

(This notice has been translated from the original notice in Japanese. In the event of any discrepancy, the original in Japanese shall prevail.)



May 14, 2008

## Summary of Financial Results for the Fiscal Year Ended March 31, 2008

Name of Listed Company: Sanshin Electronics Co., Ltd. Stock Exchange Listed: 1<sup>st</sup> Section, Tokyo  
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 Scheduled date of General Meeting of Shareholders: June 20, 2008  
 Scheduled date of dividend payment: June 23, 2008  
 Scheduled date of filing of Annual Securities Report: June 23, 2008

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Business Performance for March 2008 Term (April 1, 2007 – March 31, 2008)

#### (1) Consolidated business performance

(The percentages for net sales, operating profit, ordinary profit and net profit represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 2008 Term	262,065	(2.8)	5,061	(16.7)	5,422	(8.9)	3,414	(9.6)
March 2007 Term	269,523	28.7	6,073	36.6	5,953	27.8	3,776	38.8

	Net profit per share	Diluted net profit per share	ROE	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
March 2008 Term	106.95	-	5.7	5.1	1.9
March 2007 Term	116.79	-	6.3	5.4	2.3

Reference: Investment profit and loss based on the equity method

Mar. 2008: - million yen Mar. 2007: - million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 2008 Term	97,276	59,762	61.4	1,910.45
March 2007 Term	113,996	60,286	52.9	1,884.97

Reference: Shareholders' equity

Mar. 2008: 59,762 million yen Mar. 2007: 60,286 million yen

#### (3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
March 2008 Term	14,136	(453)	(12,853)	5,003
March 2007 Term	(5,088)	(303)	5,105	4,467

### 2. Dividends

(Record date)	Dividend per share			Total dividends (annual)	Payout ratio (consolidated)	Dividend on net assets (consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Million yen	%	%
March 2007 Term	15.00	18.00	33.00	1,059	28.3	1.8
March 2008 Term	18.00	20.00	38.00	1,201	35.5	2.0
March 2009 Term (forecast)	18.00	20.00	38.00		36.0	

### 3. Forecasts for Consolidated Business Performance for March 2009 Term (April 1, 2008 – March 31, 2009)

(The percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	121,000	(12.1)	2,180	(33.1)	2,200	(33.6)	1,100	(46.5)	35.16
Full year	258,000	(1.6)	5,450	7.7	5,500	1.4	3,300	(3.4)	105.49

#### 4. Others

(1) Changes in consolidated subsidiaries during the term (changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Important Basic Matters for Preparation of Consolidated Financial Statements” on page 16 for further information.

(3) Number of shares outstanding (ordinary shares)

1) Number of shares outstanding at the end of term (including treasury stock):

Mar. 2008: 31,983,373 shares      Mar. 2007: 31,983,373 shares

2) Number of treasury stock at the end of term:

Mar. 2008: 701,578 shares      Mar. 2007: 410 shares

Note: Please refer to “Per Share Information” on page 30 for the number of shares used in calculating consolidated net profit per share.

#### Reference: Summary of Non-consolidated Business Performance

##### 1. Non-consolidated Business Performance for March 2008 Term (April 1, 2007 – March 31, 2008)

(1) Non-consolidated business performance

*(The percentages represent year-on-year changes)*

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 2008 Term	205,461	3.2	3,511	(15.8)	3,950	(23.6)	2,406	(23.2)
March 2007 Term	199,099	30.0	4,170	37.7	5,169	36.0	3,131	64.8

	Net profit per share	Diluted net profit per share
	Yen	Yen
March 2008 Term	75.37	-
March 2007 Term	96.84	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 2008 Term	85,781	54,585	63.6	1,744.97
March 2007 Term	99,821	54,954	55.1	1,718.25

Reference: Shareholders' equity:

Mar. 2008: 54,585 million yen      Mar. 2007: 54,954 million yen

#### \* Cautionary statement with respect to forward-looking statements

*The above forecast is a forecast for the future based on data currently available and contains potential risks and uncertain factors.*

*The actual performance may considerably differ from the forecast due to various factors.*

*See the section “1. Business Results” on pages 3 through 6 regarding the relevant matters for the above forecast for the business performance.*

## 1. Business Results

### (1) Analysis of business results

#### 1) Overview of the fiscal year

Japan's economy entered a period of stagnation during the fiscal year as the yen's rapid appreciation along with a sharp upturn in the cost of raw materials and fuel brought down corporate earnings. In the United States, concerns about the nation's financial system fueled worries about a recession. In the euro zone as well, there were increasing signs of slower economic growth. Economic growth continued in most areas of Asia, although Chinese exports, the driving force behind the nation's economic growth, began to weaken. The result was increasing uncertainty about the outlook for the global economy.

In the electronics industry, competition became even more intense in markets for flat-panel TVs, DVD recorders and other digital home electronics, mobile phones and other consumer products. Because of this, prices of semiconductors and electronic components used in these products continued to decline. Moreover, the uncertain economic outlook caused finished product manufacturers to adopt a cautious stance during the fiscal year's final months about increasing inventories. These trends created a challenging operating environment for the Company.

In this environment, the Company heightened its commitment to the basic management policy of making Sanshin Electronics a company with value rooted in reliability and outstanding solutions. There were numerous initiatives to increase sales. Actions included reinforcing technical support for key products and business fields, introducing new products to start new business operations, and starting operations at the Company's European office (in the Netherlands). These activities reinforced the value of the Company's existence as an electronics trading company for both customers and suppliers. However, sales and earnings declined because of lower orders for some products, even greater demands from customers to cut prices, and the yen's rapid appreciation. Sales decreased 2.8% to 262,065 million yen, operating profit decreased 16.7% to 5,061 million yen, ordinary profit decreased 8.9% to 5,422 million yen and net profit decreased 9.6% to 3,414 million yen. The return on equity (ROE), which management uses as a key performance indicator, was 5.7%.

Review on operations is as set forth below.

#### 2) Overview of performance by business segment

##### a) Device Business

In the device segment, the main operations are sales and technical support (software development, ASIC designs, etc.) for semiconductors (system LSI, microcomputers, LCD driver ICs, memories, etc.) and electronic components (connectors, capacitors, circuit boards, etc.).

During the fiscal year, semiconductor sales benefited from strong sales of system LSIs for home game consoles, flat-panel TVs and DVD recorders. But sales of memory products declined because of a change in sales channels of a supplier in the prior fiscal year's second half. In addition, the drop in sales of LCD driver ICs, mainly for ICs used in flat-panel TVs and mobile phones, was greater than expected. Sales of chip sets for mobile phones also declined, even though the Company had expected a big increase in sales of these chip sets. The result was a year-on-year decline in sales of semiconductors. Sales of electronic components increased primarily because of higher sales of circuit components and substrates for home game consoles and connectors used in flat-panel TVs and DVD recorders. However, this increase was not enough to offset the downturn in semiconductor sales. The result was a 2.8% decrease in consolidated sales to 246,774 million yen and a 12.0% decrease in operating profit to 5,939 million yen.

Orders received totaled 244,329 million yen and the order backlog at the end of March 2008 was 28,213 million yen.

## b) Solution Business

The solutions segment is comprised of a network systems business involved in sales, maintenance, and support services for information communication network and enterprise resource planning (ERP) systems primarily for corporations, medical institutions, and governments, and an imaging editing system business involved in sales of systems and software used for the editing, delivery, and distribution of image content for broadcast stations and video production agencies.

During the fiscal year, there were higher sales in the network systems business mainly because of strong sales of business systems and wireless LAN systems for corporations and medical institutions. There were also higher sales from maintenance and support services, which generate a steady revenue stream.

In the imaging editing system business, activities were focused on increasing sales in the video network market by enlarging the product lineup, such as by locating new suppliers. However, sales in this business decreased due to sluggish sales of DVD authoring software. The result was a 2.3% decrease in segment sales to 15,290 million yen. Operating profit was down 25.8% to 569 million yen. The primary causes were a narrower profit margin caused by competitive pressure on prices and an increase in selling, general and administrative expenses to reinforce the sales and technical staff.

Orders received totaled 14,956 million yen and the order backlog at the end of March 2008 was 3,986 million yen.

## 3) Outlook for the new fiscal year

The operating environment is expected to remain challenging. One reason is worries about the prolonged weakness of the U.S. economy and the impact on the global economy. Higher prices of raw materials and fuel and the future direction of foreign exchange rates are also sources of concern. In the electronics industry, mobile phones, PCs and other digital electronic products are expected to grow. At the same time, though, sales prices are likely to decline because of intense competition. Consequently, the Company believes that market conditions will continue to be difficult.

Based on these factors, the Company's full-year forecast is as follows.

### Prospect for Consolidated Business Results

Net sales:	258.00 billion yen	(1.6% decrease on the previous fiscal year)
Operating profit:	5.45 billion yen	(7.7% increase on the previous fiscal year)
Ordinary profit:	5.50 billion yen	(1.4% increase on the previous fiscal year)
Net profit:	3.30 billion yen	(3.4% decrease on the previous fiscal year)

(Assumed exchange rate: US\$ 1 = 100 yen)

## (2) Analysis of financial situation

### 1) Assets, liabilities and net assets

Assets totaled 97,276 million yen as of March 31, 2008, 16,720 million yen less than as of March 31, 2007. This was mainly attributable to decrease of 14,810 million yen in notes and accounts receivable due to lower sales, a decrease of 2,862 million yen in inventories, and an increase of 1,655 million yen in consumption tax receivable due to growth in export sales.

Liabilities decreased 16,195 million yen to 37,513 million yen mainly because of a decrease in notes and accounts payable of 3,559 million yen, a decrease in interest-bearing debt of 11,050 million yen due to repayment of loans, and a decrease in accrued corporate tax, etc. of 1,103 million yen.

Net assets decreased 524 million yen to 59,762 million yen. This was the net result of a 2,263 million yen increase in retained earnings, an 810 million yen increase due to acquisition of treasury stock, a 747 million yen decrease in unrealized gains on available-for-sale securities, and a 1,164 million yen increase in foreign exchange conversion adjustments.

## 2) Cash flows

Consolidated cash and cash equivalents at the end of the fiscal year totaled 5,003 million yen, an increase of 535 million yen compared with one year earlier. Cash and cash equivalents increased even though cash payments were higher as funds produced by decreases in notes and accounts receivable and inventories were used for the repayment of short-term loans.

### Operating activities

Net cash provided by operating activities was 14,136 million yen, as decreases in notes and accounts receivable and inventories. As a result, net cash provided by operating activities increased by 19,225 million yen from cash used in operating activities of 5,088 million yen in the previous fiscal year.

### Investing activities

Net cash used in investing activities increased 150 million yen to 453 million yen. Cash was used primarily for IT investments and the purchase of investment securities, but part of these purchases were offset by sales of investment securities.

### Financing activities

Net cash used in financing activities totaled 12,853 million yen mainly because of repayment of short-term loans. As a result, net cash used in financing activities increased 17,959 million yen, compared to cash provided by financing activities of 5,105 million yen in the previous fiscal year.

There was a payment for acquisition of treasury stock of 810 million yen in the current fiscal year.

## 3) Outlook for assets, liabilities, net assets and cash flows

At the end of March 2009, the Company expects assets to amount to approximately 98,700 million yen, 1,400 million yen more than at the end of March 2008, mainly because of a projected increase in notes and accounts receivable. In addition, the Company expects interest-bearing debt to total about 6,600 million yen at the end of March 2009.

Cash and cash equivalents are expected to decrease about 1,500 million yen during the fiscal year to about 3,500 million yen at the end of March 2009. This forecast is based on projected increases in net profit before tax and adjustments, notes and accounts payable, decrease in inventories, and repayment of short-term loans.

Performance indicators associated with cash flows are as follows.

	March 2004 Term	March 2005 Term	March 2006 Term	March 2007 Term	March 2008 Term
Ratio of shareholders' equity (%)	61.1	59.6	55.5	52.9	61.4
Ratio of shareholders' equity on current price base (%)	29.5	32.1	44.0	41.5	33.5
Interest-bearing debt to cash flow ratio (year)	1.6	-	-	-	0.7
Interest coverage ratio	79.7	-	-	-	100.9

Notes:

Ratio of shareholders' equity: Shareholders' equity ÷ Total assets

Ratio of shareholders' equity on current price base: Market capitalization ÷ Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debts ÷ Operating cash flow

Interest coverage ratio: Operating cash flow ÷ Interest paid

\* Each indicator is calculated using the consolidated financial figures.

\* The market capitalization is calculated as the ending share price at the term end multiplied by the number of shares issued at the term end (after the deduction of treasury stock).

\* For the operating cash flow, the "cash flow from operating activities" shown in the consolidated statement of cash flows is used.

The interest-bearing debts feature all debts bearing interest among the debts listed in the consolidated balance sheet. For the amount of interest paid, the "interest paid" listed in the consolidated statement of cash flows is used.

\* Figures for the interest-bearing debt to cash flow ratio and the interest coverage ratio are not entered when the operating cash flow figure is negative.

### **(3) Basic policy for profit distribution and dividends for the current and next fiscal year**

The Company's basic policy regarding profit distribution is to base these distributions on a comprehensive consideration of the need to increase distributions to shareholders and to increase retained earnings. In accordance with this policy, the Company strives to pay a stable dividend continuously as well as to increase the dividend, with a target payout ratio of 30% of consolidated net profit.

According to this policy, the Company expects to pay a year-end dividend of 20 yen per share, and including the interim dividend, this will result in an annual dividend of 38 yen per share, an increase of 5 yen compared to the previous year.

### **(4) Business risks**

There are various risks that may affect the business performance and financial condition (including the share price) of the Sanshin Electronics Group. The following risks are considered to be matters that could have a significant effect on the decisions of investors.

#### 1) Degree of dependence on major trade partners

Among the various suppliers for the Sanshin Electronics Group, the products supplied by NEC Electronics, NEC and their group companies account for about 80% of the total value of all products supplied to the Group. For this reason, the business performance of the Group may be affected by the production trends/plans and any changes in the production policies of these suppliers. Five major electronics manufacturers in Japan and their group companies account for about 80% of the sales of the Sanshin Electronics Group. Again, the production trends, production system, trends in orders received from these customers and any changes in the production and ordering policies of these companies may affect the business performance of the Group.

#### 2. Market conditions

Semiconductors and electronic components, which account for the majority of the Group's sales, are used primarily in consumer electronics products like mobile phones, televisions and home game consoles. Changes in market conditions for these products and in economies in Japan and other countries may affect the business performance of the Group.

#### 3) Financial structure

The payment period for the notes and accounts payable of the Group is shorter than the period for the collection of notes and accounts payable. As a result, growth in sales creates a demand for additional working capital that must be procured externally from banks and other sources. The financial condition and business performance of the Company based on the above financial structure may, therefore, be affected by the sales trends of the Company, interest rate trends and various future trends in financial markets.

#### 4) Foreign exchange rates

The business performance and financial condition of the Sanshin Electronics Group are affected by changes in foreign exchange rates. While the consolidated financial statements of the Group are denominated in yen, any changes in foreign exchange rates affects the assets, liabilities, income and expenses denominated in foreign currencies as well as the yen conversions of financial statements of overseas consolidated subsidiaries. The Group takes actions aimed at reducing or eliminating the effect of changes in foreign exchange rates. However, since it is impossible to completely eliminate this risk, changes in foreign exchange rates may affect the business performance of the Group.

#### 5) Potential risks associated with overseas activities

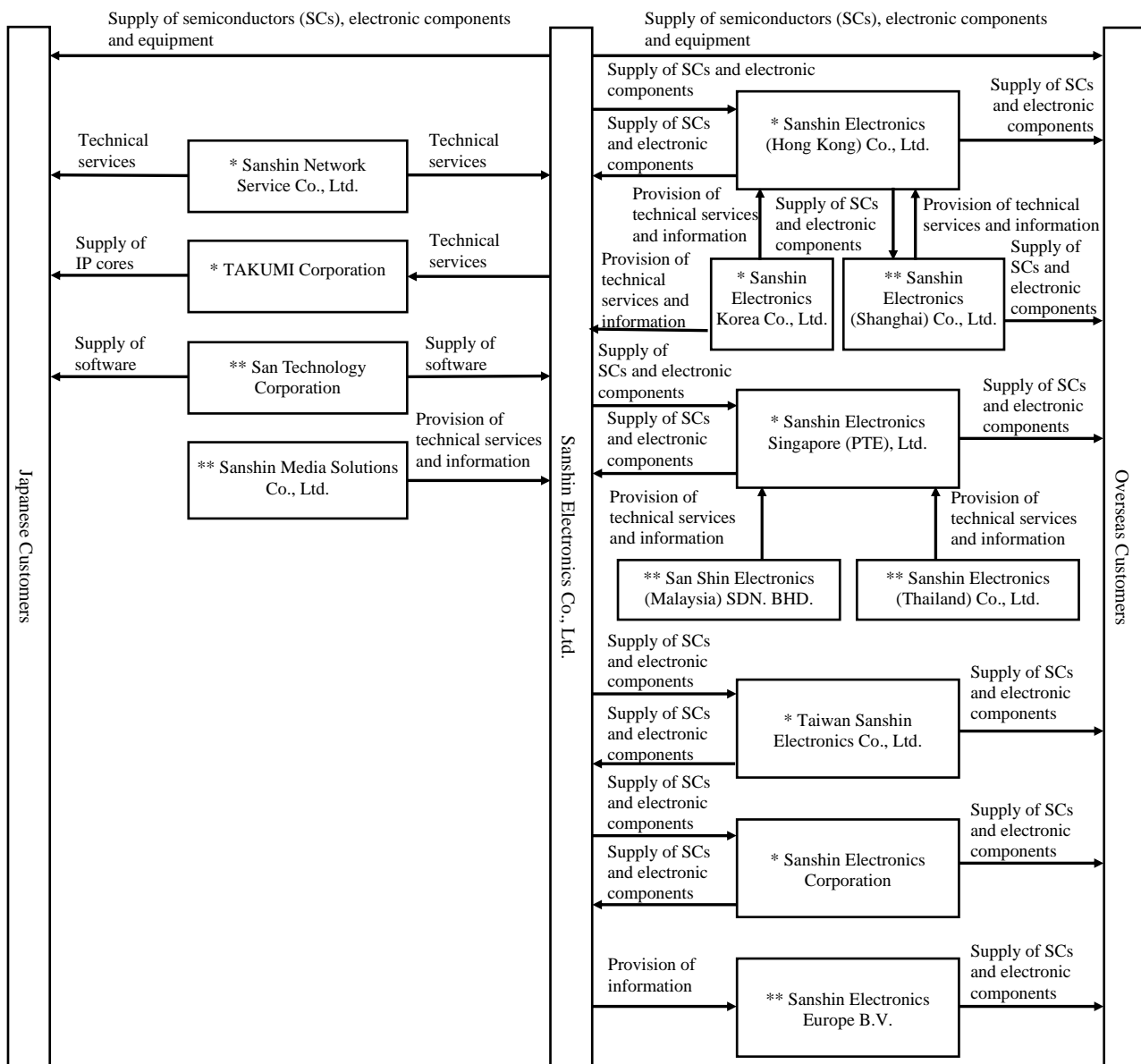
The business activities of the Sanshin Electronics Group are conducted in Japan and foreign countries, mainly in Asia. Consequently unexpected changes in political and social conditions, the occurrence of economic problems, and revisions in laws and tax systems in these countries may affect the business performance of the Group.

## 2. Corporate Group

The Sanshin Electronics Group of companies (the Group) consists of Sanshin Electronics Co., Ltd. (the Company) and its 13 subsidiaries. The main businesses and positioning of these companies are shown below.

The Company operates as a trading house specializing in semiconductors, electronic components and electronic equipment. The Company sells these products to manufacturers of electronics products and to governments and their agencies. Eight overseas subsidiaries, including Sanshin Electronics (Hong Kong) Co., Ltd., serve as overseas bases that perform marketing and procurement activities in order to expand business operations in their respective areas. In addition, Sanshin Network Service Co., Ltd. provides technical services for the operation and maintenance of information and communication systems, TAKUMI Corporation develops and provides technical services regarding IP cores to be embedded in semiconductors, San Technology Corporation develops software that is embedded in semiconductors, and Sanshin Media Solutions Co., Ltd. provides technical services and information associated with image editing systems.

The following diagram shows the business operations of group companies.



\*: Consolidated subsidiary

\*\* : Non-consolidated subsidiary to which the equity method is not applied

### **3. Basic Policies**

#### **(1) Basic business policies**

The Company's basic policy is to adhere to the corporate philosophy of "Trust, Faith and Honesty" in order to earn a reputation as an organization that uses "reliability and outstanding solutions to prove the value of its existence." Today, manufacturers that supply products to the Company are all focusing their product development and manufacturing resources on fields where they are strongest. As a result, there is a growing need at these manufacturers to reinforce sales activities. In addition, the Company's customers need to use fewer suppliers in order to raise the efficiency of product procurement activities. Sanshin Electronics is dedicated to offering suppliers and customers the optimum solutions for their problems by focusing on excellence in four areas: the distribution of purchased products, the product lineup, product coordination services, and technological skills. The objective is to increase the Company's corporate value by earning a reputation among suppliers and customers as a highly reliable electronics trading company.

#### **(2) Target business indicator**

The Company positions the ROE (return on equity) as an important business indicator and will endeavor to improve earnings while maintaining a shareholders' equity ratio of at least 50%.

#### **(3) Medium to long-term business strategy**

In the device business, manufacturers of finished products and components alike are responding to intense competition by forming alliances, merging and taking other actions to realign the industry. In the solutions business as well, the operating environment is about to undergo a major transition. For example, new services are emerging because of the widespread use of next-generation networks (NGN). In the broadcasting industry, visual content is becoming digital and an increasing number of broadcasts are available in high definition.

Sanshin Electronics will work even harder at strengthening its capabilities in order to transform these changes into opportunities. For example, the Company will contribute even more to the efficiency of customers' purchasing activities. This will be accomplished by making more progress building a multi-vendor platform that encompasses the products and services of many suppliers. Another goal is serving customers in even more ways. In the device business, initiatives include using technical support and detailed sales activities to meet needs for customized products. The Company will also sell kits that combine several products. In the solutions business, the goal is to reinforce integrated system sales that combine hardware sales with a diverse selection of maintenance, support and other services. Along with these initiatives, the Company will aggressively offer new products and services that accurately target customers' diversifying needs as the operating climate evolves. The aim is to add momentum to new business ventures.

#### **(4) Important issues**

The Company is working hard on the following themes in order to accomplish the medium and long-term strategic goals explained in the above section.

##### **1) Establish a technical support system**

The ability to add value, such as by offering technical support, has become a critical role of electronics trading companies. To provide this function, the Company will increase the number of engineers, divide functions between the Company and its suppliers, and use the resources of partner companies. The objective is to establish an operating system that can achieve greater efficiency along with growth in technical support operations.

##### **2) Increase sales capabilities for core products**

Core products are products where the Company has a competitive edge and that make it possible to offer proposals involving related products. These core products will be given priority in receiving resources such as technical support to add value and an increase in the number of salespeople. The objective is to capture more orders and increase sales of kits and systems.

3) Expand the product lineup

The product lineup must be enlarged in order to increase sales of kits and systems. In addition, the constant search for new products is vital to the Company's ability to use ideas for new products as a means of establishing relationships with new customers and extending operations to new business domains.

4) Increase sales in growing business fields

The Company will reinforce its activities targeting business sectors with prospects for growth in order to build a more powerful base of operations. In the device business, the targeted product categories are digital AV products, mobile phones, game consoles, personal computers and automobiles. The solutions business is focusing on data communication networks, corporate internal controls, security, and the production and distribution of visual content.

5) Expand the sales network

The Sanshin Electronics Group will establish a sales network designed for sales activities that are closely linked to customers. This will allow the sales staff to accurately identify customers' needs and offer business proposals that match these needs. In particular, in the device business, the Company will move sales offices and establish new ones and quickly redeploy employees as finished product manufacturers, which are the Company's customers, continue to move their production bases from Japan to other countries.

6) Strengthen corporate social responsibility (CSR) activities

Demands are increasing for companies to fulfill their social obligations. In response, Sanshin Electronics will maintain an effective system of internal controls, conduct rigorous quality management and risk management programs, continue to reduce the environmental impact of business operations, and take other actions to become an even more trusted corporate citizen.

**Consolidated Financial Statements**

**Consolidated Balance Sheets**

(Million yen)

Account	Period	March 2007 Term (As of Mar. 31, 2007)		March 2008 Term (As of Mar. 31, 2008)		Change
		Amount	%	Amount	%	Amount
Assets						
I Current assets		104,005	91.2	88,232	90.7	(15,773)
Cash and deposits		4,467		5,003		535
Notes and accounts receivable-trade		76,188		61,377		(14,810)
Inventories		19,592		16,729		(2,862)
Accrued income		924		816		(107)
Differed tax assets		501		333		(167)
Others		2,369		4,019		1,650
Allowance for doubtful receivables		(37)		(47)		(10)
II Fixed assets		9,991	8.8	9,044	9.3	(947)
Property and equipment		5,086	4.5	4,939	5.1	(146)
Buildings and structures		2,671		2,572		(98)
Land		2,227		2,227		-
Others		187		139		(48)
Intangible fixed assets		529	0.5	796	0.8	266
Investments and other assets		4,375	3.8	3,308	3.4	(1,067)
Investment in securities		3,783		2,758		(1,024)
Prepaid pension expenses		122		173		51
Others		529		423		(106)
Allowance for doubtful receivables		(59)		(47)		12
Total assets		113,996	100.0	97,276	100.0	(16,720)

(Million yen)

Account	Period	March 2007 Term (As of Mar. 31, 2007)		March 2008 Term (As of Mar. 31, 2008)		Change
		Amount	%	Amount	%	Amount
Liabilities						
I	Current liabilities	53,024	46.5	33,908	34.9	(19,115)
	Notes and accounts payable-trade	28,569		25,009		(3,559)
	Short-term loans payable	20,710		6,359		(14,350)
	Accrued corporate tax, etc.	1,698		595		(1,103)
	Allowance for bonuses to employees	745		685		(60)
	Allowance for bonuses to directors and corporate auditors	45		41		(4)
	Others	1,256		1,217		(38)
II	Fixed liabilities	685	0.6	3,605	3.7	2,919
	Long-term loans payable	-		3,300		3,300
	Deferred tax liabilities	427		89		(338)
	Others	258		216		(41)
Total liabilities		53,709	47.1	37,513	38.6	(16,195)
Net assets						
I	Shareholders' equity	59,499	52.2	60,951	62.6	1,452
	Capital stock	14,811	13.0	14,811	15.2	-
	Capital surplus	15,329	13.4	15,329	15.7	-
	Retained earnings	29,358	25.8	31,621	32.5	2,263
	Treasury stock	(0)	(0.0)	(811)	(0.8)	(810)
II	Valuation and foreign exchange adjustments, etc.	787	0.7	(1,189)	(1.2)	(1,977)
	Unrealized gains on available-for-sale securities	1,062	0.9	314	0.3	(747)
	Deferred hedge gains/losses	11	0.0	(54)	(0.0)	(65)
	Foreign exchange conversion adjustments	(286)	(0.2)	(1,450)	(1.5)	(1,164)
Total net assets		60,286	52.9	59,762	61.4	(524)
Total liabilities and net assets		113,996	100.0	97,276	100.0	(16,720)

## Consolidated Profit and Loss Statement

(Million yen)

Account	Period	March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)		March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)		Change	
		Amount	%	Amount	%	Amount	%
		I Net sales	269,523	100.0	262,065	100.0	(7,458)
II Cost of sales	252,457	93.7	246,267	94.0	(6,190)	(2.5)	
Gross profit on sales	17,065	6.3	15,797	6.0	(1,267)	(7.4)	
III Selling, general and administrative expenses	10,991	4.0	10,736	4.1	(255)	(2.3)	
Operating profit	6,073	2.3	5,061	1.9	(1,012)	(16.7)	
IV Non-operating profit	285	0.1	599	0.3	314	110.3	
Interest income	124		189		64		
Dividend income	29		36		7		
Purchase discounts	14		21		7		
Foreign exchange gains	28		249		220		
Others	88		102		14		
V Non-operating expenses	404	0.2	238	0.1	(166)	(41.1)	
Interest expenses	194		135		(58)		
Sales discounts	131		68		(63)		
Others	79		34		(44)		
Ordinary profit	5,953	2.2	5,422	2.1	(531)	(8.9)	
VI Extraordinary profits	391	0.1	170	0.0	(220)	(56.4)	
Gain on sale of fixed assets	7		0		(7)		
Gain on sale of investment securities	265		170		(95)		
Income from refund of allowance for doubtful receivables	118		-		(118)		
VII Extraordinary losses	94	0.0	77	0.0	(16)	(17.2)	
Loss on sale of fixed assets	8		6		(2)		
Loss on disposition of fixed assets	15		3		(12)		
Loss on valuation of investment securities	40		67		27		
Loss on valuation of membership rights	1		-		(1)		
Impairment losses	27		-		(27)		
Net profit before tax and adjustments	6,251	2.3	5,515	2.1	(736)	(11.8)	
Corporate, resident and enterprise taxes	2,530	0.9	1,842	0.7	(688)	(27.2)	
Adjustment for corporate tax, etc.	(56)	(0.0)	258	0.1	314	(560.2)	
Net profit	3,776	1.4	3,414	1.3	(362)	(9.6)	

**Consolidated Statements of Changes in Shareholders' Equity**

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity total
Balance as of Mar. 31, 2006	14,811	15,329	27,540	(6)	57,675
Changes during the term					
Dividend from retained earnings*			(555)		(555)
Dividend from retained earnings			(484)		(484)
Bonuses to directors and corporate auditors*			(30)		(30)
Net profit			3,776		3,776
Acquisition of treasury stock				(883)	(883)
Cancellation of treasury stock			(889)	889	-
Changes under items other than shareholders' equity during the term (net amount)					
Total changes during the term	-	-	1,817	6	1,823
Balance as of Mar. 31, 2007	14,811	15,329	29,358	(0)	59,499

	Valuation and foreign exchange adjustments, etc.				Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge gains/losses	Foreign exchange conversion adjustments	Total of valuation and foreign exchange adjustments, etc.	
Balance as of Mar. 31, 2006	1,325	-	(263)	1,062	58,738
Changes during the term					
Dividend from retained earnings*					(555)
Dividend from retained earnings					(484)
Bonuses to directors and corporate auditors*					(30)
Net profit					3,776
Acquisition of treasury stock					(883)
Cancellation of treasury stock					-
Changes under items other than shareholders' equity during the term (net amount)	(263)	11	(23)	(274)	(274)
Total changes during the term	(263)	11	(23)	(274)	1,548
Balance as of Mar. 31, 2007	1,062	11	(286)	787	60,286

\* Appropriation of earnings resolved at the general meeting of shareholders in June 2006.

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity total
Balance as of Mar. 31, 2007	14,811	15,329	29,358	(0)	59,499
Changes during the term					
Dividend from retained earnings			(1,151)		(1,151)
Net profit			3,414		3,414
Acquisition of treasury stock				(810)	(810)
Changes under items other than shareholders' equity during the term (net amount)					
Total changes during the term	-	-	2,263	(810)	1,452
Balance as of Mar. 31, 2008	14,811	15,329	31,621	(811)	60,951

	Valuation and foreign exchange adjustments, etc.				Total net assets
	Unrealized gains on available-for-sale securities	Deferred hedge gains/losses	Foreign exchange conversion adjustments	Total of valuation and foreign exchange adjustments, etc.	
Balance as of Mar. 31, 2007	1,062	11	(286)	787	60,286
Changes during the term					
Dividend from retained earnings					(1,151)
Net profit					3,414
Acquisition of treasury stock					(810)
Changes under items other than shareholders' equity during the term (net amount)	(747)	(65)	(1,164)	(1,977)	(1,977)
Total changes during the term	(747)	(65)	(1,164)	(1,977)	(524)
Balance as of Mar. 31, 2008	314	(54)	(1,450)	(1,189)	59,762

**Consolidated Statement of Cash Flows**

(Million yen)

Account	Period	March 2007 Term	March 2008 Term	Change
		(Apr. 1, 2006 – Mar. 31, 2007)	(Apr. 1, 2007 – Mar. 31, 2008)	Amount
		Amount	Amount	Amount
<b>I Operating activities</b>				
Net profit before tax and adjustments		6,251	5,515	(736)
Depreciation and amortization		336	331	(5)
Increase of prepaid pension expenses		(63)	(51)	12
Decrease of retirement allowance for directors and corporate auditors		(208)	-	208
Increase (decrease) of allowance for doubtful receivables		(118)	4	122
Interest and dividends income		(153)	(226)	(72)
Interest expense		194	135	(58)
Gain on sale of investment securities		(265)	(170)	95
Gain on sale of fixed assets		(7)	(0)	7
Loss on sale of fixed assets		8	6	(2)
Loss on valuation of investment securities		40	67	27
Decrease (increase) of notes and accounts receivable		(2,050)	13,126	15,176
Decrease (increase) of inventories		(3,865)	2,244	6,109
Decrease of notes and accounts payable		(713)	(2,397)	(1,683)
Increase (decrease) of consumption and other taxes payable		(189)	10	199
Increase of consumption and other taxes receivable		(1,978)	(1,654)	323
Bonuses paid to directors and corporate auditors		(30)	-	30
Change of other assets and liabilities		(40)	(70)	(29)
Other non-fund transactions		40	7	(32)
Sub-total		(2,814)	16,879	19,693
Interest and dividend received		153	226	72
Interest paid		(183)	(140)	43
Corporate and other taxes paid		(2,244)	(2,828)	(583)
Net cash provided by (used in) operating activities		(5,088)	14,136	19,225
<b>II Investing activities</b>				
Purchase of property and equipment		(36)	(48)	(12)
Proceeds from sale of property and equipment		7	0	(7)
Purchase of software		(135)	(401)	(265)
Purchase of investment securities		(616)	(252)	364
Proceeds from sale of investment securities		518	306	(211)
Others		(40)	(58)	(18)
Net cash provided by (used in) investing activities		(303)	(453)	(150)
<b>III Financing activities</b>				
Proceeds from long-term loans		-	3,300	3,300
Repayment of long-term loans		(2,500)	-	2,500
Proceeds from short-term loans		44,910	19,759	(25,150)
Repayment of short-term loans		(35,384)	(33,956)	1,427
Proceeds from issue of commercial papers		18,000	-	(18,000)
Redemption of commercial papers		(18,000)	-	18,000
Net expenditure for repurchase/sale of treasury stock		(883)	(810)	72
Dividend paid		(1,037)	(1,146)	(109)
Net cash provided by (used in) financing activities		5,105	(12,853)	(17,959)
<b>IV Foreign currency conversion adjustments for cash and cash equivalents</b>				
		31	(293)	(324)
<b>V Increase (decrease) of cash and cash equivalents</b>				
		(254)	535	789
<b>VI Balance of cash and cash equivalents, beginning of the term</b>				
		4,722	4,467	(254)
<b>VII Balance of cash and cash equivalents, end of the term</b>				
		4,467	5,003	535

## Important Basic Matters for Preparation of Consolidated Financial Statements

### 1. Scope of consolidation

The following seven consolidated subsidiaries are included for consolidated accounting purposes.

Sanshin Electronics (Hong Kong) Co., Ltd.  
Sanshin Electronics Singapore (PTE) Ltd.  
Taiwan Sanshin Electronics Co., Ltd.  
Sanshin Electronics Corporation  
Sanshin Electronics Korea Co., Ltd.  
Sanshin Network Service Co., Ltd.  
TAKUMI Corporation

Other subsidiaries, namely San Technology Corporation, Sanshin Media Solutions Co., Ltd., Sanshin Electronics (Shanghai) Co., Ltd., Sanshin Electronics (Malaysia) SDN, BHD., Sanshin Electronics (Thailand) Co., Ltd., and Sanshin Electronics Europe B.V. are omitted from the scope of consolidated accounting as the total assets, net sales, equity profit or loss and equity portion of the retained earnings, etc. of each of these companies are insignificant to the extent that a rational judgment on the Sanshin Electronics Group of companies in terms of the financial state and business results would not be affected by their omission from the consolidated accounting.

For the profit criterion to judge the level of importance, the average value of the net profit or loss of the Company and its consolidated subsidiaries for the current term for the last five years is used.

### 2. Application of the equity method

The equity method is not applied to investment in six non-consolidated subsidiaries, i.e. San Technology Corporation, Sanshin Media Solutions Co., Ltd., Sanshin Electronics (Shanghai) Co., Ltd., Sanshin Electronics (Malaysia) SDN, BHD., Sanshin Electronics (Thailand) Co., Ltd., and Sanshin Electronics Europe B.V. as the equity profit or loss and equity portion of the retained earnings, etc. of these companies are insignificant to the extent that their combined business performance would not affect a rational judgment on the Sanshin Electronics Group of companies in terms of the financial state and business results. Instead, such investment is evaluated by the cost method.

For this judgment, the average value of the net profit or loss for the current term of the Company and its subsidiaries for the last five years is used.

### 3. Accounting year for consolidated subsidiaries

The settlement date for each consolidated subsidiary is the same date for consolidated settlement.

### 4. Accounting standards

#### (1) Evaluation criteria and methods for important assets

##### 1) Securities

Available-for-sale securities

Those with a market value:

Market price method based on the market price on the last day of the settlement period (the unrealized gain on available-for-sale securities are included entirely in net asset while the sales cost is calculated by the moving average method)

Those without market value:

Cost method using the moving average method.

##### 2) Derivatives

Market price method.

##### 3) Inventories

Merchandise: Mainly lower cost method using the moving average method.

Expenditure for work in progress: Cost method using the individual production order costing method.

(2) Depreciation methods for important assets subject to depreciation

Property and equipment

Mainly fixed rate method except for buildings (excluding auxiliary equipment for buildings) to which the straight line method is applied.

The typical depreciation period is 9 – 50 years for buildings and structures and 3 – 20 years for others.

(Change in accounting policy)

Effective from the current term, the Company and its domestic consolidated subsidiaries have adopted the revised Corporation Tax Law and changed the method of depreciation of property and equipment acquired on or after April 1, 2007.

The effect of this change on profit or loss for the current term is insignificant.

(Supplementary information)

The Company and its domestic consolidated subsidiaries have adopted the revised Corporation Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporation Tax Law, is depreciated over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The difference is amortized by the straight-line method and is included in the depreciation expense.

The effect of this change on profit or loss for the current term is insignificant.

Intangible fixed assets

Straight line method. The typical depreciation period is 3 - 5 years for software used in-house.

(3) Accounting criteria for important allowances

1) Allowance for doubtful receivables

In preparation for possible losses due to failure to recover receivables, the necessary amount in view of the ratio of bad debts in the past and other relevant matters is accounted for by ordinary receivables while the estimated amount of unrecoverable receivables based on the assessment results for recoverability in each case is accounted for by the receivables of which the recovery is doubtful and receivables subject to the rehabilitation process following bankruptcy.

2) Allowance for bonuses to employees

A portion to be borne by the current term in the estimated amount of bonuses to employees in the next term is allowed in preparation for their pay-out to employees of the Company.

3) Allowance for bonuses to directors and corporate auditors

A portion to be borne by the current term in the estimated amount of bonuses to directors and corporate auditors in the next term is allowed in preparation for their pay-out to directors and corporate auditors of the Company.

4) Liability for retirement benefits

In preparation for the payment of retirement benefits to employees, the amount recognized as outstanding at the end of the current term is accounted for based on the estimated amount of liabilities for retirement benefits and pension plan assets at the end of the current term. However, as the estimated amount of the pension plan assets at the end of the current term exceeds the estimated amount of liability for retirement benefits which is adjusted with the liabilities based on unrecognized past services and unrecognized actuarial gains and losses, the difference is accounted for as prepaid pension expenses.

A liability based on past services is recognized by the straight-line method over a specific period (13 years) which is within the estimated average remaining service lives of the employees at the time when this liability occurred.

Actuarial gains and losses are recognized by the straight line method over a specific period (13 years) which is within the estimated average remaining service lives of the employees at the beginning of each fiscal year from the next fiscal year for the year when such actuarial gains and losses occur.

(4) Conversion criteria for important receivables and payables denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies and converted to Japanese yen at spot exchange rates on the settlement date and the gains or losses from this conversion are recognized in the profit and loss statement. The assets, liabilities, earnings and expenses of overseas subsidiaries, etc. were converted to Japanese yen at spot exchange rates on the last day of the term and the gains or losses from this conversion are included in the Foreign exchange conversion adjustments under Net assets.

(5) Accounting practice for important leases

Finance leases other than those which are deemed to transfer the ownership of the leased property to the lessee are accounted for by the method used for ordinary operating leases.

(6) Hedge accounting

1) Hedge accounting method

All receivables and payables denominated in foreign currencies with a foreign exchange contract are proportioned.

2) Method of and subjects to hedge

Means: Forward hedge contract

Subjects: Receivables and payables denominated in foreign currencies

3) Hedge policies

The Company conducts derivative transactions relating to forward exchange contracts for the purpose of hedging the risks of fluctuating earnings/expenses or values of receivables/payables due to the fluctuation of foreign exchange rates. These transactions are conducted in accordance with the internal policies which state that the Finance Division is solely responsible for such transactions and no derivative transactions for speculative purposes not specified in these policies are conducted.

4) Evaluation method for effectiveness of hedging

Evaluation is conducted at least once every half term to check if there is a high level of offset between fluctuations of the subject cash flow of hedging and fluctuations of the cash flow used as the means of hedging.

(7) Accounting of consumption taxes

The consumption tax and local consumption tax are accounted for using the without-tax method for the Company and domestic consolidated subsidiaries.

5. Evaluation of assets and liabilities of consolidated subsidiaries

Evaluation of the assets and liabilities of consolidated subsidiaries is entirely conducted by the market price evaluation method.

6. Amortization of goodwill and negative goodwill

Goodwill is amortized by the straight line method over a period of five years.

7. Scope of funds in consolidated cash flow statement

The funds (cash and cash equivalents) showed in the consolidated cash flow statement consists of cash in hand and short-term investments which can be easily changed to cash and which are redeemed within three months of the date of investment, carrying little risk in terms of a change of the value.

**Notes**
**Related to Consolidated Balance Sheet**

(Million yen)

March 2007 Term (As of Mar. 31, 2007)	March 2008 Term (As of Mar. 31, 2008)
1. Accumulated amount of depreciation of property and equipment <span style="float: right;">4,715</span>	1. Accumulated amount of depreciation of property and equipment <span style="float: right;">4,799</span>
2. Shares of non-consolidated subsidiaries and affiliates Investment securities (shares) <span style="float: right;">365</span>	2. Shares of non-consolidated subsidiaries and affiliates Investment securities (shares) <span style="float: right;">360</span>
3. Incidental liabilities Payment guarantees for bank loans by its employees Employees * <span style="float: right;">88</span> * Among the debt guarantees for banks in connection with housing loans for employees, those with housing loan insurance policy are excluded from the incidental liabilities because no real loss will occur with such loans.	3. Incidental liabilities Payment guarantees for bank loans by its employees Employees * <span style="float: right;">81</span> * Among the debt guarantees for banks in connection with housing loans for employees, those with housing loan insurance policy are excluded from the incidental liabilities because no real loss will occur with such loans.
4. Export bill discounts <span style="float: right;">107</span> (913,000 US dollars)	4. Export bill discounts <span style="float: right;">84</span> (839,000 US dollars)
5. Settlement of notes due on the last day of the consolidated accounting term Notes due on the last day of the accounting term were settled on the exchange day of notes. As the last day of the previous accounting term was a non-working day for banks, these notes are included in the following items. Notes receivable <span style="float: right;">90</span> Notes payable <span style="float: right;">90</span>	5. Settlement of notes due on the last day of the consolidated accounting term Notes due on the last day of the accounting term were settled on the exchange day of notes. As the last day of the previous accounting term was a non-working day for banks, these notes are included in the following items. Notes receivable <span style="float: right;">-</span> Notes payable <span style="float: right;">-</span>

**Related to Consolidated Profit and Loss Statement**

(Million yen)

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)	March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)						
1. Main sales, general and administrative expenses	1. Main sales, general and administrative expenses						
Packaging and transportation expenses 419	Packaging and transportation expenses 547						
Advertising expenses 28	Advertising expenses 36						
Traveling and transport expenses 598	Traveling and transport expenses 579						
Remuneration for directors and corporate auditors 235	Remuneration for directors and corporate auditors 223						
Salaries and allowances 4,237	Salaries and allowances 4,117						
Transfer to allowance for bonuses to employees 745	Transfer to allowance for bonuses to employees 685						
Transfer to allowance for bonuses to directors and corporate auditors 45	Transfer to allowance for bonuses to directors and corporate auditors 41						
Transfer to retirement allowance for directors and corporate auditors 6	Transfer to retirement allowance for directors and corporate auditors -						
Retirement benefit expenses 304	Retirement benefit expenses 313						
Depreciation and amortization 231	Depreciation and amortization 283						
2. R & D expenses incurred in general and administration expenses and manufacturing expenses for current term 34	2. R & D expenses incurred in general and administration expenses and manufacturing expenses for current term 51						
3. Breakdown of gain on sale of fixed assets	3. Breakdown of gain on sale of fixed assets						
Others (vehicles and fixtures) 7	Others (vehicles and fixtures) 0						
4. Breakdown of loss on sale of fixed assets	4. Breakdown of loss on sale of fixed assets						
Others (Fixtures) -	Others (Fixtures) 0						
Membership 8	Membership 6						
5. Breakdown of loss on disposition of fixed assets	5. Breakdown of loss on disposition of fixed assets						
Buildings and structures 3	Buildings and structures 0						
Others (vehicles and fixtures) 12	Others (vehicles and fixtures) 3						
6. Impairment loss							
The Group recorded impairment losses in the following asset category in the current term.							
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Location</th> <th style="width: 25%;">Intended purpose</th> <th style="width: 50%;">Category</th> </tr> </thead> <tbody> <tr> <td>Yaita, Tochigi</td> <td>Warehouse</td> <td>Building and land</td> </tr> </tbody> </table>	Location	Intended purpose	Category	Yaita, Tochigi	Warehouse	Building and land	
Location	Intended purpose	Category					
Yaita, Tochigi	Warehouse	Building and land					
We group our assets primarily by production facility, since they form the smallest independent cash-flow generating units under operating segments.							
In the current term, we have written down the book value of the rental real estate which is unlikely to generate cash flows in the future because leasing contracts on these properties have been cancelled. The impairment loss on the rental real estate resulting from the above write-down is accounted as an extraordinary loss (27 million yen).							
Breakdown of impairment loss:							
Buildings: 14 million yen							
Fixtures: 0 million yen							
Land: 12 million yen							
For land, the recoverable amount is measured by using the net sales price and then a valuation is determined that is equivalent to the official price, which is calculated based on valuations used for property taxes. Since accounting standards do not allow the recognition of a recoverable amount for buildings and fixtures, the book value of these assets has been marked down to a memorandum price.							
No applicable items in this term.							

**Matters Relating to Consolidated Statement of Changes of Shareholders' Equity, etc.**

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

## 1. Types and total number of outstanding shares and treasury stock (Shares)

	Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Mar. 31, 2007
Outstanding shares				
Ordinary shares (Note 1)	32,699,373	-	716,000	31,983,373
Total	32,699,373	-	716,000	31,983,373
Treasury stock				
Ordinary shares (Note 2,3)	5,870	710,540	716,000	410
Total	5,870	710,540	716,000	410

Notes: 1. The number of outstanding shares was decreased by 716,000 due to the cancellation of treasury stock.

2. The number of treasury stock was increased by 710,540, of which 700,000 shares are from purchase in the market and 10,540 shares from the purchase of shares below the unit minimum shares.

3. The number of treasury stock was decreased by 716,000 due to the cancellation of treasury stock.

## 2. Dividends

## (1) Dividend pay-out

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 23, 2006	Ordinary shares	555	17	March 31, 2006	June 23, 2006
Meeting of board of directors on November 15, 2006	Ordinary shares	484	15	September 30, 2006	December 8, 2006

## (2) Dividend of which record date falls after the current term among the dividend of which effective date falls in the next term

Resolution	Type of share	Total amount of dividend (Million yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 22, 2007	Ordinary shares	575	Retained earnings	18	March 31, 2007	June 25, 2007

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

## 1. Types and total number of outstanding shares and treasury stock (Shares)

	Number of shares as of Mar. 31, 2007	Increase	Decrease	Number of shares as of Mar. 31, 2008
Outstanding shares				
Ordinary shares	31,983,373	-	-	31,983,373
Total	31,983,373	-	-	31,983,373
Treasury stock				
Ordinary shares (Note)	410	701,168	-	701,578
Total	410	701,168	-	701,578

Note: The number of treasury stock was increased by 701,168, of which 700,000 shares are from purchase in the market and 1,168 shares from the purchase of shares below the unit minimum shares.

## 2. Dividends

## (1) Dividend pay-out

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
general meeting of shareholders on June 22, 2007	Ordinary shares	575	18	March 31, 2007	June 25, 2007
Meeting of board of directors on November 14, 2007	Ordinary shares	575	18	September 30, 2007	December 10, 2007

## (2) Dividend of which record date falls after the current term among the dividend of which effective date falls in the next term

Resolution	Type of share	Total amount of dividend (Million yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 20, 2008	Ordinary shares	625	Retained earnings	20	March 31, 2008	June 23, 2008

**Related to Consolidated Cash Flow Statement**

(Million yen)

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)		March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)	
Relationship between the balance of cash and cash equivalents at the end of term and amounts under the items listed in the consolidated balance sheet		Relationship between the balance of cash and cash equivalents at the end of term and amounts under the items listed in the consolidated balance sheet	
Cash and deposits account	4,467	Cash and deposits account	5,003
Cash and cash equivalents	<u>4,467</u>	Cash and cash equivalents	<u>5,003</u>

**Segment Information**

## 1. Industrial Segments

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

(Million yen)

	Device business	Solution business	Total	Elimination /Corporate	Consolidation
I Net sales and operating profit/loss					
(1) Sales to external customers	253,867	15,655	269,523	-	269,523
(2) Internal sales or transfer between segments	-	-	-	-	-
Total	253,867	15,655	269,523	-	269,523
Operating expenses	247,117	14,888	262,005	1,443	263,449
Operating profit	6,749	767	7,517	(1,443)	6,073
II Assets, depreciation expenses and capital expenditure					
Assets	96,290	9,948	106,238	7,757	113,996
Depreciation expenses	235	32	267	68	336
Capital expenditure	256	45	301	116	417

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

(Million yen)

	Device business	Solution business	Total	Elimination /Corporate	Consolidation
I Net sales and operating profit/loss					
(1) Sales to external customers	246,774	15,290	262,065	-	262,065
(2) Internal sales or transfer between segments	-	-	-	-	-
Total	246,774	15,290	262,065	-	262,065
Operating expenses	240,835	14,720	255,555	1,447	257,003
Operating profit	5,939	569	6,509	(1,447)	5,061
II Assets, depreciation expenses and capital expenditure					
Assets	80,935	6,973	87,908	9,367	97,276
Depreciation expenses	221	30	251	80	331
Capital expenditure	48	7	56	417	474

## Notes:

- The classification of businesses is based on the organizational structure for business operation, taking the merchandise handled, classification of products and marketing modes, etc. into consideration.
- Main products of each business segment
  - Device business: Semiconductors, display units and general electronic components
  - Solution business: Electronic equipment
- The main expenses among those operating expenses which are impossible to distribute and which are included under the Elimination/Corporate heading are expenses relating to planning, general affairs, accounting, personnel and other management sections of the parent company.
 

March 2007 term:	1,443 million yen
March 2008 term:	1,447 million yen
- Among the assets, the main corporate assets included under the Elimination/Corporate heading are surplus operating funds (cash/deposits and securities), long-term investment funds (investment in securities) and assets related to the management sections.
 

March 2007 term:	7,757 million yen
March 2008 term:	9,367 million yen

2. Geographical Segments

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

(Million yen)

	Japan	Asia	North America	Total	Elimination /Corporate	Consolidation
I Net sales and operating profit/loss						
(1) Sales to outside customers	192,842	74,399	2,281	269,523	-	269,523
(2) Inter-segment sales or transfers	6,497	1,773	916	9,187	(9,187)	-
Total	199,340	76,172	3,198	278,710	(9,187)	269,523
Operating expenses	195,079	74,824	3,198	273,102	(9,652)	263,449
Operating profit	4,260	1,347	0	5,608	465	6,073
II Assets	99,851	18,016	1,254	119,122	(5,126)	113,996

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

(Million yen)

	Japan	Asia	North America	Total	Elimination /Corporate	Consolidation
I Net sales and operating profit/loss						
(1) Sales to outside customers	197,219	60,316	4,529	262,065	-	262,065
(2) Inter-segment sales or transfers	8,656	1,457	1,076	11,190	(11,190)	-
Total	205,875	61,773	5,606	273,255	(11,190)	262,065
Operating expenses	202,115	60,324	5,324	267,764	(10,760)	257,003
Operating profit	3,759	1,449	281	5,491	(429)	5,061
II Assets	85,934	14,636	878	101,450	(4,174)	97,276

Notes:

1. The classification of country or area is based on geographical proximity.

2. Main countries or area belonging to each segment

(1) Asia: Hong Kong, Singapore, and Taiwan

(2) North America: USA

## 3. Overseas Sales

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

(Million yen)

	Asia	North America	Other regions	Total
I Overseas sales	120,425	2,285	-	122,710
II Consolidated sales				269,523
III Ratio of overseas sales to consolidated sales	44.7%	0.8%	-	45.5%

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

(Million yen)

	Asia	North America	Other regions	Total
I Overseas sales	138,947	3,649	163	142,760
II Consolidated sales				262,065
III Ratio of overseas sales to consolidated sales	53.0%	1.4%	0.1%	54.5%

Notes:

1. The classification of country or area is based on geographical proximity.
2. Main countries or area belonging to each region
  - (1) Asia: Hong Kong, Singapore, Taiwan, Korea and China
  - (2) North America: USA
3. Overseas sales mean net sales in countries or area other than Japan by the Company and its consolidated subsidiaries.

**Leases**

The disclosure of leases has been omitted because disclosing such information in this Summary of Financial Results is considered immaterial.

**Trading with Related Parties**

There are no relevant matters.

**Tax Effect Accounting**

## 1. Breakdown of deferred tax assets and deferred tax liabilities by main cause

	(Million yen)	
	March 2007 Term (As of Mar. 31, 2007)	March 2008 Term (As of Mar. 31, 2008)
(Deferred tax assets)		
Deferred tax assets accounted for under current assets		
Allowance for bonuses to employees	303	278
Inventories	216	69
Enterprise tax payable	129	47
Other	38	100
Deferred tax assets total	687	496
(Deferred tax liabilities)		
Undistributed earnings of foreign consolidated subsidiaries	(186)	(164)
Net deferred tax assets under current assets	501	332
(Deferred tax assets)		
Deferred tax assets accounted for under fixed assets		
Allowance for doubtful receivables	23	18
Retirement allowance for directors and corporate auditors	87	69
Loss on devaluation of investment securities	179	200
Loss on devaluation of golf club membership	22	21
Impairment loss	5	5
Deferred loss of subsidiaries	118	77
Loss on in-house development of systems for own use	123	152
Other	127	57
Deferred tax assets sub-total	687	602
Less valuation allowance	(349)	(310)
Deferred tax assets total	338	292
(Deferred tax liabilities)		
Unrealized gain on available for sale securities	(585)	(260)
Prepaid pension expenses	(49)	(70)
Other	(23)	(2)
Deferred tax liabilities total	(658)	(333)
Net deferred tax liabilities under fixed liabilities	(320)	(40)
Net deferred tax assets	180	291

Note: The net amounts of deferred tax assets in the current term are included in the following items of the consolidated balance sheet.

Current assets – Deferred tax assets	501	333
Current liabilities – Other	-	1
Fixed assets – Investment and other assets (other)	107	48
Fixed liabilities – Deferred tax liabilities	(427)	89

## 2. Breakdown of significant difference between normal effective statutory tax rate and actual effective tax rate after application of tax effect accounting by main cause

	March 2007 Term	March 2008 Term
Normal effective statutory tax rate	40.7%	40.7%
(Adjustment)		
Expenses not deductible for income tax purposes	1.4%	1.4%
Inhabitant taxes – per capita levy	0.5%	0.5%
Income not taxable for income tax purposes	(0.2)%	(0.3)%
Tax effect on dividend of surplus	3.2%	2.7%
Tax rate difference of consolidated subsidiaries overseas	(5.9)%	(5.7)%
Other	(0.1)%	(1.2)%
Actual effective tax rate	39.6%	38.1%

### Investment Securities

March 2007 Term (As of Mar. 31, 2007)

1. Other investment securities with market value

(Million yen)

	Purchase cost	Value on consolidated balance sheet	Difference
Those of which values on consolidated balance sheet exceed their purchase cost			
Shares	1,451	3,134	1,683
Sub-total	1,451	3,134	1,683
Those of which values on consolidated balance sheet do not exceed their purchase cost			
Shares	202	158	(44)
Sub-total	202	158	(44)
Total	1,654	3,292	1,638

2. Other investment securities sold during current term (Apr. 1, 2006 – Mar. 31, 2007)

(Million yen)

Proceeds	Total profit on sale	Total loss on sale
515	265	-

3. Contents and values on consolidated balance sheet of other investment securities without market value (As of Mar. 31, 2007)

(Million yen)

	Value on consolidated balance sheet
Other investment securities	
(1) Shares of non-listed companies	75
(2) Other	49
Total	124

March 2008 Term (As of Mar. 31, 2008)

1. Other investment securities with market value

(Million yen)

	Purchase cost	Value on consolidated balance sheet	Difference
Those of which values on consolidated balance sheet exceed their purchase cost			
Shares	1,003	1,746	742
Sub-total	1,003	1,746	742
Those of which values on consolidated balance sheet do not exceed their purchase cost			
Shares	780	566	(214)
Sub-total	780	566	(214)
Total	1784	2,312	528

2. Other investment securities sold during current term (Apr. 1, 2007 – Mar. 31, 2008)

(Million yen)

Proceeds	Total profit on sale	Total loss on sale
287	170	-

3. Contents and values on consolidated balance sheet of other investment securities without market value (As of Mar. 31, 2008)

(Million yen)

	Value on consolidated balance sheet
Other investment securities	
(1) Shares of non-listed companies	52
(2) Other	33
Total	85

Notes:

1. The Company made an impairment of 14 million yen for securities with market value, and 25 million yen for securities without market value for other investment securities in the previous term. In the current term, the Company made an impairment of 12 million yen for securities without market value, and 55 million yen for securities without market value.
2. All securities whose market values are at least 50% (inclusive) below book value on the balance sheet date are tested for impairment. All securities whose market values are at least 30% (inclusive) to 50% below book value on the balance sheet date are reviewed for impairment based on materiality of the security and prospects of recovery in market price.

**Derivative Transactions**

The disclosure of derivative transactions has been omitted because disclosing such information in this Summary of Financial Results is considered immaterial.

## Retirement Pensions

### 1. Outline of retirement pension plans employed

#### Company Pension with Retirement Benefit

The Company adapted a qualified pension plan for the entire retirement benefit plan from July 1, 1964 but moved to a cash balance plan (pension linked to the market interest rate) on October 1, 2004.

#### Welfare Pension Fund

The Company has employed a welfare pension plan in addition to the long-standing qualified pension plan since February 1, 1969. The Company participates in the Tokyo Electronics Contributory Funded Pension Plan which is a plan under the Exceptional Plan set forth in Paragraph 33 of the Practical Guidelines for Accounting of Retirement Benefit. The fair value of the assets of this contributory funded pension plan based on the ratio of the Company's contribution at the end of the current term was 5,567 million yen. The amount contributed to this plan in the current term was 201 million yen.

### 2. Retirement benefit obligation

	(Million yen)	
	March 2007 Term (As of Mar. 31, 2007)	March 2008 Term (As of Mar. 31, 2008)
Retirement benefit obligation	(3,741)	(3,815)
Fair value of plan assets	4,399	3,998
Sub-total	658	183
Unrecognized actuarial	161	619
Obligation due to unrecognized past services	(697)	(629)
Prepaid pension cost	122	173

### 3. Retirement benefit expenses

	(Million yen)	
	March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)	March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)
Service cost	175	180
Interest cost	73	74
Expected return on fund management	(109)	(109)
Unrecognised actuarial gain/loss	36	41
Reduction of obligation due to past services	(68)	(68)
Retirement benefit expenses	108	119

### 4. Calculation basis for retirement benefit obligation, etc.

	March 2007 Term (As of Mar. 31, 2007)	March 2008 Term (As of Mar. 31, 2008)
Distribution method of estimated retirement benefit for the period	Fixed amount for the period	Fixed amount for the period
Discount rate	2.0%	2.0%
Expected rate of return from fund management	2.5%	2.5%
Recognised period of actuarial gain/loss	13 years	13 years

(The actuarial gain/loss of each accounting year is recognised by the straight line method over a specific period which is within the estimated average remaining service lives of the employees at the time of their occurrence from the next term.)

Period to recognize obligations due to past services 13 years 13 years

(These obligations are recognized by the straight line method over a specific period which is within the estimated average remaining service lives of the employees at the time of their occurrence.)

**Stock Option**

There are no relevant matters.

**Business Combinations**

There are no relevant matters.

**Per Share Information**

(Yen)

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)		March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)	
Net assets per share	1,884.97	Net assets per share	1,910.45
Net profit per share	116.79	Net profit per share	106.95
Diluted net profit per share is not presented since the Company has no outstanding securities.		Same as on the left.	

Note: Basis for calculation of net profit per share is as follows.

(Million yen)

	March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)	March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)
Net profit	3,776	3,414
Amount not available to common shareholders	-	-
Net profit available to ordinary shares	3,776	3,414
Average shares outstanding available to ordinary shares (Thousand shares)	32,340	31,929

**Important Later Event**

There are no relevant matters.

## Non-consolidated Financial Statements

## Non-consolidated Balance Sheets

(Million yen)

Account	Period	March 2007 Term (As of Mar. 31, 2007)		March 2008 Term (As of Mar. 31, 2008)		Change
		Amount	%	Amount	%	Amount
Assets						
I	Current assets	86,796	87.0	73,578	85.8	(13,218)
	Cash and deposits	2,473		2,264		(208)
	Notes receivable	843		938		94
	Accounts receivable-trade	64,396		52,022		(12,373)
	Merchandise inventories	15,161		12,958		(2,202)
	Expenditure for work in progress	6		27		21
	Advances	1		130		128
	Prepaid expenses	154		149		(4)
	Accrued income	1,048		935		(112)
	Differed tax assets	687		476		(211)
	Consumption and other taxes receivable	1,982		3,637		1,654
	Others	47		43		(4)
	Allowance for doubtful receivables	(6)		(6)		0
II	Fixed assets	13,024	13.0	12,203	14.2	(821)
	Property and equipment	4,992	5.0	4,877	5.7	(114)
	Buildings	2,630		2,536		(93)
	Structures	37		34		(3)
	Vehicles	0		0		(0)
	Tools, equipment and fixtures	97		79		(17)
	Land	2,227		2,227		-
	Intangible fixed assets	507	0.5	791	0.9	284
	Investments and other assets	7,525	7.5	6,534	7.6	(991)
	Investment in securities	3,417		2,398		(1,018)
	Shares of affiliates	3,725		3,725		-
	Invested capital	0		0		-
	Insolvent credits, etc.	2		2		0
	Guarantee money deposited	126		117		(8)
	Prepaid pension expenses	122		173		51
	Others	440		363		(77)
	Allowance for doubtful receivables	(309)		(247)		62
	Total assets	99,821	100.0	85,781	100.0	(14,039)

(Million yen)

Account	Period	March 2007 Term (As of Mar. 31, 2007)		March 2008 Term (As of Mar. 31, 2008)		Change
		Amount	%	Amount	%	Amount
Liabilities						
I Current liabilities		44,225	44.3	27,615	32.2	(16,610)
Notes payable		296		293		(3)
Accounts payable-trade		21,265		18,813		(2,451)
Short-term loans payable		19,500		6,300		(13,200)
Accrued amount payable		334		184		(149)
Accrued expenses		220		212		(7)
Accrued corporate tax, etc.		1,593		459		(1,134)
Advances received		67		311		243
Deposits received		136		26		(109)
Allowance for bonuses to employees		745		685		(60)
Allowance for bonuses to directors and corporate auditors		45		41		(4)
Others		20		288		267
II Fixed liabilities		641	0.6	3,580	4.2	2,939
Long-term loans		-		3,300		3,300
Deferred tax liabilities		404		87		(317)
Others		237		193		(43)
Total liabilities		44,866	44.9	31,195	36.4	(13,671)
Net assets						
I Shareholders' equity		53,880	54.0	54,325	63.3	444
1. Capital stock		14,811	14.8	14,811	17.3	-
2. Capital surplus		15,329	15.4	15,329	17.9	-
Capital reserve		15,329		15,329		-
3. Retained earnings		23,739	23.8	24,994	29.1	1,255
Revenue reserve		670		670		-
Reserve for dividend pay-out		600		600		-
Special reserve		18,680		18,680		-
Carried forward profit surplus		3,788		5,043		1,255
4. Treasury stock		(0)	(0.0)	(811)	(1.0)	(810)
II Valuation and foreign exchange adjustments, etc.		1,074	1.1	260	0.3	(813)
1. Unrealized gains on available-for-sale securities		1,062	1.1	314	0.4	(747)
2. Deferred hedge gains/losses		11	0.0	(54)	(0.1)	(65)
Total net assets		54,954	55.1	54,585	63.6	(368)
Total liabilities and net assets		99,821	100.0	85,781	100.0	(14,039)

**Non-consolidated Profit and Loss Statement**

(Million yen)

Account	Period	March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)		March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)		Change	
		Amount	%	Amount	%	Amount	%
I	Net sales	199,099	100.0	205,461	100.0	6,361	3.2
II	Cost of sales	186,768	93.8	193,703	94.3	6,934	3.7
	Gross profit on sales	12,330	6.2	11,758	5.7	(572)	(4.6)
III	Selling, general and administrative expenses	8,160	4.1	8,246	4.0	85	1.1
	Operating profit	4,170	2.1	3,511	1.7	(658)	(15.8)
IV	Non-operating profit	1,207	0.6	1,057	0.5	(149)	(12.4)
	Interest and dividend income	612		548		(64)	
	Purchase discounts	13		20		7	
	Business guidance fees	420		390		(30)	
	Others	160		98		(62)	
V	Non-operating expenses	208	0.1	619	0.3	410	197.1
	Interest expenses	129		110		(18)	
	Foreign exchange losses	-		474		474	
	Others	78		33		(45)	
	Ordinary profit	5,169	2.6	3,950	1.9	(1,218)	(23.6)
VI	Extraordinary profits	399	0.2	229	0.1	(169)	(42.5)
	Gain on sale of fixed assets	0		0		(0)	
	Gain on sale of investment securities	265		170		(95)	
	Income from refund of allowance for doubtful receivables	133		58		(74)	
VII	Extraordinary losses	91	0.0	77	0.0	(13)	(15.0)
	Loss on sale of fixed assets	8		6		(2)	
	Loss on disposition of fixed assets	14		3		(11)	
	Loss on valuation of investment securities	40		67		27	
	Impairment losses	27		-		(27)	
	Net profit before tax adjustments	5,476	2.8	4,101	2.0	(1,375)	(25.1)
	Corporate, resident and enterprise taxes	2,293	1.2	1,429	0.7	(863)	(37.7)
	Adjustment for corporate tax, etc.	51	0.0	265	0.1	214	417.6
	Net profit	3,131	1.6	2,406	1.2	(725)	(23.2)

**Non-consolidated Statements of Changes in Shareholders' Equity**

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Revenue reserve	Retained earnings			Retained earnings total
		Capital reserve	Capital surplus total		Other retained earnings			
					Reserve for dividend pay-out	Special reserve	Carried forward profit surplus	
Balance as of Mar. 31, 2006	14,811	15,329	15,329	670	600	18,680	2,616	22,567
Changes during the term								
Dividend from retained earnings*							(555)	(555)
Dividend from retained earnings							(484)	(484)
Bonuses to directors and corporate auditors*							(30)	(30)
Net profit							3,131	3,131
Acquisition of treasury stock								
Cancellation of treasury stock							(889)	(889)
Changes under items other than shareholders' equity during the term (net amount)								
Total changes during the term	-	-	-	-	-	-	1,172	1,172
Balance as of Mar. 31, 2007	14,811	15,329	15,329	670	600	18,680	3,788	23,739

	Shareholders' equity		Valuation and foreign exchange adjustments, etc.			Total net assets
	Treasury stock	Shareholders' equity total	Unrealized gains on available-for-sale securities	Deferred hedge gains/losses	Total of valuation and foreign exchange adjustments, etc.	
Balance as of Mar. 31, 2006	(6)	52,701	1,325	-	1,325	54,027
Changes during the term						
Dividend from retained earnings*		(555)				(555)
Dividend from retained earnings		(484)				(484)
Bonuses to directors and corporate auditors*		(30)				(30)
Net profit		3,131				3,131
Acquisition of treasury stock	(883)	(883)				(883)
Cancellation of treasury stock	889	-				-
Changes under items other than shareholders' equity during the term (net amount)			(263)	11	(251)	(251)
Total changes during the term	6	1,178	(263)	11	(251)	927
Balance as of Mar. 31, 2007	(0)	53,880	1,062	11	1,074	54,954

\*Appropriation of earnings resolved at the general meeting of shareholders in June 2006.

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Revenue reserve	Retained earnings			Retained earnings total
		Capital reserve	Capital surplus total		Other retained earnings			
				Reserve for dividend pay-out	Special reserve	Carried forward profit surplus		
Balance as of Mar. 31, 2007	14,811	15,329	15,329	670	600	18,680	3,788	23,739
Changes during the term								
Dividend from retained earnings							(1,151)	(1,151)
Net profit							2,406	2,406
Acquisition of treasury stock								
Changes under items other than shareholders' equity during the term (net amount)								
Total changes during the term	-	-	-	-	-	-	1,255	1,255
Balance as of Mar. 31, 2008	14,811	15,329	15,329	670	600	18,680	5,043	24,994

	Shareholders' equity		Valuation and foreign exchange adjustments, etc.			Total net assets
	Treasury stock	Shareholders' equity total	Unrealized gains on available-for-sale securities	Deferred hedge gains/losses	Total of valuation and foreign exchange adjustments, etc.	
Balance as of Mar. 31, 2007	(0)	53,880	1,062	11	1,074	54,954
Changes during the term						
Dividend from retained earnings		(1,151)				(1,151)
Net profit		2,406				2,406
Acquisition of treasury stock	(810)	(810)				(810)
Changes under items other than shareholders' equity during the term (net amount)			(747)	(65)	(813)	(813)
Total changes during the term	(810)	444	(747)	(65)	(813)	(368)
Balance as of Mar. 31, 2008	(811)	54,325	314	(54)	260	54,585

## Important Basic Matters for Preparation of Non-consolidated Financial Statements

### 1. Evaluation criteria and methods of securities

#### (1) Investment securities

Shares of subsidiaries:

Cost method using the moving average method.

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

Those with a market value:

Market price method based on the market price on the last day of the settlement period (the unrealized gain on available-for-sale securities are included entirely in net assets while the sales cost is calculated by the moving average method)

Those without market value:

Cost method using the moving average method.

### 2. Evaluation criteria and method of net credits (and debts) originating from trading of derivatives

Market price method.

### 3. Evaluation criteria and method of inventories

(1) Merchandise: Lower cost method using the moving average method.

(2) Expenditure for work in progress: Cost method using the individual production order costing method.

### 4. Fixed assets depreciation methods

#### (1) Property and equipment

Fixed rate method except for buildings (excluding auxiliary equipment for buildings) to which the straight line method is applied. The typical depreciation period is 9 – 45 years for buildings, 15 – 50 years for structures, 4 years for vehicles and 4 – 20 years for tools, equipment and fixtures.

(Change in accounting policy)

Effective from the current term, the Company has adopted the revised Corporation Tax Law and changed its method of depreciation of property and equipment acquired on or after April 1, 2007.

The effect of this change on profit or loss for the current term is insignificant.

(Supplementary information)

The Company has adopted the revised Corporation Tax Law and changed its method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporation Tax Law, is depreciated over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The difference is amortized by the straight-line method and is included in the depreciation expense.

The effect of this change on profit or loss for the current term is insignificant.

#### (2) Intangible fixed assets

Straight line method.

The typical depreciation period is 5 years for software used in-house.

### 5. Conversion criteria for important receivables and payables denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies and converted to Japanese yen at spot exchange rates on the settlement date and the gains or losses from this conversion are recognized in the profit and loss statement.

### 6. Accounting criteria for important allowances

#### (1) Allowance for doubtful receivables

In preparation for possible losses due to failure to recover receivables, the necessary amount in view of the ratio of bad debts in the past and other relevant matters is accounted for by ordinary receivables while the estimated amount of unrecoverable receivables based on the assessment results for recoverability in each case is accounted for by the receivables of which the recovery is doubtful and receivables subject to the rehabilitation process following bankruptcy.

#### (2) Allowance for bonuses to employees

A portion to be borne by the current term in the estimated amount of bonuses to employees in the next term is allowed in preparation for their pay-out to employees.

#### (3) Allowance for bonuses to directors and corporate auditors

A portion to be borne by the current term in the estimated amount of bonuses directors and corporate auditors in the next term is allowed in preparation for their pay-out to directors and corporate auditors.

(4) Liability for retirement benefits

In preparation for the payment of retirement benefits to employees, the amount recognized as outstanding at the end of the current term is accounted for based on the estimated amount of liabilities for retirement benefits and pension plan assets at the end of the current term. However, as the estimation amount of the pension plan assets at the end of the current term exceeds the estimated amount of liability for retirement benefits which is adjusted with the liabilities based on unrecognized past services and unrecognized actuarial gains and losses, the different is accounted for as prepaid pension expenses.

A liability based on past services is recognized by the straight line method over a specific period (13 years) which is within the estimated average remaining service lives of the employees at the time when this liability occurred.

Actuarial gains and losses are recognized by the straight line method over a specific period (13 years) which is within the estimated average remaining service lives of the employees at the beginning of each term from the next term for the year when such actuarial gains and losses occur.

7. Accounting practice for leases

Finance leases other than those which are deemed to transfer the ownership of the leased property to the lessee are accounted for by the method used for ordinary operating leases.

8. Hedge accounting

(1) Hedge accounting method

All receivables and payables denominated in foreign currencies with a foreign exchange contract are proportioned.

(2) Method of and subjects to hedge

Means: Forward hedge contract

Subjects: Receivables and payables denominated in foreign currencies

(3) Hedge policies

The Company conducts derivative transactions relating to forward exchange contracts for the purpose of hedging the risks of fluctuating earnings/expenses or values of receivables/payables due to the fluctuation of foreign exchange rates. These transactions are conducted in accordance with the internal policies which state that the Finance Division is solely responsible for such transactions and no derivative transactions for speculative purposes not specified in these policies are conducted.

(4) Evaluation method for effectiveness of hedging

Evaluation is conducted at least once every half term to check if there is a high level of offset between fluctuations of the subject cash flow of hedging and fluctuations of the cash flow used as the means of hedging.

9. Others

The consumption tax and local consumption tax are accounted for using the without-tax method

**Notes**

**Related to Non-consolidated Balance Sheet**

(Million yen)

March 2007 Term (As of Mar. 31, 2007)	March 2008 Term (As of Mar. 31, 2008)
1. Accumulated amount of depreciation of property and equipment <div style="text-align: right;">4,400</div>	1. Accumulated amount of depreciation of property and equipment <div style="text-align: right;">4,493</div>
2. Incidental liabilities Payment guarantees for bank loans by its employees Employees * <span style="float: right;">88</span> * Among the debt guarantees for banks in connection with housing loans for employees, those with housing loan insurance policy are excluded from the incidental liabilities because no real loss will occur with such loans.	2. Incidental liabilities Payment guarantees for bank loans by its employees Employees * <span style="float: right;">81</span> * Among the debt guarantees for banks in connection with housing loans for employees, those with housing loan insurance policy are excluded from the incidental liabilities because no real loss will occur with such loans.
3. Settlement of notes due on the last day of the accounting term Notes due on the last day of the accounting term were settled on the exchange day of notes. As the last day of the previous accounting term was a non-working day for banks, these notes are included in the following items.	3. Settlement of notes due on the last day of the accounting term Notes due on the last day of the accounting term were settled on the exchange day of notes. As the last day of the previous accounting term was a non-working day for banks, these notes are included in the following items.
Notes receivable <span style="float: right;">84</span> Notes payable <span style="float: right;">90</span>	Notes receivable <span style="float: right;">-</span> Notes payable <span style="float: right;">-</span>

**Related to Non-consolidated Profit and Loss Statement**

(Million yen)

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)	March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)						
1. Trading amount with affiliates	1. Trading amount with affiliates						
Interest and dividend received 549	Interest and dividend received 457						
Management guidance fee 420	Management guidance fee 390						
2. Main sales, general and administrative expenses	2. Main sales, general and administrative expenses						
Packaging and transportation expenses 228	Packaging and transportation expenses 268						
Traveling and transport expenses 453	Traveling and transport expenses 441						
Remuneration for directors and corporate auditors 205	Remuneration for directors and corporate auditors 198						
Salaries and allowances 3,387	Salaries and allowances 3,301						
Transfer to allowance for bonuses to employees 745	Transfer to allowance for bonuses to employees 685						
Transfer to allowance for bonuses to directors and corporate auditors 45	Transfer to allowance for bonuses to directors and corporate auditors 41						
Transfer to retirement allowance for directors and corporate auditors 6	Transfer to retirement allowance for directors and corporate auditors -						
Retirement benefit expenses 301	Retirement benefit expenses 309						
Legal welfare expenses 442	Legal welfare expenses 414						
Depreciation expenses 185	Depreciation expenses 248						
Lease fee paid 156	Lease fee paid 158						
3. Breakdown of gain on sale of fixed assets	3. Breakdown of gain on sale of fixed assets						
Tools, equipment and fixtures 0	Tools, equipment and fixtures 0						
4. Breakdown of loss on sale of fixed assets	4. Breakdown of loss on sale of fixed assets						
Membership 8	Membership 6						
5. Breakdown of loss on disposition of fixed assets	5. Breakdown of loss on disposition of fixed assets						
Buildings 3	Buildings 0						
Vehicles 0	Vehicles -						
Tools, equipment and fixtures 11	Tools, equipment and fixtures 3						
6. Impairment loss							
The Group recorded impairment losses in the following asset category in the current term.							
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Location</th> <th style="text-align: center;">Intended purpose</th> <th style="text-align: center;">Category</th> </tr> </thead> <tbody> <tr> <td>Yaita, Tochigi</td> <td>Warehouse</td> <td>Building and land</td> </tr> </tbody> </table>		Location	Intended purpose	Category	Yaita, Tochigi	Warehouse	Building and land
Location	Intended purpose	Category					
Yaita, Tochigi	Warehouse	Building and land					
We group our assets primarily by production facility, since they form the smallest independent cash-flow generating units under operating segments.							
In the current term, we have written down the book value of the rental real estate which is unlikely to generate cash flows in the future because leasing contracts on these properties have been cancelled. The impairment loss on the rental real estate resulting from the above write-down is accounted as an extraordinary loss (27 million yen).							
Breakdown of impairment loss: Buildings: 14 million yen Fixtures: 0 million yen Land: 12 million yen							
For land, the recoverable amount is measured by using the net sales price and then a valuation is determined that is equivalent to the official price, which is calculated based on valuations used for property taxes. Since accounting standards do not allow the recognition of a recoverable amount for buildings and tools, equipment and fixtures, the book value of these assets has been marked down to a memorandum price.							
No applicable items in this term.							

**Matters Relating to Non-consolidated Statement of Changes of Shareholders' Equity, etc.**

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)

Types and total number of treasury stock

(Shares)

	Number of shares as of Mar. 31, 2006	Increase	Decrease	Number of shares as of Mar. 31, 2007
Ordinary shares (Note)	5,870	710,540	716,000	410
Total	5,870	710,540	716,000	410

Note: The number of treasury stock was increased by 710,540, of which 700,000 shares are from purchase in the market and 10,540 shares from the purchase of shares below the unit minimum shares. The number of treasury stock decreased by 716,000 shares due to the cancellation of treasury stocks.

March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)

Types and total number of treasury stock

(Shares)

	Number of shares as of Mar. 31, 2007	Increase	Decrease	Number of shares as of Mar. 31, 2008
Ordinary shares (Note)	410	701,168	-	701,578
Total	410	701,168	-	701,578

Note: The number of treasury stock was increased by 701,168, of which 700,000 shares are from purchase in the market and 1,168 shares from the purchase of shares below the unit minimum shares.

## Tax Effect Accounting

### 1. Breakdown of deferred tax assets and deferred tax liabilities by main cause

(Million yen)

	March 2007 Term (As of Mar. 31, 2007)	March 2008 Term (As of Mar. 31, 2008)
<b>(Deferred tax assets)</b>		
Deferred tax assets accounted for under current assets		
Allowance for bonuses to employees	303	278
Inventories	216	69
Enterprise tax payable	129	47
Deferred hedge losses	-	37
Other	46	42
Deferred tax assets total	<u>695</u>	<u>476</u>
<b>(Deferred tax liabilities)</b>		
Deferred hedge gains/losses	<u>(7)</u>	-
Net deferred tax assets under current assets	687	476
Deferred tax assets accounted for under fixed assets		
Allowance for doubtful receivables	125	100
Retirement allowance for directors and corporate auditors	87	69
Loss on devaluation of investment securities	179	200
Loss on devaluation of golf club membership	22	21
Impairment loss	5	5
Loss on in-house development of systems for own use	123	152
Other	19	8
Deferred tax assets sub-total	<u>563</u>	<u>558</u>
Less valuation allowance	<u>(332)</u>	<u>(315)</u>
Deferred tax assets total	<u>231</u>	<u>243</u>
<b>(Deferred tax liabilities)</b>		
Unrealized gain on available for sale securities	(585)	(260)
Prepaid pension expenses	<u>(49)</u>	<u>(70)</u>
Deferred tax liabilities total	<u>(635)</u>	<u>(330)</u>
Net deferred tax liabilities under fixed liabilities	<u>(404)</u>	<u>(87)</u>
Net deferred tax assets	<u>283</u>	<u>389</u>

### 2. Breakdown of significant difference between normal effective statutory tax rate and actual effective tax rate after application of tax effect accounting by main cause

	March 2007 Term	March 2008 Term
Normal effective statutory tax rate	40.7%	40.7%
(Adjustment)		
Expenses not deductible for income tax purposes	1.6%	1.9%
Income not taxable for income tax purposes	(0.3)%	(0.4)%
Inhabitant taxes – per capita levy	0.6%	0.7%
Other	0.2%	(1.6)%
Actual effective tax rate	<u>42.8%</u>	<u>41.3%</u>

**Per Share Information**

(Yen)

March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)	March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)
Net assets per share 1,718.25	Net assets per share 1,744.97
Net profit per share 96.84	Net profit per share 75.37
Diluted net profit per share is not presented since the Company has no outstanding securities.	Same as on the left.

Note: Basis for calculation of net profit per share is as follows.

(Million yen)

	March 2007 Term (Apr. 1, 2006 – Mar. 31, 2007)	March 2008 Term (Apr. 1, 2007 – Mar. 31, 2008)
Net profit	3,131	2,406
Amount not available to common shareholders	-	-
Net profit available to ordinary shares	3,131	2,406
Average shares outstanding available to ordinary shares (Thousand shares)	32,340	31,929

## Management Changes

### 1. Changes in Other Directors (effective on June 20, 2008)

#### (1) Candidates for directors

Position	Name
Director, Head of Administration Headquarters	Toshiro Suzuki (currently Head of Business Strategy Department and Administration General Affair Division)

#### (2) Retiring directors

Position	Name
Senior Vice President	Kenjiro Tsukagoshi
Senior Vice President	Sumitada Kosugi
Senior Vice President	Hitoshi Suzuki
Senior Vice President	Hidetoshi Uesugi

#### (3) Candidates for auditors

Position	Name
Standing Auditor	Hitoshi Suzuki (currently Senior Vice President, Head of Administration Headquarters)
Standing Auditor	Taro Yonekawa

#### (4) Retiring auditors

Position	Name
Standing Auditor	Akira Yamashiro
Standing Auditor	Toujiro Aoyama

#### (5) Promotion

Position	Name
Senior Vice President, Head of Solution Marketing Headquarters	Shigeru Koumoto (currently Vice Head of Solution Marketing Headquarters)