

Consolidated Flash Report for fiscal year ended March 31, 2008 (FY2007)

issued on May 13th, 2008

Listed company name: Nihon Inter Electronics Corporation Listed on Sec.1 of TSE
 Code Number: 6974 URL <http://www.niec.co.jp>
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 Officer in charge of inquiry Name: Fumio Inoue, General Manager, Accounting Dept.
 Tel: (0463) 84 - 8015
 Date of Annual Shareholders' Meeting: June 24, 2008 Date to pay out dividend: June 25, 2008
 Date to submit financial report : June 25, 2008

(Figures are rounded down to millions of yen)

1. Consolidated business performances for FY2007 (April 1, 2007 ~ March 31, 2008)

(1) Consolidated business performances (% indicates the changes to corresponding numbers of previous periods)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2007	38,496	4.9	347	(81.2)	(798)	--	(1,529)	--
FY 2006	36,712	10.6	1,845	(19.6)	1,297	(33.0)	834	(26.1)

	Net income per common share (basic)		Net income per common share (diluted)		Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to sales
	Yen	Sen	Yen	Sen			
FY 2007	(49.41)	--	--	--	(14.0)	(2.1)	0.9
FY 2006	27.40	--	27.33	--	7.0	3.6	5.0

(Note) Investment gain or loss on equity method: for FY 2007: -- million yen, for FY 2006 : -- million yen

(2) Consolidated financial position

	Total assets		Total net assets		Shareholders' equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen Sen	
As of March 31, 2008	37,247		9,879		26.5		319.16	
As of March 31, 2007	39,193		12,019		30.7		388.56	

(Note) Ending balance of shareholders' equity: 9,879 million yen for FY2007; 12,019 million yen for FY2006.

(3) Consolidated results of cash flows

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities		Ending balance of cash and cash equivalents	
	Million yen		Million yen		Million yen		Million yen	
FY 2007	(319)		(3,423)		3,471		2,051	
FY 2006	(1,210)		(3,144)		3,628		2,317	

2. Dividend information

(Record date)	Dividend per share			Total amount of dividend (full year)	Dividend payout ratio (consolidated)	Ratio of dividend to total net assets (consolidated)
	End of interim period	End of FY	Total			
FY 2006	Yen 4.00	Yen 4.00	Yen 8.00	Million yen 245	% 29.2	% 2.1
FY 2007	4.00	2.00	6.00	185	--	1.7
FY 2008 (Forecast)	--	4.00	4.00		61.9	

3. Consolidated performance forecast for FY 2008 (April 1, 2008 ~ March 31, 2009)

(% indicates the changes to corresponding numbers of previous periods)

	Sales		Operating income		Ordinary income		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Sen
1st half	19,700	2.6	250	(54.7)	50	(86.1)	0	(100.0)	0.00	
Full year	41,000	6.5	1,000	187.5	600	--	200	--	6.46	

4. Others

- (1) Changes in significant subsidiaries during the year (changes in certain subsidiaries accompanying the changes in scope of consolidation) : None
- (2) Changes in principles, procedures and presentation methods, etc., of accounting processes concerning preparation of interim consolidated financial statements (those to be stated in the changes of fundamental material issues for preparing interim consolidated financial statements)
- (a) Changes accompanying the amendments to accounting standards: Yes
- (b) Changes other than (a) : Yes
- (3) Number of shares outstanding (common stock)
- (a) Number of shares outstanding at the end of the term (including treasury stock)
FY2007: 31,577,550 shares; FY2006: 31,557,550 shares.
- (b) Number of treasury stocks at the end of the term
FY2007: 623,799 shares; FY2006: 623,463 shares.

(Note) Summary of non-consolidated business performances

1. Non-consolidated financial performance for FY2007 (April 1, 2007 ~ March 31, 2008)

(1) Non-consolidated business performance (% indicates the changes to corresponding numbers of previous periods)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2007	37,275	5.9	170	(89.2)	(743)	--	(1,734)	--
FY 2006	35,201	11.5	1,576	(24.9)	1,153	(40.0)	698	(39.7)

	Net income per common share (basic)		Net income per common share (diluted)	
	Yen	Sen	Yen	Sen
FY 2007	(56.03)		--	
FY 2006	22.93		22.87	

(2) Non-consolidated financial position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share	
	Million yen	Million yen	%	Yen	Sen
As of March 31, 2008	36,744	10,379	28.2	335.31	
As of March 31, 2007	38,328	12,771	33.3	412.85	

(Note) Ending balance of shareholders' equity: 10,379 million yen for FY2007; 12,771 million yen for FY2006.

2. Non-consolidated performance forecast for FY 2008 (April 1, 2008 ~ March 31, 2009)

(% indicates the changes to corresponding numbers of previous periods)

	Sales		Operating income		Ordinary income		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Sen
1st half	19,000	2.3	100	(72.1)	(100)	--	(90)	--	(2.91)	
Full year	39,600	6.2	700	309.9	300	--	20	--	0.65	

(Note) Please bear in mind that the forecasted figures shown in this report are based on the information that is available at the moment when the report is written and made on the assumptions that are considered rational but include a number of risks and uncertainties that could materially affect the business performances forecasted. Actually realized performances etc., might be materially differed from the forecasted figures contained in this report, depending on business and market environment changes and so on.

1. BUSINESS PERFORMANCE

(1) Business Performance Analysis

① Business performance of this fiscal year

Japanese economy grew steadily during the first half of this fiscal year with inventory adjustment progressing in IT related electronic parts and devices. In the latter half of this fiscal year we are in more mixed scene of abrupt appreciation of Yen, stock market selling and higher cost of material under the situation that higher oil price and sub prime loan problem is dragging American economy as well as Japanese business sector, which shows clear slow down.

Some recovery was seen in the electronics industry where we belong thanks to inventory adjustment in major applications such as flat TV, note PC and cell phone. However, semiconductor and electronic parts sector did not recover strongly as demand did not pick up towards the Olympic game under the background of slower American economy in the latter half of the fiscal year.

Our consolidated sales marked record high of 38 billion 496 million yen (4.9% increase YOY) under these circumstances. Production sector sales were 20 billion 578 million yen (3.8% decrease YOY) of which discrete semiconductor products mainly for consumer application was 14 billion 120 million yen (5.8% decrease YOY). Although Schottky Barrier Diode (SBD) high frequency rectifier and Fast Recovery Epitaxial Diode (FRED) very fast rectifier, both of which are our main products, increased for liquid crystal television which is our main area, we could not take in as much demand for new products made of 8 inch wafer as planned. Order from flat TV sector was lower than last year because take off of Olympic demand did not happen as expected. Low power rectifier decreased in automotive sector however SBD/FRED for that sector showed double digit increase supplying hybrid electric vehicle for automotive. Sales increased in 8 inch wafer SBD new design low profile package product which replaced former packages for growing clean energy solar panel market.

Sales of semiconductor applications industrial product sector were steady 6 billion 457 million yen (0.8% increase YOY). Sales of power module into main target application market such as converter for general use, industrial machinery, base station power unit for cell phone and air conditioner increased in contrast to decrease in welder for automotive production, traffic and railway signal market.

Trading sector sales marked record high of 17 billion 918 million yen (17.0% increase YOY) because of continued strong demand from amusement and audio-visual sector, as

we developed and supplied memory module and power units for amusement machine as well as optical devices such as photocoupler, optical sensor and liquid crystal applications.

Although we endeavoured to increase sales and cut cost, operating income was 347 million yen (81.2% decrease YOY), because we could not absorb depreciation cost due to less than expected growth of sales, sales price depreciation and material price appreciation. At this term we wrote down some of our inventory such as lead used product which may not be sold because of strengthening environmental requirement, outdated products which lost cost competitiveness in the market or may cause claim from customers. We reserved for currency loss against Yen appreciation and revaluation loss of securities holding as well, then ordinary income/loss was 798 million yen loss and net income/loss was 1 billion 529 million yen loss.

② Business performance forecast for next fiscal year

In the context of economic forecast, although we can see good signs in many aspects of the economy such as blooming Chinese economy and strong demand from developing countries, we are coming into more mixed economic situation such that slowing export due to Yen appreciation, soaring crude oil price and weakening American economy due to sub-prime loan problem.

Semiconductor and electronic devices sector is expected to grow taking into consideration of introduction of digital TV broadcasting in 2011, widespread use of hybrid automobile and solar/wind energy under strict environmental regulation and preferred more effective use of energy.

We will continue our ‘market focus’ into IT and digital appliance, automobile and related applications, industrial machinery, and clean energy, then concentrate our resource in those markets. In terms of SBD/FRED, we will fully make use of our capacity and promote sales in Taiwan and Chinese market and some other new region as well as develop new product for flat TV and avalanche guaranteed SBD for automobile, and then promoting new products developed last year. In terms of power module which is commonly used in hybrid vehicle, general use inverter and industrial power unit, we will build a new factory and increase capacity, upgrade quality, promote development of new product especially for automobile.

In term of trading business, we will promote sales in growth expected amusement, medical and security market, creating new distribution system which includes overseas market, reorganizing sale force, cut logistics cost and develop new trading items by combining selected devices.

We will strengthen NIEC brand, enhance productivity by means of synergy in three division organization consisted of Consumer Devices Division, Industries and Automotives Division, Trade and Solutions Division which started last year to clarify responsibility and cooperation of these divisions, make full use of new global information system, develop quality management system (ISO/TS16949) and internal control system.

After taking in account of all above for next fiscal year, we forecast sales of 41 billion yen, operating profit of 1 billion yen, ordinary income of 600 million yen and net income of 200 million yen.

(2) Risk Factors in our Business

We recognize major risk factors which affects our business performance, stock price and financial position as follows:

① Market fluctuation risk

Sale results of semiconductor and electronic devices which we sell are dependent on production level of final electronic products producers and competitor. Especially in semiconductor industry, so-called silicon cycle appears in the market that may affect our business performance.

② Dealing with technical evolution

Semiconductor and electronic devices which we produce may lose competitiveness because of rapid technical development, shift in demand of final products or introduction of new final products in the market. We should continuously provide new products to our customer by means of acquiring or developing state of the art technology and know how and accurate knowledge of the market as well as continuous cost cutting so that to maintain competitiveness of our products.

③ Foreign exchange fluctuation risk

Some of our sales overseas are in foreign currency and even though we use forward foreign exchange transaction to cover foreign exchange fluctuation risk, it is not possible to completely eliminate the risk that may affect our business performance and financial position.

④ Defective product risk

Although our production quality control is under appropriate quality management system, it is not possible to eliminate defective products completely that may result in significant loss due to compensation or loss of existing customer, then affecting business performance and financial position of the company.

⑤ Legal risk

Although we take measures to avoid infringement of intellectual property rights of our competitor by organizing special group in the company, we can not eliminate legal risk such that litigation related to intellectual property such as patent right causing significant loss.

Although we strictly comply with environmental restriction, we may unexpectedly incur legal liability in case that unforeseeable situation occurs. Results of these factors may affect our business performance and financial position.

⑥ Risk of natural disaster and others

We separate and disperse our production site and conduct periodical disaster prevention audit and production facility audit. However, there is risk that occurrence of natural disaster such as huge earthquake at production site may stop production and cause significant loss for recovery which may affect our business performance and financial position. Political disorder in overseas business sites may affect production, delivery and sales of products which may affect our business performance.

2. MANAGEMENT POLICY

(1) Management Policy of the Company

It is the idea of Nihon Inter Electronics Corporation (the Company) that the Company presents best satisfaction and security to all customers, contributes to the society, prospers with the community and creates dream and happiness to people in work. We will focus our business on growth expected markets and applications of highly effective electric power management and develop, produce and sell power semiconductor as well as distribute semiconductor and electronic devices produced by other companies.

It is the policy of the Company that contribute to the society in terms of environment and efficient use of energy by presenting highly value-added products which realize power management as well as presenting solution to customer's problem by offering new products assembled by semiconductors and electronic devices.

(2) Medium and Long Term Business Plan

We are in the middle of our medium term business plan starting April 2007 ending March 2010 (Three Year Plan). In Three Year Plan we are focusing on the following markets:

- IT and digital home appliance

- Automobile and related application
- Industrial machinery and clean energy

We are concentrating into these three markets and operating our three division administration of Consumer Devices, Industries and Automotives, Trade and Solutions Division under the slogan of 'Strengthen NIEC brand, Win globally'. In Three Year Plan business is performed under the following strategies:

- ① **Increase market share of SBD/FRED utilizing product capacity**
 - ◎ Upgrading cost competitiveness by 8 inch wafer production and promote sales of SBD to liquid crystal TV as main target.
 - ◎ Maintaining number one market share in FRED for plasma display as well as developing products and promoting sales to automotive and power factor correction units market.
 - ◎ Promote sales of new low profile low thermal resistance package mainly into note PC, cell phone and solar panel market.
 - ◎ Accumulate production technology, quality control know how in Tsukuba as a mother factory and transplant those to other domestic and overseas production units.
 - ◎ Upgrading cost competitiveness by making business alliance with semiconductor producers overseas and expand capacity.

- ② **Sales promotion of power module to automobile market**
 - ◎ Develop power module suitable to hybrid vehicle, the market of which is expected to grow more than 30% per annum and increase sales of power module into the market.

- ③ **New product development by synergy between three divisions of Consumer Devices, Industries and Automotives and Trade and Solutions**
 - ◎ Increase products of SBD series utilizing the merit of 8 inch wafer and respond to needs of customer precisely.
 - ◎ Develop 8 inch trench devices utilizing micro processing line in Tsukuba.
 - ◎ Create new source of profit by developing next generation semiconductor devices utilizing outside resources and market research ability of trading business.

- ④ **Solution business promotion focusing on new market**
 - ◎ Establish sales force of trading business including overseas sales as

strengthening relation with vendors of devices.

- ◎ Expand sales in growth expected market such as medical, security and automobile by developing new module products assembling charge coupled device, liquid crystal device etc., aiming to be a trading company with technological strength.

⑤ Reconstruction of global supply chain and human resources

- ◎ Establish global information system to enhance global cost competitiveness in terms of optimal production system by reviewing production, sales and logistics domestically and overseas.
- ◎ Enhance human resource value utilizing function of global supply chain.

⑥ Enhance quality of management

- ◎ Enhance quality of management by reviewing current business procedure as combining business process innovation activity which is aimed to renovate business process and establish new global information system, quality management system which is to satisfy and constantly improve control level required by automobile industry, and internal control level required from 2008.
- ◎ Strengthen group management by upgrading function of corporate headquarter.

We will endeavor to establish NIEC brand globally by satisfying customer in terms of quality, delivery and price by following the strategy shown above.

(3) Issues which the Company should cope with

Demand for semiconductor and electronic devices is expected to expand in the electronics industry as we see introduction of digital broadcasting in 2011, widespread use of hybrid automobile resulting from environmental requirement and use of solar and wind power for more efficiency in energy consumption. Although in medium and long term we will see continuing growth of the market, competition will become much fiercer.

We consider that it is important to make full use of our capacity such as of 8 inch wafer, which was the first in our sector, to strengthen cost competitiveness, quickly harvest return by increasing sales, and then invest in next project. We will develop new products utilizing technology and know-how within the peripheral of current products

as well as new products which will earn our future profit introducing outside resources. Especially in Three Year Plan, we will concentrate our resources into development of new products for expected high growth sector such as hybrid automobile, solar energy and fuel cell battery.

Each division of the Company, Consumer Devices/Industries and Automotives/Trade and Solutions, will enhance value and seek synergy in between and swifter execution of business, then enhance value of NIEC group.

We will seek to decrease inventory by upgrading production control versus demand and decreasing lead time, then increase free cash flow. Watching closely into our business environment, we will pursue flexible finance as well as decrease of debt and strengthen our financial condition.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheet

Millions of yen

Item	FY 2007 (March 31, 2008)		FY 2006 (March 31, 2007)		Change	
	Amount	%	Amount	%	Amount	%
(Asset)						
I Current assets	24,210	65.0	25,708	65.6	(1,498)	(5.8)
Cash and deposits in banks	2,151		2,417		(266)	
Notes and accounts receivable	10,440		11,949		(1,509)	
Inventory assets	10,305		9,995		310	
Deferred tax assets	119		138		(19)	
Assets to be leased back within 1 year	—		327		(327)	
Other current assets	1,200		884		316	
Allowances for doubtful accounts	(6)		(3)		(3)	
II Fixed assets	12,967	34.8	13,416	34.2	(449)	(3.3)
Tangible fixed assets	9,177	24.6	9,873	25.2	(696)	(7.1)
Buildings and structures	3,940		3,518		422	
Machinery and vehicles	3,527		3,806		(279)	
Land	1,310		1,310		-	
Construction in progress	60		818		(758)	
Other tangible fixed assets	338		420		(82)	
Intangible assets	68	0.2	66	0.2	2	2.7
Software	23		30		(7)	
Other intangible assets	45		36		9	
Investments and other assets	3,721	10.0	3,475	8.8	246	7.1
Investments and securities	1,632		2,587		(955)	
Long-term prepaid expenses	113		166		(53)	
Deferred tax assets	1,676		423		1,253	
Other investments and assets	323		319		4	
Allowances for doubtful accounts	(24)		(22)		(2)	
III Deferred assets	69	0.2	69	0.2	0	0.7
Start-up costs	0		1		(1)	
Bond issuance costs	69		68		1	
Total assets	37,247	100.0	39,193	100.0	(1,946)	(5.0)

Millions of Yen

Item	FY 2007 (March 31, 2008)		FY 2006 (March 31, 2007)		Changes	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current liabilities	14,531	39.0	16,993	43.4	(2,462)	(14.5)
Notes and accounts payable	8,872		9,791		(919)	
Short-term borrowings	4,176		3,699		477	
Corporate bonds, due within 1 year	500		500		—	
Other accounts payable	137		1,743		(1,606)	
Income taxes payable	15		19		(4)	
Accrued expenses	477		437		40	
Allowance for bonuses	275		291		(16)	
Other current liabilities	76		511		(435)	
II Fixed Liabilities	12,837	34.5	10,180	25.9	2,657	26.1
Corporate bond	8,200		7,100		1,100	
Long-term borrowings	3,300		1,240		2,060	
Allowance for retirement benefits	1,179		1,663		(484)	
Other fixed liabilities	158		177		(19)	
Total liabilities	27,368	73.5	27,174	69.3	194	0.7
(Net Assets)						
I Shareholder's capital	10,216	27.4	11,903	30.4	(1,687)	(14.2)
Common stock	4,041		4,039		2	
Capital surplus	4,077		4,075		2	
Retained earnings	2,606		4,297		(1,691)	
Treasury stock	(509)		(508)		(1)	
II Evaluation and translation differences	(337)	(0.9)	116	0.3	(453)	(390.7)
Unrealized gain (loss) on investment securities	37		452		(415)	
Foreign currency exchange adjustments	(375)		(336)		(39)	
Total net assets	9,879	26.5	12,019	30.7	(2,140)	(17.8)
Total liabilities and net assets	37,247	100.0	39,193	100.0	(1,946)	(5.0)

(2) Consolidated Profit and Loss Statement

Millions of Yen

Item	FY 2007 (From April 1, 2007 to March 31, 2008)		FY 2006 (From April 1, 2006 to March 31, 2007)		Changes	
	Amount	%	Amount	%	Amount	%
I Sales	38,496	100.0	36,712	100.0	1,784	4.9
Sales of products	20,578	53.5	21,392	58.3	(814)	(3.8)
Sales of merchandise	17,918	46.5	15,320	41.7	2,598	17.0
II Cost of goods sold	33,168	86.2	29,976	81.7	3,192	10.6
Cost of products sold	17,228	83.7	16,222	75.8	1,006	6.2
Cost of merchandise sold	15,940	89.0	13,753	89.8	2,187	15.9
Gross margin	5,327	13.8	6,736	18.3	(1,409)	(20.9)
Products	3,350	16.3	5,169	24.2	(1,819)	(35.2)
Merchandise	1,977	11.0	1,566	10.2	411	26.2
III Selling and general administrative expenses	4,979	12.9	4,891	13.3	88	1.8
Operating income	347	0.9	1,845	5.0	(1,498)	(81.2)
IV Non-operating income	163	0.4	169	0.5	(6)	(3.6)
Interest and dividend income	44		22		22	
Gains on foreign currency translation	—		46		(46)	
Others	119		100		19	
V Non-operating expenses	1,309	3.4	717	2.0	592	82.5
Interest expense	246		178		68	
Losses on foreign currency translation	154		—		154	
Loss on write-off of inventory	655		282		373	
Amortization of tech. acquisition fees	133		133		—	
Others	120		123		(3)	
Ordinary profit (loss)	(798)	(2.1)	1,297	3.5	(2,095)	(161.5)
VI Extra-ordinary gain	21	0.1	15	0.0	6	40.2
Gain on sale of investment securities	21		—		21	
Other extra-ordinary gains	—		15		(15)	
VII Extra-ordinary loss	1,679	4.4	27	0.1	1,652	6,033.2
Loss on write-off of inventory	1,173		—		1,173	
Valuation loss in investment securities	263		—		263	
Loss on disposal of fixed assets	242		25		217	
Others	—		1		(1)	
Income (loss) before taxes and other adjustments	(2,455)	(6.4)	1,285	3.4	(3,740)	(291.1)
Corporate income tax and etc.	35	0.1	222	0.6	(187)	(84.1)
Corporate income tax other adjustments	(961)	(2.5)	228	0.6	(1,189)	(521.6)
Net income (loss)	(1,529)	(4.0)	834	2.2	(2,363)	(283.1)

(3) Consolidated Statement of Shareholders' Equity, etc.

FY 2007 (from April 1, 2007 to March 31, 2008)

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	4,039	4,075	4,297	(508)	11,903
Changes of items during FY2007					
Newly issued common stocks	2	2	—	—	4
Dividend payment from surplus	—	—	(247)	—	(247)
Net loss	—	—	(1,529)	—	(1,529)
Acquisition of treasury stocks	—	—	—	0	0
Disposal of treasury stocks	—	0	—	0	0
Increase from alteration of functional currency of overseas affiliates	—	—	85	—	85
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	2	2	(1,691)	0	(1,686)
Balance at March 31, 2008	4,041	4,077	2,606	(509)	10,216

Millions of yen

	Evaluation and translation difference			Total net assets
	Unrealized gains (losses) on investment securities	Exchange translation adjustment	Total evaluation and translation difference	
Balance at March 31, 2007	452	(336)	116	12,019
Changes of items during the FY2007				
Newly issued common stocks	—	—	—	4
Dividend payment from surplus	—	—	—	(247)
Net loss	—	—	—	(1,529)
Acquisition of treasury stocks	—	—	—	0
Disposal of treasury stocks	—	—	—	0
Increase from alteration of functional currency of overseas affiliates	—	—	—	85
Net changes of items other than shareholders' equity	(415)	(38)	(454)	(454)
Total changes of items during the period	(415)	(38)	(454)	(2,140)
Balance at March 31, 2008	37	(375)	(337)	9,879

FY 2006 (from April 1, 2006 to March 31, 2007)

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of March 31, 2006	4,025	3,994	3,774	(124)	11,669
Changes of items during FY2006					
Newly issued common stocks	13	13	—	—	27
Dividend payment from surplus	—	—	(278)	—	(278)
Bonus for board of members	—	—	(33)	—	(33)
Net profit	—	—	834	—	834
Acquisition of treasury stocks	—	—	—	(2,146)	(2,146)
Disposal of treasury stocks	—	67	—	1,761	1,828
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	13	80	523	(384)	233
Balance of March 31, 2007	4,039	4,075	4,297	(508)	11,903

Millions of yen

	Evaluation and translation difference			Total net assets
	Unrealized gains (losses) on investment securities	Exchange translation adjustment	Total evaluation and translation difference	
Balance of March 31, 2006	514	(300)	213	11,883
Changes of items during FY2006				
Newly issued common stocks	—	—	—	27
Dividend payment from surplus	—	—	—	(278)
Bonus for board of members	—	—	—	(33)
Net profit	—	—	—	834
Acquisition of treasury stocks	—	—	—	(2,146)
Disposal of treasury stocks	—	—	—	1,828
Net changes of items other than shareholders' equity	(61)	(35)	(97)	(97)
Total changes of items during the period	(61)	(35)	(97)	136
Balance of March 31, 2007	452	(336)	116	12,019

(4) Consolidated Statement of Cash Flows

Millions of yen

Items	FY 2007	FY 2006	Changes
	(from April 1, 2007 to March 31, 2008)	(from April 1, 2006 to March 31, 2007)	
	Amount	Amount	Amount
I Cash flows from operating activities			
Income (loss) before taxes and other adjustments	(2,455)	1,285	(3,740)
Depreciation	1,964	1,154	810
Amortization of deferred assets	175	159	16
Evaluation loss in investments in securities	263	—	263
Loss on disposal of fixed assets	242	25	217
Loss (gain) on sale of investments in securities	(21)	0	(21)
Increase (decrease) in allowances for doubtful accounts	4	(7)	11
Decrease in reserve for retirement benefits	(466)	(497)	31
Interest and dividend income	(44)	(22)	(22)
Interest expenses	246	178	68
Loss (gain) on foreign currency translation	(91)	(4)	(87)
Decrease (increase) in notes and accounts receivable	1,284	(1,447)	2,731
Decrease (increase) in inventories	(422)	(2,768)	2,346
Increase (decrease) in notes and accounts payable	(664)	1,558	(2,222)
Increase (decrease) in allowance for bonuses	(14)	5	(19)
Increase in assets to be leased back within one year	327	169	158
Others	(439)	(256)	(183)
Subtotal	(110)	(468)	358
Receipt of interest and dividends	44	22	22
Payment of interest	(252)	(178)	(74)
Payment of corporate income tax and etc	(1)	(585)	584
Net cash provided by (used in) operating activities	(319)	(1,210)	891
II Cash flows from investing activities			
Expenditures for acquisition of tangible fixed assets	(3,399)	(1,853)	(1,546)
Expenditure for acquisition of investments in securities	(12)	(1,275)	1,263
Proceeds from sales of investments in securities	27	1	26
Others	(39)	(16)	(23)
Net cash used in investing activities	(3,423)	(3,144)	(279)
III Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	1,553	(1,687)	3,240
Proceeds from long-term borrowings	2,400	1,200	1,200
Repayments of long-term borrowings	(1,320)	(341)	(979)
Proceeds from issuance of corporate bonds	1,579	5,276	(3,697)
Repayments for retirement of corporate bonds	(500)	(250)	(250)
Proceeds from issuance of common stocks	4	27	(23)
Proceeds from disposal of treasury stock	0	1,828	(1,828)
Acquisition of treasury stocks	0	(2,146)	2,146
Payment for dividends	(246)	(278)	32
Net cash provided by (used in) financing activities	3,471	3,628	(157)
IV Effect of translation difference on cash and cash equivalents	5	(46)	51
V Net increase (decrease) in cash and cash equivalents	(265)	(772)	507
VI Cash and cash equivalents, beginning of period	2,317	3,089	(772)
VII Cash and cash equivalents, end of period	2,051	2,317	(266)