

## **Casio and Hitachi Agree to Jointly Develop Mobile Phone Handsets, Establish Joint Venture**

Tokyo, November 18, 2003 --- Casio Computer Co., Ltd. (TSE:6952) and Hitachi, Ltd. (NYSE:HIT / TSE:6501) have announced an agreement in the field of mobile phone handsets that will see the two companies cooperate in new product development and other ways, as well as establish a joint venture company in April 2004. The agreement is intended to bring greater efficiency in the development of handsets and operational stability, as well as promote this business overseas.

Each company will continue to handle sales of handsets bearing its respective brand, CASIO and HITACHI, while the joint venture will take over development, design, procurement and other functions. Plans call for manufacturing to be consigned to Yamagata Casio Co., Ltd. and Tokai Tec Co., Ltd.

Casio Computer has proven high-density surface mounting, image processing and other technologies as well as application software gained through its consumer electronics business. Hitachi, for its part, can contribute high-speed data communications technology; device application technologies, such as SH-Mobile (SuperH Mobile application processor for mobile phones); secure systems design and other technologies. All originate from its information & telecommunication systems and digital AV products businesses.

The establishment of the new company, which will wed the complementary strengths of the two partners, is expected to create a robust framework with multiple benefits: savings in development expenses through the use of shared handset platforms and more efficient use of development resources; shorter development lead times; and lower manufacturing costs through the integration of procurement activities.

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This collaboration will also make possible the development of attractive, competitive products that keep pace with technological innovation. Added benefits will be the stabilization of operations and the ability to supply products grounded on CDMA technology for overseas mobile phone handset markets, where still more growth is foreseen.

The Japanese mobile phone market is now on the cusp of its third generation. Driven by the Internet and advances in communication speed and capacity, the market is witnessing the convergence of music, motion picture and other media with broadcasting communications technology. Mobile phone handsets are now used for more than just talking. A variety of advanced technology is therefore required to deliver handsets packed with the features that can offer a new paradigm in communication.

Overseas mobile phone markets, meanwhile, are forecast to see burgeoning demand for data communications. Markets like China, with its more than 200 million mobile phone subscribers (\*), and the U.S market, where voice communication predominates, are two examples. For Japanese companies, making greater inroads into overseas markets offers the chance to expand by leveraging home-grown technologies and know-how.

However, handset manufacturers are grappling with a number of challenges accompanying progress in the functionality of mobile phones and multimedia handsets. Challenges include rising new product development costs and a shortage of technicians due to explosive growth in the volume of software being developed. Sharing the risks associated with development activities is thus a pressing issue faced by all handset manufacturers.

Casio Computer and Hitachi agreed to form this alliance in consideration of these factors. Through joint development activities and the establishment of a joint venture company to handle development, design, procurement and other aspects of the handset business, the two companies aim to enhance the efficiency of developing new handsets, bring greater stability to the business, and promote expansion in overseas markets.

The joint venture company will be capitalized at 3.0 billion yen and be owned 51% by Casio Computer and 49% by Hitachi. Based on an agreement between Casio Computer and Hitachi, the two companies will have an equal number of directors on the board of the joint venture, with the president coming from Casio Computer and the vice president from Hitachi.

Discussions are ongoing between the parties concerning specific details of the joint venture. The goal is to start operations on April 1, 2004 following the completion of the required regulatory procedures.

(\*) Source: Casio Computer and Hitachi data

#### **Profile of the Joint Venture**

1. Company name: Undecided
2. Head office: Undecided
3. Capital: 3.0 billion yen (planned)
4. Shareholdings : Casio Computer Co., Ltd. (51%), Hitachi, Ltd. (49%)
5. Representatives: Undecided (President from Casio Computer and Vice President from Hitachi)
6. No. of employees: 350 (planned)
7. Main business: Development, design, materials procurement, manufacture and other activities for mobile phone handsets

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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