
***Yamaichi Electronics Co., Ltd. and
Consolidated Subsidiaries***

*Consolidated Financial Statements for the
Years Ended 31st March, 2008 and 2007, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yamaichi Electronics Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Yamaichi Electronics Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") as of 31st March, 2008 and 2007, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamaichi Electronics Co., Ltd. and consolidated subsidiaries as of 31st March, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, the Company changed its accounting policy for foreign currency translation of principal balance sheets accounts as of 1st April, 2007.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

26th June, 2008

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
31st March, 2008 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008		2008	2007	2008
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 5,131	¥ 5,187	\$ 51,213	Short-term borrowings (Note 6)	¥ 2,450	¥ 3,726	\$ 24,454
Time deposits	6	1	60	Current portion of long-term debt (Note 6)	2,678	321	26,729
Notes and accounts receivables:				Notes and accounts payables:			
Trade notes	403	533	4,022	Trade notes	301	693	3,004
Trade accounts	8,824	14,558	88,073	Trade accounts	4,635	7,051	46,262
Other	93	100	928	Associated companies		14	
Allowance for doubtful receivables	(5)	(79)	(50)	Other	651	973	6,498
Inventories (Note 5)	4,091	5,137	40,832	Income taxes payable	216	176	2,156
Deferred tax assets (Note 9)	125	119	1,248	Deferred tax liabilities (Note 9)	220	80	2,196
Prepaid expenses and other current assets	800	668	7,985	Accrued expenses and other current liabilities	1,304	1,880	13,015
Total current assets	19,468	26,224	194,311	Total current liabilities	12,455	14,914	124,314
PROPERTY, PLANT AND EQUIPMENT (Note 6):				LONG-TERM LIABILITIES:			
Land	4,188	4,327	41,801	Long-term debt (Note 6)	858	3,022	8,564
Buildings and structures	7,549	7,637	75,347	Liability for retirement benefits (Notes 2.h and 7)	429	379	4,282
Machinery and equipment	10,051	10,204	100,324	Deferred tax liabilities (Note 9)	308	470	3,074
Furniture and fixtures	21,539	22,665	214,976	Other liabilities	18	23	180
Construction in progress	319	269	3,184	Total long-term liabilities	1,613	3,894	16,100
Total	43,646	45,102	435,632	COMMITMENTS AND CONTINGENT LIABILITIES			
Accumulated depreciation	(30,749)	(30,768)	(306,907)	(Notes 11, 12 and 13)			
Net property, plant and equipment	12,897	14,334	128,725	EQUITY (Notes 8 and 15):			
INVESTMENTS AND OTHER ASSETS:				Common stock—authorised, 60,000,000 shares; issued, 20,537,875 shares in 2008 and 2007	10,014	10,014	99,950
Investment securities (Notes 4 and 6)	2,123	3,178	21,190	Capital surplus	10,971	10,971	109,502
Investments in and advances to unconsolidated subsidiaries and affiliated companies	865	630	8,634	Retained earnings	4,913	8,589	49,037
Investments in insurance reserve funds	955	1,008	9,532	Unrealised gain on available-for-sale securities	585	1,168	5,839
Lease and other deposits	947	989	9,452	Foreign currency translation adjustments	(481)	(30)	(4,801)
Software	263	322	2,625	Treasury stock—at cost, 1,563,552 shares in 2008 and 1,563,169 shares in 2007	(2,281)	(2,281)	(22,767)
Goodwill	108	151	1,078	Total	23,721	28,431	236,760
Deferred tax assets (Note 9)	38	151	379	Minority interests	27	28	269
Other assets	207	296	2,065	Total equity	23,748	28,459	237,029
Allowance for doubtful deposits	(55)	(16)	(548)	TOTAL	¥37,816	¥47,267	\$377,443
Total investments and other assets	5,451	6,709	54,407				
TOTAL	¥37,816	¥47,267	\$377,443				

See notes to consolidated financial statements.

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations Years Ended 31st March, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2008</u>	<u>2007</u>	<u>2008</u>
NET SALES	¥34,773	¥40,952	\$347,071
COST OF SALES (Notes 7, 10 and 11)	<u>26,944</u>	<u>31,339</u>	<u>268,929</u>
Gross profit	7,829	9,613	78,142
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 10 and 11)	<u>8,278</u>	<u>8,347</u>	<u>82,623</u>
Operating income (loss)	<u>(449)</u>	<u>1,266</u>	<u>(4,481)</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	135	115	1,347
Interest expense	(112)	(115)	(1,118)
Foreign exchange loss	(677)	(73)	(6,757)
Loss on disposals and sales of property, plant and equipment	(173)	(127)	(1,727)
Gain on sales of investment securities (Note 4)	11	215	110
Impairment loss on long-lived assets (Notes 2.f and 14)	(948)	(115)	(9,462)
Employees' special retirement benefits	(6)	(59)	(60)
Loss on sales of investment in common stock of an affiliate	(296)		(2,954)
Other—net	<u>100</u>	<u>(67)</u>	<u>998</u>
Other expenses—net	<u>(1,966)</u>	<u>(226)</u>	<u>(19,623)</u>
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>(2,415)</u>	<u>1,040</u>	<u>(24,104)</u>
INCOME TAXES (Note 9):			
Current	488	407	4,871
Deferred	<u>451</u>	<u>180</u>	<u>4,501</u>
Total income taxes	<u>939</u>	<u>587</u>	<u>9,372</u>
MINORITY INTERESTS IN NET LOSS	<u>1</u>	<u>1</u>	<u>10</u>
NET INCOME (LOSS)	<u>¥(3,353)</u>	<u>¥ 454</u>	<u>\$ (33,466)</u>

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations Years Ended 31st March, 2008 and 2007

	Yen		U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
PER SHARE OF COMMON STOCK (Note 2.o):			
Basic net income (loss)	¥(176.71)	¥23.22	\$(1.76)
Cash dividends applicable to the year	8.00	17.00	0.08

See notes to consolidated financial statements.

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended 31st March, 2008 and 2007

	Outstanding Number of Shares of Common Stock	Millions of Yen								
		Common Stock	Capital Surplus	Retained Earnings	Unrealised Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 1ST APRIL, 2006	20,277,856	¥10,014	¥10,971	¥8,553	¥1,448	¥(304)	¥ (811)	¥29,871		¥29,871
Reclassified balance as of 31st March, 2006									¥28	28
Net income				454				454		454
Cash dividends				(300)				(300)		(300)
Bonuses to directors				(118)				(118)		(118)
Purchase of treasury stock	(1,303,150)						(1,470)	(1,470)		(1,470)
Net change in the year					(280)	274		(6)		(6)
BALANCE, 31ST MARCH, 2007	18,974,706	10,014	10,971	8,589	1,168	(30)	(2,281)	28,431	28	28,459
Net loss				(3,353)				(3,353)		(3,353)
Cash dividends				(323)				(323)		(323)
Purchase of treasury stock	(383)									
Net change in the year					(583)	(451)		(1,034)	(1)	(1,035)
BALANCE, 31ST MARCH, 2008	<u>18,974,323</u>	<u>¥10,014</u>	<u>¥10,971</u>	<u>¥4,913</u>	<u>¥ 585</u>	<u>¥(481)</u>	<u>¥(2,281)</u>	<u>¥23,721</u>	<u>¥27</u>	<u>¥23,748</u>

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealised Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 31ST MARCH, 2007	\$99,950	\$109,502	\$85,727	\$11,658	\$ (299)	\$(22,767)	\$283,771	\$279	\$284,050
Net loss			(33,466)				(33,466)		(33,466)
Cash dividends			(3,224)				(3,224)		(3,224)
Purchase of treasury stock									
Net change in the year				(5,819)	(4,502)		(10,321)	(10)	(10,331)
BALANCE, 31ST MARCH, 2008	<u>\$99,950</u>	<u>\$109,502</u>	<u>\$49,037</u>	<u>\$ 5,839</u>	<u>\$(4,801)</u>	<u>\$(22,767)</u>	<u>\$236,760</u>	<u>\$269</u>	<u>\$237,029</u>

See notes to consolidated financial statements.

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended 31st March, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2008</u>	<u>2007</u>	<u>2008</u>
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥(2,415)	¥ 1,040	\$(24,104)
Adjustments for:			
Income taxes—paid	(401)	(603)	(4,002)
Depreciation and amortisation	2,892	2,795	28,865
Impairment loss on long-lived assets	948	115	9,462
Amortisation of goodwill	70	130	699
Provision for (reversal of) retirement benefits	27	(324)	269
Gain on sales of investment securities	(11)	(215)	(110)
Loss on sales of investment in common stock of an affiliate	296		2,954
Loss on disposal and sales of property, plant and equipment	173	127	1,727
Foreign exchange loss (gain)	428	(5)	4,272
Changes in assets and liabilities, net of effects:			
Decrease (increase) in notes and accounts receivables	5,151	(1,075)	51,412
Decrease in inventories	682	112	6,807
Decrease in notes and accounts payable	(2,301)	(400)	(22,966)
Other—net	(492)	158	(4,911)
Total adjustments	<u>7,462</u>	<u>815</u>	<u>74,478</u>
Net cash provided by operating activities	<u>5,047</u>	<u>1,855</u>	<u>50,374</u>
INVESTING ACTIVITIES:			
Maturity of time deposits		6	
Investments in time deposits		(1)	
Proceeds from sales of property, plant and equipment	8	34	80
Purchases of property, plant and equipment	(2,863)	(2,791)	(28,576)
Proceeds from sales of investment securities	115	245	1,148
Purchases of investment securities	(418)	(530)	(4,172)
Increase in long-term loans	(137)	(149)	(1,367)
Payment for insurance reserve funds	(24)	(449)	(240)
Proceeds from cancellation of insurance reserve funds	77	856	769
Proceeds from sales of investment in common stock of an affiliate	10		100
Restructuring expenses for the discontinued business	(192)		(1,916)
Other—net	(126)	(282)	(1,258)
Net cash used in investing activities	<u>(3,550)</u>	<u>(3,061)</u>	<u>(35,432)</u>
FORWARD	<u>¥ 1,497</u>	<u>¥(1,206)</u>	<u>\$ 14,942</u>

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended 31st March, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2008</u>	<u>2007</u>	<u>2008</u>
FORWARD	<u>¥1,497</u>	<u>¥(1,206)</u>	<u>\$14,942</u>
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	(1,256)	699	(12,536)
Proceeds from long-term debt	700	2,600	6,987
Repayments of long-term debt	(246)	(1,481)	(2,455)
Repayments of finance lease obligations	(115)	(208)	(1,148)
Increase in treasury stock		(1,470)	
Cash dividends paid	<u>(322)</u>	<u>(300)</u>	<u>(3,214)</u>
Net cash used in financing activities	<u>(1,239)</u>	<u>(160)</u>	<u>(12,366)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(387)</u>	<u>87</u>	<u>(3,864)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(129)	(1,279)	(1,288)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	73		729
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,187</u>	<u>6,466</u>	<u>51,772</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥5,131</u>	<u>¥ 5,187</u>	<u>\$51,213</u>
NONCASH FINANCING ACTIVITIES:			
Acquisition of assets under finance lease	¥62	¥18	\$619

See notes to consolidated financial statements.

Yamaichi Electronics Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended 31st March, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities 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 of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamaichi Electronics Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to \$1, the approximate rate of exchange at 31st March, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of 31st March, 2008 and 2007 include the accounts of the Company and its 13 significant subsidiaries (together, the "Companies").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

The consolidated financial statements for the year ended 31st March, 2008 included Test Solution Services, Inc., which was an unconsolidated subsidiary in the consolidated financial statements for the year ended 31st March, 2007 because it was deemed immaterial.

The Company signed an agreement to dispose of all owned stock in Advancel Co., Ltd. during the year ended 31st March, 2008. As a result, the Company consolidated the statement of operations until 31st March, 2008, but did not include Advancel Co., Ltd. in the consolidated balance sheets accounts as of 31st March, 2008.

Investments in 2 (1 in 2007) affiliated companies are accounted for by the equity method.

During the year ended 31st March, 2008, the Company signed an agreement to buy stocks in ProbeLeader Co., Ltd., which became an affiliated company. As a result of it, the affiliate is included as an equity method invested in the consolidated financial statements for the year ended 31st March, 2008.

The Company signed an agreement to sell stock in an affiliate during the year ended 31st March, 2008, and the affiliate was excluded from the scope of the consolidated financial statements for the year ended 31st March, 2008.

In preparing the consolidated financial statements for the year ended 31st March, 2008, the financial statements included the financial statements of a certain affiliate whose fiscal year is different from the consolidation fiscal year.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions, together with unrealised intercompany profits in inventories, have been eliminated in consolidation. Consolidation goodwill, the difference between the cost of investments in subsidiaries and the equity in their net assets at the date of acquisition, is amortised over five years.

- b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.

- c. Inventories**—Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the average method.

Inventories of the foreign consolidated subsidiaries are stated at the lower of cost or market value. Cost of inventories is determined mainly by the average method, except for a certain subsidiary which adopts the first-in, first-out method.

- d. Investment Securities**—The Company and its domestic consolidated subsidiaries classified all of their holding securities as available-for-sale securities which are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realisable value by a charge to income.

- e. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after 1st April, 1998 and plant facilities leased to Matty Co., Ltd., a domestic consolidated subsidiary.

Depreciation of property, plant and equipment of the Company's foreign subsidiaries is computed principally by the straight-line method at rates based on the estimated useful lives of assets as prescribed by accounting principles and practices of the countries of their domicile.

The range of useful lives is principally from 3 to 39 years for buildings and structures, from 5 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

- f. Long-lived Assets*—The Companies review its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognised if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- g. Deferred Charges*—Common stock issuance costs (which are included in other assets) are amortised by the straight-line method over three years.
- h. Retirement and Pension Plans*—Effective 1st December, 1986, the Company fully adopted a non-contributory funded defined benefit pension plan covering all employees of the Company.

Certain domestic subsidiaries partially adopted non-contributory defined benefit retirement plans and/or non-contributory funded defined benefit pension plans covering most of their employees, and also accrued the liabilities for employees' retirement with respect to the unfunded portion of the retirement benefits to be paid.

The Company and certain domestic subsidiaries also have contributory funded defined benefit pension plan covering most of their employees.

In addition, liabilities have also been accrued for the defined benefit employees' retirement plan related to almost all of the employees of certain foreign subsidiaries under various funded or unfunded plans.

The liability for the defined benefit employees' retirement plan is accounted for based on the projected benefit obligations and fair value of plan assets at the balance sheet date. The net periodic benefit costs, based on an actuarial computation of current and future employee benefits, are charged to income.

Retirement benefits to directors and corporate auditors of the Company and its three consolidated subsidiaries are provided at the amount which would be required if they retired at the balance sheet date.

Prior to the fiscal year ended 31st March, 2007, retirement benefits to directors and corporate auditors were recorded to state the liability at the amount which would be required if all directors and corporate auditors retired at the balance sheet date as stipulated in the retirement regulations. On 27th June, 2007, the shareholders of the Company approved to abolish the aforementioned retirement benefits. The amount accrued on the date of abolishment will be paid at the time of their retirement from the position. Certain consolidated domestic subsidiaries also abolished the retirement benefits during the year ended 31st March, 2008. The balance of such unpaid benefits was stated as liabilities for retirement benefits until the actual amount is fixed.

- i. Leases*—Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements.

- j. Bonuses to Directors and Corporate Auditors**—Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.
- k. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- l. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.
- m. Foreign Currency Financial Statements**—The Company translates the balance sheet accounts of foreign consolidated subsidiaries into Japanese yen at the exchange rate of the balance sheet date of each of those subsidiaries.

Statement of operations accounts of foreign consolidated subsidiaries are translated using the average exchange rate of the statement of operations period. Foreign currency translation adjustments are included in the foreign currency translation adjustments account and interests account in the balance sheet.

- n. Derivatives and Hedging Activities**—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilised by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives be recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognised in the statements of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements are recognised and included in interest expenses or income.

- o. Per Share Information**—Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of common shares used in the computation was 18,974,461 shares and 19,539,354 shares for the years ended 31st March, 2008 and 2007, respectively.

Diluted net income per share is not disclosed because the Company does not have any kind of securities with potentially dilutive effect for the fiscal year 2007. For the fiscal year 2008, diluted net income per share is not disclosed because of the Company's net loss position.

p. New Accounting Pronouncements

Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On 5th July, 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On 31st March, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on 17th June, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted for fiscal years beginning on or after 1st April, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalised recognising lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On 17th May, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new standard prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortisation of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognised outside profit or loss
- (3) Capitalisation of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted.

3. ACCOUNTING CHANGE

Accounting Policy for Foreign Currency Translation of Principal Balance Sheets Accounts—The Company translated balance sheets accounts and statements of operations accounts of foreign consolidated subsidiaries into yen at the exchange rate prevailing on the balance sheet date of each subsidiary. While the Company continues to translate balance sheets accounts of foreign consolidated subsidiaries into yen using the exchange rate prevailing on the balance sheet date of each subsidiary, it translates statement of operations accounts using the average exchange rate during the statements of operations period beginning this fiscal year.

This adoption increases consolidated net sales by ¥2,026 million (\$20,222 thousand), and decreases operating loss by ¥45 million (\$449 thousand), and loss before income taxes and minority interests by ¥11 million (\$110 thousand), compared with the figures calculated using the exchange rate prevailing on the balance sheet date of each subsidiary.

4. INVESTMENT SECURITIES

Investment securities as of 31st March, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥2,083	¥3,020	\$20,790
Other	<u>40</u>	<u>158</u>	<u>400</u>
Total	<u>¥2,123</u>	<u>¥3,178</u>	<u>\$21,190</u>

The carrying amounts and aggregate fair values of investment securities at 31st March, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
<u>31st March, 2008</u>				
Securities classified as available-for-sale— Equity securities	¥1,129	¥1,008	¥(54)	¥2,083
<u>31st March, 2007</u>				
Securities classified as available-for-sale— Equity securities	¥1,121	¥1,906	¥ (7)	¥3,020

31st March, 2008	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealised Gains	Unrealised Losses	
Securities classified as available-for-sale— Equity securities	\$11,269	\$10,061	\$(540)	\$20,790

Available-for-sale securities whose fair value is not readily determinable as of 31st March, 2008 and 2007 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		
	2008	2007	2008
Available-for-sale:			
Equity securities	¥40	¥145	\$399
Other	—	13	—
Total	<u>¥40</u>	<u>¥158</u>	<u>\$399</u>

Proceeds from sales of available-for-sale securities for the years ended 31st March, 2008 and 2007 were ¥104 million (\$1,038 thousand) and ¥245 million, respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥12 million (\$119 thousand) and ¥1 million (\$10 thousand), respectively, for the year ended 31st March, 2008 and gross realised gain on these sales, computed on the moving average cost basis, were ¥215 million for the year ended 31st March, 2007.

5. INVENTORIES

Inventories at 31st March, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products	¥1,650	¥1,807	\$16,469
Work in process	617	1,077	6,158
Raw materials and supplies	<u>1,824</u>	<u>2,253</u>	<u>18,205</u>
Total	<u>¥4,091</u>	<u>¥5,137</u>	<u>\$40,832</u>

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2008 and 2007 mainly consisted of promissory notes to banks and bank overdrafts. The annual interest rates applicable to the short-term borrowings ranged from 1.08% to 1.65% and 0.84% to 7.08% at 31st March, 2008 and 2007, respectively.

Long-term debt at 31st March, 2008 and 2007 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2008</u>	<u>2007</u>	<u>U.S. Dollars</u>
			<u>2008</u>
Unsecured:			
Loans payable to banks due 2008–2012 with interest rates ranging from 1.26% to 1.35% (2008) and from 1.26% to 2.94% (2007)	¥ 260	¥ 311	\$ 2,595
0.49% straight bonds due in September 2007		25	
Lease obligations due serially to 2013 with interest rates ranging from 1.0% to 6.5%	172	237	1,717
Secured:			
Loans payable to banks and an insurance company due 2007–2011 with interest rates ranging from 1.065% to 6.50% (2008) and from 0.80% to 6.50% (2007)	<u>3,104</u>	<u>2,770</u>	<u>30,981</u>
Total	<u>3,536</u>	<u>3,343</u>	<u>35,293</u>
Less current portion	<u>(2,678)</u>	<u>(321)</u>	<u>(26,729)</u>
Long-term debt, less current portion	<u>¥ 858</u>	<u>¥3,022</u>	<u>\$ 8,564</u>

Annual maturities of long-term debt at 31st March, 2008 were as follows:

<u>Year Ending</u>	<u>Millions of Yen</u>	<u>Thousands of</u>
<u>31st March</u>		<u>U.S. Dollars</u>
2009	¥2,678	\$26,729
2010	762	7,606
2011	50	499
2012	33	329
2013	<u>13</u>	<u>130</u>
Total	<u>¥3,536</u>	<u>\$35,293</u>

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at 31st March, 2008 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of</u>
	<u>2008</u>	<u>U.S. Dollars</u>
		<u>2008</u>
Investment securities	¥ 113	\$ 1,128
Land	2,830	28,246
Buildings and structures, net book value	<u>1,998</u>	<u>19,942</u>
Total	<u>¥4,941</u>	<u>\$49,316</u>

7. RETIREMENT AND PENSION PLANS

The net liability for employees' retirement benefits at 31st March, 2008 and 2007 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2008</u>	<u>2007</u>	<u>U.S. Dollars</u>
			<u>2008</u>
Projected benefit obligation	¥2,798	¥2,585	\$27,926
Fair value of plan assets	(2,691)	(2,512)	(26,859)
Unrecognised actuarial gain	58	26	579
Unrecognised prior service cost	(48)	(55)	(479)
Prepaid pension costs	<u>19</u>	<u>59</u>	<u>190</u>
Net liability	<u>¥ 136</u>	<u>¥ 103</u>	<u>\$ 1,357</u>

Projected benefit obligation and fair value of plan assets for contributory funded defined benefit pension plan were not included in the above amounts due to the application of exception rule for multiemployer contributory funded pension plans under the accounting standard for employees' retirement benefits.

Under the exception rule, amounts contributed to the plans were charged to income when paid.

The estimated fair value of plan assets allocated to contributory funded defined benefit pension plans was ¥3,118 million (\$31,120 thousand) at 31st March, 2008.

The components of net periodic benefit costs for the years ended 31st March, 2008 and 2007 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2008</u>	<u>2007</u>	<u>U.S. Dollars</u>
			<u>2008</u>
Service cost	¥287	¥280	\$2,865
Interest cost	51	49	509
Expected return on plan assets	(22)	(12)	(220)
Contributions to the contributory funded defined benefit pension plan	167	166	1,667
Recognised actuarial loss	1	7	10
Amortisation of prior service cost	6	7	60
Additionally paid retirement benefits	<u>6</u>	<u>59</u>	<u>60</u>
Net periodic benefit costs	<u>¥496</u>	<u>¥556</u>	<u>\$4,951</u>

Assumptions used for the years ended 31st March, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0% to 0.98%	0.0% to 0.60%
Recognition period of actuarial gain/loss	10 years	10 years
Amortisation period of prior service cost	10 years	10 years

The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders. The liability for retirement benefits includes retirement benefits for directors and corporate auditors of ¥293 million (\$2,924 thousand) and ¥276 million for the years ended 31st March, 2008 and 2007, respectively.

8. EQUITY

On 1st May, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Commercial Code of Japan with various revisions that would, for the most part, be applicable to events or transactions which occur on or after 1st May, 2006 and for the fiscal years ending on or after 1st May, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarised below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Stock Option Plans

The Company has stock option plans which were approved by shareholders at the general shareholders meetings held on 29th June, 1999 (hereinafter referred to as "Plan A"), 29th June, 2000 (hereinafter referred to as "Plan B"), 28th June, 2001 (hereinafter referred to as "Plan C") and 27th June, 2002 (hereinafter referred to as "Plan D"). The exercise price of the stock options is subject to adjustment in certain circumstances.

Plan A provides for granting options to directors and key employees to purchase up to 64,000 shares and 132,000 shares of the Company's common stock, respectively. The exercise period is from 2nd July, 2001 to 31st March, 2009 for four directors and 2nd July, 2001 to 1st July, 2003 for other directors and key employees. The options will be granted at an exercise price of 102.5% of the higher of ¥2,320 or the average market value in the month prior to which the date of option grants occurs. As a result of the stock split on 19th May, 2000, the exercise price as of 31st March, 2008 is ¥2,769 (\$28).

Plan B provides for granting options to directors and key employees to purchase up to 75,000 shares and 125,000 shares of the Company's common stock, respectively. The exercise period is from 1st July, 2002 to 31st March, 2010 for three directors and 1st July, 2002 to 30th June, 2004 for other directors and key employees. The options will be granted at an exercise price of 102.5% of the higher of ¥3,700 or the average market value in the month prior to which the date of option grants occurs. The exercise price as of 31st March, 2008 is ¥3,793 (\$38).

The movement of treasury stock used for the option Plans A and B for the years ended 31st March, 2008 and 2007 was as follows:

	<u>Number of Shares</u>
Balance, 31st March, 2006	75,000
Expired	<u>10,000</u>
Balance, 31st March, 2007	65,000
Expired	<u> </u>
Balance, 31st March, 2008	<u>65,000</u>

Plan C provides for granting options to directors and key employees to purchase up to 140,000 shares and 360,300 shares of the Company's common stock, respectively. The exercise period is from 1st July, 2003 to 31st March, 2011 for directors and 1st July, 2003 to 30th June, 2006 for key employees. The options will be granted at an exercise price of 102.5% of the higher of ¥1,950 or the market value on the business day prior to which the date of option grants occurs. The exercise price as of 31st March, 2008 is ¥1,999 (\$20).

Plan D provides for granting options to directors and key employees of the Company and its subsidiaries to purchase up to 333,000 shares and 467,000 shares of the Company's common stock, respectively. The exercise period is from 28th June, 2004 to 27th June, 2009. The options will be granted at an exercise price of the average market value in the month prior to which the date of option grants occurs or the market value on the business day prior to which the date of option grants occurs. The exercise price as of 31st March, 2008 is ¥1,511 (\$15).

The movement of number of warrants for the option Plans C and D for the years ended 31st March, 2008 and 2007 was as follows:

	<u>Number of Warrants</u>
Balance, 31st March, 2006	892,400
Expired	<u>292,000</u>
Balance, 31st March, 2007	600,400
Expired	<u>69,100</u>
Balance, 31st March, 2008	<u><u>531,300</u></u>

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended 31st March, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2008 and 2007 are as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>
Deferred tax assets:			
Inventories	¥ 37	¥ 42	\$ 369
Property, plant and equipment	642	345	6,408
Accrued expenses for bonus	194	253	1,936
Liability for retirement benefits	126	85	1,258
Tax loss carryforwards	1,845	948	18,415
Foreign tax credit	59	105	589
Other	223	268	2,226
Less valuation allowance	<u>(2,680)</u>	<u>(1,148)</u>	<u>(26,749)</u>
Total	<u>446</u>	<u>898</u>	<u>4,452</u>
Deferred tax liabilities:			
Undistributed dividends from subsidiaries	417	383	4,162
Net unrealised gain on available-for-sale securities	369	730	3,683
Other	<u>25</u>	<u>65</u>	<u>250</u>
Total	<u>811</u>	<u>1,178</u>	<u>8,095</u>
Net deferred tax liabilities	<u>¥ (365)</u>	<u>¥ (280)</u>	<u>\$ (3,643)</u>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended 31st March, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Normal effective statutory tax rate	40.7 %	40.7%
Expenses not deductible for income tax purposes	(1.8)	4.1
Per capita portion of inhabitants taxes	(0.7)	1.7
Income tax rates applicable to income in certain foreign countries	(5.3)	10.4
Valuation allowance	(64.3)	(8.5)
Amortisation of consolidation goodwill	(3.1)	9.6
Corporation tax at past financial year	(3.5)	
Other—net	<u>(0.9)</u>	<u>(1.5)</u>
Actual effective tax rate	<u>(38.9)%</u>	<u>56.5%</u>

At 31st March, 2008, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥4,707 million (\$46,983 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilised, will expire as follows:

<u>Year Ending 31st March</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2009	¥ 674	\$ 6,730
2010	649	6,477
2011	54	542
2012	26	256
2015	<u>3,304</u>	<u>32,978</u>
Total	<u>¥4,707</u>	<u>\$46,983</u>

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,216 million (\$22,118 thousand) and ¥2,101 million for the years ended 31st March, 2008 and 2007, respectively.

11. LEASES

The Companies lease certain machinery, computer equipment and other assets.

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the Companies were ¥141 million (\$1,407 thousand) and ¥166 million for the years ended 31st March, 2008 and 2007, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2008 and 2007 was as follows:

	Millions of Yen					
	2008			2007		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥472	¥39	¥511	¥1,034	¥21	¥1,055
Accumulated depreciation	<u>174</u>	<u>10</u>	<u>184</u>	<u>661</u>	<u>12</u>	<u>673</u>
Net leased property	<u>¥298</u>	<u>¥29</u>	<u>¥327</u>	<u>¥ 373</u>	<u>¥ 9</u>	<u>¥ 382</u>
	Thousands of U.S. Dollars					
	2008					
	Machinery and Equipment	Other Assets	Total			
Acquisition cost	\$4,711	\$389	\$5,100			
Accumulated depreciation	<u>1,736</u>	<u>100</u>	<u>1,836</u>			
Net leased property	<u>\$2,975</u>	<u>\$289</u>	<u>\$3,264</u>			

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 97	¥131	\$ 968
Due after one year	<u>230</u>	<u>251</u>	<u>2,296</u>
Total	<u>¥327</u>	<u>¥382</u>	<u>\$3,264</u>

The amount of obligations under finance lease includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method is ¥141 million (\$1,407 thousand) and ¥166 million for the years ended 31st March, 2008 and 2007, respectively.

The minimum rental commitments under noncancellable operating leases at 31st March, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
Due within one year	¥21	¥32	\$210
Due after one year	<u>27</u>	<u>33</u>	<u>269</u>
Total	<u>¥48</u>	<u>¥65</u>	<u>\$479</u>

12. DERIVATIVES

The Companies enter into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts as a means of managing its interest rate exposure on certain liabilities.

The foreign exchange forward contracts used by the Companies are subject to foreign exchange risk.

Interest rate swap agreements used by the Companies effectively convert some fixed interest rates to floating interest rates, and conversely some floating interest rates to fixed interest rates, which are also subject to market risk.

However, all derivative transactions are carried out for the hedging purposes and do not have a material effect on the Companies' operations.

Because the counterparties to these derivatives are limited to major domestic and foreign financial institutions, the Companies do not anticipate any losses arising from credit risk.

The execution and control of derivatives are controlled by the Company's Accounting Department.

The Companies have no specific internal policies with respect to derivative transactions. However, interest rate swap contracts are subject to the approval of the president and directors in charge of financial and operational control.

Fair Value of Derivative Financial Instruments

The fair value of the Companies' derivative financial instruments at 31st March, 2008 and 2007 is as follows:

	Millions of Yen					
	<u>2008</u>			<u>2007</u>		
	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Unrealised Gain/Loss</u>	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Unrealised Gain/Loss</u>
Foreign currency forward contracts—						
Selling:						
U.S. dollars	¥302	¥300	¥2	¥470	¥471	¥(1)
Euro	48	49	(1)	126	127	(1)

	Thousands of U.S. Dollars		
	<u>2008</u>		
	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Unrealised Gain/Loss</u>
Foreign currency forward contracts—Selling:			
U.S. dollars	\$3,014	\$2,994	\$20
Euro	479	489	(10)

13. CONTINGENT LIABILITIES

Contingent liabilities at 31st March, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
	Trade notes discounted		¥71
Guarantee of debt to loan from bank	¥197		\$1,966
Assignment of an obligation by monetisation of receivables	591		5,899

14. IMPAIRMENT LOSS

	Millions of Yen		Thousands of U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
	Goodwill	¥115	¥115
Fixed assets	833	—	8,314
Total	<u>¥948</u>	<u>¥115</u>	<u>\$9,462</u>

The Companies reviewed its long-lived assets for impairment as of 31st March, 2008 and 2007. As a result, in 2008 the Companies recognised an impairment loss of ¥115 million (\$1,148 thousand) as other expense for impaired goodwill because future revenue is projected to be less than originally anticipated. The recoverable amount of goodwill was measured for the business profit plan of the group of relevant assets and was calculated by discounting future cash flows using a discount rate of 7.0%.

In 2008, the Companies recognised an impairment loss of ¥833 million (\$8,314 thousand) as other expense for impaired fixed assets because fixed assets have been underutilised. The recoverable amount of a property of the connector business was measured for the business profit plan of the group of relevant assets and was calculated by discounting future cash flows using a discount rate of 8.5%.

15. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

At the general shareholders meeting held on 26th June, 2008, appropriations of retained earnings at 31st March, 2008 were approved as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥3 (\$0.03) per share	¥57	\$569

b. Reduction of Capital Reserve

The Company decided to reduce capital reserves as follows at the general shareholders meeting held on 26th June, 2008:

(1) Purpose of the reduction of capital reserves

The Company reduced capital reserves to secure the resources to execute a flexible capital policy under the provision of Article 448, Paragraph 1 of the Corporate Code.

(2) Procedure for the reduction of capital reserves

Of capital reserves of ¥10,971 million, ¥6,000 million are transferred to other capital surplus.

(3) Schedule

- | | |
|---|-----------------|
| (a) Board of Directors' resolution: | 9th May, 2008 |
| (b) Opening of acceptance of statements of objection: | 22nd May, 2008 |
| (c) Closing of acceptance of statements of objection: | 23rd June, 2008 |
| (d) Annual shareholders meeting's resolution: | 26th June, 2008 |
| (e) Effective date: | 26th June, 2008 |

16. SEGMENT INFORMATION

Information about geographical segments and sales to foreign customers of the Companies for the years ended 31st March, 2008 and 2007 is as follows:

a. Geographical Segments

<u>Year Ended 31st March, 2008</u>	<u>Millions of Yen</u>					<u>Eliminations/ Corporate</u>	<u>Consolidated</u>
	<u>Japan</u>	<u>North America</u>	<u>Asia</u>	<u>Europe</u>	<u>Total</u>		
Sales to customers	¥12,471	¥3,040	¥13,956	¥5,306	¥34,773		¥34,773
Interarea transfer	<u>8,778</u>	<u>59</u>	<u>6,688</u>	<u>360</u>	<u>15,885</u>	¥(15,885)	<u> </u>
Total sales	21,249	3,099	20,644	5,666	50,658	(15,885)	34,773
Operating expenses	<u>20,129</u>	<u>3,064</u>	<u>20,322</u>	<u>5,471</u>	<u>48,986</u>	<u>(13,764)</u>	<u>35,222</u>
Operating income (loss)	<u>¥ 1,120</u>	<u>¥ 35</u>	<u>¥ 322</u>	<u>¥ 195</u>	<u>¥ 1,672</u>	<u>¥ (2,121)</u>	<u>¥ (449)</u>
Total assets	<u>¥28,328</u>	<u>¥1,162</u>	<u>¥ 7,364</u>	<u>¥2,573</u>	<u>¥39,427</u>	<u>¥ (1,611)</u>	<u>¥37,816</u>

Year Ended 31st March, 2007	Millions of Yen						Consolidated
	Japan	North America	Asia	Europe	Total	Eliminations/ Corporate	
Sales to customers	¥16,312	¥3,029	¥16,242	¥5,369	¥40,952		¥40,952
Interarea transfer	9,356	43	7,687	299	17,385	¥(17,385)	
Total sales	25,668	3,072	23,929	5,668	58,337	(17,385)	40,952
Operating expenses	22,883	3,043	23,533	5,418	54,877	(15,191)	39,686
Operating income	¥ 2,785	¥ 29	¥ 396	¥ 250	¥ 3,460	¥ (2,194)	¥ 1,266
Total assets	¥34,463	¥1,388	¥10,357	¥2,286	¥48,494	¥ (1,227)	¥47,267

Year Ended 31st March, 2008	Thousands of U.S. Dollars						Consolidated
	Japan	North America	Asia	Europe	Total	Eliminations/ Corporate	
Sales to customers	\$124,474	\$30,342	\$139,295	\$52,960	\$347,071		\$347,071
Interarea transfer	87,614	589	66,753	3,593	158,549	\$(158,549)	
Total sales	212,088	30,931	206,048	56,553	505,620	(158,549)	347,071
Operating expenses	200,908	30,582	202,834	54,607	488,931	(137,379)	351,552
Operating income (loss)	\$ 11,180	\$ 349	\$ 3,214	\$ 1,946	\$ 16,689	\$ (21,170)	\$ (4,481)
Total assets	\$282,743	\$11,598	\$ 73,500	\$25,681	\$393,522	\$ (16,079)	\$377,443

b. Sales to Foreign Customers

	Millions of Yen		
	Overseas Sales (A)	Consolidated Sales (B)	(A)/(B) (%)
Year ended 31st March, 2008:			
North America	¥ 3,046		8.8%
Asia	13,956		40.1
Europe	5,306		15.3
Total	¥22,308	¥34,773	64.2%
Year ended 31st March, 2007:			
North America	¥ 3,030		7.4%
Asia	16,242		39.7
Europe	5,369		13.1
Total	¥24,641	¥40,952	60.2%

	<u>Thousands of U.S. Dollars</u>		<u>(A)/(B)</u> <u>(%)</u>
	<u>Overseas</u> <u>Sales (A)</u>	<u>Consolidated</u> <u>Sales (B)</u>	
Year ended 31st March, 2008:			
North America	\$ 30,402		8.8%
Asia	139,295		40.1
Europe	<u>52,960</u>		<u>15.3</u>
Total	<u>\$222,657</u>	<u>\$347,071</u>	<u>64.2%</u>

Notes: 1. The segment information of the LCD device business was not disclosed because the business was discontinued by the end of 31st March, 2008.

2. According to accounting change stated at Note 3, the Company changed the accounting policy for foreign currency translation of principal balance sheets accounts, and this adoption increased net sales and operating profits in each region, compared with the figures calculating using the exchange rate prevailing on the balance sheet date of each subsidiary as follows:

	<u>North America</u>	<u>Asia</u>	<u>Europe</u>
Sales	¥376 million (\$3,753 thousand)	¥1,540 million (\$15,371 thousand)	¥109 million (\$1,088 thousand)
Operating profits	¥4 million (\$44 thousand)	¥36 million (\$359 thousand)	¥4 million (\$40 thousand)

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