I. Financial Conditions

Total assets at the end of the current consolidated fiscal year stood at ¥58,077 million, a decrease of ¥2,284 million on account of a decrease in cash and bank deposits compared to the end of the previous fiscal year. Total liabilities came to ¥32,554 million, a decrease of ¥1,822 million owing to a decrease in trade accounts payable compared to the end of the previous fiscal year. As a result, total equity stood at ¥25,523 million, a decrease of ¥462 million compared to the end of the previous fiscal year, and equity ratio was 43.9% and showed an increase of 0.9 % compared to the end of the previous fiscal year.
The main assets and liabilities are listed below.

(1) Cash and Cash Equivalents

Cash and cash equivalents (hereafter "funds") at the end of the current consolidated fiscal year totaled ¥4,640 million, a decrease of ¥1,937 million compared to the end of the previous fiscal year (an increase of ¥1,949 million in previous fiscal year).
Each cash flow status is as follows:

- Cash flow by Operating Activities
  The current net profit before tax adjustments amounted to ¥923 million (¥2,741 million in the previous fiscal year). Depreciation and amortization (¥4,737 million; ¥3,897 in the previous fiscal year), an increase in inventories (¥685 million; decrease of ¥213 million in the previous fiscal year), a decrease in notes and accounts payable (¥1,050 million; increase of ¥976 million in the previous fiscal year) and an income taxes paid (¥1,102 million; ¥660 million in the previous fiscal year) were adjusted. As a result, funds increased by ¥2,183 million (¥7,346 million in the previous fiscal year) from operating activities.
- Cash flow by Investing Activities
  Purchases of property, plant and equipment amounted to ¥4,076 million (¥2,948 million in previous fiscal year). Funds decreased by ¥4,221 million (¥3,091 million in previous fiscal year) by investing activities.
- Cash flow by Financing Activities
  An increase in short-term bank loans amounted to ¥800 million (A decrease of ¥1,636 in previous fiscal year). And cash dividends paid amounted to ¥469 million (¥469 million in previous fiscal year). As a result, funds increased by ¥134 million (decreased ¥2,326 in previous fiscal year) from financing activities.

(2) Notes Receivable and Accounts Receivable

Accounts receivable decreased by ¥667 million compared to the end of the previous fiscal year, to ¥14,592 million (25.1% of combined assets) because a forward exchange contract was partly used during the current consolidated fiscal year to avoid risks from exchange-rate fluctuations involving US$-based accounts receivable from overseas sales. However, the appreciating yen caused a decrease in the said US$-based account receivables on the last day of the current consolidated fiscal year. In addition, the last day of the previous consolidated fiscal year fell on a bank holiday.

(3) Inventories

Production surpassed sales because production was enhanced in anticipation of expanded sales due to further development of current products and more applications as well as an expanded new product lineup in the Semiconductor Devices division. Consequently, inventories increased by ¥509 million compared to the end of the previous year, to ¥15,326 million (26.4% of combined assets).

(4) Property, Plant and Equipment

Main capital investment has been in manufacturing and R&D of semiconductors, which are key devices in electronic hardware where constant innovation is required and the market is rapidly changing. Total capital investment during the current consolidated fiscal year increased by ¥696 million compared to the previous fiscal year, to ¥4,173 million. However, property, plant and equipment decreased by ¥774 million compared to the end of the previous fiscal year, to ¥14,841 million (25.6% of combined assets) due to increased depreciation by a change in the depreciation method.

(5) Interest-bearing Debt

Despite working consistently to improve and strengthen our financial standing, interest-bearing debt at the end of the current consolidated fiscal year increased by ¥561 million compared to the end of the previous fiscal year, to ¥9,401 million (16.2% of total liabilities and equity) due to short-term borrowing of working capital.

II. Results of Operations

(1) Sales and Operating Profit and Loss

Sales and operating profit and loss by division as well as by geographic segment for the current consolidated fiscal year are shown in *"[Overview of Performance] — Performance."*

Although measures were implemented to curb total expenses, in order to address decreased orders for semiconductor devices, which are our main business, and the impact of yen appreciation on overseas sales and operating profits, this did not ameliorate declining profits including the increase in depreciation expenses, resulting in a decrease in operating profits of ¥297 million compared to the previous fiscal year, to ¥1,542 million.

(2) Ordinary Profit and Loss

The declining profit margin expanded due to exchange losses of ¥631 million caused by rapid appreciation of the yen, which started during the 4th quarter, resulting in a decrease in ordinary profits of ¥764 million (42.3%) compared to the previous fiscal year to ¥1,042 million.

(3) Current Net Income

Reversal of liability for retirement benefits of ¥993 million were recorded as special profit in the previous consolidated fiscal year as well as the corporate taxes for the past fiscal year recorded as a tax expense for the current consolidated fiscal year further expanded the declining profit margin, resulting in a decrease in a current net income of ¥1,287 million (74.7%) compared to the previous fiscal year, to ¥435 million.

[Overview of Performance]

• Performance

During the current consolidated fiscal year, the Japanese economy showed signs of slow recovery driven by improved company earnings until the end of the year when the global surge in the cost of raw materials, especially oil, and the financial crisis and sluggish share prices and growing concern over the slowing US economy triggered by the US subprime loan crisis increased business uncertainty. In the electronics industry, demand for digital home appliances including the flat-panel TVs, digital still cameras, and mobile phones increased steadily.

Looking at our group, our main Semiconductor Devices, and Microwave Tubes and Radar Components divisions increased sales steadily, while sales for the Microwave Application Products division decreased as active demand for components for satellite communications stabilized after the good previous fiscal year.

As a result, our performance slowed during the current consolidated fiscal year. In addition, current net profit decreased considerably compared to the previous fiscal year when the reduced debt of ¥993 million for retirement allowances involving the change in our retirement allowance and pension systems was allocated as Reversal of liability for retirement benefits to special profits.

Sales:	¥60,443 million (decrease of 0.5% compared to previous fiscal year)
Operating Income:	¥1,542 million (decrease of 16.2% compared to previous fiscal year)
Ordinary Income:	¥1,042 million (decrease of 42.3% compared to previous fiscal year)
Current Net Income:	¥435 million (decrease of 74.7% compared to previous fiscal year)

The segment information by business operation is not shown here. Instead, the performance by business division is listed below. Note that the operating profit or loss figure for each business division is that before unallocated operating expenses have been deducted.

<Semiconductor Devices Division>

Increasing demand for power supply ICs for digital still cameras and game machines, new use of DSP (digital signal processor) in flat-panel TVs and LCD driver ICs in automotive displays contributed to increased sales.
On the other hand, operational amplifiers and comparators remained flat; in audio ICs, sales of analog audio processors for TVs decreased, along with sales of video ICs and crystal oscillator ICs for digital still cameras.
Sales of optical semiconductor devices increased due to new use in optical drives, as did sales of microwave devices (GaAs ICs) owing to growing demand for mobile phones.
However, commissioned production and sales by our subsidiary NJR Fukuoka Co., Ltd. and sales of other companies' products by NJR Trading Co., Ltd. were sluggish.
As a result, sales and operating profits showed only slight growth.

Sales:	¥51,132 million (increase of 1.7% compared to previous fiscal year)
Operating Income:	¥6,053 million (increase of 1.5% compared to previous fiscal year)

<Microwave Application Products Division>

Our main component products for satellite communications progressed sluggishly because the active demand for VSAT (Very Small Aperture Terminal) products during the previous year cooled down as we expected, while component products for terrestrial communications progressed favorably owing to increased sales for terrestrial digital broadcasting equipment in the Japanese market.
As a result, overall sales and operating profits remained sluggish.

Sales:	¥4,732 million (decrease of 23.8% compared to previous fiscal year)
Operating Income:	¥806 million (decrease of 39.9% compared to previous fiscal year)

<Microwave Tubes and Radar Components Division>

Sales of microwave tubes and radar components for government and public offices as well as the private sector increased steadily, especially in large electronic tubes for the major clients, and ship radars for the private sector.
The sales and operating profits were good.

Sales:	¥4,579 million (increase of 8.4% compared to previous fiscal year)
Operating Income:	¥594 million (increase of 18.7% compared to previous fiscal year)

Performance by geographical segment is listed below.
Note that these sales include internal sales between segments, and the operating profit and loss figure is that before unallocated operating expenses have been deducted.

<Japan>

As main semiconductor products, increasing demand for power supply ICs for digital still cameras and game machines, and new use of DSP (digital signal processor) in flat-panel TVs contributed to increased sales.
On the other hand, operational amplifiers and comparators remained flat; in audio ICs, sales of analog audio processors for TVs decreased, along with sales of crystal oscillator ICs for digital still cameras.
Sales of optical semiconductor devices increased due to new use in optical drives, as did sales of microwave devices (GaAs ICs) owing to growing demand for mobile phones. In microwave application products, component products for satellite communications continued to slow.
As a result, sales remained at the same level as the previous fiscal year while operating profits were down.

Sales:	¥59,567 million (decrease of 0.6% compared to previous fiscal year)
Operating Income:	¥7,562 million (decrease of 5.8% compared to previous fiscal year)

<Asia>

In main semiconductor products, despite strong sales of video ICs, sales of operational amplifiers and comparators for portable audio devices, and of power supply ICs for printers decreased, as did sales of audio ICs due to reduced production of flat-panel TVs. This led to a decrease in sales. In addition, our subsidiary THAI NJR Co., Ltd. showed an operating loss.
As a result, sales increased but operating loss increased too.

Sales: ¥12,367 million (increase of 5.7% compared to previous fiscal year)
Operating Loss: ¥191 million (operating loss of ¥128 million in previous fiscal year)

<North America>

As main semiconductor products, power-supply ICs showed robust sales thanks to strong production of portable GPS and new use in flat-panel TVs. On the other hand, operational amplifiers and comparators remained flat, and sales of audio ICs decreased due to declining demand for flat-panel TVs. However, sales of other companies' products increased.
As a result, sales and operating profits showed strong results.

Sales: ¥2,705 million (increase of 2.7% compared to previous fiscal year)
Operating Income: ¥21 million (operating loss of ¥31 million in previous fiscal year)

• Segment Information

<Operating Income by Products>

Unit: Millions of Yen

	Semiconductor Devices	Microwave Application Products	Microwave Tubes and Radar Components	Total
Net Sales	51,132	4,732	4,579	60,443
Operating Expenses	45,079	3,926	3,985	52,990
Segment Operating Income	6,053	806	594	7,453
Unallocated Operating Expenses	–	–	–	5,911
Operating Income	–	–	–	1,542

<Net Sales by Customer Location>

	2008		2007	
	Net Sales (Millions of Yen)	Composition Ratio (%)	Net Sales (Millions of Yen)	Composition Ratio (%)
Japan	33,189	54.9	32,122	52.9
Asia	20,569	34.0	19,873	32.7
North America	3,365	5.6	4,877	8.0
Europe	1,548	2.6	1,570	2.6
Others	1,772	2.9	2,284	3.8
Total	60,443	100.0	60,726	100.0

Consolidated Balance Sheets

New Japan Radio Co., Ltd. and Subsidiaries March 31, 2008 and 2007

ASSETS	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT ASSETS:			
Cash and cash equivalents	¥ 4,640	¥ 6,577	$ 46,312
Notes and accounts receivable:			
Trade notes	1,399	1,858	13,965
Trade accounts	13,193	13,401	131,674
Other	424	90	4,229
Allowance for doubtful accounts	(90)	(108)	(899)
Inventories (Note 4)	15,326	14,817	152,967
Deferred tax assets (Note 7)	1,000	1,098	9,985
Other current assets	254	180	2,536
Total current assets	36,146	37,913	360,769
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	232	240	2,316
Buildings and structures	25,770	25,775	257,208
Machinery and equipment	61,740	61,048	616,234
Furniture and fixtures	11,348	11,228	113,262
Construction in progress	440	387	4,387
Total	99,530	98,678	993,407
Accumulated depreciation	(84,689)	(83,063)	(845,281)
Net property, plant and equipment	14,841	15,615	148,126
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,708	2,819	27,029
Deferred tax assets (Note 7)	3,094	3,034	30,886
Other assets	1,317	1,008	13,142
Allowance for doubtful accounts	(29)	(28)	(288)
Total investments and other assets	7,090	6,833	70,769
TOTAL	¥58,077	¥60,361	$579,664

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 8,853	¥ 8,077	$ 88,366
Current portion of long-term debt (Note 5)	171	186	1,704
Notes and accounts payable:			
Trade accounts	8,166	9,435	81,509
Construction and other	2,135	1,837	21,313
Income taxes payable	38	614	382
Accrued expenses	3,551	4,109	35,440
Other current liabilities	333	430	3,318
Total current liabilities	23,247	24,688	232,032
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	91	275	909
Liability for retirement benefits (Note 6)	8,937	9,118	89,200
Other long-term liabilities	279	295	2,780
Total long-term liabilities	9,307	9,688	92,889
CONTINGENT LIABILITIES (Note 11)			
EQUITY (Notes 8, 15 and 17):			
Common stock — authorized, 138,000,000 shares; issued, 39,131,000 shares in 2008 and 2007	5,220	5,220	52,102
Additional paid-in capital	5,224	5,224	52,140
Retained earnings	14,822	14,856	147,935
Net unrealized gain on available-for-sale securities	822	885	8,201
Foreign currency translation adjustments	(562)	(198)	(5,607)
Treasury stock — at cost, 4,076 shares and 2,476 shares in 2008 and 2007	(3)	(2)	(28)
Total equity	25,523	25,985	254,743
TOTAL	¥58,077	¥60,361	$579,664

Consolidated Statements of Income

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	2008
NET SALES	¥60,443	¥60,726	¥60,333	$603,288
COST OF SALES (Note 9)	47,534	47,296	47,243	474,438
Gross profit	12,909	13,430	13,090	128,850
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	11,367	11,591	11,335	113,460
Operating income	1,542	1,839	1,755	15,390
OTHER INCOME (EXPENSES):				
Interest and dividend income	50	34	31	500
Interest expense	(119)	(90)	(104)	(1,189)
Foreign exchange gains (losses)	(631)	(67)	74	(6,299)
Reversal of liability for retirement benefits (Note 6)		993		
Loss on sales and disposals of property, plant and equipment	(132)	(70)	(90)	(1,315)
Gain on sales of waste	197	122	63	1,965
Other — net (Note 10)	16	(20)	12	161
Other income (expenses) — net	(619)	902	(14)	(6,177)
INCOME BEFORE INCOME TAXES	923	2,741	1,741	9,213
INCOME TAXES (Note 7):				
Current	238	947	754	2,374
Prior period	177			1,764
Deferred	73	72	(131)	734
Total income taxes	488	1,019	623	4,872
NET INCOME	¥ 435	¥ 1,722	¥ 1,118	$ 4,341

	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 16):				
Basic net income	¥ 11.12	¥ 44.00	¥ 27.69	$ 0.11
Diluted net income			27.69	
Cash dividends applicable to the year	12.00	12.00	12.00	0.12

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2008, 2007 and 2006

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock– At Cost
BALANCE, APRIL1, 2005	39,131	¥5,220	¥5,224	¥13,030	¥279	¥(734)	¥(2)
Net income				1,118			
Cash dividends, ¥12 per share				(469)			
Bonuses to directors				(40)			
Net increase in unrealized gain on available-for-sale securities					480		
Net increase in foreign currency translation adjustments						228	
BALANCE, MARCH 31, 2006	39,131	5,220	5,224	13,639	759	(506)	(2)
Net income				1,722			
Cash dividends, ¥12 per share				(470)			
Bonuses to directors				(35)			
Net increase in unrealized gain on available-for-sale securities					126		
Net increase in foreign currency translation adjustments						308	
Increase in treasury stock (250 shares)							
BALANCE, MARCH 31, 2007	39,131	5,220	5,224	14,856	885	(198)	(2)
Net income				435			
Cash dividends, ¥12 per share				(469)			
Net decrease in unrealized gain on available-for-sale securities					(63)		
Net decrease in foreign currency translation adjustments						(364)	
Increase in treasury stock (1,600 shares)							(1)
BALANCE, MARCH 31, 2008	39,131	¥5,220	¥5,224	¥14,822	¥822	¥(562)	¥(3)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock– At Cost
BALANCE, MARCH 31, 2007	$52,102	$52,140	$148,280	$8,836	$(1,977)	$(20)
Net income			4,341			
Cash dividends, $0.12 per share			(4,686)			
Net decrease in unrealized gain on available-for-sale securities				(635)		
Net decrease in foreign currency translation adjustments					(3,630)	
Increase in treasury stock (1,600 shares)						(8)
BALANCE, MARCH 31, 2008	$52,102	$52,140	$147,935	$8,201	$(5,607)	$(28)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	2008
OPERATING ACTIVITIES:				
Income before income taxes	¥ 923	¥2,741	¥1,741	$ 9,213
Adjustments for:				
Income taxes paid	(1,102)	(660)	(1,048)	(11,003)
Depreciation and amortization	4,737	3,897	4,300	47,275
Loss on sales and disposals of property, plant and equipment	132	70	90	1,315
Bonuses to directors		(35)	(40)	
Changes in assets and liabilities:				
Increase (decrease) in allowance for doubtful accounts	(1)	16	(11)	(11)
Increase (decrease) in liability for retirement benefits	(181)	(353)	361	(1,803)
Increase (decrease) in interest payable	5	1	(2)	49
Decrease in notes and accounts receivable	390	387	993	3,897
Decrease (increase) in inventories	(685)	213	100	(6,835)
Increase (decrease) in notes and accounts payable	(1,050)	976	901	(10,476)
Other — net	(985)	93	(337)	(9,829)
Total adjustments	1,260	4,605	5,307	12,579
Net cash provided by operating activities	2,183	7,346	7,048	21,792
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	(4,076)	(2,948)	(3,674)	(40,678)
Proceeds from sales of property, plant and equipment	14	14	4	136
Purchases of investment securities	(2)	(2)	(2)	(20)
Collection of loans receivable	16	16	163	156
Other — net	(173)	(171)	64	(1,725)
Net cash used in investing activities	(4,221)	(3,091)	(3,445)	(42,131)
FINANCING ACTIVITIES:				
Net change in short-term bank loans	800	(1,636)	(1,736)	7,985
Proceeds from long-term debt			306	
Repayments of long-term debt	(184)	(214)	(743)	(1,841)
Repurchase of treasury stock	(1)			(8)
Cash dividends paid	(469)	(469)	(469)	(4,682)
Other — net	(12)	(7)		(119)
Net cash provided by (used in) financing activities	134	(2,326)	(2,642)	1,335
FORWARD	¥(1,904)	¥1,929	¥ 961	$(19,004)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	2008
FORWARD	¥(1,904)	¥1,929	¥ 961	$(19,004)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(33)	20	8	(332)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,937)	1,949	969	(19,336)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,577	4,628	3,659	65,648
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,640	¥6,577	¥4,628	$ 46,312

See notes to consolidated financial statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 and 2006 consolidated financial statements to conform to the classifications used in 2008.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** — The consolidated financial statements as of March 31, 2008 include the accounts of the Company and all subsidiaries (together the "Companies").

Since the year ended March 31, 2008, NJR SHANGHAI CO., LTD. is newly consolidated.

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

All significant intercompany balances and transactions have been eliminated in consolidation.
All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. ***Cash and Cash Equivalents*** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

c. ***Foreign Currency Transactions*** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

d. Foreign Currency Financial Statements — Financial statements of foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date for all balance sheet accounts except for equity, which are translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

e. Marketable and Investment Securities — All marketable securities the Companies own are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Inventories — Merchandise and finished goods are stated at cost determined by the moving-average method. Raw materials are stated at cost determined by the average method. Work in process is stated at cost, determined by the average method, or using the specific identification method. Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market determined by the average method.

g. Property, Plant and Equipment — Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment of the Companies is computed by the declining-balance method at rates based upon the usage of the assets over the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, of the Company and its domestic subsidiaries.

Estimated useful lives are as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 17 years
Furniture and fixtures	1 to 20 years

Property, plant and equipment acquired on and after April 1, 2007 are depreciated in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007.

The effect of this treatment was to decrease income before income taxes for the year ended March 31, 2008 by ¥232 million ($2,321 thousand).

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law.

The effect of this treatment was to decrease income before income taxes for the year ended March 31, 2008 by ¥399 million ($3,982 thousand).

h. ***Long-lived Assets*** — The Companies review its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. ***Other Assets*** — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 10 years for intangible assets.

j. ***Retirement Benefits*** — Since April 1, 2007, the Company has a cash balance pension plan covering employees with 20 years or more of service, or employees retiring over the age of 55 with 15 years or more of service.

The Companies accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The Company has provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with the Company's rules and has included this amount in the liability for retirement benefits.

k. ***Allowance for Doubtful Accounts*** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

l. ***Bonuses to Directors and Corporate Auditors*** — Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

m. ***Presentation of Equity*** — On December 9, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheets as of March 31, 2008 and 2007 are presented in line with this new accounting standard.

n. ***Research and Development Costs*** — Research and development costs are charged to income as incurred.

o. ***Income Taxes*** — The provision for income taxes is computed based upon pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to temporary differences.

The Companies file a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

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

q. *Derivative Financial Instruments*—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange rate risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount. The Companies do not enter into derivatives for trading or speculative purposes.

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

r. *Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The average number of common shares used in the computation was 39,127,908 shares, 39,128,768 shares and 39,128,774 shares for 2008, 2007 and 2006, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. *New Accounting Pronouncements*

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

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

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

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

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

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

Asset Retirement Obligations — On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥2,701	¥2,812	$26,959
Trust fund investments and other	7	7	70
Total	¥2,708	¥2,819	$27,029

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

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale — Equity securities	¥1,322	¥1,386	¥7	¥2,701
Total	¥1,322	¥1,386	¥7	¥2,701

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale — Equity securities	¥1,326	¥1,487	¥1	¥2,812
Total	¥1,326	¥1,487	¥1	¥2,812

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale — Equity securities	$13,195	$13,834	$70	$26,959
Total	$13,195	$13,834	$70	$26,959

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale — Equity securities	¥7	¥7	$70
Total	¥7	¥7	$70

Sales of marketable and investment securities at March 31, 2008, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
The amount of sale	¥9	$88
The amount of a gain on sale	4	43

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise	¥ 56	¥ 49	$ 561
Finished goods	5,142	5,119	51,324
Work in process	7,950	7,502	79,351
Raw materials	1,083	1,099	10,807
Supplies	1,095	1,048	10,924
Total	¥15,326	¥14,817	$152,967

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2008 and 2007, consisted of notes to banks. The annual weighted average interest rates for short-term bank loans for the years ended March 31, 2008 and 2007, were 1.36 percent and 1.08 percent, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Loans from banks and other financial institutions, due serially to 2011 with interest rates ranging from 1.05 to 1.60 percent (2008) and from 1.05 to 1.40 percent (2007):			
Collateralized	**¥ 88**	¥ 184	**$ 878**
Unsecured	**174**	277	**1,735**
Total	**262**	461	**2,613**
Less current portion	**(171)**	(186)	**(1,704)**
Long-term debt, less current portion	**¥ 91**	¥ 275	**$ 909**

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥171	$1,704
2010	61	606
2011	30	303
Total	¥262	$2,613

The carrying amount of assets pledged as the above collateralized long-term debt at March 31, 2008, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment — net of accumulated depreciation	¥4,726	$47,167

6. RETIREMENT BENEFITS

The Company and its domestic subsidiaries maintain pension plans for their employees. The plans provide for lump-sum payments to terminated employees who have two years or more of continuous service.

Since April 1, 2007, the Company has a cash balance pension plan covering employees with 20 years or more of service, or employees retiring over the age of 55 with 15 years or more of service.

Certain foreign subsidiaries have a contributory funded pension plan covering only employees who have one year or more continuous service.

Retirement allowances for employees are determined on the basis of length of service and current basic salary at the time of termination. If the termination is involuntary, the employee is usually entitled to greater payment than in the case of voluntary termination.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥14,759	¥14,410	$147,313
Fair value of plan assets	(4,791)	(4,764)	(47,820)
Unrecognized actuarial loss	(1,314)	(806)	(13,115)
Net liability	¥ 8,654	¥8,840	$ 86,378

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Service cost	¥ 835	¥873	¥ 810	$ 8,332
Interest cost	360	363	345	3,594
Expected return on plan assets	(119)	(87)	(133)	(1,188)
Amortization of prior service cost		(993)		
Recognized actuarial loss	105	108	146	1,053
Net periodic benefit costs	¥1,181	¥264	¥1,168	$11,791

Assumptions used for the years ended March 31, 2008 and 2007, are set forth as follows:

	2008	2007
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.0%
Recognition period of actuarial gain/loss	15 years	15 years
Amortization period of prior service cost	1 year	1 year

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥283 million ($2,822 thousand) and ¥278 million at March 31, 2008 and 2007, respectively. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4 percent for the years ended March 31, 2008 and 2007.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current			
Deferred tax assets:			
Inventories	¥ 152	¥ 161	$1,523
Accrued bonuses	793	818	7,911
Accrued enterprise tax	7	64	68
Others	159	164	1,586
Valuation allowance	(4)	(6)	(34)
Total	1,107	1,201	11,054
Deferred tax liabilities:			
Inventories	95	103	949
Others	12		120
Total	107	103	1,069
Net deferred tax assets	¥1,000	¥1,098	$9,985
Non-current			
Deferred tax assets:			
Liability for retirement benefits	¥3,597	¥3,650	$35,907
Tax loss carryforwards	208	137	2,074
Others	130	143	1,298
Valuation allowance	(228)	(182)	(2,277)
Total	3,707	3,748	37,002
Offset with deferred tax liabilities	(613)	(714)	(6,116)
Net deferred tax assets	¥3,094	¥3,034	$30,886
Deferred tax liabilities:			
Special reserve for tax purposes		¥ 7	
Undistributed earnings of subsidiaries	¥ 54	104	$ 537
Unrealized gain on available-for-sale securities	559	601	5,579
Others	1	2	9
Total	614	714	6,125
Offset with deferred tax assets	(613)	(714)	(6,116)
Net deferred tax liabilities	¥ 1		$ 9

The non-current net deferred tax liabilities are reflected in the consolidated balance sheets under "Other long-term liabilities."

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2008, 2007 and 2006, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2008	2007	2006
Normal effective statutory tax rate	40.4%	40.4%	40.4%
Taxation on per capita basis	1.6	0.6	0.9
Expenses not deductible for income tax purposes	6.3	(0.5)	(0.3)
Lower income tax rates applicable to income in certain foreign countries	(3.5)	0.4	(0.2)
Valuation allowance	8.7	1.3	4.0
Tax deduction of research and development	(3.5)	(5.6)	(7.0)
Others — net	2.9	0.6	(2.0)
Actual effective tax rate	52.9%	37.2%	35.8%

At March 31, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥691 million ($6,901 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥113	$1,134
2010	287	2,862
2011	86	856
2012	108	1,075
2013 and thereafter	97	974
Total	¥691	$6,901

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,098 million ($60,867 thousand), ¥6,183 million and ¥6,305 million for the years ended March 31, 2008, 2007 and 2006, respectively.

10. OTHER INCOME (EXPENSES) — OTHER — NET

Other income (expenses) — other — net consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Loss on damages	¥(30)	¥(92)	¥(50)	$(300)
Gain on sales of property, plant and equipment	8	10	4	80
Gain on sales of investment securities	4		64	43
Loss on disposal of long-term prepaid expenses			(60)	
Reversal of allowance for doubtful account	1		11	9
Other — net	33	62	43	329
Total	¥ 16	¥(20)	¥ 12	$ 161

11. LEASES

The Company and domestic subsidiaries have several lease agreements relating to office space, computer equipment and circuit equipment. Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the Company and domestic subsidiaries were ¥158 million ($1,581 thousand), ¥185 million and ¥218 million for the years ended March 31, 2008, 2007 and 2006, respectively.

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

	Millions of Yen				Thousands of U.S. Dollars			
	2008				2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥39	¥303	¥280	¥622	$385	$3,032	$2,793	$6,210
Accumulated depreciation	18	165	143	326	178	1,651	1,431	3,260
Net leased property	¥21	¥138	¥137	¥296	$207	$1,381	$1,362	$2,950

	Millions of Yen			
	2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥41	¥404	¥352	¥797
Accumulated depreciation	15	234	150	399
Net leased property	¥26	¥170	¥202	¥398

Obligations under finance leases as of March 31, 2008 and 2007, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥121	¥147	$1,206
Due after one year	181	257	1,804
Total	¥302	¥404	$3,010

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases for the years ended March 31, 2008, 2007 and 2006, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Depreciation expense	¥151	¥177	¥210	$1,509
Interest expense	8	9	7	73
Total	¥159	¥186	¥217	$1,582

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight line-method and the interest method, respectively.

12. DERIVATIVES

The Company enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and forecasted transactions.

All derivative transactions are entered into to hedge foreign currency exposures incorporated with its financing activities. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Company had no derivatives contracts outstanding at March 31, 2008 and 2007.

13. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2008, 2007 and 2006, is as follows:

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2008, 2007 and 2006 resulted from the primary business of the Companies, which is to manufacture and sell electronics devices such as electron tubes and semiconductor devices.

(2) Geographical Segments

The segment information is grouped by geographic area based on the countries and areas where the Companies are located. The segments mainly consist of the following countries:

Asia:
For 2008 — Thailand, Singapore, China
For 2007 and 2006 — Thailand, Singapore
North America — United States of America

The geographical segments of the Companies for the years ended March 31, 2008, 2007 and 2006, are summarized as follows:

Sales:	Millions of Yen 2008 Japan	Asia	North America	Eliminations or Corporate	Consolidated
To customers	¥53,065	¥4,685	¥2,693		¥60,443
Interarea transfers	6,502	7,682	12	¥(14,196)	
Total	59,567	12,367	2,705	(14,196)	60,443
Operating expenses	52,005	12,558	2,684	(8,346)	58,901
Operating income (loss)	¥ 7,562	¥ (191)	¥ 21	¥ (5,850)	¥ 1,542
Total assets	¥48,824	¥3,800	¥ 457	¥ 4,996	¥58,077

Sales:	Thousands of U.S. Dollars 2008 Japan	Asia	North America	Eliminations or Corporate	Consolidated
To customers	$529,652	$46,759	$26,877		$603,288
Interarea transfers	64,892	76,674	123	$(141,689)	
Total	594,544	123,433	27,000	(141,689)	603,288
Operating expenses	519,072	125,336	26,793	(83,303)	587,898
Operating income (loss)	$ 75,472	$(1,903)	$ 207	$ (58,386)	$ 15,390
Total assets	$487,317	$37,928	$ 4,557	$ 49,862	$ 579,664

Sales:	Millions of Yen 2007 Japan	Asia	North America	Eliminations or Corporate	Consolidated
To customers	¥53,413	¥4,772	¥2,541		¥ 60,726
Interarea transfers	6,528	6,929	93	¥ (13,550)	
Total	59,941	11,701	2,634	(13,550)	60,726
Operating expenses	51,916	11,829	2,665	(7,523)	58,887
Operating income (loss)	¥8,025	¥(128)	¥ (31)	¥ (6,027)	¥ 1,839
Total assets	¥48,850	¥4,492	¥ 602	¥ 6,417	¥60,361

	Millions of Yen				
	2006				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥52,967	¥4,617	¥2,749		¥60,333
Interarea transfers	6,236	6,210	192	¥(12,638)	
Total	59,203	10,827	2,941	(12,638)	60,333
Operating expenses	51,554	10,904	2,890	(6,770)	58,578
Operating income (loss)	¥ 7,649	¥ (77)	¥ 51	¥ (5,868)	¥ 1,755
Total assets	¥49,228	¥4,231	¥ 674	¥ 4,779	¥58,912

Notes: 1. The unallocated operating expenses for the years ended March 31, 2008, 2007 and 2006, amounting to ¥5,911 million ($58,995 thousand), ¥5,966 million and ¥5,759 million, respectively, are included in "Eliminations or Corporate" column, which mainly consisted of administration expenses of the Company.

2. The corporate assets at March 31, 2008, 2007 and 2006, amounting to ¥8,252 million ($82,363 thousand), ¥9,974 million and ¥8,330 million, respectively, are included in "Eliminations or Corporate" column, and consisted primarily of funds held by the Company for investing purposes (cash, time deposits, marketable securities and investment securities) and assets held for administration of the Company.

3. As mentioned in Note 2.g, property, plant and equipment acquired on and after April 1, 2007, were depreciated in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007.

   The effect of this change was to decrease operating income in Japan by ¥230 million ($2,297 thousand) and was to increase the unallocated operating expenses included "Eliminations or Corporate" column by ¥2 million ($24 thousand) for the year ended March 31, 2008.

4. As mentioned in Note 2.g, property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law.

   The effect of this change was to decrease operating income of Japan by ¥398 million ($3,974 thousand) and was to increase the unallocated operating expenses included "Eliminations or Corporate" column by ¥1 million ($8 thousand) for the year ended March 31, 2008.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2008, 2007 and 2006, amounted to 27,254 million ($272,027 thousand), ¥28,604 million and ¥28,704 million, respectively, and accounted for 45.1 percent, 47.1 percent and 47.6 percent, respectively, of the consolidated net sales.

The segment information is grouped by geographic area based on the countries and regions where the Companies' customers are located. The segments mainly consist of the following countries and regions:

Asia	— Hong Kong, Republic of Korea, Taiwan, Singapore, Malaysia
North America	— United States of America
Europe	— United Kingdom, Holland, Germany, Italy
Other	— Israel, Mexico

	Millions of Yen				
	2008				
	Asia	North America	Europe	Other	Total
Sales	¥20,569	¥3,365	¥1,548	¥1,772	¥27,254

	Thousands of U.S. Dollars				
	2008				
	Asia	North America	Europe	Other	Total
Sales	$205,306	$33,583	$15,450	$17,688	$272,027

	Millions of Yen				
	2007				
	Asia	North America	Europe	Other	Total
Sales	¥19,873	¥4,877	¥1,570	¥2,284	¥28,604

	Millions of Yen				
	2006				
	Asia	North America	Europe	Other	Total
Sales	¥20,454	¥4,477	¥1,589	¥2,184	¥28,704

14. RELATED PARTY TRANSACTIONS

Transactions with and balances due from and to directors for the year ended March 31, 2008 are not disclosed because they are immaterial.

15. STOCK OPTIONS

The stock options outstanding as of March 31, 2008 and 2007 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	17 directors 1 employee	131,000 shares	June 27, 2003	¥995 ($9.93)	From January 7, 2004 to December 20, 2007

The stock option activity is as follows:

	2003 Stock Option
	(Shares)
For the Year Ended March 31, 2007	
Vested:	
March 31, 2006 — outstanding	131,000
Cancelled	7,000
March 31, 2007 — outstanding	124,000
For the Year Ended March 31, 2008	
Vested:	
March 31, 2007 — outstanding	124,000
Cancelled	124,000
March 31, 2008 — outstanding	

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2008	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	¥ 435	39,128	¥11.12	$0.11
Year Ended March 31, 2007				
Basic EPS — Net income available to common shareholders	¥1,722	39,129	¥44.00	
Year Ended March 31, 2006				
Basic EPS-Net income available to common shareholders	¥1,083	39,129	¥27.69	
Effect of dilutive securities — Warrants		3		
Diluted EPS — Net income for computation	¥1,083	39,132	¥27.69	

Diluted net income per share is not disclosed because it is anti-dilutive.

17. SUBSEQUENT EVENT

At the general shareholders meeting of the Company held on June 27, 2008, the appropriation of retained earnings was duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.0 ($0.06) per share	¥235	$2,343