# Notes to Consolidated Financial Statements

Years ended March 31, 2011 and 2010 Casio Computer Co., Ltd. and Subsidiaries

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of CASIO COMPUTER CO., LTD. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) 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 Financial Instruments and Exchange Law. Certain 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 is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83 to U.S.$1. The convenience translation should not be construed as representation 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. Stocks of 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 assets 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 net assets as foreign currency translation adjustments.

### Securities

Debt securities designated as held-to-maturity are carried at amortized cost. Other securities except for trading securities ("available-for-sale securities") for which fair value is readily determinable are stated at fair 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 net assets. The cost of such securities sold is determined primarily by the moving-average method. Available-for-sale securities for which fair 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

The Company and its consolidated subsidiaries in Japan state inventories at the lower of cost (first-in, first-out) or net realizable values at year-end.

Consolidated overseas subsidiaries state inventories at the lower of market or cost.

### 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. The depreciation period ranges from 2 years to 60 years for buildings and structures and 1 year to 20 years for machinery and equipment.

### 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.

### Lease assets

(Finance leases which do not transfer ownership of the leased property to the lessee)

Lease assets are divided into the two principal categories of property, plant and equipment and intangible assets. The former consists primarily of facilities (machinery and equipment, tools, furniture and fixtures) while the latter consists of software. The assets are depreciated on a straight-line basis on the assumption that the lease term is the useful life and the residual value is zero.

**Provision for 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 in Japan are covered by two kinds of pension plans: defined benefit corporate pension fund plan and tax-qualified pension plan. And those of the Company and some of its consolidated subsidiaries in Japan are covered by lump-sum indemnities.

The Company and its consolidated subsidiaries in Japan received permission from the Minister of Health, Labor and Welfare, for release from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme. Concurrently, the employees' pension fund plan was changed to defined benefit corporate pension fund plan.

The Company and some of its consolidated subsidiaries in Japan provide defined contribution plans. In addition, the Company has established an employee retirement benefits trust.

The liabilities and expenses for provision for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries in Japan provided liabilities for provision for 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") is recognized in expenses in equal amounts over 10 years commencing with the year ended March 31, 2001.

**Provision for directors' retirement benefits**

The annual provision for accrued retirement benefits for directors and statutory 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.

**Income taxes**

Taxes on income consist of corporation, inhabitants' and enterprise taxes.

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 and loss 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).

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

**Reclassifications**

Certain reclassifications have been made in the 2010 consolidated financial statements to conform to the 2011 presentation.

## 3. Changes in Accounting Policies

### (1) New accounting standard for retirement benefits

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries in Japan adopted ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" issued by the Accounting Standards Board of Japan on July 31, 2008.

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

### (2) New accounting standards for construction contracts

Prior to the year ended March 31, 2010, the Company and its consolidated subsidiaries in Japan recognized revenues and costs of construction contracts using the completed-contract method. Effective from the year ended March 31, 2010, the Company and consolidated subsidiaries in Japan adopted the ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts," both issued by the Accounting Standards Board of Japan on December 27, 2007. Accordingly, with respect to construction contracts whose activity commenced in the year ended March 31, 2010, the percentage-of-completion method has been applied if the outcome of the construction activity is deemed certain during the course of the activity, otherwise the completed-contract method has been applied. The percentage of completion as of the end of the reporting period is estimated based on the percentage of the cost incurred to the estimated total cost.

The effect on net income of the adoption of the new accounting standards is not material.

### (3) New accounting standards for equity method

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries in Japan adopted ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and ASBJ Practical Issues Task Force No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" issued by the Accounting Standards Board of Japan on March 10, 2008, respectively.

The effect on net income of the adoption of the new accounting standards is not material.

### (4) New accounting standards for asset retirement obligations

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries in Japan adopted ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Assets Retirement Obligations," both issued by the Accounting Standards Board of Japan on March 31, 2008.

The adoption of the new accounting standards causes operating income for the year ended March 31, 2011 to be reduced by ¥8 million ($96 thousand) and income before income taxes and minority interests for the year ended March 31, 2011 to be reduced by ¥161 million ($1,940 thousand), respectively. The change of asset retirement obligations caused by adoption of the new accounting standards is ¥225 million ($2,711 thousand).

### (5) New accounting standards for business combination

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries in Japan adopted ASBJ Statement No. 21, "Accounting Standard for Business Combinations," ASBJ Statement No. 23, "Partial Amendments to Accounting Standard for Research and Development Costs," ASBJ Statement No. 7, "Revised Accounting Standard for Business Divestitures," ASBJ Statement No. 16, "Revised Accounting Standard for Equity Method of Accounting for Investments," and ASBJ Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" issued by the Accounting Standards Board of Japan on December 26, 2008, respectively.

The Company and its consolidated subsidiaries in Japan adopted ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements" issued by the Accounting Standards Board of Japan on December 26, 2008. The effect on net income of the adoption of the new accounting standard is not material.

## 4. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2011 and 2010 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Cash and deposits | ¥ 41,114 | ¥ 52,756 | $ 495,349 |
| Time deposits over three months | (11,155) | (1,048) | (134,398) |
| Marketable securities within three months | 69,822 | 50,408 | 841,229 |
| Short-term loans receivable with resale agreement | 17,338 | 11,668 | 208,892 |
| Cash and cash equivalents | ¥117,119 | ¥113,784 | $1,411,072 |

(2) Breakdown of decrease in assets and liabilities resulting from transfer of shares

Below are details of principal assets and liabilities of Ortus Technology Co., Ltd., on the day that it ceased to be a consolidated subsidiary, as well as details of the relationship between the price of transferred Ortus shares and the payment for sale of investment in the subsidiary resulting in change in scope of consolidation.

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2011 | 2011 |
| Current assets | ¥6,145 | $ 74,036 |
| Noncurrent assets | 1,154 | 13,904 |
| Total assets | ¥7,299 | $87,940 |
| Current liabilities | ¥5,049 | $60,832 |
| Noncurrent liabilities | 1,001 | 12,060 |
| Total liabilities | ¥6,050 | $ 72,892 |
| Compensation for share transfer | ¥ 999 | $ 12,036 |
| Cash and cash equivalents | (1,870) | (22,530) |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | ¥ (871) | $(10,494) |

(3) Significant non-cash transactions

Principal assets and liabilities of Casio Hitachi Mobile Communications Co., Ltd., which is no longer included in our scope of consolidation due to its merger into NEC CASIO Mobile Communications, Ltd., are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| | 2011 | 2011 |
| Current assets | ¥42,662 | $514,000 |
| Noncurrent assets | 8,850 | 106,627 |
| Total assets | ¥51,512 | $620,627 |
| Current liabilities | ¥33,890 | $408,313 |
| Noncurrent liabilities | 1,021 | 12,301 |
| Total liabilities | ¥34,911 | $420,614 |

The values of assets and obligations relating to finance lease transactions newly stated for the reporting fiscal year amounted to ¥1,415 million ($17,048 thousand) and ¥1,473 million ($17,747 thousand), respectively. The figures for the previous year were ¥4,552 million and ¥4,699 million, respectively.

## 5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Finished goods | ¥31,586 | ¥32,794 | $380,554 |
| Work in process | 5,147 | 5,700 | 62,012 |
| Raw materials and supplies | 8,694 | 12,128 | 104,747 |
| Total | ¥45,427 | ¥50,622 | $547,313 |

## 6. Fair Value of Financial Instruments

Effective from the year ended March 31, 2010, the Company adopted ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments" revised by the Accounting Standards Board of Japan on March 10, 2008, respectively. Information on financial instruments for the years ended March 31, 2011 and 2010 required pursuant to the revised accounting standards are as follows:

### (1) Qualitative information on financial instruments

*1) Policies for using financial instruments*

The Group invests surplus funds in highly secure financial assets, and funds required for working capital and capital investments are raised through the issuance of bonds or loans from financial institutions such as banks. Derivatives are used to avoid the risks described hereinafter and no speculative transactions are entered.

*2) Details of financial instruments used and risks involved, and how they are managed*

Notes and accounts receivable-trade are exposed to customers' credit risk. To minimize that risk, the Group periodically monitors the due date and the balance of the accounts.

Short-term investment securities and investment securities are primarily highly secure and highly-rated bonds and include shares in companies with which the Group has business relations, and are exposed to market price fluctuation risk. The Group periodically monitors the market price and reviews the status of these holdings.

Notes and accounts payable-trade and accounts payable-other have the due date of within one year.

Operating payables, loans payable, and bonds payable are subject to liquidity risk (the risk of an inability to pay by the due date). However, the Group manages liquidity risk by maintaining short-term liquidity in excess of a certain level of consolidated sales or by other means.

The Group uses derivative transactions of forward currency exchange contracts to hedge currency fluctuation risks arising from assets and liabilities denominated in foreign currencies, as well as interest rate swap contracts to fix the cash flows associated with loans payable and bonds payable or to offset market fluctuation risks. The Group utilizes and manages derivative transactions following the internal regulation for them, which stipulates policy, objective, scope, organization, procedures and financial institutions to deal with, and has an implementation and reporting system for derivative transactions reflecting proper internal control functions.

*3) Supplemental information on fair values*

The fair value of financial instruments is calculated based on quoted market price or, in case where there is no market price, by making a reasonable estimation. Because the preconditions applied include a floating element, estimation of fair value may vary. The contracted amounts, as presented in Note 8 "Derivative Transactions," do not reflect market risk.

### (2) Fair values of financial instruments

The following table summarizes book value and fair value of the financial instruments, and the difference between them as of March 31, 2011 and 2010. Items for which fair value is difficult to estimate are not included in the following table (see Note 2 below).

| | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| For 2011 | Book value | Fair value | Difference | Book value | Fair value | Difference |
| **Assets** | | | | | | |
| [1] Cash and deposits | ¥ 41,114 | ¥ 41,114 | ¥ — | $ 495,349 | $ 495,349 | $ — |
| [2] Notes and accounts receivable–trade | 61,744 | 61,744 | — | 743,904 | 743,904 | — |
| [3] Short-term investment securities and investment securities | | | | | | |
| a. Held-to-maturity debt securities | 26,000 | 26,000 | — | 313,253 | 313,253 | — |
| b. Available-for-sale securities | 98,034 | 98,034 | — | 1,181,133 | 1,181,133 | — |
| Total assets | ¥226,892 | ¥226,892 | ¥ — | $2,733,639 | $2,733,639 | $ — |
| **Liabilities** | | | | | | |
| [1] Notes and accounts payable–trade | ¥ 51,688 | ¥ 51,688 | ¥ — | $ 622,747 | $ 622,747 | $ — |
| [2] Short-term loans payable | 14,800 | 14,800 | — | 178,313 | 178,313 | — |
| [3] Accounts payable–other | 20,180 | 20,180 | — | 243,132 | 243,132 | — |
| [4] Bonds payable | 25,000 | 25,398 | 398 | 301,205 | 306,000 | 4,795 |
| [5] Bonds with subscription rights to shares | 50,000 | 49,603 | (397) | 602,410 | 597,627 | (4,783) |
| [6] Long-term loans payable | 48,000 | 48,299 | 299 | 578,313 | 581,916 | 3,603 |
| Total liabilities | ¥209,668 | ¥209,968 | ¥300 | $2,526,120 | $2,529,735 | $3,615 |
| Derivative transactions* | ¥ (155) | ¥ (155) | ¥ — | $ (1,867) | $ (1,867) | $ — |

| | Millions of Yen | | |
|---|---|---|---|
| For 2010 | Book value | Fair value | Difference |
| **Assets** | | | |
| [1] Cash and deposits | ¥ 52,756 | ¥ 52,756 | ¥ — |
| [2] Notes and accounts receivable–trade | 75,565 | 75,565 | — |
| [3] Short-term investment securities and investment securities | | | |
| a. Held-to-maturity debt securities | 17,860 | 17,884 | 24 |
| b. Available-for-sale securities | 85,533 | 85,533 | — |
| Total assets | ¥231,714 | ¥231,738 | ¥ 24 |
| **Liabilities** | | | |
| [1] Notes and accounts payable–trade | ¥ 66,219 | ¥ 66,219 | ¥ — |
| [2] Short-term loans payable | 15,846 | 15,846 | — |
| [3] Accounts payable–other | 38,422 | 38,422 | — |
| [4] Bonds payable | 10,000 | 10,139 | 139 |
| [5] Bonds with subscription rights to shares | 50,000 | 49,019 | (981) |
| [6] Long-term loans payable | 28,450 | 28,659 | 209 |
| Total liabilities | ¥208,937 | ¥208,304 | ¥(633) |
| Derivative transactions* | ¥ 31 | ¥ 31 | ¥ — |

* Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

### Note 1: Method for calculating the fair value of financial instruments and matters related to investment securities and derivative transactions

*Assets*

**[1] Cash and deposits, [2] Notes and accounts receivable–trade**

Since these items are short-term and the fair value approximates the book value, the book value is used as fair value.

**[3] Short-term investment securities and investment securities**

The fair value of shares is the market price, while the fair value of bonds is the market price or the price quoted by the correspondent financial institution. Since certificates of deposit and commercial paper are short-term, and the fair value approximates the book value, the book value is used as fair value.

See Note 7 “Securities” for information on short-term investment securities categorized by holding purposes.

*Liabilities*

**[1] Notes and accounts payable–trade, [2] Short-term loans payable, [3] Accounts payable–other**

Since these items are short-term, and the fair value approximates the book value, the book value is used as fair value.

**[4] Bonds payable, [5] Bonds with subscription rights to shares**

The fair value of these items is calculated based on quoted market price or, in case where there is no market price, by using the discounted cash flow, based on the sum of the principal and total interest over the remaining period and credit risk.

**[6] Long-term loans payable**

The fair value of long-term loans payable is the sum of the principal and total interest discounted by the rate that is applied if a new loan is made. The fair value of long-term loans payable with floating rates is measured by reference to the related interest rate swap transactions (see Note 8 "Derivative Transactions"), and is the sum of the principal and total interest associated with the interest rate swap, discounted by the rate that is reasonably estimated and applied if a new loan is made.

*Derivative transactions*

See Note 8 "Derivative transactions."

### Note 2: Financial instruments of which fair value is difficult to estimate

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| | Book value | Book value | Book value |
| Unlisted shares | **¥5,620** | ¥3,190 | **$67,711** |

The market price of the above shares are not available and the future cash flow cannot be estimated. Therefore, the fair value is difficult to estimate. Hence, these are not included in "[3] Short-term investment securities and investment securities" above.

### Note 3: Monetary claims, short-term investment securities and investment securities with repayment due dates after March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| **For 2011** | Within one year | Within five years | Within ten years | Over ten years | Within one year | Within five years | Within ten years | Over ten years |
| Cash and deposits | ¥ 41,114 | ¥ — | ¥— | ¥ — | $ 495,349 | $ — | $— | $ — |
| Notes and accounts receivable–trade | 61,744 | — | — | — | 743,904 | — | — | — |
| Short-term investment securities and investment securities | | | | | | | | |
| 1. Held-to-maturity debt-securities | | | | | | | | |
| (1) Government bonds | — | — | — | — | — | — | — | — |
| (2) Corporate bonds | — | — | — | — | — | — | — | — |
| (3) Others | 26,000 | — | — | — | 313,253 | — | — | — |
| 2. Available-for-sale securities with maturities | | | | | | | | |
| (1) Bonds | | | | | | | | |
| a. Government bonds | — | — | — | — | — | — | — | — |
| b. Corporate bonds | 48,705 | 12,100 | — | — | 586,807 | 145,783 | — | — |
| c. Others | 7,000 | 8,047 | — | — | 84,337 | 96,952 | — | — |
| (2) Others | 2,705 | — | — | 154 | 32,591 | — | — | 1,855 |
| Total | ¥187,268 | ¥20,147 | ¥— | ¥154 | $2,256,241 | $242,735 | $— | $1,855 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| For 2010 | Within one year | Within five years | Within ten years | Over ten years |
| Cash and deposits | ¥ 52,756 | ¥ — | ¥— | ¥ — |
| Notes and accounts receivable–trade | 75,565 | — | — | — |
| Short-term investment securities and investment securities | | | | |
| 1. Held-to-maturity debt-securities | | | | |
| (1) Government bonds | — | — | — | — |
| (2) Corporate bonds | 3,020 | — | — | — |
| (3) Others | 14,840 | — | — | — |
| 2. Available-for-sale securities with maturities | | | | |
| (1) Bonds | | | | |
| a. Government bonds | — | — | — | — |
| b. Corporate bonds | 35,578 | 14,500 | — | — |
| c. Others | — | 15,210 | — | — |
| (2) Others | — | — | — | 434 |
| Total | ¥181,759 | ¥29,710 | ¥— | ¥434 |

## 7. Securities

### (1) Held-to-maturity debt securities

| | Millions of Yen | | | | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | | 2011 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Securities with available fair values exceeding book values | ¥26,000 | ¥26,000 | ¥— | ¥17,860 | ¥17,884 | ¥24 | $313,253 | $313,253 | $— |
| Securities other than the above | — | — | — | — | — | — | — | — | — |
| Total | ¥26,000 | ¥26,000 | ¥— | ¥17,860 | ¥17,884 | ¥24 | $313,253 | $313,253 | $— |

### (2) Available-for-sale securities

Securities with book values exceeding acquisition costs:

| | Millions of Yen | | | | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | | 2011 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Equity securities | ¥10,391 | ¥ 5,538 | ¥4,853 | ¥14,080 | ¥ 7,404 | ¥6,676 | $125,193 | $ 66,723 | $58,470 |
| Bonds | 65,451 | 65,334 | 117 | 50,776 | 50,652 | 124 | 788,566 | 787,156 | 1,410 |
| Others | 2,859 | 2,858 | 1 | — | — | — | 34,446 | 34,434 | 12 |
| Total | ¥78,701 | ¥73,730 | ¥4,971 | ¥64,856 | ¥58,056 | ¥6,800 | $948,205 | $888,313 | $59,892 |

Securities others than the above:

| | Millions of Yen | | | | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | | 2011 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Equity securities | ¥ 8,920 | ¥10,874 | ¥(1,954) | ¥ 6,128 | ¥ 7,187 | ¥(1,059) | $107,470 | $131,012 | $(23,542) |
| Bonds | 10,406 | 10,500 | (94) | 14,539 | 15,000 | (461) | 125,374 | 126,506 | (1,132) |
| Others | 7 | 9 | (2) | 10 | 11 | (1) | 84 | 109 | (25) |
| Total | ¥19,333 | ¥21,383 | ¥(2,050) | ¥20,677 | ¥22,198 | ¥(1,521) | $232,928 | $257,627 | $(24,699) |

### (3) Available-for-sale securities sold in the years ended March 31, 2011 and 2010:

| | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2011 | | |
| | Sales amount | Gross realized gains | Gross realized losses | Sales amount | Gross realized gains | Gross realized losses |
| Equity securities | ¥60 | ¥29 | ¥— | $723 | $349 | $— |
| Bonds | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |
| Total | ¥60 | ¥29 | ¥— | $723 | $349 | $— |

| | Millions of Yen | | |
|---|---|---|---|
| | 2010 | | |
| | Sales amount | Gross realized gains | Gross realized losses |
| Equity securities | ¥8,839 | ¥1,669 | ¥ 2 |
| Bonds | — | — | — |
| Others | — | — | — |
| Total | ¥8,839 | ¥1,669 | ¥ 2 |

### (4) Short-term investment securities impaired

Certain short-term investment securities are impaired. An impairment loss of ¥231 million ($2,783 thousand), comprising ¥229 million ($2,759 thousand) on other securities except for trading securities ("available-for-sale securities") for which fair value is readily determinable, ¥0 million ($0 thousand) on securities of which the fair value is extremely difficult to estimate and ¥2 million ($24 thousand) on other securities has been recorded for the year ended March 31, 2011. An impairment loss of ¥1,002 million, comprising ¥1,000 million on securities of which the fair value is extremely difficult to estimate and ¥2 million on other securities has been recorded for the year ended March 31, 2010.

With respect to impairment losses, investment securities with a fair value that has declined by 50% or more against their acquisition cost are booked as an impairment loss. Among investment securities that have declined by 30% or more, but less than 50% against their acquisition cost, those that have been comprehensively assessed and deemed as unlikely to recover their value are also booked as impairment losses.

## 8. Derivative Transactions

### 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, 2011 and 2010 were as follows:

### Derivative transactions not subject to hedge accounting

(1) Currency-related derivatives:

| | Millions of Yen | | | | | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2010 | | | | 2011 | | | |
| | Contract amount | | | | Contract amount | | | | Contract amount | | | |
| | Total | Due after one year | Fair value | Realized gain (loss) | 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 | ¥ 40 | ¥— | ¥ 40 | ¥ (0) | ¥ 9 | ¥— | ¥ 9 | ¥(0) | $ 482 | $— | $ 482 | $ (0) |
| Euros | 5,426 | — | 5,570 | (144) | — | — | — | — | 65,373 | — | 67,108 | (1,735) |
| Sterling pounds | 345 | — | 342 | 3 | — | — | — | — | 4,157 | — | 4,121 | 36 |
| To buy: | | | | | | | | | | | | |
| U.S. dollars | ¥ 244 | ¥— | ¥ 249 | ¥ 5 | ¥— | ¥— | ¥— | ¥— | $ 2,940 | $— | $ 3,000 | $ 60 |
| Total | ¥ — | ¥— | ¥ — | ¥(136) | ¥— | ¥— | ¥— | ¥(0) | $ — | $— | $ — | $(1,639) |

(2) Interest rate-related derivatives:

| | Millions of Yen | | | | | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2010 | | | | 2011 | | | |
| | Contract amount | | | | Contract amount | | | | Contract amount | | | |
| | Total | Due after one year | Fair value | Realized gain (loss) | Total | Due after one year | Fair value | Realized gain (loss) | Total | Due after one year | Fair value | Realized gain (loss) |
| Interest rate swaps: | | | | | | | | | | | | |
| Receive fix/ Pay float | ¥10,000 | ¥10,000 | ¥(155) | ¥(6) | ¥20,000 | ¥20,000 | ¥(176) | ¥984 | $120,482 | $120,482 | $(1,867) | $(72) |
| Total | ¥10,000 | ¥10,000 | ¥(155) | ¥(6) | ¥20,000 | ¥20,000 | ¥(176) | ¥984 | $120,482 | $120,482 | $(1,867) | $(72) |

Notes: 1. Fair values of derivative transactions are determined by prices principally reported by the financial institutions with which the Group engages in derivative transactions.

2. Interest rate swaps that no longer meet hedging criteria are stated separately. Amounts corresponding to fair values are included in "other long-term liabilities" in consolidated balance sheets. The net deferred amounts to be paid or received under the said interest rate swaps are periodically charged to expenses or income over the remaining contract periods.

### Derivative transactions subject to hedge accounting

(1) Currency-related derivatives

| | | | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2011 | | | 2011 | | |
| | | | Contract amount | | | Contract amount | | |
| Hedge accounting method | Type | Main hedged items | Total | Due after one year | Fair value | Total | Due after one year | Fair value |
| Forward contracts that are subject to appropriated treatment | Forward contracts: To sell Chinese yuan | Foreign-currency deposit | ¥10,056 | ¥— | Note 3 | $121,157 | $— | Note 3 |
| Total | | | ¥10,056 | ¥— | ¥— | $121,157 | $— | $— |

| | | | Millions of Yen | | |
|---|---|---|---|---|---|
| | | | 2010 | | |
| | | | Contract amount | | |
| Hedge accounting method | Type | Main hedged items | Total | Due after one year | Fair value |
| Currency swaps that are subject to appropriated treatment | Currency swaps: Receive in yen/ Pay in U.S. dollars | Foreign-currency bond | ¥3,020 | ¥— | Note 2 |
| Total | | | ¥3,020 | ¥— | ¥— |

(2) Interest rate-related derivatives

| | | | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2011 | | | 2011 | | |
| | | | Contract amount | | | Contract amount | | |
| Hedge accounting method | Type | Main hedged item | Total | Due after one year | Fair value | Total | Due after one year | Fair value |
| Principle accounting method | Interest rate swaps: Receive fix/ Pay float | Long-term loans payable, etc. | ¥10,000 | ¥ — | ¥136 | $120,482 | $ — | $1,639 |
| Interest rate swaps that are subject to special treatment | Interest rate swaps: Receive float/ Pay fix | Long-term loans payable | 18,000 | 18,000 | Note 4 | 216,867 | 216,867 | Note 4 |
| Total | | | ¥28,000 | ¥18,000 | ¥ — | $337,349 | $216,867 | $ — |

| | | | Millions of Yen | | |
|---|---|---|---|---|---|
| | | | 2010 | | |
| | | | Contract amount | | |
| Hedge accounting method | Type | Main hedged item | Total | Due after one year | Fair value |
| Principle accounting method | Interest rate swaps: Receive fix/ Pay float | Long-term loans payable, etc. | ¥10,000 | ¥10,000 | ¥207 |
| Interest rate swaps that are subject to special treatment | Interest rate swaps: Receive float/ Pay fix | Long-term loans payable | 8,000 | 8,000 | Note 4 |
| Total | | | ¥18,000 | ¥18,000 | ¥ — |

Notes: 1. Fair values of derivative transactions are determined by prices principally reported by the financial institutions with which the Group engages in derivative transactions.
2. Since currency swaps that are subject to appropriated treatment are accounted for together with short-term investment securities, which are hedged items, their fair value is included in the fair value of the said short-term investment securities.
3. Since forward contracts that are subject to appropriated treatment are accounted for together with deposit, which are hedged items, their fair value is included in the fair value of the said deposit.
4. Since interest rate swaps that are subject to special treatment are accounted for with long-term loans payable, which are hedged items, their fair value is included in the fair value of the said long-term loans payable.

## 9. Short-term Loans Payable and Long-term Debt

Short-term loans payable represent unsecured bank loans and its average interest rates were 1.2% and 0.8% per annum at March 31, 2011 and 2010, respectively.

Bonds and long-term loans payable at March 31, 2011 and 2010 consisted of:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Euro-yen convertible bonds with stock warrants due in 2015* | ¥ 50,000 | ¥50,000 | $ 602,410 |
| 1.32% unsecured bonds due in 2014 | 10,000 | 10,000 | 120,482 |
| 1.07% unsecured bonds due in 2015 | 15,000 | — | 180,723 |
| Unsecured loans principally from banks at interest rates of 0.47% to 1.83% maturing through 2015 | 48,000 | 28,450 | 578,313 |
| Total | 123,000 | 88,450 | 1,481,928 |
| Less amount due within one year | 10,000 | 450 | 120,482 |
| | ¥113,000 | ¥88,000 | $1,361,446 |

* Details of issuances of share subscription rights attached to bonds (“warrants”):
Type of shares involved: ordinary shares of common stock
Price of warrant: gratis
Share issue price: ¥1,952
Total issue amount: ¥50,000 million
Total value of new shares issued upon exercise of warrants: —
Warrant-linked: 100%
Period of exercise of warrants: July 3, 2008 to March 17, 2015
Upon request to exercise warrants in question, payments usually required for the issuance of the corresponding number of shares shall be exempted as the issuer of bonds in question, in return, will be automatically exempted from obligation of redemption of the bonds in lump-sum.
Exercise of warrants in question shall be regarded as eligible request for exercise of share subscription rights.

The annual maturities of bonds and long-term loans payable at March 31, 2011 were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2012 | ¥10,000 | $120,482 |
| 2013 | — | — |
| 2014 | 30,000 | 361,446 |
| 2015 | 68,000 | 819,277 |
| 2016 | 15,000 | 180,723 |

The annual maturities of lease obligations at March 31, 2011 were as follows:

| Year ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2012 | ¥740 | $8,916 |
| 2013 | 675 | 8,133 |
| 2014 | 456 | 5,494 |
| 2015 | 218 | 2,627 |
| 2016 | 85 | 1,024 |
| Thereafter | 32 | 386 |

The line of credit with the main financial institutions agreed as of March 31, 2011 and 2010 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Line of credit | **¥88,735** | ¥61,725 | **$1,069,096** |
| Unused | **88,735** | 61,725 | **1,069,096** |

## 10. Income Taxes

The Company and domestic consolidated subsidiaries used the statutory income tax rate of 40.7% for calculation of deferred income tax assets and liabilities at March 31, 2011.

The following table summarizes the significant differences between statutory tax rate and the Group's actual income tax rate for financial statement purposes for the year ended March 31, 2011.

| | 2011 |
|---|---|
| Statutory tax rate | **40.7%** |
| Increase (reduction) in tax resulting from: | |
| Nondeductive expenses (Entertainment, etc.) | **1.1** |
| Difference in statutory tax rate (included in foreign subsidiaries) | **(8.3)** |
| Valuation allowance | **7.7** |
| Equity in earnings of affiliates | **6.3** |
| Other | **1.7** |
| Actual income tax rate | **49.2%** |

The significant differences between the statutory tax rate and the Group's actual income tax rate for financial statement purposes for the year ended March 31, 2010 are not disclosed because the Company recognized a loss before income taxes.

Significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Deferred tax assets: | | | |
| Net operating loss carryforwards | ¥15,606 | ¥22,004 | $188,024 |
| Provision for retirement benefits | 7,895 | 7,575 | 95,121 |
| Inventories | 2,521 | 4,188 | 30,374 |
| Accrued expenses (bonuses to employees) | 2,242 | 2,483 | 27,012 |
| Property, plant and equipment | 1,331 | 3,384 | 16,036 |
| Other | 8,641 | 19,220 | 104,108 |
| Gross deferred tax assets | 38,236 | 58,854 | 460,675 |
| Valuation allowance | (15,501) | (34,774) | (186,759) |
| Total deferred tax assets | 22,735 | 24,080 | 273,916 |
| Deferred tax liabilities: | | | |
| Valuation difference on available-for-sale securities | (2,022) | (2,766) | (24,361) |
| Unrealized holding gain | (1,878) | (1,878) | (22,627) |
| Reserve for advanced depreciation of noncurrent assets | (126) | (183) | (1,518) |
| Other | (62) | (94) | (747) |
| Total deferred tax liabilities | (4,088) | (4,921) | (49,253) |
| Net deferred tax assets | ¥18,647 | ¥19,159 | $224,663 |

## 11. Provision for Retirement Benefits

The liabilities for the provision for retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2011 and 2010 consist of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Projected benefit obligation | ¥70,846 | ¥71,808 | $853,566 |
| Unrecognized prior service costs | 6,149 | 7,025 | 74,084 |
| Unrecognized actuarial differences | (17,892) | (17,089) | (215,566) |
| Less fair value of pension assets* | (48,407) | (51,753) | (583,217) |
| Prepaid pension cost | — | 21 | — |
| Liabilities for the provision for retirement benefits | ¥10,696 | ¥10,012 | $128,867 |

* Including employee retirement benefit trust

Included in the consolidated statements of operations for the years ended March 31, 2011 and 2010 are provision for retirement benefit expenses comprised of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Service cost—benefits earned during the year | ¥2,455 | ¥3,565 | $29,578 |
| Interest cost on projected benefit obligation | 1,653 | 1,647 | 19,916 |
| Expected return on plan assets | (1,441) | (1,296) | (17,361) |
| Amortization of prior service costs | (865) | (871) | (10,422) |
| Amortization of actuarial differences | 1,911 | 2,295 | 23,024 |
| Amortization of net transition obligation | — | 1,170 | — |
| Other | 144 | 163 | 1,735 |
| Provision for retirement benefit expenses | ¥3,857 | ¥6,673 | $46,470 |

The discount rate and the rate of expected return on plan assets used by the Group are 2.5% and 3.0%, respectively, in both 2011 and 2010.

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). Prior service costs 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).

## 12. Net Assets

Under the Japanese Corporation Law (“the Law”) and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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 Law.

## 13. Lease Transactions

**(1) Finance lease transactions which do not transfer the ownership of the leased property to the lessee, and that were concluded prior to the first year for which the new accounting standards were applied**

The amounts of outstanding future lease payments and accumulated impairment losses on leased assets due at March 31, 2011 and 2010 and total lease expenses (corresponding to reversal of accumulated impairment loss on lease assets, total assumed depreciation cost, total assumed interest cost and impairment loss) as lessee for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Future lease payments: | | | |
| Due within one year | **¥ 861** | ¥1,747 | **$10,373** |
| Due over one year | **367** | 1,718 | **4,422** |
| Total | **¥1,228** | ¥3,465 | **$14,795** |
| Term-end balance of accumulated impairment loss on lease assets | **¥ 646** | ¥2,149 | **$ 7,783** |
| Total lease expenses | **¥1,290** | ¥2,881 | **$15,542** |
| Reversal of accumulated impairment loss on lease assets | **¥ 787** | ¥1,413 | **$ 9,482** |
| Total assumed depreciation cost | **¥ 490** | ¥ 909 | **$ 5,904** |
| Total assumed interest cost | **¥ 61** | ¥ 151 | **$ 735** |
| Total assumed impairment loss | **¥ 12** | ¥ — | **$ 145** |

Assumed data as to acquisition cost, accumulated depreciation, accumulated impairment loss and net book value of the lease assets under the finance lease contracts as lessee at March 31, 2011 and 2010 were summarized as follows:

| | Millions of Yen | | | | | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2011** | | | | 2010 | | | | **2011** | | | |
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Net book value | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Net book value | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Net book value |
| Machinery | **¥4,631** | **¥2,244** | **¥2,011** | **¥376** | ¥7,342 | ¥3,385 | ¥3,326 | ¥ 631 | **$55,795** | **$27,036** | **$24,229** | **$4,530** |
| Equipment | **393** | **322** | **5** | **66** | 1,202 | 886 | 19 | 297 | **4,735** | **3,879** | **60** | **796** |
| Other | **311** | **243** | **—** | **68** | 895 | 657 | — | 238 | **3,747** | **2,928** | **—** | **819** |
| Total | **¥5,335** | **¥2,809** | **¥2,016** | **¥510** | ¥9,439 | ¥4,928 | ¥3,345 | ¥1,166 | **$64,277** | **$33,843** | **$24,289** | **$6,145** |

**(2) Operating leases**

The amount of outstanding future noncancellable lease payments due at March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Future lease payments: | | | |
| Due within one year | **¥ 57** | ¥32 | **$ 687** |
| Due over one year | **72** | 59 | **867** |
| Total | **¥129** | ¥91 | **$1,554** |

## 14. Segment Information

Effective from the year ended March 31, 2011, the Company adopted ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" issued by the Accounting Standards Board of Japan on March 27, 2009 and on March 21, 2008, respectively.

### (1) Overview of reportable segments

The Company's reportable segments consist of the Company's constituent units for which separate financial information is available and which are subject to periodic examination in order for the board of directors to determine the allocation of management resources and evaluate financial results.

The Company has designated three areas of segment reporting, which are the "Consumer," "System equipment," and "Others" segments, based on the type of products and services, and the market and consumer categories.

The categories of the main products and services belonging to each reportable segment are as follows.

Consumer.................Watches, Clocks, Electronic dictionaries, Electronic calculators, Label printers, Electronic musical instruments, Digital cameras, Cellular phones, etc.

System equipment .....Handy terminals, Electronic cash registers (including POS), Office computers, Page printers, Data projectors, etc.

Others.......................WLP processing consignments, LCDs, Molds, etc.

### (2) Basis of measurement about reportable segment income or loss, segment assets, segment liabilities and other material items

The accounting method for the reportable segments is largely in line with the descriptions in Notes 1–3. Inter-segment profits and transfers are based on the market price.

### (3) Information on net sales, income or loss, assets and other categories for each reportable segment

Segment information as of and for the fiscal years ended March 31, 2011 and 2010 are as follows:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Reportable segments | | | | | |
| For 2011 | Consumer | System equipment | Others | Total | Adjustment | Consolidated |
| Net sales: | | | | | | |
| Outside customers | ¥252,083 | ¥46,511 | ¥43,084 | ¥341,678 | ¥ — | ¥341,678 |
| Inside Group | 18 | 627 | 5,963 | 6,608 | (6,608) | — |
| Total | 252,101 | 47,138 | 49,047 | 348,286 | (6,608) | 341,678 |
| Segment income (loss) | 16,521 | (1,488) | 576 | 15,609 | (3,567) | 12,042 |
| Segment assets | ¥151,808 | ¥44,735 | ¥45,699 | ¥242,242 | ¥160,214 | ¥402,456 |
| Others | | | | | | |
| Depreciation and amortization | ¥ 8,013 | ¥ 2,916 | ¥ 1,781 | ¥ 12,710 | ¥ 205 | ¥ 12,915 |
| Amortization of Goodwill | ¥ 140 | ¥ 24 | ¥ — | ¥ 164 | ¥ — | ¥ 164 |
| Investment to equity method affiliates | ¥ 2,272 | ¥ — | ¥ 2,212 | ¥ 4,484 | ¥ — | ¥ 4,484 |
| Increase in property, plant and equipment and intangible assets | ¥ 7,116 | ¥ 2,354 | ¥ 923 | ¥ 10,393 | ¥ 57 | ¥ 10,450 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | Reportable segments | | | | | |
| For 2011 | Consumer | System equipment | Others | Total | Adjustment | Consolidated |
| Net sales: | | | | | | |
| Outside customers | $3,037,145 | $560,373 | $519,084 | $4,116,602 | $ — | $4,116,602 |
| Inside Group | 216 | 7,555 | 71,844 | 79,615 | (79,615) | — |
| Total | 3,037,361 | 567,928 | 590,928 | 4,196,217 | (79,615) | 4,116,602 |
| Segment income (loss) | 199,048 | (17,928) | 6,940 | 188,060 | (42,976) | 145,084 |
| Segment assets | $1,829,012 | $538,976 | $550,590 | $2,918,578 | $1,930,289 | $4,848,867 |
| Others | | | | | | |
| Depreciation and amortization | $ 96,542 | $ 35,133 | $ 21,458 | $ 153,133 | $ 2,469 | $ 155,602 |
| Amortization of Goodwill | $ 1,687 | $ 289 | $ — | $ 1,976 | $ — | $ 1,976 |
| Investment to equity method affiliates | $ 27,373 | $ — | $ 26,651 | $ 54,024 | $ — | $ 54,024 |
| Increase in property, plant and equipment and intangible assets | $ 85,735 | $ 28,361 | $ 11,121 | $ 125,217 | $ 687 | $ 125,904 |

| For 2010 | Millions of Yen<br>Reportable segments<br>Consumer | <br><br>System equipment | <br><br>Others | <br><br>Total | <br><br>Adjustment | <br><br>Consolidated |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| Outside customers | ¥337,035 | ¥43,555 | ¥47,335 | ¥427,925 | ¥ — | ¥427,925 |
| Inside Group | 23 | 628 | 19,036 | 19,687 | (19,687) | — |
| Total | 337,058 | 44,183 | 66,371 | 447,612 | (19,687) | 427,925 |
| Segment income (loss) | (17,144) | (2,809) | (4,801) | (24,754) | (4,555) | (29,309) |
| Segment assets | ¥170,282 | ¥61,972 | ¥62,508 | ¥294,762 | ¥135,221 | ¥429,983 |
| Others | | | | | | |
| Depreciation and amortization | ¥ 23,856 | ¥ 2,682 | ¥ 2,281 | ¥ 28,819 | ¥ 220 | ¥ 29,039 |
| Amortization of Goodwill | ¥ 193 | ¥ 12 | ¥ — | ¥ 205 | ¥ — | ¥ 205 |
| Investment to equity method affiliates | ¥ — | ¥ — | ¥ 1,989 | ¥ 1,989 | ¥ — | ¥ 1,989 |
| Increase in property, plant and equipment and intangible assets | ¥ 25,443 | ¥ 1,789 | ¥ 1,968 | ¥ 29,200 | ¥ 211 | ¥ 29,411 |

Notes: 1. Adjustments are as shown below:

(1) Adjustments to segment income or loss for the years ended March 31, 2011 and 2010 were ¥(3,567) million ($(42,976) thousand) and ¥(4,555) million, respectively. These amounts include corporate expenses that are not allocated to reportable segments of ¥(3,567) million ($(42,976) thousand) and ¥(4,555) million, respectively. Corporate expenses principally consist of administrative expenses and R&D expenses for fundamental research of the Company that are not attributable to reportable segments.

(2) Adjustments to segment assets for the years ended March 31, 2011 and 2010 were ¥160,214 million ($1,930 million) and ¥135,221 million, respectively. These amounts include corporate assets that are not allocated to reportable segments of ¥161,088 million ($1,941 million) and ¥137,454 million, respectively.

(3) Adjustments to depreciation and amortization for the years ended March 31, 2011 and 2010 were ¥205 million ($2,469 thousand) and ¥220 million, respectively. These amounts consist of depreciation and amortization of assets related to administrative divisions that are not attributable to reportable segments.

(4) Adjustment to the increase in property, plant and equipment and intangible assets for the years ended March 31, 2011 and 2010 were ¥57 million ($687 thousand) and ¥211 million, respectively. These amounts consist of capital expenditures of administrative divisions that are not attributable to reportable segments.

2. Segment income or loss is reconciled with operating income on the consolidated statements of operations.

### (4) Information about geographic areas

| For 2011 | Millions of yen<br>Japan | North America | Europe | Asia | Others | Total |
|---|---|---|---|---|---|---|
| Net sales | ¥162,351 | ¥42,109 | ¥54,155 | ¥54,465 | ¥28,598 | ¥341,678 |

| For 2011 | Thousands of U.S. Dollars<br>Japan | North America | Europe | Asia | Others | Total |
|---|---|---|---|---|---|---|
| Net sales | $1,956,036 | $507,337 | $652,470 | $656,205 | $344,554 | $4,116,602 |

Note: Sales are classified by client country or region.

### (5) Information on impairment loss for each reporatble segment

| For 2011 | Millions of yen<br>Consumer | System equipment | Others | Elimination or unallocated amount | Total |
|---|---|---|---|---|---|
| Impairment loss | ¥— | ¥— | ¥646 | ¥— | ¥646 |

| For 2011 | Thousands of U.S. Dollars<br>Consumer | System equipment | Others | Elimination or unallocated amount | Total |
|---|---|---|---|---|---|
| Impairment loss | $— | $— | $7,783 | $— | $7,783 |

### (6) Information on amortization of goodwill and unamortized balance in each reportable segment

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For 2011 | Consumer | System equipment | Others | Elimination or unallocated amount | Total |
| Goodwill | | | | | |
| Balance at the end of the reporting year | ¥303 | ¥84 | ¥— | ¥— | ¥387 |
| Negative goodwill | | | | | |
| Amortization for the reporting year | 115 | — | 0 | — | 115 |
| Balance at the end of the reporting year | 171 | — | 1 | — | 172 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| For 2011 | Consumer | System equipment | Others | Elimination or unallocated amount | Total |
| Goodwill | | | | | |
| Balance at the end of the reporting year | $3,651 | $1,012 | $— | $— | $4,663 |
| Negative goodwill | | | | | |
| Amortization for the reporting year | 1,386 | — | 0 | — | 1,386 |
| Balance at the end of the reporting year | 2,060 | — | 12 | — | 2,072 |

### (7) Information on business segments, geographical segments, and overseas sales

Segment information as of and for the fiscal year ended March 31, 2010, which is in conformity with the former standard applicalbe to the prior fiscal year, is as follows:

*1) Business segments*

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| For 2010 | Electronics | Electronic components and others | Total | Elimination or unallocated amount | Consolidated |
| Net sales: | | | | | |
| Outside customers | ¥380,590 | ¥47,335 | ¥427,925 | ¥ — | ¥427,925 |
| Inside Group | 651 | 19,036 | 19,687 | (19,687) | — |
| Total | 381,241 | 66,371 | 447,612 | (19,687) | 427,925 |
| Costs and expenses | 401,194 | 71,172 | 472,366 | (15,132) | 457,234 |
| Operating loss | ¥ (19,953) | ¥ (4,801) | ¥ (24,754) | ¥ (4,555) | ¥ (29,309) |
| Total assets | ¥232,254 | ¥62,508 | ¥294,762 | ¥135,221 | ¥429,983 |
| Depreciation | ¥ 26,743 | ¥ 2,281 | ¥ 29,024 | ¥ 220 | ¥ 29,244 |
| Impairment loss | ¥ 282 | ¥ 7 | ¥ 289 | ¥ 0 | ¥ 289 |
| Capital expenditures | ¥ 27,232 | ¥ 1,968 | ¥ 29,200 | ¥ 211 | ¥ 29,411 |

Notes: 1. Business segments are 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, Label printers, Electronic dictionaries, Digital cameras, Electronic musical instruments, Digital watches, Analog watches, Clocks, Cellular phones, Handy terminals, Electronic cash registers (including POS), Office computers, Page printers, Data projectors
   (2) Electronic components and others:
   LCDs, Bump processing consignments, Factory automation, Molds, 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 ¥4,555 million for the year ended March 31, 2010.
4. Elimination or unallocated amounts of total assets principally consisted of cash and deposits, short-term investment securities, investment securities and administrative assets of the parent company, which amounted to ¥137,454 million for the year ended March 31, 2010.
5. As disclosed in Note 3. (2), effective from the fiscal year ended March 31, 2010, ASBJ Statement No. 15, “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts” issued on December 27, 2007 have been applied. The effect on net income of the adoption of the new accounting standards is not material.

*2) Geographical segments*

| For 2010 | Japan | Americas | Europe | Asia | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Net sales: | | | | | | | |
| Outside customers | ¥307,488 | ¥35,047 | ¥59,373 | ¥ 26,017 | ¥427,925 | ¥ — | ¥427,925 |
| Inside Group | 80,038 | 449 | 6 | 87,085 | 167,578 | (167,578) | — |
| Total | 387,526 | 35,496 | 59,379 | 113,102 | 595,503 | (167,578) | 427,925 |
| Costs and expenses | 420,512 | 33,304 | 60,404 | 110,786 | 625,006 | (167,772) | 457,234 |
| Operating income (loss) | ¥ (32,986) | ¥ 2,192 | ¥ (1,025) | ¥ 2,316 | ¥ (29,503) | ¥ 194 | ¥ (29,309) |
| Total assets | ¥393,238 | ¥15,476 | ¥26,189 | ¥ 37,783 | ¥472,686 | ¥ (42,703) | ¥429,983 |

Notes: 1. Segments of countries and areas are classified by geographical location.
2. The main countries and the areas which belong to each segment except for Japan were as follows:
(1) Americas.......... U.S.A., Canada, Mexico, Brazil
(2) Europe............ U.K., Germany, France, Spain, Netherlands, Norway, Russia, Italy
(3) Asia ................ Taiwan, Hong Kong, Singapore, China, India, Indonesia, Thailand
3. As disclosed in Note 3. (2), effective from the fiscal year ended March 31, 2010, ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts" issued on December 27, 2007 have been applied. The effect on net income of the adoption of the new accounting standards is not material.

*3) Overseas sales*

| For 2010 | North America | Europe | Asia | Others | Total |
|---|---|---|---|---|---|
| | Millions of Yen | | | | |
| Overseas net sales | ¥64,916 | ¥60,467 | ¥54,159 | ¥25,548 | ¥205,090 |
| Net sales (consolidated) | — | — | — | — | 427,925 |
| Share of overseas net sales | 15.2% | 14.1% | 12.6% | 6.0% | 47.9% |

Notes: 1. Segments of countries and areas are classified by geographical location.
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, South Korea, Taiwan
3. The above overseas net sales represent net sales made outside Japan by the Company and consolidated subsidiaries.

## 15. Commitments and Contingent Liabilities

At March 31, 2011 and 2010, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥1,673 million ($20,157 thousand) and ¥1,811 million, respectively.

## 16. Stock Option

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 employees of the Company and directors of subsidiaries, as of June 27, 2003.

The stock purchase rights can be exercised at a price of ¥1,221 ($14.71) per share in the period from July 1, 2005 to June 30, 2010, and a total of 70 thousand shares of common stock could be issued by the exercise of these rights. The stock purchase rights for those 70 thousand shares that had not been exercised expired on June 30, 2010.

By special resolution at the 48th annual shareholders' meeting held on June 29, 2004, 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 employees of the Company and directors of affiliates, as of June 29, 2004.

The stock purchase rights can be exercised at a price of ¥1,575 ($18.98) per share in the period from July 1, 2006 to June 30, 2011, and a total of 141.1 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. Business Structure Improvement Expenses and Impairment Loss

### (1) Business structure improvement expenses

For 2010:

The expected amount of the said losses was posted in the provision for business structure improvement to provide against the accrual of losses following the subsidiary merger resulting from the business integration of its mobile terminal business.

### (2) Impairment loss

For 2011:

The Company and its consolidated subsidiaries have posted impairment loss. Details are as follows:

| Use | Type of assets | Location |
|---|---|---|
| Business assets used in the other businesses of some Group companies | Land, buildings and structures, machinery and equipment, tools, furniture and fixtures, lease assets | Chuo City and Fuefuki City, Yamanashi Pref. |
| Idle assets | Land, buildings and structures | Fujinomiya City and Fuji City, Shizuoka Pref. |

With respect to business assets, the Company and its consolidated subsidiaries carry out asset grouping principally according to its management accounting categories, which are employed to enable continuous monitoring of the Group’s earnings situation. Idle assets are managed on an individual basis. The Company and its subsidiaries have applied impairment accounting to business assets whose values are deemed to have significantly declined due to deteriorating business environment and idle assets to make optimal use of these assets in the future.

Book value of these assets was reduced to recoverable amounts and the reduced amounts (¥646 million [$7,783 thousand]) were recognized as “impairment loss.”

The breakdown of the losses is: ¥314 million ($3,783 thousand) for land, ¥155 million ($1,867 thousand) for buildings and structures, ¥90 million ($1,084 thousand) for machinery and equipment, and ¥87 million ($1,048 thousand) for others.

Recoverable amounts are estimated using net selling prices which are reasonably estimated. Recoverable amounts for land are calculated based on real estate appraisal values or roadside land prices and using estimated disposal values for other assets.

## 18. Business Combination

For 2011:

**Business divestiture**

On April 1, 2010, through company split, Ortus Technology Co., Ltd., a wholly-owned subsidiary of the Company, took over the Company’s small and medium-size display business, and Toppan Printing Co., Ltd. acquired 80% of the shares in Ortus Technology Co., Ltd. from the Company on the same aforementioned date.

### Summary of business divestiture

*1) Name of the company to which the business in being divested*

Toppan Printing Co., Ltd.

*2) Details of the business divested*

Small and medium-size display business

*3) Reason for business divestiture*

Seeking early commercialization of organic light-emitting diode (OLED) displays jointly developed by the Company and Toppan Printing, the two companies decided that the collaboration would be the best for the small and medium-size display business.

*4) Date of business divestiture*

April 1, 2010

### Summary of accounting procedures

*1) Transfer of gain (loss)*

Not applicable

*2) Proper book-value of assets and liabilities employed in the business transferred:*

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Current assets | ¥6,145 | $74,036 |
| Noncurrent assets | 1,154 | 13,904 |
| Total assets | ¥7,299 | $87,940 |
| Current liabilities | ¥5,049 | $60,832 |
| Noncurrent liabilities | 1,001 | 12,060 |
| Total liabilities | ¥6,050 | $72,892 |

*3) Reportable segment in which the business divested is included*

Others

**Business combination of subsidiary**

The Company, NEC Corporation (NEC), and Hitachi, Ltd. (Hitachi) agreed to integrate and operate their respective mobile terminal businesses as a joint-venture company. On March 24, 2010, Casio Hitachi Mobile Communications Co., Ltd. (CHMC), a consolidated subsidiary of the Company, concluded a merger agreement with NEC CASIO Mobile Communications, Ltd. (NCMC). On April 20, 2010, a memorandum was signed to change the effective date of the integration to June 1, 2010. On June 1, 2010, CHMC merged with NCMC.

Summary of business combination performed by subsidiary

*1) Name and business of business combination including subsidiary*

a. Surviving company

Company Name: NEC CASIO Mobile Communications, Ltd.

Business Summary: Mobile terminal development, production, sales and maintenance

b. Merging company

Company Name: Casio Hitachi Mobile Communications Co., Ltd. (a consolidated subsidiary)

Business Summary: Mobile terminal development, design, production, procurement, quality control, sales and maintenance

*2) Reason for the business combination*

The Company, NEC and Hitachi agreed to integrate and operate their respective mobile terminal businesses as a joint-venture company.

NCMC completely integrated NEC's Mobile Terminal Operations Unit with CHMC's entire business including sales, development, production and maintenance. The new company boasts a highly competitive range of products that merges the advanced technologies and product development capabilities of each company. Furthermore, combination of NEC's IT/Network technology supported by product development capabilities linked to service business for enterprises and consumers, and CHMC's consumer product technologies and planning strength, is expected to result in the creation of innovative synergies and the development of appealing new products, in addition to future growth area.

The Company, NEC and Hitachi integrate their mobile terminal business in order to strengthen both domestic and international business while increasing competitive strength and capitalizing on each company's brand recognition by (1) achieving synergies in a variety of fields, including sales expansion, procurement and customer service, and (2) reinforcing product development by unifying technological assets, know-how and resources.

*3) Date of business combination*

June 1, 2010

*4) Summary of business combination including its legal form*

a. Merger method

Absorption-type merger where NCMC is the surviving company and CHMC is dissolved.

b. Allocation of shares

In this merger, NCMC issues 3,400 shares of common stock in NCMC, which then allocate the shares of common stock to the registered shareholders of CHMC on a day before the effective date of the merger in accordance with the percentage of share ownership of CHMC's shareholders on the same date.

Summary of accounting procedures

Accounting procedures are based on ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" (Revised on December 26, 2008) and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Revised on December 26, 2008).

Reportable segment in which the business divested is included

Consumer

Estimated total income of the subsidiary in the consolidated statement of operations for the year ended March 31, 2011

Net sales: ¥16,590 million ($199,880 thousand)

## 19. Subsequent Events

(1) At the annual shareholders' meeting held on June 29, 2011, the Company's shareholders approved the payment of a cash dividend of ¥17.00 ($0.20) per share aggregating ¥4,571 million ($55,072 thousand) to registered shareholders as of March 31, 2011.

(2) Transfer of the WLP-related business of the Company and a consolidated subsidiary to a new company through a company split, assignment of the new company's shares, and granting of debt waiver to the consolidated subsidiary

At a meeting of the Board of Directors on June 17, 2011, the Company resolved that the Wafer Level Package ("WLP")-related business of the Company and its consolidated subsidiary Casio Micronics Co., Ltd. (hereinafter "Casio Micronics") would in each case be split off and transferred to Teramikros, Inc. (provisional name; hereinafter "Teramikros"), which is to be newly established by the Company (these demergers are referred to hereinafter collectively as "the company split"); that all shares in Teramikros would be transferred to Tera Probe, Inc. (hereinafter "Tera Probe") ("the share transfer"); and that a debt waiver would be granted in relation to loans made to Casio Micronics. Accordingly, a share transfer agreement was signed with Tera Probe.

Further, the effective date of the company split and the date of the share transfer are scheduled to be October 1, 2011.

*1) Aims of the company split and the share transfer, and reason for the debt waiver*

For many years, the Company has been continuously involved in high density packaging-related R&D, and since establishing Casio Micronics in 1987, Casio Micronics has played a central role in developing wafer bump forming technology and promoting the processing services business. Along with steady enlargement in the scope of the business, since 2001 we have extended the development of this bump technology into the "WLP" field, which is the ultimate semiconductor package. Going forward, we intend to continue serving our customers by strengthening our production capacity in this field while maximizing the technological capability we have built up over many years, through partnerships and collaboration with other companies in the fields of technology and business, including related testing, dicing, tape & reel, device management, circuit board integration, modulization, and design.

However, we will need to continue making significant capital investments in order to deploy new technologies in the semiconductor industry and compete successfully with overseas makers to win new orders. Hitherto, the Company has provided continuous R&D support to Casio Micronics. However, the extent to which Casio Group alone can achieve business growth is limited, including from the perspectives of fund procurement and sales expansion, and we now recognize that we will need to strengthen our business infrastructure through partnerships with other companies, including business transfers.

Since starting business in 2005, Tera Probe, which will receive the WLP-related business, has steadily grown its core business of wafer testing services for semiconductor manufacturing, and in December 2010 the company successfully went public with a listing on the Mothers section of the Tokyo Stock Exchange. In receiving Casio Group's WLP-related business, Tera Probe plans to strengthen and expand its presence in the turnkey business by leveraging synergies from the wafer testing and WLP-related operations, positioning the WLP-related business as a new area of strategic growth. After the share transfer, we believe that Teramikros will be able to achieve further business expansion as a core company in the Tera Probe group.

We have decided that loans made by the Company to Casio Micronics will not be subject to transfer, and the full amount of the debt will be waived.

*2) About the company split*

a. Overview of the company split

( i ) Schedule of the company split

Schedule of absorption-type company split between the Company and Teramikros

Board of Directors meeting to approve the share transfer agreement
June 17, 2011 (Fri)

Date of signing of share transfer agreement
June 17, 2011 (Fri)

Establishment of Teramikros
July 20, 2011 (Wed) (scheduled)

Board of Directors meeting to approve absorption-type company split agreement
July 29, 2011 (Fri) (scheduled)

Date of signing of absorption-type company split agreement
July 29, 2011 (Fri) (scheduled)

Date of absorption-type company split (effective date)
October 1, 2011 (Sat) (scheduled)

Company split registration date
October 1, 2011 (Sat) (scheduled)

Note: For the Company, the company split corresponds to a simple absorption-type company split pursuant to Article 784, Paragraph 3 of the Companies Act, and for Teramikros, the company split corresponds to an informal absorption-type company split pursuant to Article 796, Paragraph 1 of the Companies Act. Therefore, in both cases a general meeting of shareholders will not be convened.

Schedule of absorption-type company split between Casio Micronics and Teramikros

Board of Directors meeting to approve share transfer agreement
June 17, 2011 (Fri)

Date of signing of share transfer agreement
June 17, 2011 (Fri)

Establishment of Teramikros
July 20, 2011 (Wed) (scheduled)

Board of Directors meeting to approve absorption-type company split agreement
July 29, 2011 (Fri) (scheduled)

Date of signing of absorption-type company split agreement
July 29, 2011 (Fri) (scheduled)

Extraordinary General Meeting of Shareholders to approve absorption-type company split
July 29, 2011 (Fri) (scheduled)

Date of absorption-type company split (effective date)
October 1, 2011 (Sat) (scheduled)

Company split registration date
October 1, 2011 (Sat) (scheduled)

(ii) Method of the company split

The Company

A spin-off-type absorption company split (physical company split) is planned in which the WLP-related business of the Company and Casio Micronics are the split company and Teramikros, which the Company will establish, is the succeeding company.

Casio Micronics

A split-off-type absorption company split (personnel separation) is planned in which Casio Micronics is the split company and Teramikros, which the Company will establish, is the succeeding company.

(iii) Change in funds, etc. following the company split

There will be no change in the capital of the Company and Casio Micronics following the company split.

(iv) Rights and obligations inherited by the succeeding company

As of the effective date of the company split, Teramikros will inherit the assets, liabilities and incidental rights and obligations of the WLP-related business of the Company and Casio Micronics, as specified in the absorption-type company split agreement.

b. Overview of the parties to the company split

Name: Teramikros, Inc. (provisional name)
Capital: Undecided
Number of employees: Approx. 305 (including temporary employees)

c. Overview of the business division being split off

(i) The Company

Business activities of the division being split off
WLP-related business (research/development)

Business results of the division being split off (year to March 2011)
As the division is an R&D division, no sales are recorded.

Monetary amounts of assets and liabilities being split off (as at March 31, 2011)

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Current assets | ¥— | $ — |
| Noncurrent assets | 47 | 566 |
| Total assets | ¥47 | $566 |
| Current liabilities | ¥76 | $916 |
| Noncurrent liabilities | — | — |
| Total liabilities | ¥76 | $916 |

Note: The monetary amounts of the assets and liabilities being split off are estimates based on the balance sheet at March 31, 2011. The monetary amounts of the assets and liabilities actually split off will differ due to fluctuations arising until the effective date. The above figures are rounded off to the nearest million.

(ii) Casio Micronics
Business activities of the division being split off
WLP-related business (research/development/manufacturing/sales)
Business results of the division being split off (year to March 2011)
Sales: ¥5,990 million ($72,169 thousand)
Monetary amounts of assets and liabilities being split off (as at March 31, 2011)

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Current assets | ¥2,047 | $24,663 |
| Noncurrent assets | 2,641 | 31,819 |
| Total assets | ¥4,689 | $56,494 |
| Current liabilities | ¥1,958 | $23,590 |
| Noncurrent liabilities | 459 | 5,530 |
| Total liabilities | ¥2,417 | $29,120 |

Note: The monetary amounts of the assets and liabilities being split off are estimates based on the balance sheet at March 31, 2011. The monetary amounts of the assets and liabilities actually split off will differ due to fluctuations arising until the effective date. The above figures are rounded off to the nearest million.

*3) About the share transfer*

a. Number of shares being transferred, transfer amount, and share ownership status before and after the transfer
Number of shares owned before transfer
1 share (scheduled) (ownership ratio: 100%)
Number of shares being transferred
1 share (scheduled) (transfer value: ¥600 million [$7,229 thousand])
Number of shares owned after transfer
0 shares (ownership ratio: 0%)

b. Share transfer schedule
Board of Directors meeting to approve share transfer agreement
June 17, 2011 (Fri)
Date of signing of share transfer agreement
June 17, 2011 (Fri)
Date of debt waiver, share transfer settlement
October 1, 2011 (Sat) (scheduled)

*4) Debt waiver granted to consolidated subsidiary*

A debt waiver will be granted in relation to loans of approximately ¥7.5 billion ($90.4 million) (estimate) made by the Company to Casio Micronics.

*5) Future outlook*

As a result of this transaction, an extraordinary loss of approximately ¥1.9 billion ($22.9 million) is due to be recorded in the first quarter consolidated accounts of the fiscal year to March 2012. In addition, an extraordinary loss of approximately ¥1.9 billion ($22.9 million) is due to be recorded in the unconsolidated accounts of the fiscal year to March 2012.