Vitec Co., Ltd. and Consolidated Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vitec Co., Ltd.:

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

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

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

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

June 25, 2008

Vitec Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
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	¥ 3,024	¥ 2,293	$ 30,183
Receivables:			
Trade notes	105	208	1,048
Trade accounts (Note 14)	22,721	19,407	226,779
Other	268	300	2,675
Allowance for doubtful receivables	(19)	(4)	(190)
Inventories (Note 3)	4,936	5,321	49,266
Deferred tax assets (Note 9)	107	243	1,068
Prepaid expenses and other	538	212	5,370
Total current assets	31,680	27,980	316,199
PROPERTY, PLANT AND EQUIPMENT:			
Land	2,370	2,160	23,655
Buildings and structures	2,182	1,851	21,779
Machinery and equipment	984	1,311	9,821
Furniture and fixtures	400	393	3,992
Total	5,936	5,715	59,247
Accumulated depreciation	(1,704)	(1,687)	(17,007)
Net property, plant and equipment	4,232	4,028	42,240
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	745	1,193	7,436
Investments in and advances to unconsolidated subsidiaries		117	
Long-term loans	1,085	1,729	10,829
Goodwill	122	158	1,218
Guarantee deposits	810	814	8,085
Deferred tax assets (Note 9)	1,820	2,107	18,165
Other assets	391	1,249	3,902
Allowance for doubtful accounts	(457)	(1,201)	(4,561)
Total investments and other assets	4,516	6,166	45,074
TOTAL	¥ 40,428	¥ 38,174	$ 403,513

LIABILITIES AND EQUITY	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 6,729	¥ 9,416	$ 67,162
Current portion of long-term debt (Note 6)	330	663	3,294
Payables:			
Trade notes	78	105	779
Trade accounts (Note 14)	23,442	18,282	233,975
Other	195	269	1,946
Income taxes payable	57	160	569
Accrued bonuses	180	173	1,797
Accrued expenses and other	193	340	1,926
Total current liabilities	31,204	29,408	311,448
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	65	395	649
Liability for retirement benefits (Note 7)	437	199	4,362
Other	35	3	349
Total long-term liabilities	537	597	5,360
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 11)			
EQUITY (Notes 8 and 15):			
Common stock—authorized, 28,200,000 shares; issued, 12,076,358 shares in 2008 and 2007	4,504	4,504	44,955
Capital surplus	1,699	1,699	16,958
Retained earnings	2,215	1,467	22,108
Unrealized loss on available-for-sale securities	(188)	(42)	(1,876)
Foreign currency translation adjustments	46	87	458
Treasury stock—at cost, 176,152 shares in 2008 and 34,942 shares in 2007	(124)	(33)	(1,238)
Total	8,152	7,682	81,365
Minority interests	535	487	5,340
Total equity	8,687	8,169	86,705
TOTAL	¥ 40,428	¥ 38,174	$ 403,513

See notes to consolidated financial statements.

Vitec Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥ 142,454	¥ 109,068	$ 1,421,839
COST OF SALES	135,441	103,210	1,351,842
Gross profit	7,013	5,858	69,997
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,609	4,168	46,003
Operating income	2,404	1,690	23,994
OTHER INCOME (EXPENSES):			
Interest and dividend income	115	86	1,148
Interest expense	(141)	(178)	(1,407)
Foreign exchange loss	(138)	(76)	(1,377)
Gain (loss) on valuation of derivatives	(66)	38	(659)
Income from lease	108	84	1,078
Loss on sales of trade accounts	(195)	(82)	(1,946)
Loss on disposals of property, plant and equipment	(146)	(49)	(1,457)
Loss on sales of property, plant and equipment	(56)	(2)	(559)
Depreciation on rental machinery	(77)	(86)	(769)
Provision of allowance for doubtful receivables	(78)	(5)	(779)
Loss on impairment of long-lived assets (Note 4)	(18)	(5)	(180)
Gain on sales of investment securities	19	172	190
Loss on valuation of investment securities	(39)	(22)	(389)
Loss on disposition of long-term prepaid expenses		(158)	
Other—net	24	(143)	239
Other expenses—net	(688)	(426)	(6,867)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,716	1,264	17,127
INCOME TAXES (Note 9):			
Current	130	163	1,298
Deferred	522	251	5,210
Total income taxes	652	414	6,508
MINORITY INTERESTS IN NET INCOME	(75)	(134)	(748)
NET INCOME	¥ 989	¥ 716	$ 9,871

(Continued)

Vitec Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2008 and 2007

	Yen		U.S. Dollars
	2008	2007	2008
PER SHARE OF COMMON STOCK (Notes 2.n and 12):			
Basic net income	¥82.40	¥59.47	$0.82
Cash dividends applicable to the year	20.00	20.00	0.20

See notes to consolidated financial statements.

(Concluded)

Vitec Co., Ltd. and Consolidated Subsidiaries

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

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	12,041	¥ 4,504	¥ 1,699	¥ 993	¥ 46	¥ 81	¥ (33)	¥ 7,290		¥ 7,290
Reclassified balance as of March 31, 2006 (Note 2.h)									¥ 352	352
Adjustment of retained earnings for newly consolidated subsidiaries				(1)				(1)	(1)	(2)
Net income				716				716		716
Cash dividends, ¥20 per share				(241)				(241)		(241)
Net change in the year					(88)	6		(82)	136	54
BALANCE, MARCH 31, 2007	12,041	4,504	1,699	1,467	(42)	87	(33)	7,682	487	8,169
Net income				989				989		989
Purchase of treasury stock	(141)						(91)	(91)		(91)
Cash dividends, ¥20 per share				(241)				(241)		(241)
Net change in the year					(146)	(41)		(187)	48	(139)
BALANCE, MARCH 31, 2008	11,900	¥ 4,504	¥ 1,699	¥ 2,215	¥ (188)	¥ 46	¥ (124)	¥ 8,152	¥ 535	¥ 8,687

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	$ 44,955	$ 16,958	$ 14,642	$ (419)	$ 868	$ (330)	$ 76,674	$ 4,861	$ 81,535
Net income			9,871				9,871		9,871
Purchase of treasury stock						(908)	(908)		(908)
Cash dividends, $0.20 per share			(2,405)				(2,405)		(2,405)
Net change in the year				(1,457)	(410)		(1,867)	479	(1,388)
BALANCE, MARCH 31, 2008	$ 44,955	$ 16,958	$ 22,108	$ (1,876)	$ 458	$ (1,238)	$ 81,365	$ 5,340	$ 86,705

See notes to consolidated financial statements.

Vitec Co., Ltd. and Consolidated Subsidiaries

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,716	¥ 1,264	$ 17,127
Adjustments for:			
Income taxes—paid	(236)	(96)	(2,356)
Depreciation and amortization	244	258	2,435
Loss on impairment of long-lived asset	18	5	180
(Gain) loss on valuation of derivatives	66	(38)	659
Loss on disposition of long-term prepaid expenses		158	
Loss on disposals of property, plant and equipment	146	49	1,457
Changes in assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries:			
Increase in notes and accounts receivable	(3,479)	(2,202)	(34,724)
Increase in allowance for doubtful receivables	88	4	878
(Increase) decrease in inventories	294	(913)	2,934
Increase (decrease) in employee's retirement benefits	239	(68)	2,385
Increase (decrease) in notes and accounts payable	5,483	(4,077)	54,726
Other—net	(338)	482	(3,371)
Total adjustments	2,525	(6,438)	25,203
Net cash provided by (used in) operating activities	4,241	(5,174)	42,330
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(81)	(50)	(808)
Purchases of investment securities	(2)	(142)	(20)
Proceeds from investment securities	183	423	1,827
Proceeds from long-term receivable	56	56	559
Other—net	(24)	(21)	(241)
Net cash provided by investing activities	132	266	1,317
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	(2,592)	6,164	(25,871)
Repayments of long-term debt	(164)	(163)	(1,637)
Redemption of straight bonds	(500)	(500)	(4,991)
Purchase of treasury stock	(91)		(908)
Dividends paid	(240)	(240)	(2,395)
Net cash provided by (used in) financing activities	(3,587)	5,261	(35,802)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(55)	52	(549)
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 731	¥ 405	$ 7,296

(Continued)

Vitec Co., Ltd. and Consolidated Subsidiaries

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 731	¥ 405	$ 7,296
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		19	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,293	1,869	22,887
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,024	¥ 2,293	$ 30,183

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Vitec Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥100.19 to $1, the approximate rate of exchange at March 31, 2008. Such translation should not be construed as representation 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 and 2007 include the accounts of the Company and its 10 significant subsidiaries (together, the "Group").

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 Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in an unconsolidated subsidiary recorded in 2007 is stated at cost. If the equity method of accounting had been applied to the investment in the company, the effect on the accompanying consolidated financial statements would not be material. The unconsolidated company was liquidated during the period, and accordingly, none are applicable to the consolidated financial statements for the year ended March 31, 2008.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 10 years.

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

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

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories***—Inventories are stated at the lower of cost, determined by the average method, or market.

d. ***Investment Securities***—Securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group has neither trading securities nor held-to-maturity debt securities.

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.

e. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings of the Company and its consolidated domestic subsidiaries acquired after April 1, 1998, and all property, plant and equipment of consolidated foreign subsidiaries. The ranges of useful lives at March 31, 2008 and 2007 are principally as follows:

	2008	2007
Buildings and structures	3–50 years	8–50 years
Machinery and equipment	2–15 years	2–15 years
Furniture and fixtures	3–20 years	3–20 years

f. ***Long-lived Assets***—The Group reviews 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.

g. ***Retirement and Pension Plans***—The Company has a non-contributory funded pension plan covering substantially all of its employees. Certain consolidated domestic subsidiaries have non-contributory and contributory funded pension plans and lump-sum severance payment plans covering substantially all of their employees.

An unfunded pension obligation (that is the accumulated benefit obligation over the fair value of pension plan assets) is stated as liability for retirement benefits.

Retirement benefits to directors are provided at the amount which would be required if all directors retired at the balance sheet date.

h. ***Presentation of Equity***—On December 9, 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 5, "Accounting Standard for Presentation of Equity." Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

i. ***Leases***—All leases are accounted for as operating 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 financial statements.

j. ***Income Taxes***—The provision for income taxes is computed based on the 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 basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. ***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 rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

l. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date.

m. ***Derivatives and Hedging Activities***—The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and interest rate caps are utilized by the Company and certain consolidated subsidiaries to reduce foreign currency exchange and interest rate risks. The Company and its consolidated subsidiaries do not enter into derivatives for trading purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives, except those which qualify for hedge accounting, are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statements of income 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.

Trade receivables or payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

n. ***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.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted net income per share for the years ended March 31, 2008 and 2007 is not disclosed because it is anti-dilutive.

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.

o. ***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.

Lessee

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.

3. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise	¥ 4,930	¥ 5,320	$ 49,206
Products	6	1	60
Total	¥ 4,936	¥ 5,321	$ 49,266

4. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2008 and, as a result, recognized an impairment loss of ¥18 million ($180 thousand) as other expense for idle assets of the Hakone land. Due to the decline in land prices the carrying amount was written down to the recoverable amount for the year ended March 31, 2008. The recoverable amount of an asset is estimated based on the net amount that the asset could be sold for (net selling amount). In the case of land, the net selling amount is estimated by appraisal based on real estate appraisal standards. No impairment loss was recognized in 2007.

5. INVESTMENT SECURITIES

Investment securities as of 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	¥ 548	¥ 893	$ 5,470
Non-marketable equity securities	197	300	1,966
Total	¥ 745	¥ 1,193	$ 7,436

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	¥ 900		¥ 352	¥ 548

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥ 962	¥ 6	¥ 75	¥ 893

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	$ 8,983		$ 3,513	$ 5,470

Available-for-sale securities whose fair value was 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	¥ 197	¥ 300	$ 1,966

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥183 million ($1,827 thousand) and ¥423 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2008 and 2007 were ¥19 million ($190 thousand) and ¥172 million, respectively. Gross realized losses on these sales, computed on the moving average cost basis, for the year ended March 31, 2007 were ¥78 million.

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

Short-term bank loans at March 31, 2008 and 2007 consisted of overdrafts to banks. The annual interest rates applicable to the short-term bank loans ranged from 1.07% to 3.87% and from 0.94% to 5.83% at March 31, 2008 and 2007, 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
Unsecured 0.44% yen straight bonds due 2008, guaranteed by a bank		¥ 300	
Unsecured 0.73% yen straight bonds due 2009, guaranteed by a bank	¥ 200	400	$ 1,996
Unsecured loans from banks, due serially to 2009 with interest rate of 2.25%	195	325	1,947
Unsecured loans from life insurance company, due serially to 2008 with interest rate of 1.1%		33	
Total	395	1,058	3,943
Less current portion	(330)	(663)	(3,294)
Total	¥ 65	¥ 395	$ 649

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 330	$ 3,294
2010	65	649
Total	¥ 395	$ 3,943

7. RETIREMENT AND PENSION PLANS

The Company and its consolidated domestic subsidiaries have severance payment plans for employees and directors.

The Company has a non-contributory funded pension plan, which covers substantially all employees of the Company. The plan provides for a lump-sum payment to terminated employees with less than 20 years of participation in the plan. For those employees with participation of 20 years or more, either a lump-sum payment or an annuity are available at the option of the employee under certain circumstances.

Certain consolidated domestic subsidiaries have various non-contributory and contributory plans and other retirement benefit plans.

The liability for retirement benefits at March 31, 2008 and 2007 for directors was ¥167 million ($1,667 thousand) and ¥140 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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	¥ 609	¥ 401	$ 6,079
Fair value of plan assets	(339)	(342)	(3,384)
Liability for employees' retirement benefits	¥ 270	¥ 59	$ 2,695

The benefit costs for the years ended March 31, 2008 and 2007 were ¥268 million ($2,675 thousand) and ¥56 million, respectively.

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. The Company meets 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 equity after dividends must be maintained at no less than ¥3 million.

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2008 and 2007.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current:			
Deferred tax assets:			
Allowance for doubtful receivables	¥ 2	¥ 115	$ 20
Accrued bonuses	70	67	699
Inventories	16	125	160
Tax loss carryforwards		32	
Other	19	17	189
Less valuation allowance		(113)	
Deferred tax assets—current	¥ 107	¥ 243	$ 1,068

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Deferred tax assets:			
Allowance for doubtful receivables	¥ 185	¥ 324	$ 1,846
Liability for retirement benefits	172	76	1,717
Loss on valuation of investments securities	106	113	1,058
Loss on impairment of long-lived assets	106	111	1,058
Unrealized loss on available-for-sale securities	128	28	1,277
Tax loss carry forwards	1,651	2,199	16,479
Other	46	57	459
Less valuation allowance	(574)	(801)	(5,729)
Net deferred tax assets—non-current	¥ 1,820	¥ 2,107	$ 18,165

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

	2008	2007
Normal effective statutory tax rate	41 %	41 %
Expenses not deductible for income tax purposes	10	4
Per capita levy of local taxes	1	1
Foreign tax deductible as expenses	3	
Tax benefits not recognized on operating losses of subsidiaries	(1)	(0)
Differences in tax rates in comparison with foreign subsidiaries	(3)	(4)
Valuation allowance	(13)	(10)
Other—net		1
Actual effective tax rate	38 %	33 %

At March 31, 2008, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥4,077 million ($40,693 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 2,484	$ 24,793
2011	625	6,238
2014	968	9,662
Total	¥ 4,077	$ 40,693

10. LEASES

The Group leases certain computer equipment, vehicles and other assets.

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥36 million ($359 thousand) and ¥48 million for the years ended March 31, 2008 and 2007, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under 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			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other Assets	Total
Acquisition cost	¥ 95	¥ 22	¥ 19	¥ 136
Accumulated depreciation	42	14	14	70
Net leased property	¥ 53	¥ 8	¥ 5	¥ 66

	Millions of Yen			
	2007			
	Machinery and Equipment	Furniture and Fixtures	Other Assets	Total
Acquisition cost	¥ 85	¥ 52	¥ 35	¥ 172
Accumulated depreciation	22	32	26	80
Net leased property	¥ 63	¥ 20	¥ 9	¥ 92

	Thousands of U.S. Dollars			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other Assets	Total
Acquisition cost	$ 948	$ 220	$ 190	$ 1,358
Accumulated depreciation	419	140	140	699
Net leased property	$ 529	$ 80	$ 50	$ 659

Obligations under finance leases which included the imputed interest expense portion as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 30	¥ 32	$ 299
Due after one year	36	60	360
Total	¥ 66	¥ 92	$ 659

11. DERIVATIVES

The Company and certain consolidated subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company and certain consolidated subsidiaries also enter into interest rate swap and interest rate cap contracts to manage their interest rate exposures on certain liabilities.

It is the Company's and certain of its consolidated subsidiaries' policy to use derivatives for the purposes of reducing market risks associated with assets and liabilities and improving their financial position. The Company and certain of its consolidated subsidiaries do not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company and certain of its consolidated subsidiaries do not anticipate any losses arising from credit risk.

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

The Group had the following derivatives contracts outstanding at March 31, 2008 and 2007:

	Millions of Yen					
	2008			2007		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:						
Selling U.S.$	¥ 112	¥ 112		¥ 45	¥ 45	
Buying U.S.$	114	117	¥ 3	176	176	
Interest rate swaps—Fixed rate payment, floating rate receipt	1,000	(34)	(34)			
Interest caps—Buying	2,000	13	(35)	1,000	1	¥1

	Thousands of U.S. Dollars		
	2008		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:			
Selling U.S.$	$ 1,118	$ 1,118	
Buying U.S.$	1,138	1,168	$ 30
Interest rate swaps—Fixed rate payment, floating rate receipt	9,981	(339)	(339)
Interest caps—Buying	19,962	130	(349)

The contracts which qualify for hedge accounting for the years ended March 31, 2008 and 2007 are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Company and certain consolidated subsidiaries exposure to credit or market risk.

12. NET INCOME PER SHARE

Diluted net income per share for the years ended March 31, 2008 and 2007 is not disclosed because it is anti-dilutive.

13. SEGMENT INFORMATION

The Group primarily operates as distributors of semiconductors and electronic devices.

Industry segment information is not required to be disclosed as either sales, operating income and assets of this segment exceed 90% of total segment sales (including intersegment sales or transfers), operating income of all segments which did not record any operating loss, and total segment assets, respectively.

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

(1) Geographical Segments

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

	Millions of Yen				
	2008				
	Japan	Asia	Others	Eliminations or Corporate	Consolidated
Sales to customers	¥ 107,778	¥ 34,306	¥ 370		¥ 142,454
Interarea transfer	8,356	76	2	¥ (8,434)	
Total sales	116,134	34,382	372	(8,434)	142,454
Operating expenses	114,296	33,811	377	(8,434)	140,050
Operating income (loss)	¥ 1,838	¥ 571	¥ (5)		¥ 2,404
Total assets	¥ 35,596	¥ 9,032	¥ 58	¥ (4,258)	¥ 40,428

	Thousands of U.S. Dollars				
	2008				
	Japan	Asia	Others	Eliminations or Corporate	Consolidated
Sales to customers	$ 1,075,736	$ 342,410	$ 3,693		$ 1,421,839
Interarea transfer	83,402	758	20	$ (84,180)	
Total sales	1,159,138	343,168	3,713	(84,180)	1,421,839
Operating expenses	1,140,793	337,469	3,763	(84,180)	1,397,845
Operating income (loss)	$ 18,345	$ 5,699	$ (50)		$ 23,994
Total assets	$ 355,285	$ 90,148	$ 579	$ (42,499)	$ 403,513

	Millions of Yen				
	2007				
	Japan	Asia	Others	Eliminations or Corporate	Consolidated
Sales to customers	¥ 76,465	¥ 32,191	¥ 412		¥ 109,068
Interarea transfer	6,095	110		¥ (6,205)	
Total sales	82,560	32,301	412	(6,205)	109,068
Operating expenses	81,503	31,654	429	(6,208)	107,378
Operating income (loss)	¥ 1,057	¥ 647	¥ (17)	¥ 3	¥ 1,690
Total assets	¥ 34,258	¥ 7,958	¥ 68	¥ (4,110)	¥ 38,174

(2) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2008 and 2007 amounted to ¥35,931 million ($358,629 thousand) and ¥33,401 million, respectively.

14. RELATED PARTY TRANSACTIONS

Sony Corporation ("Sony") trusted 1,331 thousand shares of common stock of the Company at March 31, 2008 and 2007, which accounted for 11.02% of the total shares of the Company issued at the respective dates. Although Sony has trusted these shares to a trustee, Sony still owns the right to vote on matters of the Company.

Transactions of the Company with Sony and subsidiary companies of Sony for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Sales:			
Sony	¥ 10		$ 100
Sony Manufacturing Systems Corporation	311	¥ 1,576	3,104
Sony Supply Chain Solutions, Inc.		11	
Purchases:			
Sony	73,747	54,868	736,071
Sony Manufacturing Systems Corporation	10,079	5,044	100,599
Sony Electronics (S) PTE LTD.	2,925	5,075	29,195
Sony Corporation of Hong Kong Limited	3,245	4,447	32,388

The balances due to or from Sony and subsidiary companies of Sony at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Trade accounts receivable:			
Sony	¥ 7		$ 70
Sony Manufacturing Systems Corporation	212	¥ 317	2,116
Trade accounts payable:			
Sony	12,101	9,990	120,781
Sony Manufacturing Systems Corporation	1,869	1,806	18,655
Sony Electronics (S) PTE LTD.	448	707	4,472
Sony Corporation of Hong Kong Limited	444	571	4,432

15. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2008 were approved at the Company's shareholders meeting held on June 25, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥24.00 ($0.24) per share	¥ 286	$ 2,855

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