first half of the fiscal year and 18% in the second half of the fiscal year. Casio Micronics also invested in the construction of a new plant (No. 5 production line at the Yamanashi Factory) as a measure to increase its profitability by cost reduction with volume production as well as to realize a shift to high added-value products with the introduction of cutting-edge technology. However, the time required for the process evaluation by clients in response to the introduction of a new technology, together with the change in the specifications requirement led to the delay of the new plant’s full-scale operation, thus the increasing costs including the depreciation cost could not be absorbed under an investment-led operation. As a result, Casio Micronics is to post an interim net loss of 1.245 billion yen in the September 2008 interim period. Moreover, for the fiscal year ended March 31, 2008, Casio Micronics will revise the appraisal amount of our manufacturing facilities for the film device business and account for impairment losses, etc., of 7.5 billion yen, resulting in an outlook of excess debts of 2.1 billion yen at the end of the same period. For more details, please see today’s press release by Casio Micronics, “Revision of Forecasts and Accounting for Extraordinary Losses for the Fiscal Year Ended March 31, 2008”

Regarding the Film Device Business, there is no strong prospect for a recovery in the liquid crystal-related market in the short term, and continuous capital investment in response to new technology is required to compete for orders against foreign manufacturers affiliated with liquid crystal panel manufacturers. In order to realize this, business operation of Casio Micronics alone has limits in such areas as fund procurement, cost reduction, price competition, and business development. Therefore, the conclusion has been drawn that a reduction of investment burden and a reinforcement of business infrastructure through business integration is necessary in order to enhance the comprehensive service structure for the customers and to construct a stable supply structure.

As such, Casio Micronics concluded a letter of understanding concerning the transfer of its Film Device Business to Hitachi Cable, Ltd. (hereafter “Hitachi Cable”) on February 1, 2008 and has been in negotiation regarding this business transfer. As a result, Casio Micronics concluded a contract concerning the transfer of its Film Device Business to Hitachi Cable on March 28, 2008. For more details, please see today’s press release by Casio Computer “Announcement of a Business Transfer by a Consolidated Subsidiary” and today’s press release by Casio Micronics “Announcement Regarding Final Agreement on the Transfer of the Film Device Business and Spinning Off of the Film Device Division through a Corporate Divestiture.”

Regarding the BUMP Business, domestic demand for Gold BUMP, previously its flagship business, is falling rapidly, so Casio Micronics has changed its business model by focusing its efforts on the finding new customers for W-CSP and Solder BUMP, areas in which it can utilize its unique technologies. To date this business strategy has produced results to a certain extent. However, our major customers are global semiconductor manufacturers that require stable supplies of goods and services and special technological requirements are becoming more sophisticated and diverse. For example, for some products we have to carry out joint development with the customer from the trial stage onwards. In order to satisfy these requirements, it is necessary to accelerate research and development, enhance production capacity, and strengthen marketing systems, etc. So our funding needs are increasing but as noted above we are carrying excess debts and they are imposing restrictions that are dramatically reducing the managerial choices that are available to us. For these reasons we are considering enhancing our competitiveness by reconstructing the business strategy for BUMP W-CSP and reinforcing our financial and management practices, whereby promptly shifting the flow of management resources from Gold BUMP to W-CSP and Solder BUMP, the areas of greater added-value.

As described above, the situation surrounding Casio Micronics has drastically changed since its initial public stock offering in 2001, thus Casio Micronics has been engaging in consultations concerning all possibilities of management reforms.

Looking at specific measures, company policy is for Casio Computer to receive the new stock issue Casio Micronics will implement, and work to improve the financial practices of Casio Micronics and stabilize its management infrastructure, as well as to make Casio Micronics the consolidated subsidiary of Casio Computer. It has been concluded that as a result of these measures, decision-making regarding management will be integrated, Casio Computer will construct a system in which fundamental strategic development including alliances with other companies regarding the BUMP Business may be implemented in a prompt and expeditious manner, and it will be possible to cooperatively promote the maximization of the corporate value of the Casio Group as a whole.

For the above reasons, Casio Computer and Casio Micronics, at the respective meetings of their boards of directors held on March 28, 2008, decided to implement the new stock issue and the share exchange, and concluded the memorandum of understanding on the receipt of the new stock issue and the exchange of shares.

The total amount of Casio Computer's responsibility for the new stock issue is scheduled at approximately 3.0 billion yen, however, the receiving value of the new stock issue and other conditions will be announced separately when the contract for receiving the new stock issue has been concluded.

(2) Prospect and reason for becoming delisted

If the share exchange is implemented, Casio Micronics will become a consolidated subsidiary of Casio Computer. Casio Micronics will then abide by the stock market delisting standard of the JASDAQ Securities Exchange, and is scheduled to be delisted through the prescribed procedure. After being delisted, the stocks of Casio Micronics may not be handled at the JASDAQ Securities Exchange.

(3) Reason for getting delisted and alternative measures

As given above, as a result of Casio Micronics becoming a consolidated subsidiary of Casio Computer through the share exchange, Casio Micronics will abide by the stock market delisting standard, and is scheduled to be delisted. After being delisted, the stocks of Casio Micronics may not be handled at the JASDAQ Securities Exchange. However, the common stocks of Casio Computer to be allocated to the shareholders of Casio Micronics, with the exception of Casio Computer, as compensation to the share exchange are listed at the Tokyo Stock Exchange (TSE). Casio Computer believes that the shareholders of Casio Micronics may continue to be assured of the liquidity of their stocks as the common stocks of Casio Computer to be allocated as compensation to the share exchange may be handled at the TSE after the share exchange.

At the time of the share exchange, for shareholders with shares less than the trading unit (100 shares) of Casio Computer, these odd-lot shares may not be sold through the stock exchange market. Shareholders who will own odd-lot shares of Casio Computer may use the additional purchase system (purchase of stocks to total 100 shares) for odd-lot shares or the selling system (selling stocks less than the trading unit of 100 shares) for odd-lot shares. In addition, when there are fractional shares from the share exchange, Casio Computer plans to abide by Article 234 of the Company Act and pay for the value equivalent to the respective fractional shares. The details of the transaction will be announced separately when the contract for the share exchange is concluded.

(4) Measures to guarantee the fairness of the exchange compensation

With the share exchange, Casio Micronics will be considered a subsidiary (“subsidiary” stipulated in Article 2.3 of the Company Act) of Casio Computer (as of today, Casio Computer owns 75.13% of the total outstanding stocks of Casio Micronics), and the ratio of stocks to be allocated to the shareholders of Casio Micronics, with the exception of Casio Computer, shall be determined while taking this fact into consideration. Upon the decision to implement the share exchange, from the perspective of ensuring its fairness and validity, the two companies are scheduled to each request an independent third-party assessment organization to calculate the share exchange ratio. Casio Computer will ask Ernst & Young Transaction Advisory Service Co., Ltd. (hereafter “Ernst & Young”), and Casio Micronics will ask Daiwa Securities SMBC Co., Ltd. (hereafter “Daiwa Securities SMBC”). The two companies will carefully conduct negotiations and discussions, with Casio Computer using as reference the assessment results given by Ernst & Young, and Casio Micronics that of Daiwa Securities SMBC. The share exchange ratio is scheduled to be determined with a contract for the share exchange. Further details on the share exchange ratio and other information will be announced separately when the contract for the share exchange has been concluded.

(5) Measures to avoid conflicts of interest

With the perspective of avoiding conflicts of interest, two of the seven board members of Casio Micronics, who are also respectively the President and CEO, and Vice-President and CEO of Casio Computer, have not taken part in the deliberations or the resolutions of the abovementioned meetings of the board of directors of Casio Micronics. In addition, from the same standpoint of avoiding conflicts of interest, two outside corporate auditors of Casio Micronics, who are also employees of Casio Computer, have not given their opinions at the abovementioned meetings of the board of directors of Casio Micronics.

2. Overview of the share exchange

(1) Date of the share exchange

Casio Computer is aiming for the share exchange to be approved at the general meeting of shareholders of Casio Micronics scheduled to be held at the end of June 2008. Details on the specific date will be considered and announced separately before the conclusion of the contract for the share exchange.

Regarding the share exchange, Casio Computer will implement the simple share exchange procedure stipulated in Article 796.3 of the Company Act, and is thus scheduled to conduct the share exchange without approval at the general meeting of shareholders.

(2) Allocation details regarding the share exchange

Casio Computer will abide by the contract for the share exchange, and is scheduled to allocate its own stocks of Casio Computer to the shareholders of Casio Micronics (including substantial shareholders), with the exception of Casio Computer, who are listed or recorded on the final shareholder list (including the substantial shareholders list) of the day prior to the entry into force of the share exchange. The allocation amount per common stock of Casio Micronics owned by the shareholders will be determined based on the share exchange ratio to be discussed and decided between Casio Computer and Casio Micronics at a later date.

Casio Micronics is scheduled to retire all of its stocks that it has acquired until now by the day prior to the entry into force of the share exchange.

(3) Calculation base of the allocation details regarding the share exchange

Upon the share exchange, stocks of Casio Computer will be allocated in exchange for the stocks of Casio Micronics. The exchange rate upon the share exchange is scheduled to be calculated by the two companies each requesting its own third-party organization, Casio Computer to Ernst & Young, and Casio Micronics to Daiwa Securities SMBC. At present, the share exchange is still under consideration, and other details including the exchange rate upon the share exchange are still being discussed between the two companies. The details are scheduled to be determined in the contract for the share exchange, thus they will be announced separately when the contract for the share exchange has been concluded.

(4) Handling of the stock acquisition rights and bonds with stock acquisition rights of the consolidated subsidiary created through share exchange

The handling of the stock acquisition rights of Casio Micronics will be announced separately when the contract for the share exchange has been concluded.

3. Overview of the share exchange companies

(As of September 30, 2007)

(1)	Company Name	Casio Computer Co., Ltd.	Casio Micronics Co., Ltd.
(2)	Business	Development and sale of data processing equipment for individual use such as electronic calculators, electronic stationary products, clocks, as well as system equipment and electronic devices, and more	Research, development, production and sale of electronic parts
(3)	Established	June 1, 1957	July 25, 1987
(4)	Headquarters	6-2, Hon-machi 1-chome, Shibuya-ku, Tokyo	10-6, Imai 3-chome, Ome City, Tokyo
(5)	Title and Name of Representative	Kazuo Kashio, President and CEO	Yoshio Ono, President and CEO
(6)	Paid-in Capital	48,592 million yen	2,992 million yen
(7)	Number of Outstanding Stocks	279,020,914 shares	14,377,000 shares
(8)	Net Assets	233,059 million yen (consolidated)	7,227 million yen (consolidated)
(9)	Total Assets	480,966 million yen (consolidated)	27,951million yen (consolidated)
(10)	Accounting Date	March 31	March 31
(11)	Number of Employees	13,246(consolidated)	679 (consolidated)
(12)	Major Business Partners	KDDI Corporation, Renesas Technology Sales Co., Ltd., Fujitsu Electronics Inc., and more	Itochu Plastics Inc., Sony Semiconductor Kyushu Co., Ltd., NEC Fukui Ltd., and more
(13)	Major Shareholders and Share-holding	The Master Trust Bank of Japan, Ltd. 10.18%	Casio Computer Co., Ltd. 75.13%

Ratio	<p>Japan Trustee Services Bank, Ltd. 9.28%</p> <p>Nippon Life Insurance Company 4.90%</p> <p>Casio Bros. Corp. 3.58%</p> <p>Trust & Custody Services Bank, Ltd. 3.46%</p> <p>Sumitomo Mitsui Banking Corporation 2.43%</p> <p>The Bank of Tokyo-Mitsubishi UFJ, Ltd. 1.82%</p> <p>Toshio Kashio 1.73%</p> <p>Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. 1.48%</p> <p>The Sumitomo Trust & Banking Co., Ltd. 1.35%</p>	<p>Employees' Stock Holdings of Casio Micronics 0.87%</p> <p>Trust & Custody Services Bank, Ltd. 0.80%</p> <p>Sumitomo Mitsui Banking Corporation 0.56%</p> <p>Toshio Kashio 0.56%</p> <p>Kazuo Kashio 0.56%</p> <p>Yukio Kashio 0.56%</p> <p>ABN AMRO Bank N.V. European Hub (Standing Proxy: (Securities Business Division, Citibank Japan Ltd.) 0.45%</p> <p>The Bank of Tokyo-Mitsubishi UFJ, Ltd. 0.35%</p> <p>Shigeki Maeno 0.35%</p> <p>Akira Kashio 0.35%</p>
(14) Main Banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15) Relations of the Parties Concerned, etc.	Capital Relations	Casio Computer owns 75.13% of the total outstanding stocks of Casio Micronics (as of March 28, 2008).
	Personnel Relations	As of March 28, 2008, Casio Computer is currently dispatching 2 of its board members and 2 of its part-time auditors to Casio Micronics.
	Business Relations	Casio Computer is purchasing products and receiving rents from Casio Micronics, while Casio Micronics is lending land and facilities of Casio Computer.
	Qualification as a Related Personnel/Organization	Casio Micronics is a consolidated subsidiary of Casio Computer, thus qualifies as a related personnel/organization.

(16) Business performance of the past three years
(Consolidated)

Accounting Date	Casio Computer Co., Ltd. (consolidated parent company)			Casio Micronics Co., Ltd. (consolidated subsidiary)		
	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Fiscal Year Ended March 31, 2007	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Fiscal Year Ended March 31, 2007
Net Sales	559,006	580,309	620,769	-	-	-
Operating Income	39,040	43,114	48,074	-	-	-
Ordinary Income	33,588	38,915	41,431	-	-	-
Net Income	21,534	23,745	25,147	-	-	-
Earnings per Share (Yen)	80.27	88.57	92.67	-	-	-
Net Assets per Share (Yen)	610.23	717.40	811.69	-	-	-

(Unit: millions of yen)

(Individual)

Accounting Date	Casio Computer Co., Ltd. (consolidated parent company)			Casio Micronics Co., Ltd. (consolidated subsidiary)		
	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Fiscal Year Ended March 31, 2007	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Fiscal Year Ended March 31, 2007
Net Sales	416,220	435,584	442,608	23,675	25,135	20,946
Operating Income	23,481	25,591	30,961	1,868	2,021	-2,370
Ordinary Income	21,279	25,529	29,539	1,806	2,013	-2,429
Net Income	13,640	17,484	19,157	1,034	1,177	-2,583
Earnings per Share (Yen)	50.78	65.21	70.60	76.58	80.88	-179.69
Dividends per Share (Yen)	17.00	20.00	23.00	12.50	12.50	12.50
Net Assets per Share (Yen)	576.95	650.90	720.21	725.63	794.01	601.81

(Unit: millions of yen)

4. Conditions after the share exchange

(1)	Company Name	Casio Computer Co., Ltd.
(2)	Business	Development and sale of data processing equipment for individual use such as electronic calculators, electronic stationary products, clocks, as well as system equipment and electronic devices, and more
(3)	Headquarters	6-2, Hon-machi 1-chome, Shibuya-ku, Tokyo
(4)	Title and Name of Representative	Kazuo Kashio, President and CEO
(5)	Paid-in Capital	Undetermined at this point
(6)	Total Assets (consolidated)	Undetermined at this point
(7)	Net Assets (consolidated)	Undetermined at this point
(8)	Accounting Date	March 31

(9) Overview of the accounting procedure

The details on the accounting procedure have not been determined at this point, and will be announced as soon as it has been decided.

10) Future outlook

The effects the share exchange will have on the outlook of consolidated business as well as of individual business for the fiscal year ending March 31, 2009 have not been determined at this point, and will be announced as soon as they have been determined.

Ends