

KANEMATSU TO TRANSFORM MEMOREX TELEX JAPAN INTO 100% UNIT.

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TOKYO, Jan 18 Asia Pulse - **Kanematsu** Corp. (TSE:8020) said Monday that it will turn Jasdac Securities Exchange-listed **Memorex** Telex Japan Ltd. (TSE:9862) into a wholly owned subsidiary through a stock swap in late April.

Kanematsu, which is positioning information technology as an area of concentration, hopes to bolster its presence through the deal with the trading company involved with data communications devices.

On the other end, **Memorex** Telex hopes to rebuild its finances after the steep decline in its shareholder equity due to the early application of asset impairment accounting.

Kanematsu, already **Memorex** Telex's top shareholder with a 31.4 per cent stake, plans to decide the stock swap ratio by late February. **Kanematsu** plans to issue new shares for the stock swap. The move to turn **Memorex** Telex into a wholly owned subsidiary, however, will have only a limited impact on its own earnings in fiscal 2005 and beyond, according to **Kanematsu**.

Memorex Telex's operations include the construction of systems and the sale of data communications equipment such as external data storage devices. In the fiscal first half ended Sept. 30, 2004, the company's parent-only sales fell 16 per cent on the year to 3 billion yen (US\$29.3 million) and it incurred an 86 million yen pretax loss.

Its net loss ballooned to 1.1 billion yen due to the application of asset impairment accounting, and its shareholder equity declined by half from the end of fiscal 2003 to nearly 1 billion yen.

(Nikkei)