SUMMARY OF FINANCIAL STATEMENTS (CONSOLIDATED)

For the Full Year Ended March 31, 2008

Presented May 7, 2008

MACNICA, Inc.

Listed Market	Tokyo Stock Exchange
Stock Code	7631
Head Office	Kanagawa Prefecture
URL	www.macnica.co.jp
President	Mr. Haruki Kamiyama
Inquiries	Shigeyuki Sano, Position Director
Telephone	+81 45 470 9870
Board of directors interim accounts meeting	May 7, 2008
Parent company	--
Parent’s ownership stake	--%
U.S. GAAP accounting principles	Not adopted

1. Financial Results for FY2007 *(April 1, 2007 to March 31, 2008)*

(1) Consolidated Operating Results

(Millions of yen)

	April 1, 2007 to March 31, 2008		April 1, 2006 to March 31, 2007	
	Amount	% Change	Amount	% Change
Net Sales	154,166	(5.8)	163,603	11.2
Operating Income	4,376	(37.1)	6,954	26.9
Ordinary Income	2,310	(63.1)	6,263	31.7
Net Income	893	(75.1)	3,583	39.4
Net Income per Share (yen)	50.49		202.39	
Potential post-adjustment net income value per share (yen)	—		201.99	
Return on Equity (ROE)(%)	1.6		6.6	
Return on Assets (%)	2.8		7.3	
Operating Income to Net Sales (%)	2.8		4.3	

Equity method investment profit / loss: Year ended March 31, 2008: — million yen; Year ended March 31, 2007: — million yen

(2) Consolidated Financial Position

(Millions of yen)

	As of March 31, 2008	As of March 31, 2007
Total Assets	80,073	83,188
Shareholders' Equity	55,808	55,533
Equity Ratio (%)	69.7	66.8
Shareholders' Equity per Share (Yen)	3,152.30	3,136.70

Equity (consolidated): Year ended March 31, 2008: 55,808 million yen; Year ended March 31, 2007: 55,533 million yen

(3) Consolidated Cash Flows

(Millions of yen)

	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007
Cash Flows from Operating Activities	2,257	2,909
Cash Flows from Investing Activities	(1,320)	(1,111)
Cash flows from Financing Activities	(561)	(1,065)
Cash and cash Equivalents, End of Year	11,938	11,848

2. Dividends

	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007	2009 (Est.)
Annual Dividends per Share (yen)	30.00	30.00	30.00
End of Term (yen)	30.00	30.00	15.00
Mid Term (yen)	—	—	15.00
Total Dividends (millions of yen)	531	531	—
Payout ratio	59.4%	14.8%	30.7%
Shareholders' equity dividend yield	1.0%	1.0%	—

3. Consolidated Profit Forecast for the Year Ending March 31, 2009

(Millions of yen)

	Half Ending Sept. 30, 2008		Year Ending March 31, 2009	
Net Sales	77,000	(1.3%)	157,000	1.8%
Operating Income	1,730	(27.3%)	3,790	(13.4%)
Ordinary Income	1,550	(26.9%)	3,200	38.5%
Net Income	870	(19.7%)	1,730	93.5
Net income per share (yen)	49.14		97.72	

4. Additional Notes

(1) Transfers of important subsidiaries during the fiscal period (moves of specific subsidiary due to change in scope of consolidation): None

(2) Changes in principles, procedures and presentation of accounting treatment in preparing consolidated financial
statements (changes described in “Important items that are fundamental to the preparation of consolidated financial
statements”):
(i) Changes resulting from revisions to accounting standards, etc.: Yes
(ii) Changes other than (i) Yes
* Please refer to “Important items in the preparation of consolidated financial statements” on page 26 for more details.

(3) Number of shares issued (common shares)
(i) Number of shares issued end of fiscal period (including treasury stock):

March 2008	18,110,252 shares	March 2007	18,110,252 shares

(ii) Number of treasury stock at end of fiscal period

March 2008	406,063 shares	March 2007	405,944 shares

* Please refer to “Per Share Information” for the number of shares used as the basis for calculating net income (consolidated) per share for the term.

Note: Profit forecasts are based on the information available to management at the time they are made. Actual results can differ materially from forecasts for a number of reasons. Please consult page **7** of this document for additional discussion concerning forecasts.

(Reference) Non-consolidated performance summary

1. Financial Results for FY2007 - (April 1, 2007 to March 31, 2008)

(1) Non-consolidated Operating Results

(Miillions of yen)

	April 1, 2007 to March 31, 2008		April 1, 2006 to March 31, 2007	
	Amount	% Change	Amount	
Net Sales	97,171	(8.4)	106,048	3.1
Operating Income	1,476	(25.2)	1,973	17.5
Ordinary Income	803	(66.3)	2,379	25.7
Net Income	459	(67.7)	1,422	15.7
Net Income per Share (yen)	25.97		80.37	
Potential post-adjustment net income value per share (yen)	—		80.21	

(2) Non-consolidated Financial Position

(Millions of yen)

	As of March 31, 2008	As of March 31, 2007
Total Assets	65,502	67,965
Shareholders' Equity	45,292	45,455
Equity Ratio (%)	69.1	66.9
Shareholders` Equity per Share (Yen)	2,558.27	2,567.46

Equity (non-consolidated): Year ended March 31, 2008: 45,292 million yen; Year ended March 31, 2007: 45,455 million yen

2. Non-consolidated Earnings Forecast for the Year Ending March 31, 2009

(Millions of yen)

	Half Ending Sept. 30, 2008		Year Ending March 31, 2009	
Net Sales	48,000	(2.7%)	98,000	0.9%
Operating Income	140	(81.0%)	600	(59.4%)
Ordinary Income	780	(54.4%)	1,160	44.4%
Net Income	480	(60.1%)	610	32.7%
Net income per share (yen)	27.11		34.45	

(Note) Amounts are shown truncated to the nearest million yen. Profit forecasts are based on the information available to management at the time they are made. Actual results can differ materially from forecasts for a number of reasons. Please consult pages 5-8 for additional notes concerning forecasts.

I. Business Results and Financial Position

1) Business Results

1. Overview of Consolidated Fiscal Year

During the year under review, the price of crude oil rose, economic instability caused by the US subprime mortgage problem spread throughout the world. While exports, particularly to Europe and Asia, were firm, the overall Japanese economy failed to demonstrate overall strong economic growth as corporate earnings deteriorated with higher raw material prices, capital expenditures, centered on the services industry, fell dramatically, and consumer spending retreated with the decline of house and cars buying.

The Macnica Group is active in the electronics industry. In the consumer electronics segment, there was increased demand for flat-screen TVs and digital still cameras; demand for laptop computers and mobile phones was also firm, particularly in emerging markets. On the other hand, after having grown for some time, demand for semiconductor manufacturing equipment and testing equipment weakened as some semiconductor manufacturers held down capital expenditures. In addition, demand within the Japanese communication equipment sector was lackluster for various reasons including delayed introduction of next generation networks, and a falling off in investment in base station equipment following aggressive investment at the end of the previous year - although there appeared to be a recovery at the end of the fiscal year.

Consolidated sales declined 5.8% year on year to 154,166 million yen. Operating income fell 37.1% year on year to 4,376 million yen as gross profit margin on some products shrank as purchase discounts were less than expected following the sudden appreciation of the yen. Furthermore, ordinary income shrank 63.1% year on year to 2,310 million yen for numerous reasons including the recording of 208 million yen in foreign exchange losses, 881 million yen in losses on valuation of product, and 734 million yen in losses on disposal of inventories since a detailed examination of inventories was made following application of the Accounting for Inventory Valuation accounting standard that came into effect in April 2008. Finally, net income decreased 75.1% year on year as a result of several factors such as extraordinary losses, which included 612 million yen in valuation losses for both investments and investment securities held by the company.

IC and Electronic Devices Business

As for programmable logic devices (PLD), Macnica's core product, business targeting communication equipment recorded lackluster earnings in the first half, though started to recover in the second half, but earnings for business targeting flat-screen TVs, which had experienced strong growth through the second half of the previous fiscal year, stalled in the second half as a result of model changeovers. Business targeting industrial equipment failed to record solid earnings growth since investments for semiconductor manufacturing equipment and testing instrument slowed.

As for custom ICs, sales of ICs for liquid crystal panels declined as competition in Taiwan, the main market, become fiercer, and there was a dramatic decline in sales of ICs for digital still cameras as business drew to an end.

As for application specific standard products (ASSP), there was a dramatic increase in sales of ICs for Blu-ray equipment as demand for next generation DVD equipment ignited, and sales of electronic devices for single lens reflex cameras rose dramatically.

As a result, sales in IC and Electronic Devices Business declined 6.0% year on year to 141,887 million yen and operating income fell 45.2% year on year to 2,718 million yen.

Network-related Products Business

Although there was a falloff in earnings generated from government projects, which made major contributions in the previous fiscal year, the security software business, which has been drawing a lot of attention, recorded firm earnings as the number of users, particularly medium-size companies, rose. As for Internet-related equipment, there was firm growth in sales, particularly for security devices and WAN optimization equipment.

In addition, investments in communication equipment, which had been weak in the first half, began to recover in the second half, leading to revived demand for communication switch board equipment. The service business recorded stable growth in earnings as a result of firm growth in sales of products such as Internet-related equipment.

Sales in this sector fell 3.1% year on year to 12,279 million yen and operating income shrank 18.8% year on year to 1,535 million yen.

The following is a summary of performance by geographic areas.

Japan

Within the consumer electronics sector, there was dramatic growth in sales of image processing ICs with the market for next generation DVD equipment truly taking off, and within the single lens reflex camera market, sales of electronic devices expanded as the scope of users grew.

On the other hand, in the communication market, there was only a slight recovery in sales of PLD and ASSP for communication equipment as the expected launch of next generation networks has been pushed back. In addition, in the industrial equipment sector, which Macnica is focusing on, demand declined and earnings stagnated since summer as semiconductor manufacturers, particular in Asia, held down their capital expenditures.

As for network-related equipment, although sales declined as a result of a falloff in major government projects, there was an increase in sales of some products, particular of Internet-related equipment, and this also led to firm growth for the service business. As a result, sales in Japan declined 5.7% year on year to 152,417 million yen and operating income fell 33.1% year on year to 3,938 million yen.

Asia

In Asia, sales of electronic devices for car navigation systems rose, and sales of image processing ICs expanded as the market for next-generation DVD equipment started to grow in earnest. However, there was a decline in sales of custom ICs to Taiwanese liquid crystal panel manufacturers because of fierce competition. As a result, sales in Asia fell 14.1% year on year to 24,195 million yen and operating income contracted 20.4% year on year to 639 million yen.

2. Outlook for the Fiscal Year

For the next fiscal year, capital expenditures, which had been expanding, are expected to decline because of uncertain business conditions, which include high crude oil prices and rising raw material costs. In addition, it is expected that growth in personal consumption will slow as a result of price increases. On the other hand, exports, particularly those to China and Middle Eastern countries, are projected to grow even though foreign exchange rates are unstable. Therefore the overall economy is projected to record overall gradual growth.

Under these conditions, within the Group's IC and electronic device businesses, demand ASSPs for communication equipment is expected to grow for next generation network equipment, and in the consumer electronics market, demand, centered on that for flat-screen TVs and next generation DVD equipment, is expected to increase as the Beijing Summer Olympics approach. On the other hand, in the industrial equipment market, which includes semiconductor manufacturing equipment, companies are visibly hesitant to make capital expenditures as a result of economic uncertainty, and growth is expected to be flat.

As for the network-related product business, investments in networking infrastructure by corporations is expected to be firm, and investments in information security equipment is projected to increase as the number of users grows. While continuing to focus on security products such as encryption software, the Group will strengthen its alliance with vendors, and strive for greater growth by providing more extensive technical support.

Therefore, for the next fiscal year, consolidated sales are expected to grow 1.8% year on year to 157,000 million yen, operating income to fall 13.4% to 3,790 million yen, ordinary income to increase 38.5% to 3,200 million, and net income to grow 93.5% to 1,730 million.

Notes:
1. Consumption tax is not included in the above figures.
2. Readers should be aware that actual results could differ from the above forecasts for reasons that include, but are not limited to, the following: domestic and overseas demand for products and components in Macnica's main markets, exchange rate fluctuations, and stock market developments.

2) Financial Situation

1. Assets, Liabilities, and Net Assets

In the current consolidated fiscal period, total assets decreased 3,114 million yen and net assets increased 275 million yen compared to the end of the previous fiscal period. The equity ratio improved from 66.8% at the end of the previous consolidated fiscal period to 69.7%.

The main change in assets was a 5,453 million yen decline in inventories. This was the result of recording 734 million yen in losses on the disposal of inventory and 881 million yen in losses on valuation of products as the result of a detailed inspection of inventory following the adoption of the Accounting for Inventory Valuations accounting standard, which came into effect in April 2008.

As for other substantial changes in assets, under current assets, trade notes and accounts receivable grew by 999 million yen, and under fixed assets, intangible fixed assets increased 1,309 million yen but investment securities declined 826 million yen.

The main change in liabilities was a 2,728 million yen decline in notes and accounts payable. Furthermore, major changes in net assets were 893 million in net income and 531 million in dividends paid to shareholders.

2. Cash flows

Cash flows from operating activities increased 2,257 million yen in the current consolidated fiscal period. On the other hand, cash flows from investing and financing activities declined 1,320 million yen and 561 million yen, respectively.

As a result, Cash and cash equivalents at the end of this consolidated interim period were 11,938 million yen, a year-on-year increase of 90 million yen.

Cash flows from operating activities

Cash inflow from operating activities was 2,257 million yen, as compared with an inflow of 2,909 million yen in the previous year. While various items weighted down the cash flow, including trade notes and accounts payable declining 2,348 million yen, trade notes and accounts receivable increasing 1,132 million yen, and paying 1,962 million yen in taxes, various other items boosted the cash flow, including the recording of 1,637 million in net income before taxes and adjustments and a decline of 5,310 million yen in inventories.

Cash flow from investing activities

Cash outflow from investing activities was 1,320 million yen, as compared with an outflow of 1,111 million yen in the previous year. This was mainly the result of 879 million in expenditures for the purchase intangible fixed assets through the integration of the ERP system among Japan companies and an outlay of 366 million for the purchase of tangible fixed assets.

Cash flows from financing activities

Cash outflow from financing activities was 561 million yen, as compared with an outflow of 1,065 million in the previous year. This is primarily due to 530 million yen expended for payment of dividends to return profits to shareholders, among other factors.

Consolidated asset, liability and cash flow indicators

	FY ended March 31 '08	FY ended March 31 '07	FY ended March 31 '06	FY ended March 31 '05	FY ended March 31 '04
Equity ratio	69.7%	66.8%	59.1%	69.7%	67.6%
Equity ratio at market value	24.5%	74.3%	66.3%	69.3%	84.3%
Years to debt redemption	2.6 years	2.1 years	—	0.9 years	—
Interest coverage ratio	10.0	13.0	—	61.9	—

Notes:

Equity ratio : shareholders' equity/total assets
Equity ratio at market value: market capitalization/total assets
Years to debt redemption : interest-bearing debt/operating cash flow
Interest coverage ratio: operating cash flow/interest payments

1. All indicators are calculated on a consolidated basis. Market capitalization is the closing share price at the end of the period times the number of shares outstanding at the end of the period (excluding treasury stock).
2. Cash flow is cash from from operating activities. Interest-bearing debt is all liabilites posted on the full year balance sheets on which the Company pays interest. Interest payments is the amount posted on the consolidated statements of cash flow.
3. Years to debt redemption and interest coverage ratio for the fiscal years ended March 31, 2004 and March 31, 2006 are omitted due to negative cash flow from operating activities.

3) Policy on Distribution of Profits and Dividend for the Current Period

The Macnica Group believes that respect for its shareholders and an emphasis on their importance is a key aspect of its management plan, and accordingly plans to make regular payment of stable cash dividends.

However, the integrated circuit, electronic device and network-related product businesses are very sensitive to changes in market trends and technological innovation. Accordingly, the role of retained earnings in preserving our financial strength must receive the most careful consideration. Dividend payments are therefore made not only on the basis of consolidated and non-consolidated performance, but also from the perspective of the overall financial health of the Macnica Group.

In line with this policy, the year-end dividend for the current fiscal year is expected to be 30 yen per share, the same as previous fiscal year. However, while dividends have traditionally been paid in a lump sum at the end of the fiscal year, an interim dividend will be paid starting in the next fiscal year in order to expand the opportunities to repay profits to all shareholders. It is expected that an annual dividend of 30 yen – an interim dividend of 15 yen and year-end dividend of 15 yen - will be paid

4) Business Risks

(1) Impact of the Silicon cycle and changes in business climate

The semiconductor industry, which the Macnica Group is a part of, has a certain business cycle called the "Silicon Cycle" and the highs and lows in 4-year periods have been repeated for the past 40 years. In the Silicon Cycle, many companies plan to increase production facilities in unison when the semiconductor market is on the upswing and since the production thereafter takes place at the same time, drops in product prices, decline and stagnation in sales occur due to oversupply. On the other hand, when there is a downturn, investment is constrained in unison and thereafter shortages occur and along with the drop in prices being halted, capacity rises and there is a new upswing. There is the possibility that the Macnica Group may be affected by booms and busts due to such cycle which is peculiar to the semiconductor industry. Further, apart from such cycle, there is also the possibility that the performance of the Macnica Group may be affected by such factors as changes in the demand for semiconductors handled by the Macnica Group and changes in prices or life cycles for products in which semiconductors are installed.

(2) Level of dependency on specific suppliers

Altera Corp., the main supplier for the Macnica Group, had a 16.9% share of the consolidated purchases during the consolidated fiscal year ended March 2008. The Group maintains an agency agreement with Altera Corp., with whom it has had a stable business relationship to date. However, in the event that it is difficult to continue business relations, there is the possibility that the performance of the Macnica Group may be affected by the trends of product demand or supply for Altera Corp.

The Macnica Group conducts activities with many Japanese and overseas companies with cutting edge technology and products as suppliers, however, if such suppliers undergo M&A and a restructuring of agents due to a review of agency strategy of the suppliers occurs, there is the possibility that performance may be affected by changes in commercial rights. Further, the semiconductor and network industries are industries with intense technological innovation and if the suppliers' ability to develop products significantly declines and the competitive edge of the products is not maintained, there is the possibility that the performance of Macnica Group may be affected.

(3) Continually finding new suppliers

The Macnica Group is successful in finding Japanese and overseas companies with cutting-edge technological capacity and highly competitive products before its competitors and expanding and strengthening its product lineup by entering into agency agreements. The competition to latch onto such companies is intense and if by chance it becomes difficult to continually find new suppliers, there is the possibility that the achievement of the business plan of the Group be affected. Furthermore, in order to find new suppliers, maintain contracts or build good relationships with new suppliers, there are cases where there is investment in an investment business association or a new supplier. Although the Macnica Group is not investing for the purpose of capital gains, there is the possibility that the performance of Group be affected by the application of accounting for impaired assets for the investment resulting from economic recession, worsening of the stock market or poor performance of the supplier.

(4) Impact of shift of production overseas by customers

The Macnica Group sells integrated circuits and electronic devices to mainly electronics and communications makers in Japan. Such Japanese makers are shifting their production bases to countries in the Asia-Pacific region such as Taiwan, China and South East Asia where labor costs are lower than those in Japan. The Macnica Group is establishing local companies in Taiwan, Hong Kong, Shanghai and Singapore so as to be able to develop continuing marketing activities and technological support in conjunction with such shift of Japanese companies, however, if a development project designed in Japan is shifted to production in such countries or production is shifted to a region outside of the reach of the sales activities of the Macnica Group and it is difficult to continue sales activities, there is the possibility that performance will be affected.

(5) The increasing sophistication of semiconductors and the Company's ability to provide support

In the semiconductor industry, which the Macnica Group is a part of, is an industry with intense technological innovation and a high level of technological capability is necessary in order to keep up with constant innovation such as improvements in the degree of integration of the semiconductors and increase in functions. In the midst of such circumstances, the Macnica Group endeavors to increase its results through improving its technological capabilities and not only simply distribute semiconductors but also provide technical support in order to differentiate itself from other companies and make clear its competitive edge, however, the competition to acquire engineers in order to maintain internal technological capacities has become intense. The Macnica Group is focusing on maintaining skilled engineers, however, if by chance sufficient engineers cannot be hired or skilled engineers leave, there is the possibility that the achievement of the business plan will be affected.

(6) Impact of exchange rate fluctuations

The Macnica Group imports products from overseas makers, mainly in the U.S., and the import ratio of the Macnica Group was 64.4% in the fiscal year ending March 2008. On the other hand, exports and sales of products mainly in the Asia-Pacific region including Taiwan and China, and overseas sales accounted for 17.9% of consolidated sales in the fiscal year ending March 2007. In order to lessen exchange fluctuation risk, the Macnica Group conducts risk hedging using future exchange contracts and currency option transactions with appropriate timing. Moreover, in connection to purchases from overseas, the Macnica Group has a combined strategy of negotiation of revisions of purchase prices with overseas suppliers and correction of sale prices with Japanese purchasers, however, there is the possibility that the performance of Macnica Group will be affected by exchange fluctuation as a result of the exchange fluctuation gap being wider than expected or the timing of the future exchange contract being inappropriate.

Furthermore, business with major US-based vendors is conditioned on paying purchasing discounts within several months after making the purchase. It is possible that the amount of the claim equivalent to the purchasing discount will influence earnings as a result of sudden changes in exchange rates.

(7) Effects of disposal of inventories and inventory valuations

The Group secures several months worth of inventory in order to rapidly respond to customer's demands related to required volume and delivery date. In order to maintain an appropriate amount of inventory, the Group manages inventories through various efforts including coordinating orders with vendors based on consideration of orders received, the volume of products required by clients, and forecasts of demand for products that make use of the Group's products. However, there are situations when the Group's actual inventory does not match initial projections of product volume required by customers as a result of sudden changes in product volume required by customers, termination of production of certain products, or inventory for maintenance purposes, and it may be necessary to dispose of inventories or revise valuation of inventories. This may affect the Group's earnings.

(8) Shareholding by major shareholder

Haruki Kamiyama, who is the President of the Company, owns 7,574 thousand shares of the Company (41.8% of the total issued and outstanding shares) and if close relatives are included, he owns 8,488 thousand shares of the Company (46.9% of the total issued and outstanding shares). It is assumed that Mr. Kamiyama's holdings are long term in order to maintain the stability of the management of the Company, however, in the case that in the future he sells his shares of the Company, there is the possibility that the market price for the Company's shares will be affected.

(9) Information leaks

The Macnica Group handles product information including specifications for products of customer companies due to the nature of its business and it can be considered that there is a danger leaking such information. The Macnica Group has such information in sharable file databases and although access restrictions are in place, conditions are such that officers and employees connected to such information may access it. The Macnica Group has established defensive measures by introducing a security system recording the access history for databases and other means as well as conducting information management training for officers and employees and there are preventive measures in place for an information leak from inside the Group, however, notwithstanding such measures, if an information leak occurs, there is the possibility that the Macnica Group will liable for damages and such leak will lead to a loss of public confidence and there is the possibility that the continuation of projects underway will be impeded.

(10) Impact of the Employee's Pension Fund

The Japan System House Association Employee's Pension Fund ("Fund") which the Macnica Group participates in was established in October 1989 as a comprehensive fund and the Group has been participating since the establishment of the Fund. In connection to the Fund, the Macnica Group recognizes the following risks in the current situation.

(a) Risk of fluctuation in performance if the interest rate drops below the assumed interest rate

Since the Fund has decided the pension benefits with the assumed interest rate of 5.5%, if the Fund's investment yield drops below that, in the end the participating companies will have to make up the shortfall. Currently there is no shortfall, however, the Group has assumed a risk of performance fluctuation depending on future circumstances, although it is not directly related to the Group's performance.

(b) Risk of increase in burden due to increase in withdrawing companies

In the case businesses withdraw from the Fund, the framework for providing aid is deemed to include pensioners who participated in the past and it is expected the Macnica Group's burden will increase in the future.

II. The Macnica Group

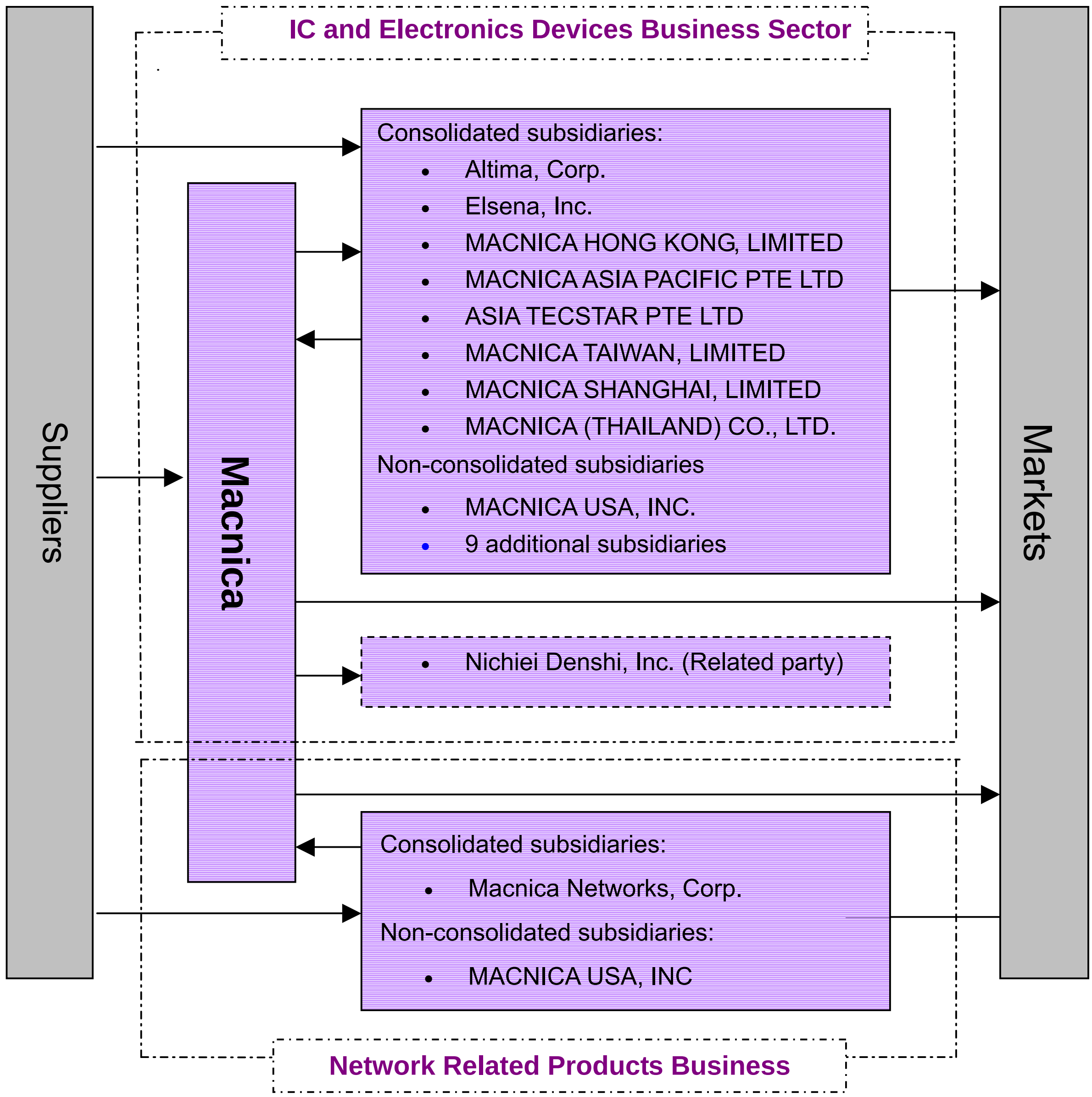
The Macnica Group consists of Macnica, Inc. and 22 subsidiaries. Group operating activities include the sales of, and market research for, integrated circuits (ICs), electronic devices and network-related products. The chart below shows the core operating activities of the Macnica Group's affiliated companies:

TYPE	COMPANY	BUSINESS AREA	ACTIVITIES
CONSOLIDATED SUBSIDIARIARIES	Altima, Corp.	IC and electronic devices	FPGA/CPLD and development support systems, other semiconductor sales
	Macnica Networks, Corp.	Network-related products	Network-related product sales
	Elsena, Inc.	IC and electronicdevices	Semiconductor and electronic component sales
	MACNICA HONG KONG, LIMITED	IC and electronic devices	Semiconductor and electronic component sales
	MACNICA ASIA PACIFIC PTE LTD	IC and electronic devices	Semiconductor and electronic component sales
	ASIA TECSTAR PTE LTD.	IC and electronic devices	Semiconductor and electronic component sales
	MACNICA TAIWAN, LIMITED	IC and electronic devices	Semiconductor and electronic component sales
	MACNICA SHANGHAI, LIMITED	IC and electronic devices	Semiconductor and electronic component sales
	MACNICA (THAILAND) CO, LTD	IC and electronic devices	Semiconductor and electronic component sales
A	MACNICA USA, INC.	ICs and electronic devices	Computer and communications market research, Semiconductor and electronic component sales
B	Nichiei Denshi, Inc.	—	Electronic components and equipment, related product sales

(Note) A: Non-consolidated Subsidiary B: Related party

(Note) There is an additional non-consolidated subsidiary, an investment association for the purpose of managing Group assets.

Business flow among Macnica group companies:



Notes:

1. There is an additional non-consolidated subsidiary, an investment association for the purpose of managing Group assets.
2. On November 1, 2007, the name of Macnica Singapore Pte Ltd., was changed to Macnica Asia Pacific Pte Ltd

III. Management Policy

1) Basic Management Policy

Macnica does much more than simply distribute electronics, information and communications products. We also provide engineering services offering the technical support needed in a continually changing and growing market, a role that clearly differentiates us from the competition. Our cutting-edge technology and expertise make us the “intelligent technology company” in our targeted high added-value markets.

The Macnica Group’s basic management policies are: customers first, innovation, profitability, solid business methodology, and prioritization. Basing the Group’s strategies for long-term development and growth on these principles, Macnica Group companies strive to benefit all stakeholders, be they shareholders, employees, customers, local regions or Japan itself.

2) Performance Indicators

Traditionally, the Group has set business indicators of (consolidated) return on assets and (consolidated) return on equity as its targets. However, this has been changed.

The Group has set ensuring stable earnings as a priority issue and has changed its targeted business indicators to the ratio of ordinary income to net sales and return on equity. The following are the target figures.

- Ratio of Ordinary Income to Net Sales: over 5%
- Return on equity (ROE): over 10%

The Group will not only ensure stable income but also work to increase income through aggressive efforts related to the IC, electronic device, and network-related product businesses. In addition, the Group is working to make effective use of its resources and increase profits by reforming inventory management, improving business processes, from receiving orders through distribution, and increasing business efficiency.

3) Medium to Long-Term Strategies and Other Business Issues

In the medium- to long-term, we are sure to face business fluctuations as the balance of supply and demand changes. Major factors here will be domestic and international capital investment trends, particularly those relating to computers, terminals and network infrastructure equipment for IT and communications.

Recently, the Chinese market and the rest of the Asia-Pacific region has been gathering attention, as domestic manufacturers of electronic and communications equipment continue to transfer production to mainland China. During the current fiscal year, the group established a local subsidiary in Thailand as a production base, and this subsidiary is expected to grow in the future. At the same time, the domestic Chinese consumer market has seen remarkable growth and China itself is on course to become the world’s largest consumer of semiconductors in the near future.

Responding to these conditions, the Macnica Group has established local companies in Singapore, Hong Kong, Taiwan and Shanghai in order to support the operations of Japanese manufacturers in those areas. The Group established a business base in Thailand. These activities will help to clarify needs in China and help promote the use of the Company’s products among local enterprises as well as Japanese affiliated manufacturers. The Group is also establishing a global sales structure, including Europe and the U.S.A., which will take on an increasingly important role in addition to the Asian region including China, and also serve to enhance the design base in the future.

Amid severe competition with other companies in, for example, pricing, the Macnica Group has also been advancing in-house technological capabilities in the Business Development Group in order to clearly distintinguish the Group from others and strengthen its market position.
The Business Development Group now centrally controls technological development, as well as

information on clients and market trends, which were previously spread over various sections and departments. Macnica will push forward further high value-added businesses, such as its own LSIs, software products and technological services in collaboration with its clients and suppliers. The entire Macnica group will continue to to work together to secure profits and improve earnings by aggressively continuing to uncover new products and materials in high growth sectors.

IV. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Thousands of yen)

	Note	As of March 31, 2008			As of March 31, 2007			Change	
		Amount		Ratio	Amount		Ratio	Amount	
ASSETS									
Current assets									
Cash and deposits			11,426,962			11,848,141			(421,178)
Notes & accounts receivable	5		28,477,664			27,477,928			999,736
Securities			511,867			—			511,867
Inventories			22,868,073			28,321,335			(5,453,262)
Deferred tax assets			779,254			775,413			3,841
Uncollected tax refunds			541,419			—			541,419
Other current assets			4,082,632			3,880,886			201,746
Allowance for doubtful accounts			(72,352)			(15,239)			(57,113)
Total current assets			**68,615,522**	**85.7**		**72,288,466**	**86.9**		**(3,672,944)**
Fixed assets									
Buildings and structures	2	5,266,642			5,254,982			11,660	
Accumulated depreciation		1,825,235	3,441,407		1,653,330	3,601,651		171,904	(160,244)
Equipment and fittings		102,591			110,261			(7,669)	
Accumulated depreciation		77,125	25,466		80,151	30,109		(3,026)	(4,643)
Land	2		2,745,774			2,745,774			—
Other fixed assets		1,980,347			1,749,153			231,194	
Accumulated depreciation		1,270,944	709,403		1,012,685	736,468		258,259	(27,065)
Tangible assets			**6,922,050**	**8.6**		**7,114,003**	**8.6**		**(191,952)**
Intangible assets			**1,810,388**	**2.3**		**501,295**	**0.6**		**1,309,093**
Investments and other assets									
Investment in securities	1		1,428,094			2,254,706			(826,612)
Deferred tax assets			775,882			605,791			170,091
Other			544,897			636,128			(91,230)
Allowance for doubtful accounts			(23,436)			(23,710)			273
Allowance for loss on investment in subsidiaries			—			(188,519)			188,519
Allowance for loss on investment in affiliates			2,725,438	3.4		3,284,397	3.9		(558,959)
Total fixed assets			**11,457,877**	**14.3**		**10,899,695**	**13.1**		**558,182**
TOTAL ASSETS			**80,073,400**	**100.0**		**83,188,162**	**100.0**		**(3,114,762)**

(Thousands of yen)

	Note	As of March 31, 2008		As of March 31, 2007		Change
		Amount	Ratio	Amount	Ratio	Amount
LIABILITIES						
Current liabilities						
Notes & accounts payable	5	10,226,532		12,954,974		(2,728,441)
Short-term loans payable	2	5,827,850		2,495,750		3,332,100
Accrued income taxes		345,320		979,905		(634,584)
Accrued bonuses		566,512		541,387		25,124
Accrued bonuses for directors		—		10,100		(10,100)
Other current liabilities		4,419,693		4,249,815		169,878
Total current liabilities		**21,385,908**	**26.7**	**21,231,932**	**25.5**	**153,976**
Long-term liabilities						
Long-term debt	2	37,500		3,662,500		(3,625,000)
Accrued retirement benefits		1,712,386		1,495,366		217,020
Retirement benefits for directors		377,400		360,590		16,810
Negative goodwill		428,646		673,586		(244,940)
Other current liabilities		322,564		231,141		91,423
Total long-term liabilities		**2,878,497**	**3.6**	**6,423,184**	**7.7**	**(3,544,686)**
TOTAL LIABILITIES		**24,264,405**	**30.3**	**27,655,116**	**33.2**	**(3,390,710)**
Shareholders Equity						
Paid-in capital		11,194,268		11,194,268		—
Additional paid-in capital		19,476,881		19,476,908		(27)
Retained earnings		26,186,427		25,823,662		362,764
Treasury stock		(1,088,820)		(1,088,602)		(217)
Total shareholders' equity		55,768,756	69.6	55,406,237	66.6	362,519
Appraisal and translation differences						
Unrealized holding gain on securities		(35,863)		55,489		(91,353)
Translation adjustments		76,101		71,318		4,783
Total appraisal and translation differences		40,237	0.1	126,808	0.2	(86,570)
Total net assets		55,808,994	69.7	55,533,045	66.8	275,949
TOTAL LIABILITIES & NET ASSETS		**80,073,400**	**100.0**	**83,188,162**	**100.0**	**(3,114,761)**

2) Consolidated Statements of Income

(Thousands of yen)

	Note	April 1, 2007 to March 31, 2008			April 1, 2006 to March 31, 2007			Change	
		Amount		%	Amount		%	Amount	
Net sales			154,166,782	100.0		163,603,834	100.0		(9,437,052)
Cost of sales			132,351,711	85.9		139,125,897	85.0		(6,774,186)
Gross profit			21,815,071	14.1		24,477,937	15.0		(2,662,866)
Selling, general & administrative expenses	1,2		17,438,972	11.3		17,523,573	10.7		(84,600)
Operating income			4,376,098	2.8		6,954,364	4.3		(2,578,265)
Non-operating income									
Interest income		141,852			114,,307			27,544	
Dividend income		131,681			74,135			57,546	
Gain on translation		--			263,051			(263,051)	
Insurance fee gains		6,568			115,745			(109,177)	
Gain on investment in investment association		31,860			149,671			(117,811)	
Amortization of negative goodwill		244,940			244,940			--	
Other		164,168			186,182			(22,013)	
Total non-operating income			**721,071**	**0.5**		**1,148,035**	**0.7**		**(426,963)**
Non-operating expenses									
Interest paid		219,794			236,198			(16,403)	
Loss on transfer of receivables		288,689			247,706			40,982	
Loss on disposal of inventories		734,149			322,517			411,632	
Loss on translation		208,003			—			208,003	
Loss on valuation of products		881,979			330,091			551,887	
Expense for business compensation		176,112			492,717			(316,604)	
Other		277,994			210,004			67,989	

Total non-operating expenses			**2,786,723**	**1.8**		**1,839,236**	**1.2**		**947,487**
Ordinary income			**2,310,446**	**1.5**		**6,263,163**	**3.8**		**(3,952,716)**
Extraordinary income									
Proceeds from sales of fixed assets	3	5,754			1,674			4,080	
Proceeds from sale of investment securities		53,196			19,926			33,270	
Allowance for bad debt		2,245			—			2,245	
Total extraordinary income			**61,197**	**0.0**		**21,600**	**0.0**		**39,597**
Extraordinary losses									
Loss on disposal of fixed assets	4	16,069			27,948			(11,878)	
Loss on sale of fixed assets	5	1,841			6,666			(4,824)	
Loss on sale of investment securities		126			—			126	
Loss on valuation of investment securities		496,395			5,168			491,226	
Unrealized loss on investment securities		116,087			—			116,087	
Loss on valuation of investments		—			188,519			(188,519)	
Provision for allowance for loss in subsidiaries		104,044			—			104,044	
Loss on valuation of shares of affiliated companies		—			105,205			(105,205)	
Total extraordinary losses			**734,565**	**0.5**		**333,508**	**0.2**		**401,056**
Income before income taxes and minority interests			**1,637,079**	**1.0**		**5,951,255**	**3.6**		**(4,314,176)**
Corporate, inhabitant and enterprise taxes		854,161			2,232,972			(1,378,811)	
Income tax adjustment		(110,975)	743,185	0.5	135,037	2,368,009	1.4	(246,013)	(1,624,824)
Net income			**893,893**	**0.5**		**3,583,254**	**2.2**		**(2,689,351)**

3) Consolidated Statements of Changes to Shareholders' Equity

Current Consolidated Fiscal Year - (April 1, 2007 – March 31, 2008)

(Thousands of yen)

	Shareholders' Equity				
	Paid-in capital	Additional paid-in capital	Consolidated retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	**11,194,268**	**19,476,908**	**25,823,662**	**(1,086,602)**	**55,406,237**
Changes in the fiscal year					
Dividends			(531,129)		(531,129)
Full year net income			893,893		893,893
Acquisition of treasury stock				(485)	(485)
Disposal of treasury stock		(27)		268	240
Changes other than shareholders' equity					
Total changes in the fiscal year		(27)	362,764	(217)	362,520
Balance as of March 31, 2008	**11,194,268**	**19,476,881**	**26,186,427**	**(1,088,820)**	**55,768,756**

	Appraisal and Translation Differences			
	Unrealized holding gains on other securities	Translation adjustments	Total appraisal and translation differences	Total Net Assets
Balance as of March 31, 2007	**55,489**	**71,318**	**126,808**	**55,533,045**
Changes in the fiscal year				
Dividends				(531,129)
Full year net income				893,893
Acquisition of treasury stock				(485)
Disposal of treasury stock				240
Changes other than shareholders' equity	(91,353)	4,783	(86,570)	(86,570)
Total changes in the fiscal year	(91,353)	4,783	(86,570)	275,949
Balance as of March 31, 2008	**35,863**	**76,101**	**40,237**	**55,808,994**

Previous Consolidated Fiscal Year - (April 1, 2006 – March 31, 2007)

(Thousands of yen)

	Shareholders' Equity				
	Paid-in capital	Additional paid-in capital	Consolidated retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	**11,194,268**	**19,476,908**	**22,784,061**	**(1,086,831)**	**52,368,406**
Changes in the fiscal year					
Dividends by disposal of earnings			(531,143)		(531,143)
Directors' bonuses by disposal of earnings			(12,500)		(12,500)
Net income			3,583,245		3,583,245
Acquisition of treasury stock				(1,770)	(1,770)
Changes other than shareholders' equity					
Total changes in the fiscal year			3,039,601	(1,770)	3,037,830
Balance as of March 31, 2007	**11,194,268**	**19,476,908**	**25,823,662**	**(1,088,602)**	**55,406,237**

	Appraisal and Translation Differences			Total Net Assets
	Unrealized holding gains on other securities	Translation adjustments	Total appraisal and translation differences	
Balance as of March 31, 2006	**108,184**	**73,437**	**181,622**	**52,550,028**
Changes in the fiscal year				
Dividends by disposal of earnings				(531,143)
Directors' bonuses by disposal of earnings				(12,500)
Net income				3,583,245
Acquisition of treasury stock				(1,770)
Changes other than shareholders' equity	(52,694)	(2,119)	(54,813)	(54,813)
Total changes in the fiscal year	(52,694)	(2,119)	(54,813)	2,983,017
Balance as of March 31, 2007	**55,489**	**71,318**	**126,808**	**55,533,045**

4) Consolidated Statements of Cash Flow

(Thousands of yen)

	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007	Change
1. Operating activities			
Income before income taxes and minority interest	1,637,079	5,951,255	(4,314,176)
Depreciation and amortization	703,624	862,648	(159,023)
Change in allowance for doubtful accounts	62,262	12,796	49,466
Change in accrued bonuses	25,593	(324,816)	350.410
Change in accrued retirement benefits	217,020	208,314	8,705
Change in retirement benefits for directors	16,810	17,090	(280)
Interest and dividend income	(273,534)	(188,443)	(85,090)
Interest expense	219,794	236,198	(16,403)
Foreign translation gain (loss)	(72,877)	58,435	(131,313)
Amortization of negative goodwill	(244,940)	(244,940)	—
Gain on investment in investment association	(31,860)	(149,671)	117,811
Valuation loss on interest swap	64,088	43,624	20,463
Loss on sale of fixed assets	1,841	6,666	(4,824)
Gain on sale of investment securities	(53,196)	(19,926)	(33,270)
Loss on valuation of investment securities	496,395	5,168	491,227
Loss on valuation of investments	116,087	—	116,087
Provision of reserve for loss on investment in affiliated companies	—	188,519	(188,519)
Loss on valuation of investment in affiliated companies	104,411	—	104,411
Change in notes and accounts receivable, trade	(1,132,075)	671,595	(1,803,671)
Change in inventories	5,310,380	(1,704,218)	7,014,599
Changes in trade payable	(2,348,180)	(2,197,431)	(150,748)
Change in accrued consumption tax	3,461	(318,134)	(314,672)
Change in other current assets	(364,931)	(163,549)	(528,480)
Change in other current liabilities	(307,545)	1,411,915	(1,719,461)
Directors' bonus payments	—	(12,500)	12,500
Other	26,106	255,036	(228,929)
Sub-total	**4,175,815**	**5,569,000**	**(1,393,185)**
Interest and dividends received	269,705	181,847	87,858
Interest paid	(225,666)	(224,276)	(1,390)
Corporate tax Payment (refund)	(1,962,085)	(2,617,039)	654,953
Net cash provided by (used in) operating activities	**2,257,768**	**2,909,532**	**(651,764)**

	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007	Change
2. Investing Activities			
Disbursement of loans	(801,850)	(415,000)	(386,850)
Proceeds from collection of loans	775,000	100,050	674,950
Purchases of marketable securities	(34,728)	(301,163)	266,435
Proceeds from sales of marketable securities	137,406	109,130	28,276
Purchase of stock in affiliates	(107,226)	—	(107,226)
Purchases of property and equipment	(366,289)	(485,759)	119,470
Proceeds from sales of property and equipment	15,279	49,827	(34,548)
Purchases of intangible assets	(879,531)	(279,812)	(599,719)
Other	(58,361)	111,063	(169,424)
Net cash provided by (used in) investing activities	**(1,320,300)**	**(1,111,664)**	**(208,636)**
3. Financing activities			
Change in short-term loans	(5,618)	(507,300)	501,682
Repayment of long-term debt	(25,000)	(25,000)	—
Acquisition of treasury stock	(485)	(1,770)	1,285
Gain from sale of treasury stock	240	—	240
Cash dividends paid	(530,622)	(531,569)	947
Net cash provided by (used in) financing activities	**(561,486)**	**(1,065,640)**	**504,154**
4. Translation adjustments on cash and cash equivalents	**(285,293)**	**(49,799)**	**(235,493)**
5. Net increase (decrease) in cash and cash equivalents	**90,688**	**682,427**	**(591,739)**
6. Cash and cash equivalents at beginning of the year	**11,848,141**	**11,165,713**	**682,427**
7. Cash and cash equivalents at year end (*note 1)	**11,938,829**	**11,848,141**	**90,688**

V. Significant Items in the Preparation of the Consolidated Full Year Financial Statements

1. Scope of Consolidation

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
The Macnica Group has 9 consolidated subsidiaries: ALTIMA, CORP. MACNICA NETWORKS CORP. ELSENA, Inc. MACNICA HONG KONG, LIMITED MACNICA ASIA PACIFIC PTE LTD ASIA TECSTAR PTE LTD. MACNICA TAIWAN, LIMITED MACNICA SHANGHAI, LIMITED MACNICA (THAILAND) Co., LTD After Macnica (Thailand) Co., Ltd, was founded during the current fiscal year, it was included within the scope of consolidation.	The Macnica Group has 8 consolidated subsidiaries: ALTIMA, CORP. MACNICA NETWORKS CORP. ELSENA, Inc. MACNICA HONG KONG, LIMITED MACNICA SINGAPORE PTE LTD. ASIA TECSTAR PTE LTD. MACNICA TAIWAN, LIMITED MACNICA SHANGHAI, LIMITED
The Macnica Group has 13 non-consolidated subsidiaries. The name of a major non-consolidated company: MACNICA USA, INC.	The Macnica Group has 12 non-consolidated subsidiaries: The name of a major non-consolidated company: MACNICA USA, INC.
Reason the non-consolidated subsidiaries are excluded from the scope of consolidation: The non-consolidated subsidiaries are small in scope, and their total assets, net sales, net income and retained earnings would have a negligible effect on the consolidated financial statements.	Reason the non-consolidated subsidiaries are excluded from the scope of consolidation: Same as left.

2. Application of Equity Method

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
The equity method has not been applied to 13 non-consolidated subsidiaries because even if excluded from the equity method the companies effect on net income and retained earnings would be minimal, and because the companies have no importance to the whole.	The equity method has not been applied to 12 non-consolidated subsidiaries because even if excluded from the equity method the companies effect on net income and retained earnings would be minimal, and because the companies have no importance to the whole.

3. Regarding the End of the Business Year for Consolidated Subsidiaries

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
The fiscal year-end settlement date for the following subsidiaries is different than the consolidated fiscal year-end settlement date: MACNICA SHANGHAI, LIMITED December 31 MACNICA (THAILAND) CO., LTD. December 31 For making the consolidated financial statements, the current financial statements for consolidated subsidiaries whose full year settlement date differs is used. Any required adjustments are made for any significant transactions occurring between the settlement date and the consolidated full year settlement date.	The fiscal year-end settlement date for the following subsidiary is different than the consolidated fiscal year-end settlement date: MACNICA SHANGHAI, LIMITED December 31 For making the consolidated financial statements, the current financial statements for consolidated subsidiaries whose settlement date differs is used. Any required adjustments are made for any significant transactions occurring between the settlement date and the consolidated settlement date.

4. Accounting Principles and Methods

(1) Principles and methods of valuation of important assets

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Securities other marketable securities	**Securities other marketable securities**
Securities with current market value: Cost method based on market prices at the end of the interim period. (Appraisal differences are handled with the direct net assets influx method, and sales costs are calculated with the moving average method.)	***Securities with current market value:*** Cost method based on market prices at the end of financial year. (Appraisal differences are handled with the direct capital influx method, and sales costs are calculated with the moving average method.)
Securities without current market value: Same as right	***Securities without current market value:*** Cost method based on moving average method.
Please note that investments in limited liability investment partnerships or similar partnership (things deemed to be marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Law) shall be accounted for by booking the net amount equivalent to the equity interest, based on the latest financial statements obtainable on the financial statement date set forth under the partnership agreement. If an affiliated company manages an entity such as an investment partnership, a share of the investment partnership's gain or loss proportional to the company's stake in the partnership is recorded.	Note: Capital investment in investment business limited liability association or similar association (deemed to be securities under Paragraph 2 of Article 2 of the Securities and Exchange Act) is handled by a method in which the amount equivalent to the equity is incorporated at net price based on the most recently available settlement of accounts corresponding to the date for the financial statement prescribed in the association agreement.
Inventories Same as right.	**Inventories** Cost method based on moving average method.
Derivative transactions Same as left.	**Derivative transactions** Market value method.

(2) Depreciation methods for important assets

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Property and equipment Same as right.	**Property and equipment** Declining balance method for the Company and consolidated subsidiaries. However, buildings (excluding annexes) acquired since April 1, 1998, are accounted for with the straight-line method. Remaining useful lives and net book values are accounted for with the same methods as income taxes. Fixed assets at overseas subsidiaries are accounted for with the straight-line method based on estimated remaining useful lives. Major useful life is as follows: Buildings and structures: 3-65 years
Changes in Accounting Methods: The method for booking depreciation for the Company and its domestic consolidated subsidiaries has changed from the current consolidated interim period due to revisions to the Corporate Tax Law. Depreciation of tangible fixed assets acquired on or after April 1, 2007 were be booked according to the revised Corporate Tax Law. This has had only a minor impact on earnings. **Supplementary Information:** In accordance with the revisions to the Corporate Tax Law, the Company and its domestic consolidated subsidiaries applied the depreciation method based on the Corporate Tax Law prior to the revision to tangible fixed assets acquired on or before March 31, 2007. The difference between the memorandum value and the amount equivalent to 5% of the acquisition price will be depreciated over five years in equal amounts, beginning from the consolidated fiscal year following the consolidated fiscal year in which 5% of the acquisition value was attained. This has been included in depreciation expenses for purposes of booking. The impact on earnings from this is minor.	
Intangible fixed assets Same as right.	**Intangible fixed assets** Straight-line method. Software for in-house use is accounted for with the straight-line method over the estimated useful life (five years).

	Software for sales purpose is accounted for with the straght-line method over the estimated salable life (three years).
Long-term prepaid expenses Same as right.	**Long-term prepaid expenses** Straight-line method.

(3) Allowance recording standards

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Allowance for doubtful accounts Same as right.	**Allowance for doubtful accounts** To prepare against credit losses, the Company makes additions to this allowance on the basis of loan loss ratios for standard loans, and on an individual basis for loans considered unlikely to be repaid in full, recording an amount equivalent to that thought to be irretrievable.
Reserve for losses on investments in subsidiaries Same as right.	**Reserve for losses on investments in subsidiaries** Estimated losses based on the financial status of each subsidiary are recorded to prepare for losses on investments in subsidiaries.
Accrued bonuses Same as right.	**Accrued bonuses** To prepare for bonus payments to employees, the Company makes additions to this allowance in accordance with the estimated amounts payable.
Reserves for directors' bonuses Same as right.	**Reserves for directors' bonuses** Reserves equal to the portion of the estimated amount to be paid for directors' bonuses in the current consolidated fiscal year are recorded to provide for payment of bonuses to directors.
Accrued retirement benefits Recorded based on estimates of retirement benefit liabilities at the end of the consolidated fiscal year, in order to prepare for employees' retirement benefits. However, regarding the multi-company Employees' Pension Fund the Company has adopted, payments due to the fund are accounted for as retirement benefit expenses. The total amount of actuarial differences and past service liabilities are treated as expenses in the year which they occur.	**Accrued retirement benefits** Recorded based on estimates of retirement benefit liabilities at the end of the consolidated fiscal year, in order to prepare for employees' retirement benefits. However, regarding the multi-company Employees' Pension Fund the Company has adopted, payments due to the fund are accounted for as retirement benefit expenses. Pension assets at the end of the fiscal year were 2,970,222 thousand yen (Calculated on the number of participants.) The total amount of actuarial differences and past service liabilities are treated as expenses in the year which they occur.
Retirement benefits for directors Same as right.	**Retirement benefits for directors** To prepare for retirement benefits to directors, the Company makes provisions for an amount based on the total benefits required at the end of the fiscal year.

(4) Standards for converting important foreign currency-denominated assets or liabilities into Japanese currency

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Same as right.	Foreign currency credits and liabilities are converted to yen at rates on the consolidated financial settlement date and exchange differences are handled as profits or losses. Assets or liabilities of subsidiaries residing overseas are calculated using the spot exchange rate on the settlement date. Exchange differences are included in the exchange fluctuation adjustments applied to net assets.

(5) Accounting methods pertaining to important leases

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Same as right.	Finance lease transactions are accounted for with methods used for standard rental transactions, apart from those transactions in which ownership of the leased property is considered to be transferred to the lessee.

(6) Hedge

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Hedge methods Same as right.	**Hedge methods** Interest rate swaps to satisfy requisites for exceptional disposition.
Hedge methods and hedge items Same as right.	**Hedge methods and hedge items** (Hedge method) (Hedge items) Interest rate swaps Borrowings
Policies on hedges Same as right.	**Policies on hedges** The Company deals in interest rate swaps in order to avoid risks caused by interest rate fluctuations on its borrowings, and the hedge items are examined individually by each contract.
Method to evaluate the effectiveness of hedging Same as right.	**Method to evaluate the effectiveness of hedging** Evaluation of the effectiveness on the settlement day is omitted for the interest rate swap transactions which are justified to be exceptions.

(7) Other important items relating to the consolidated financial statements

Current fiscal year, ended March 31, 2008	Previous fiscal year, ended March 31, 2007
Accounting principles pertaining to consumption taxes: Same as right.	**Accounting principles pertaining to consumption taxes:** Tax exclusion method.

5. Regarding Evaluation of Assets and Liabilities of Consolidated Subsidiaries

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Same as right.	The all fair value method is used.

6. Regarding Negative Goodwill

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Same as right.	The negative goodwill is amortized uniformly over 5 years.

7. Scope of Funds on Consolidated Statements of Cash Flow

Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Same as right.	Cash and cash equivalents ("cash") in the consolidated statements of cash flows consist of: cash in hand, deposits which can be withdrawn at any time, and short-term investments that are highly liquid, easily converted into cash, have little risk of fluctuation in value, and that mature within three months of the date of acquisition.

VI. Changes in Accounting Method

Current fiscal year ending March 31, 2008	Previous fiscal year ending March 31, 2007
————————	**Accounting Standards, etc., pertaining to the net asset section of the balance sheet**
————————	Accounting Standards for Presentation of Net Assets in the Balance Sheet (Corporate Accounting Standards Board, ASBJ Statement #5, December 09, 2005) and Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (Corporate Accounting Standards Board, ASBJ Guidance #8, December 09, 2005) were implemented from the current consolidated interim period. The introduction of these has not had any impact on income.
————————	Please note that amount as previously accounted for as "Assets" is 55,533,045 thousand yen. The consolidated financial statements for the current consolidated fiscal year have been produced based on the post-revision regulations on consolidated financial statements, due to revisions to the regulations on consolidated financial statements. **Reserves for directors' bonuses**
————————	*Accounting Standard for Directors' Bonuses* (Corporate Accounting Standards Board, ASBJ Statement #4, November 29, 2005) has been implemented from the current consolidated interim period. This has resulted in a decrease of 10,100 thousand yen in operating income, ordinary income and interim net income before taxes and minority interests, compared with the previous accounting method. Information on the impact to each segment has been noted in the sections concerning each segment. **Revision from showing the total amount of receivables and liabilities for the same supplier to showing the net offset amount.**

	Part of the semiconductor products for the Macnica Group are procured under standard pricing. Transactions are set up so that the Company receives a fixed rebate on the procurement price, depending on the sales price to clients. “Other accounts receivable” arising from rebates and “trade accounts payable” for the same supplier were previously shown as a total amount on the balance sheet; however, we have decided to show the net offset amount for the respective accounts receivable and accounts payable in order to reflect the Group’s financial status more appropriately, taking the overall development of future business amidst the trend toward increasing sales under this transactional format into consideration. This has resulted in a decrease of 7,301,215 thousand yen in both the “other” category under current assets and “trade accounts payable” under current liabilities, compared with the previous accounting method. In the Statement of Cash Flows, this change means that the “other accounts payable” under this transaction format that were previously a part of “net increase/ decreases in other accounts receivable” within “net increases/ decreases in other current assets” and “net increases/ decreases in liabilities for procurement” will be shown as a net offset amount. This change has resulted in a 7,061,837 thousand yen increase in “increases/ decreases in liabilities for procurement” in cash flow from operating activities, and an equivalent decrease in “increases/ decreases in other current assets.” This change has not affected total net cash flow from operating activities.

Changes Pertaining to the Inclusion of Profits/Losses from Investment Partnerships: The Company has previously booked the net amount equivalent to the equity interest in the profits secured from the management of the partnership, for investment partnerships managed by our affiliates, out of all investments in limited liability investment partnerships and similar partnerships. However, The Group views the ongoing identification and securing on contracts for new vendors offering highly competitive products and who have the latest technological capabilities domestically and overseas as the source of competitiveness for the our Group. We have determined that importance of investing through our affiliates will increase in the future and have consequently changed the method of accounting for profits to the method of booking the equivalent of equity interest in profit/loss line items from the current consolidated interim period. This has resulted in a 471,292 thousand yen increase in investment partnership profits (non-operating profits) compared with the previous method with recurring income increasing by the same amount. However, the amount of valuation losses on investment securities (extraordinary loss) increased by the same amount as well, so there has been no impact on interim net income before taxes or on interim net income. "Investment partnership profits" and "Valuation losses on investment securities" both increased by 471,292 yen in the consolidated interim	

VII. Changes in Itemization

Current fiscal year ending March 31, 2008	Previous fiscal year ending March 31, 2007
――――――	**Consolidated balance sheet** 1. Due to the insignificance of “other accounts receivable” which had been noted separately up until the previous consolidated interim period, this will now be included in the category of “other” under current assets from the current period. The amount of “other accounts receivable” included in “other” current assets for the current consolidated interim period is 787,268 thousand yen. 2. “Consolidated adjustment account” will be shown as “negative goodwill” from the current consolidated period.
――――――	**Consolidated income statement** 1. “Amortization of consolidated adjustment account” will be shown as “amortization of negative goodwill” from the current consolidated period. 2. Since the product loss claim amount, which was included under non-operating income in the previous consolidated fiscal year, is of negligible amount, in the current consolidated fiscal year it has been included in “Other” under non-operating income. The product loss claim amount included in “Other” under non-operating income in the current consolidated fiscal year amounted to 73,249 thousand yen. 3. Product compensation charges, which was included in “Other” under non-operating income in the previous consolidated fiscal year is shown on its own in the current consolidated fiscal year as the amount has become significant. Product compensation costs in the previous consolidated fiscal year totaled 59,514 thousand yen.
――――――	**Consolidated statement of cash flow** “Amortization of consolidated adjustment accounts” will be shown as “amortization of negative goodwill” from the current consolidated interim period.

VIII. Notes

As of March 31, 2008	As of March 31, 2007
***1. Note concerning non-consolidated subsidiaries** Matters in regard to non-consolidated subsidiaries are as follows: Investment securities (shares) 352,627 thousand yen Investments securities (other) 344,157 thousand yen Total 696,784 thousand yen	***1. Note concerning non-consolidated subsidiaries** Matters in regard to non-consolidated subsidiaries are as follows: Investment securities (shares) 530,432 thousand yen Investments securities (other) 837,678 thousand yen Total 1,368,110 thousand yen
***2. Hypothecated assets** (Assets pledged as collateral) Buildings and structures 1,153,057 thousand yen Land 805,494 thousand yen Total 1,958,551 thousand yen The debt corresponding to the above Short term debt 25,000 thousand yen Long term debt 37,500 thousand yen Total 62,500 thousand yen	***2. Hypothecated assets** (Assets pledged as collateral) Buildings and structures 1,194,878 thousand yen Land 805,494 thousand yen Total 2,000,372 thousand yen The debt corresponding to the above Short term debt 25,000 thousand yen Long term debt 62,500 thousand yen Total 87,500 thousand yen
3. Guarantee Liabilities The below borrowings by a non-consolidated subsidiary from financial institutions are being guaranteed. MACDRAGON TECHNOLOGIES,LTD. 30,547 thousand yen	**3. Guarantee Liabilities** The below borrowings by a non-consolidated subsidiary from financial institutions are being guaranteed. Arnis Sound Technologies, Co., Ltd. 74,000 thousand yen MACDRAGON TECHNOLOGIES,LTD. 33,447 thousand yen
4. Commitment line Contracts In order to provide access to a stable and effective source of operating capital, the company has entered into commitment-line contracts with twelve trading banks. The balance of un-realized debt based on these contracts at the end of the current consolidated reporting period is as shown below: Total debt commitment 10 billion yen Realized debt balance -- yen Balance 10 billion yen	**4. Commitment line Contracts** In order to provide access to a stable and effective source of operating capital, the company has entered into commitment-line contracts with twelve trading banks. The balance of un-realized debt based on these contracts at the end of the consolidated reporting period is as shown below: Total debt commitment 10 billion yen Realized debt balance -- yen Balance 10 billion yen **5. Notes Expiring at on the Final Day of the Current Consolidated Full Year** Notes expiring on the final day of the current consolidated interim period are settled on the date of exchange for the note. Please be aware that notes expiring on the final day of

	the next consolidated full year are included in the balance as of the end of the consolidated full year since the final day of the current consolidated full year fell on a holiday for financial institutions. Notes receivable 111,698 thousand yen Notes payable 523,059 thousand yen

(2) Notes to the Consolidated Statements of Income

Current fiscal year ending March 31, 2008	Previous fiscal year ending March 31, 2007
***1. Major expense items and amounts recorded under selling, general and administrative expenses follow below.**	***1. Major expense items and amounts recorded under selling, general and administrative expenses follow below.**
Salaries and bonuses 8,463,912 thousand yen	Salaries and bonuses 7,932,870 thousand yen
Transaction fee 2,414,529 thousand yen	Transaction fee 2,352,178 thousand yen
Addition to accrued bonuses 554,290 thousand yen	Addition to accrued bonuses 543,330 thousand yen
Addition to accrued bonuses for directors -- thousand yen	Addition to accrued bonuses for directors 10,100 thousand yen
Addition to accrued retirement benefits 279,493 thousand yen	Addition to accrued retirement benefits 253,908 thousand yen
Addition to retirement benefits for directors 16,810 thousand yen	Addition to retirement benefits for directors 17,090 thousand yen
***2. Total R&D expenses** R&D expenses included in selling, general and administrative expenses 135,574 thousand yen	***2. Total R&D expenses** R&D expenses included in selling, general and administrative expenses 385,965 thousand yen
***3. Breakdown of gain on sale of fixed assets follows below.** Other property & equipment 5,754 thousand yen	***3. Breakdown of gain on sale of fixed assets follows below.** Other property & equipment 1,674 thousand yen

***4. Breakdown of loss on disposal of fixed assets follows below.**

Buildings and structures	11,380 thousand yen
Other fixed assets	64 thousand yen
Intangible assets	4,624 thousand yen
Total	16,069 thousand yen

***5. Breakdown of loss on sale of fixed assets follows below.**

Other fixed assets	1,841 thousand yen
Total	1,841 thousand yen

***4. Breakdown of loss on disposal of fixed assets follows below.**

Buildings and structures	6,217 thousand yen
Other fixed assets	14,663 thousand yen
Intangible assets	7,066 thousand yen
Total	27,948 thousand yen

***5. Breakdown of loss on sale of fixed assets follows below.**

Buildings and structures	1,551 thousand yen
Other fixed assets	140 thousand yen
Land	4,974 thousand yen
Total	6,666 thousand yen

Segment Information

1) Segment Information by Business Type

Current Consolidated Interim Period (April 1, 2007 – March 31,2008) *(Thousands of yen)*

	IC and electronic devices business	Network-related products business	Total	Cancellation or general	Consolidated
Sales					
(1) Sales to external customers	141,887,569	12,279,213	154,166,782	—	154,166,782
(2) Internal sales between segments or exchanges	—	—	—	—	—
Total	141,887,569	12,279,213	154,166,782	—	154,166,782
Sales expenses	139,168,654	10,743,909	149,912,563	(121,879)	149,790,684
Operating income	2,718,914	1,535,304	4,254,218	121,879	4,376,098
Assets, depreciation impairment loss and capital expenditure					
Assets	71,505,887	7,481,928	78,987,815	1,085,584	80,073,400
Depreciation	393,407	310,217	703,624	—	703,624
Capital expenditure	1,404,445	455,673	1,860,119	—	1,860,119

Notes:

1. Business segments are segments the Company uses for internal management.
2. Main products in each segment:
   a) Integrated circuit and electronic device business: PLD, ASIC, ASSP, Analog IC, Memory, and other electronics devices
   b) Network-related products business: network-related hardware, software and services
3. Within assets, the total amount under Cancellation or general is 1,529,491 thousand yen, comprising mainly investment securities.

Previous Consolidated Full Year (April 1, 2006 – March 31, 2007)

(Thousands of yen)

	IC and electronic devices business	Network-related products business	Total	Cancellation or general	Consolidated
Sales					
(1) Sales to external customers	150,925,521	12,678,313	163,603,834	—	163,603,834
(2) Internal sales between segments or exchanges	26	—	26	(26)	—
Total	150,925,548	12,678,313	163,603,861	(26)	163,603,834
Sales expenses	145,965,804	10,787,301	156,753,105	(103,634)	156,649,470
Operating income	4,959,743	1,891,012	6,850,756	103,608	6,954,364
Assets, depreciation impairment loss and capital expenditure					
Assets	75,419,884	5,794,166	81,214,051	1,974,111	83,188,162
Depreciation	637,094	225,554	862,648	—	862,648
Capital expenditure	298,130	412,011	710,142	—	710,142

Notes:

1. Business segments are segments the Company uses for internal management.
2. Main products in each segment:
   a) Integrated circuit and electronic device business: PLD, ASIC, ASSP, Analog IC, Memory, and other electronics devices
   b) Network-related products business: network-related hardware, software and services
3. Within assets, the total amount under Cancellation or general is 2,183,765 thousand yen, comprising mainly investment securities.
4. As noted in “Changes to Accounting Procedures,” the Company has adopted the “Accounting Standard for Bonuses to Directors,” issued by the ASB as ASBJ Accounting Standard No. 4 on November 29, 2005 as of this consolidated full year. As a consequence, compared to the previous accounting method, operating costs increased by 8,800 thousand yen in the integrated circuit and electronic device business and by 1,300 thousand yen the network-related products business, with operating income decreasing by the same amounts, respectively.

2) Segment Information by Geographical Area

Current Consolidated Interim Period (April 1, 2007 – March 31, 2008)

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales					
(1) Sales to external customers	130,023,967	24,142,815	154,166,782	—	154,166,782
(2) Internal sales between segments or exchanges	22,393,454	52,442	22,445,897	(22,445,897)	—
Total	152,417,422	24,195,257	176,612,679	(22,445,897)	154,166,782
Sales expenses	148,479,199	23,556,199	172,035,398	(22,244,714)	149,790,684
Operating income	3,938,222	639,058	4,577,280	(201,182)	4,376,098
Assets	77,639,098	7,112,360	84,751,458	(4,678,058)	80,073,400

Notes:

1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to each classification:
   Asia: China, Hong Kong, Taiwan, Singapore.

Previous Consolidated Fiscal Year (April 1, 2006 – March 31, 2007)

(Thousands of yen)

	Japan	Asia	Total	Eliminations and Corporate	Consolidated
Sales					
(1) Sales to external customers	135,442,478	28,161,356	163,603,834	—	163,603,834
(2) Internal sales between segments or exchanges	26,181,667	8,022	26,189,689	(26,189,689)	—
Total	161,624,145	28,169,379	189,793,524	(26,189,689)	163,603,834
Sales expenses	155,737,688	27,366,265	183,103,953	(26,454,482)	156,649,470
Operating income	5,886,457	803,114	6,689,571	264,792	6,954,364
Assets	81,191,476	7,100,701	88,292,177	(5,104,015)	83,188,162

Notes:

1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to each classification: Asia: China, Hong Kong, Taiwan, Singapore.
3. As noted in "Changes to Accounting Procedures," the Company has adopted the "Accounting Standard for Bonuses to Directors," issued by the ASB as ASBJ Accounting Standard No. 4 on November 29, 2005 as of this consolidated full year. This change resulted in a 10,100,000 yen increase in the "Japan" subcategory under operating expenses compared with the previous method. Operating income declined by the same amount.

3) Overseas Sales

Current Consolidated Full Year (April 1, 2007 – March 31, 2008)

(Thousands of yen)

	Asia	Other	Total
I. Overseas sales	26,982,512	665,443	27,647,955
II. Consolidated sales	—	—	154,166,782
III. Overseas sales ratio （%）	17.5	0.4	17.9

Notes:
1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to each classification:
   Asia: China, Hong Kong, Taiwan, Singapore etc.
   Others: U.S.A. etc.

Previous Consolidated Full Year (April 1, 2006 – March 31, 2007)

(Thousands of yen)

	Asia	Other	Total
I. Overseas sales	31,542,074	1,036,855	32,578,930
II. Consolidated sales	—	—	163,603,834
III. Overseas sales ratio （%）	19.3	0.6	19.9

Notes:
1. Countries and regions classified by geographical proximity.
2. Countries and regions belonging to each classification:
   Asia: China, Hong Kong, Taiwan, Malaysia etc.
   Others: U.S.A. etc.

4) Per Share Information

	Current year April 1, 2007 to March 31, 2008	Previous year April 1, 2006 to March 31, 2007
Net assets per share	3,152.30 yen	3,136.70 yen
Net income per share	50.49 yen	202.39 yen
Fully diluted net income per share	Diluted net income per share for the fiscal year under review has not been included here as there was no dilutary effect on income at the end of the fiscal year	201.99 yen

Basis for calculation of net income per share

1. Net assets per share

	Current fiscal year ended March 31, 2008	Previous fiscal year ended March 31, 2007
Total listed under net assets in full year consolidated balance sheet	55,808,994 thousand yen	55,533,045 thousand yen
Net assets relating to common stock	55,808,994 thousand yen	55,533,045 thousand yen
Number of common shares outstanding	18,110,252 shares	18,110,252 shares
Number of treasury stock making up common stock	406,063 shares	405,944 shares
Number of common shares used to calculate net assets per share	17,704,189 shares	17,704,308 shares

Basis for calculation of net income per share and diluted net income per share

	Current fiscal year April 1, 2007 to March 31, 2008	Previous fiscal year April 1, 2006 to March 31, 2007
Net income per share		
Net income for the fiscal year	893,893 thousand yen	3,583,245 thousand yen
Amount not returned to common stock shareholders	—	—
Net income relating to common stock	893,893 thousand yen	3,583,245 thousand yen
Average number of shares of common stock during the period	17,704,274 shares	17,704,588 shares
Diluted net income per share		
Adjustment to net income for the fiscal year	—	—
Increase in number of common stock	—	35,552 shares
Number of those for which new stock subsription rights apply	—	35,552 shares
Outline of stock not included in diluted net income per share due to lack of dilutive effect	Ordinary shares as of June 29, 2005 Main stock options approved by the General Shareholders' Meeting New share reservation rights: 3,715 (represents 371,500 common shares)	

2. Subsequent Events

Current fiscal year ending March 31, 2008	Previous fiscal year ending March 31, 2007
No significant items	No significant items

Omissions

Notes on lease transactions, transactions with related businesses, tax effect accounting, investment securities, derivative transactions, retirement benefits, stock options and corporate bonds have been omitted as their inclusion was not deemed necessary in this earnings report.

5) Non-consolidated Financial Statements

(1) Non- Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2008			As of March 31, 2007			Change	
	Amount		Ratio	Amount		Ratio	Amount	
Assets								
Current assets								
Cash and deposits		5,778,937			7,144,712			(1,365,774)
Trade notes receivable		1,701,089			1,157,078			553,011
Accounts receivable		18,108,218			18,179,529			(71,311)
Securities		511,867			—			511,867
Inventories		10,062,073			13,988,791			(3,926,717)
Advances		756,629			763,424			(6,794)
Prepaid expenses		195,751			167,588			28,162
Deferred tax assets		583,744			502,672			81,072
Receivables		1,463,294			1,241,862			221,432
Uncollected tax refunds		449,902			—			449,902
Accrued consumption taxes		147,830			196,790			(48,960)
Short-term loans		11,190,330			11,075,000			115,330
Other current assets		209,554			234,966			(25,412)
Allowance for doubtful accounts		(3,260)			(3,163)			(96)
Total current assets		**51,164,964**	**78.1**		**54,649,253**	**80.4**		**(3,484,289)**
Fixed assets								
Tangible Assets								
Buildings	5,159,531			5,148,919			10,611	
Accumulated depreciation	1,757,537	3,401,993		1,593,937	3,554,982		163,600	(152,988)
Structures	15,043			15,043			—	
Accumulated depreciation	10,269	4,773		9,447	5,595		822	(822)
Machinery & equipment	102,591			102,591			—	
Accumulated depreciation	77,125	25,466		72,482	30,109		4,643	(4,643)
Tools & supplies	634,092			578,683			55,409	
Accumulated depreciation	446,991	187,101		437,397	141,286		9,594	45,815
Land		2,745,774			2,745,774			—
Sub total		**6,365,108**	**9.7**		**6,477,747**	**9.5**		**(112,639)**

(Thousands of yen)

	As of March 31, 2008		As of March 31, 2007		Change
	Amount	Ratio	Amount	Ratio	Amount
Intangible fixed assets					
Software	1,687,283		361,343		1,325,940
Telephone subscription rights	8,563		8,563		—
Other	1,160		1,289		(128)
Sub-total	**1,697,007**	**2.6**	**371,195**	**0.6**	**1,325,811**
Investments and other assets					
Investment in securities	731,309		884,390		(153,080)
Equity in affiliates	4,000,342		3,805,423		194,918
Other securities in affiliates	344,157		837,678		(493,520)
Investments	101,397		235,425		(134,028)
Investments in affiliates	50,378		50,378		—
Long-term prepaid expenses	64,809		19,965		44,843
Deferred tax assets	766,537		601,145		165,391
Deposit guarantees	123,561		124,922		(1,361)
Other	114,675		117,864		(3,189)
Allowance for doubtful accounts	(21,436)		(21,710)		273
Allowance for loss on investment in affiliates	—		(188,519)		188,519
Total investments and other assets	**6,275,732**	**9.6**	**6,466,964**	**9.5**	**(191,232)**
Total fixed assets	**14,337,847**	**21.9**	**13,315,908**	**19.6**	**1,021,939**
Total assets	**65,502,812**	**100.0**	**67,965,162**	**100.0**	**(2,462,349)**

(Thousands of yen)

	As of March 31, 2008		As of March 31, 2007		Change
	Amount	Ratio	Amount	Ratio	Amount
Liabilities					
Current liabilities					
Notes payable	2,223,403		2,313,964		(90,560)
Accounts payable	7,002,805		9,257,139		(2,254,333)
Short-term borrowings	2,202,850		2,470,750		(267,900)
Long-term debt to be repaid within one year	3,625,000		25,000		3,600,000
Accrued payable	1,330,574		1,005,692		324,881
Accrued expenses	266,278		433,232		(166,953)
Accrued income taxes	147,671		276,575		(128,903)
Advance payments received on contracts	919,515		772,610		146,904
Deposits received	46,962		118,251		(71,288)
Accrued bonuses	326,041		322,929		3,112
Accrued bonuses for directors	—		7,300		(7,300)
Other current liabilities	3,336		69,910		(66,574)
Total current liabilities	**18,094,439**	**27.6**	**17,073,356**	**25.1**	**1,021,083**
Long-term liabilities					
Long-term debt	37,500		3,662,500		(3,625,000)
Accrued retirement benefits	1,593,682		1,370,061		223,621
Retirement benefit for directors	377,400		360,590		16,810
Other	107,713		43,624		64,088
Total long-term liabilities	**2,116,295**	**3.3**	**5,436,776**	**8.0**	**(3,320,480)**
Total liabilities	**20,210,735**	**30.9**	**22,510,132**	**33.1**	**(2,299,397)**

(Thousands of yen)

	As of March 31, 2008			As of March 31, 2007			Change	
	Amount		Ratio	Amount		Ratio	Amount	
Net assets								
Shareholders' Equity								
Paid-in capital		11,194,268	17.1		11,194,268	16.5		—
Additional paid-in capital								
Capital reserve	20,333,694			20,333,694			—	
Other capital surplus	423			451			(27)	
Total capital surplus		20,334,118	31.1		20,334,145	29.9		(27)
Retained earnings								
Earned surplus reserves	95,008			95,008			—	
Other surplus income								
Reserve for special depreciation	—			2,773			(2,773)	
Other reserve	14,300,000			13,400,000			900,000	
Surplus at the beginning of period	493,366			1,461,947			(968,581)	
Total retained earnings		14,888,374	22.7		14,959,728	22.0		(71,354)
Treasury stock		(1,088,820)	(1.7)		(1,088,602)	(1.6)		(217)
Total shareholders' equity		**45,327,940**	**69.2**		**45,399,540**	**66.8**		**(71,600)**
Appraisal and translation differences								
Unrealized holding gain on securities		(35,863)			55,489			(91,353)
Total appraisal and translation differences		(35,863)	(0.1)		55,489	0.1		(91,353)
Total net assets		**45,292,077**	**69.1**		**45,455,029**	**66.9**		**(162,952)**
Total Liabilities & Net Assets		**65,502,812**	**100.0**		**67,965,162**	**100.0**		**(2,462,349)**

(2) Non- Consolidated Statements of Income

(Thousands of yen)

	Note	April 1, 2007 to March 31, 2008			April 1, 2006 to March 31, 2007			Change	
		Amount		%	Amount		%	Amount	
Net sales			**97,171,140**	**100.0**		**106,048,032**	**100.0**		**(8,876,892)**
Cost of sales			86,803,762	89.3		94,891,401	89.5		(8,087,639)
Beginning inventory		13,988,791			12,645,155			1,343,636	
Purchases during the period		84,296,988			96,725,895			(12,428,907)	
Total		98,285,780			109,371,051			(11,085,271)	
Transfer to other accounts		1,419,944			490,858			929,086	
Closing inventory		10,062,073			13,988,791			(3,926,717)	
Gross profit			10,367,377	10.7		11,156,630	10.5		(789,252)
Selling, general & Administrative expenses			8,890,858	9.2		9,183,508	8.7		(292,650)
Operating income			**1,476,519**	**1.5**		**1,973,121**	**1.8**		**(496,602)**
Non-operating income									
Interest income		225,521			211,003			14,518	
Dividend income		1,218,261			1,124,114			94,146	
Rents received		214,291			239,077			(24,786)	
Others		179,589			397,992			(218,403)	
Total non-operating income			**1,837,663**	**1.9**		**1,972,187**	**1.9**		**(134,524)**

(Thousands of yen)

	Notes	April 1, 2007 to March 31, 2008			April 1, 2006 to March 31, 2007			Change	
		Amount		%	Amount		%	Amount	
Non-operating expenses									
Interest paid		195,130			209,096			(13,965)	
Loss on disposal of inventories		595,848			232,706			363,141	
Loss on translation		345,644			10,510			335,134	
Loss of transfer of receivables		182,078			160,366			21,712	
Loss on valuation of products		820,987			290,113			530,873	
Product compensation charges		133,201			458,629			(325,428)	
Other		238,167			204,058			34,108	
Total non-operating expenses			**2,511,058**	**2.6**		**1,565,481**	**1.5**		**945,577**
Ordinary income			**803,124**	**0.8**		**2,379,827**	**2.2**		**(1,576,703)**
Extraordinary income									
Proceeds from sales of fixed assets		38			1,674			(1,635)	
Proceeds from sale of investment securities		52,796			3,190			49,606	
Gain on prior periods adjustment		216,837			—			216,837	
Total extraordinary income			**269,672**	**0.3**		**4,864**	**0.0**		**264,808**

(Thousands of yen)

	Notes	April 1, 2007 to March 31, 2008			April 1, 2006 to March 31, 2007			Change	
		Amount		%	Amount		%	Amount	
Extraordinary losses									
Loss on disposal of fixed assets		12,336			14,883			(2,546)	
Loss on sale of fixed assets		108			140			(32)	
Loss on valuation of investment securities		496,395			5,168			491,226	
Unrealized loss on investment securities		116,087			—			116,087	
Provision of reserve for loss on investment in subsidiaries		—			188,519			(188,519)	
Loss on valuation of claim of affiliates		41,144			—			41,144	
Loss on contract cancellation		—			105,205			(105,205)	
Total extraordinary losses			**666,071**	**0.7**		**313,917**	**0.3**		**352,154**
Income before income taxes and minority interests			**406,725**	**0.4**		**2,070,775**	**1.9**		**(1,664,049)**
Corporate, inhabitant and enterprise taxes		130,870			662,567			(531,696)	
Income tax adjustment		(183,920)	(53,049)	(0.1)	(14,681)	647,885	0.6	(169,238)	(700,934)
Net income			**459,755**	**0.5**		**1,422,889**	**1.3**		**(963,113)**

Notes: Gain on prior periods adjustment is the amount received as the result of the rejection of items for tax purposes for affiliated companies.

6) Non-consolidated Statements of Changes to Shareholders' Equity

(1) Current Non-consolidated Full Year - (April , 2007- March 31, 2008)

(Thousands of yen)

	Shareholders' Equity			
	Paid-in capital	Additional paid-in capital		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance as of March 31, 2007	**11,194,268**	**20,333,694**	**451**	**20,334,145**
Changes in the year				
Dividends				—
Full year net income				—
Acquisition of treasury stock				—
Disposal of treasury stock			(27)	(27)
Draw-down of special depreciation reserves				—
Funding of contingent reserves				—
Changes other than shareholders' equity				—
Total changes in the year	—	—	(27)	(27)
Balance as of March 31, 2008	**11,194,268**	**20,333,694**	**423**	**20,334,118**

	Shareholders' Equity						
	Additional paid-in capital					Treasury shares	Total shareholders' equity
	Earned surplus	Other surplus income			Total earned surplus		
		Total special depreciation reserves	Contingent reserves	Earned surplus carried forward			
Balance as of Mar 31, 2007	**95,008**	**2,773**	**13,400,000**	**1,461,947**	**14,959,728**	**(1,088,602)**	**45,399,540**
Changes in the year							
Dividends				(531,129)	(531,129)		(531,129)
Full year net income				459,775	459,775		459,775
Acquisition of treasury stock				—	—	(485)	(485)
Disposal of treasury stock				—	—	268	240
Draw-down of special depreciation reserves		(2,773)		2,773	—		—
Funding of contingent reserves			900,000	(900,000)	—		—
Changes other than shareholders' equity					—		—
Total changes in the year	—	(2,773)	900,000	(968,580)	(71,354)	(217)	(71,599)
Balance as of Mar 31, 2008	**95,008**	—	**14,300,000**	**493,366**	**14,888,374**	**(1,088,820)**	**45,327,940**

(Thousands of yen)

	Appraisal and Translation Differences		
	Unrealized holding gains on other securities	Total appraisal and translation differences	Total Net Assets
Balance as of March 31, 2007	**55,489**	**55,489**	**45,455,029**
Changes in the year			
Dividends			(531,129)
Full year net income			459,775
Acquisition of treasury stock			(485)
Disposal of treasury stock			240
Draw-down of special depreciation reserves			—
Funding of contingent reserves			—
Changes other than shareholders' equity	(91,353)	(91,353)	(91,353)
Total changes in the year	(91,353)	(91,353)	(162,952)
Balance as of March 31, 2008	**(35,863)**	**(35,863)**	**45,292,077**

(2) Previous Non-consolidated Full Year - (April 1, 2006 - March 31, 2007)

(Thousands of yen)

	Shareholders' Equity			
	Common stock	Additional paid-in capital		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance as of April 1, 2006	**11,194,268**	**20,333,694**	**451**	**20,334,145**
Changes in the year				
Distribution of profits, dividends paid from retained earnings				
Distribution of profits, Director bonuses				
Full year net income				
Acquisition of treasury stock				
Draw-down of special depreciation reserves				
Funding of contingent reserves				
Changes other than shareholders' equity				
Total changes in the year	—	—	—	—
Balance as of March 31, 2007	**11,194,268**	**20,333,694**	**451**	**20,334,145**

	Shareholders' Equity						
	Additional paid-in capital					Treasury shares	Total shareholders' equity
	Earned surplus	Surplus income			Total earned surplus		
		Total special depreciation reserves	Contingent reserves	Earned surplus carried forward			
Balance as of Apr 1, 2006	**95,008**	**8,320**	**12,700,000**	**1,277,154**	**14,080,483**	**(1,086,831)**	**44,522,065**
Changes in the year							
Distribution of profits, dividends paid from retained earnings				(531,143)	(531,143)		(531,143)
Distribution of profits, Director bonuses				(12,500)	(12,500)		(12,500)
Full year net income				1,422,889	1,422,889		1,422,889
Acquisition of treasury stock						(1,770)	(1,770)
Draw-down of special depreciation reserves		(5,546)		5,546	—		—
Funding of contingent reserves			700,000	(700,000)	—		—
Changes other than shareholders' equity							
Total changes in the year		(5,546)	700,000	184,793	879,246	(1,770)	877,476
Balance as of Mar 31, 2007	**95,008**	**2,773**	**13,400,000**	**1,461,947**	**14,959,728**	**(1,088,602)**	**45,399,540**

	Appraisal and Translation Differences		
	Unrealized holding gains on other securities	Total appraisal and translation differences	Total Net Assets
Balance as of April 1, 2006	**100,251**	**100,251**	**44,622,317**
Changes in the year			
Distribution of profits, dividends paid from retained earnings			(531,143)
Distribution of profits, Director bonuses			(12,500)
Full year net income			1,422,889
Acquisition of treasury stock			(1,770)
Draw-down of special depreciation reserves			—
Funding of contingent reserves			—
Changes other than shareholders' equity	(44,762)	(44,762)	(44,762)
Total changes in the year	(44,762)	(44,762)	832,712
Balance as of March 31, 2007	**55,489**	**55,489**	**45,455,029**

Notes: Of reversal of reserve for special depreciation, 2,773 thousand yen was the result of appropriation of profits at the regular shareholders' meeting held in June 2006.

7) Other Matters

(1) Change of Representative Director

This decision is scheduled to be made officially at the regular General Meeting of Shareholders on June 24, 2008, and the subsequent board meeting.

Officer	New Position	Current Position
Haruki Kamiyama	Representative Director & Chairman	President
Kiyoshi Nakashima	President	Executive Vice President