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Consolidated Financial and Performance Review for the Third Quarter of Fiscal Year Ending March 2008

January 29, 2008

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(Amounts less than JPY 1 million are discarded.)

1. Consolidated Performance for the Third Quarter of Fiscal Year Ending March 2008

(1) Consolidated Operating Performance

[October 1 – December 31, 2007]

(Quarterly figures shown in percentages are rate of change from the same period in the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Income		Quarterly/Annual Net Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%
3rd quarter of fiscal year ending March 31, 2008	44,191	5.2	1,147	39.9	469	162.0	248	-
3rd quarter of fiscal year ended March 31, 2007	41,999	-11.0	820	-58.0	179	-87.1	12	-99.6
Full fiscal year ended March 31, 2007	169,194	-	5,617	-	2,339	-	1,586	-

[April 1 – December 31, 2007]

(Quarterly figures shown in percentages are rate of change from the same period in the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Income		Quarterly/Annual Net Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%
Q1 - Q3 fiscal year ending March 31, 2008	129,826	5.0	3,762	-6.1	2,049	-0.4	1,457	15.1
Q1 - Q3 fiscal year ending March 31, 2007	123,659	-9.9	4,005	-27.0	2,056	-29.6	1,265	-77.5
Full fiscal year ended March 31, 2007	169,194	-	5,617	-	2,339	-	1,586	-

	Quarterly/Annual Net Income per share	Quarterly/Annual Net Income per share after adjustment for latent shareholdings
	JPY	JPY
Q1 - Q3 fiscal year ending March 31, 2008	3.97	-
Q1 - Q3 fiscal year ending March 31, 2007	3.45	-
Full fiscal year ended March 31, 2007	4.32	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	JPY in Million	JPY in Million	%	JPY
3rd quarter of fiscal year ending March 31, 2008	135,651	33,979	25.0	92.62
3rd quarter of fiscal year ended March 31, 2007	108,190	39,046	36.1	106.40
Full fiscal year ended March 31, 2007	111,220	39,066	35.1	106.46

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end
	JPY in Million	JPY in Million	JPY in Million	JPY in Million
Q1 - Q3 fiscal year ending March 31, 2008	7,205	-32,869	28,293	19,855
Q1 - Q3 fiscal year ending March 31, 2007	8,666	-4,046	-3,359	15,597
Full fiscal year ended March 31, 2007	11,456	-5,218	-3,717	16,934

Note: Quarterly financial and performance figures have not been audited by an independent auditor.

2. Dividend Status

	Dividend per Share
Date of Record	End of 3rd Quarter
	JPY
3rd quarter of fiscal year ending March 31, 2007	-
3rd quarter of fiscal year ended March 31, 2008	-

3. Consolidated Earnings Outlook for the Fiscal Year Ending March 2008 (April 1, 2007 – March 31, 2008) [Reference]

(Figures shown in percentages are rates of change from the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Income		Net Income		Net Income per Share
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY
Full Year	183,000	8.2	8,300	47.8	5,000	113.7	4,000	152.2	10.90

Note: Figures for net sales, operating profit, ordinary income and net income are in line with earnings forecast announced on November 13, 2007.

4. Others

(1) There is no change in the number of significant subsidiaries during the term (no change in the number of specific subsidiaries due to change in the scope of consolidation)

(2) Simplified accounting method is in effect.

(3) There is a change in the application of consolidated accounting principles from latest full fiscal year.

Note: For details, please refer to “4. Others” in the “Qualitative Information and Financial Statements” section, on page 7.

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Qualitative Information and Financial Statements

1. Qualitative information about consolidated operating results

(1) Performance review for the third quarter of the fiscal year ending March 2008

Concerning operating results of the Kenwood Group during the third quarter of the fiscal year ending March 2008 (from October 1 to December 31, 2007), both net sales and profits increased due to the effect of various measures such as strategic development, sales expansion and profit recovery on which we focused in the fiscal year ended March 2007, as well as the positive effect from the completion of acquisition of Zetron Inc. (“Zetron”) , a U.S. based systems communications company, although the consumer electronics market continued to see intense competition and the sales of some products for which orders had been received slipped to the fourth quarter.

For the first three quarters (from April 1 to December 31, 2007), net sales also increased, while operating profit decreased only slightly and net income increased from the same period in the previous fiscal year after absorbing expenses for the acquisition of Zetron.

(2) Consolidated earnings

*** Net Sales**

Net sales for the third quarter of the fiscal year ending March 2008 grew (5.2%) from the same period in the previous fiscal year, following the interim period, as sales increased in the Car Electronics business and the Communications Equipment business due to the sales expansion of car navigation systems in overseas markets and the positive effect from the acquisition of Zetron.

Net sales for the first three quarters also increased by approximately JPY6.2 billion (or 5.0%) from the same period in the previous fiscal year to JPY129.826 billion.

*** Operating profit**

Operating profit for the third quarter of the fiscal year ending March 2008 rose (39.9%) from the same period in the previous fiscal year, as was the case in the interim period, since profits in the Car Electronics business and the Communications Equipment business increased on sales expansion and the effect of enhancement of high-value-added products through a strategy change.

Operating profit for the first three quarters decreased by approximately JPY0.2 billion (or 6.1%) from the same period in the previous fiscal year to JPY3.762 billion, after posting expenses related to the acquisition of Zetron and the study of the capital and business alliance and management integration with Victor Company of Japan, Limited (“JVC”), which totaled approximately JPY0.7 billion.

For reference, operating profit for the first three quarters, excluding that of Zetron, surpassed the figures recorded in the same period l in the previous fiscal year.

*** Ordinary income**

With the decrease in operating profit, ordinary income for the third quarter soared significantly (2.6-fold) from the same period in the previous fiscal year. Meanwhile, operating profit for the first three quarters of the fiscal year ending March 2008 remained almost unchanged from the same period in the previous fiscal year at JPY2.049 billion, absorbing the decrease in profit in the interim period.

*** Quarterly net income**

With the increase in ordinary income, quarterly net income for the third quarter of the fiscal year ending March 2008 expanded significantly (20.7-fold) from the same period in the previous fiscal year. Net income for the first three quarters also increased by approximately JPY0.2 billion (or 15.1%) from the same period in the previous fiscal year to JPY1.457 billion.

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Consolidated sales and operating profit by business segment are as follows:

October 1 – December 31, 2007 (JPY in Million)

Segment		3rd quarter of fiscal year ended March 31, 2007	3rd quarter of fiscal year ending March 31, 2008	Year-on-Year	
Car Electronics Business	Net Sales	21,572	22,846	+1,274	+5.9%
	Operating Profit	-1,440	-771	+669	-
Communications Equipment Business	Net Sales	16,106	16,732	+626	+3.9%
	Operating Profit	2,281	1,715	-566	-24.8%
Home Electronics Business	Net Sales	3,538	3,559	+21	+0.6%
	Operating Profit	-32	151	+183	-
Others	Net Sales	783	1,054	+271	+34.6%
	Operating Profit	11	52	+41	+372.7%
Total	Net Sales	41,999	44,191	+2,192	+5.2%
	Operating Profit	820	1,147	+327	+39.9%
	Ordinary Income	179	469	+290	+162.0%
	Quarterly Net Income	12	248	+236	-

April 1 – December 31, 2007 (JPY in Million)

Segment		Q1 - Q3 fiscal year ended March 31, 2007	Q1 - Q3 fiscal year ending March 31, 2008	Year-on-Year	
Car Electronics Business	Net Sales	69,196	70,287	+1,091	+1.6%
	Operating Profit	-1,334	-1,462	-128	-
Communications Equipment Business	Net Sales	44,526	49,754	+5,228	+11.7%
	Operating Profit	6,280	5,685	-595	-9.5%
Home Electronics Business	Net Sales	8,178	7,444	-734	-9.0%
	Operating Profit	-951	-547	+404	—
Others	Net Sales	1,759	2,341	+582	+33.1%
	Operating Profit	10	86	+76	+760.0%
Total	Net Sales	123,659	129,826	+6,166	+5.0%
	Operating Profit	4,005	3,762	-243	-6.1%
	Ordinary Income	2,056	2,049	-7	-0.4%
	Quarterly Net Income	1,265	1,457	+191	+15.1%

*** Car Electronics Business**

Net sales of the Car Electronics Consumer business in the third quarter of the fiscal year ending March 2008 increased from the same period in the previous fiscal year, as net sales of the Car Electronics Consumer (Audio) were at the same level as the results of the same period in the previous fiscal year despite the continued dwindling of the market and the Car Electronics Consumer (Multimedia) business saw its net sales grow sharply on sales expansion of car navigation systems in overseas markets. Net sales of the OEM business also increased from the same period in the previous fiscal year thanks to the launch of new products. As a result, net sales in the overall Car Electronics business began increasing in the third quarter and also increased in the first three quarters from the same period in the previous fiscal year after absorbing the sales decrease in the OEM business in the interim period.

Profits of the Car Electronics Consumer business in the third quarter of the fiscal year ending March 2008 increased sharply due to the improvement of the profitability of the Car Electronics Consumer (Multimedia) business resulting from sales expansion and the effect of advance release of some new products for 2008 in the Car Electronics Consumer (Audio) business. Meanwhile, profits of the OEM business were lower than the results of the same period in the previous fiscal year, since up-front development expenses were posted. However, operating profit of the overall Car Electronics business grew significantly in the third quarter. As a result, operating profit in the first three quarters fell slightly from the same period in the previous fiscal year after absorbing the decline in profitability in the OEM business in the interim period.

*** Communications Equipment Business**

Net sales of the Communications Equipment business in the third quarter of the fiscal year ending March 2008 increased thanks to the effect of the consolidation of sales of Zetron, which was converted into a subsidiary of the Kenwood Group and increased sales in the Personal Digital Cellular (PDC) phones sales business on the aggressive sales promotion measures implemented by PDC carriers and the strategy of the Kenwood Group to expand outlets, although the slipping of sales of some land mobile radio systems, for which orders had been received, to the fourth quarter had an adverse influence in the mainstay Land Mobile Radio business. Net sales in the first three quarters also exceeded the results of the same period in the previous fiscal year.

Operating profit in the third quarter decreased, as expenses of approximately JPY0.6 billion, including temporary expenses related to the acquisition of Zetron and depreciation expenses of intangible fixed assets, were posted and sales of some land mobile radio systems slipped to the fourth quarter. Operating profit in the first three quarters also decreased from the same period in the previous fiscal year.

*** Home Electronics Business**

Net sales in the Home Electronics business in the third quarter of the fiscal year ending March 2008 remained unchanged from the results of the same period in the previous fiscal year, since the introduction of new products during the year-end sales season did not advance as smoothly as expected due to the trend in the market. As a result, net sales in the first three quarters declined from the results of the same period in the previous fiscal year, as the influence of cutting down the line-up of existing models of audio products on account of a strategy change in the previous fiscal year could not be absorbed.

However, the Home Electronics business turned profitable in the third quarter due to the effect of the addition of high-value-added products to the line-up following a strategy change, although net sales remained unchanged from the results of the same period in the previous fiscal year. Operating losses in the first three quarters decreased substantially from the same period in the previous fiscal year.

2. Qualitative Information about Consolidated Financial Position

	3rd quarter of fiscal year ending March 31, 2007	3rd quarter of fiscal year ended March 31, 2008	Fiscal year ended March 31, 2007
Shareholders' Equity Ratio (%)	36.1	25.0	35.1
Shareholders' Equity Ratio at Market Value (%)	71.2	38.1	59.1
Ratio of cash flow to interest-bearing debts (%)	-	-	-
Interest Coverage Ratio (times)	32.4	20.0	22.4

(Calculation Method)
- Shareholders' Equity Ratio =Net assets / Total assets
- Shareholders' Equity Ratio at Market Value = Market capitalization / Total assets
- Ratio of cash flow to interest-bearing debts = interest-bearing debts/operating cash flows (no entry for each quarter)
- Interest Coverage Ratio = Operating cash flows / Interest payment

Notes:
- Each index is calculated based on consolidated financial figures.
- Market capitalization is calculated by multiplying closing stock price at the end of the fiscal year under review by the number of outstanding shares at the end of the fiscal year under review (after deducting the number of treasury shares).
- Interest-bearing debts include all debts whose interests are paid in the consolidated balance sheet. As for cash and cash equivalents, "Cash and cash equivalents" in the consolidated balance sheet is used.
- As for operating cash flow and interest payment figures, "Cash flows from operating activities" and "Interest paid" of the Consolidated Statements of Cash Flows are used.

(1) Analysis of Assets, Liabilities and Net Assets

Total assets at the end of the third quarter of the fiscal year ending March 2008 increased by approximately JPY24.4 billion from the end of the previous year to JPY135.651 billion mainly due to increases in intangible assets accompanying the acquisition of Zetron and increases in investment securities resulting from the purchase of new shares issued through a third-party allocation by JVC.

Net assets declined by almost JPY5.1 billion from the end of the previous fiscal year to JPY33.979 billion partly due to a decrease in unrealized gain and loss on available-for-sale securities due to falls in stock prices of investment securities the Company possesses, despite the fact that shareholders' equity rose due to an increase in retained earnings thanks to operating activities.

As a result, shareholders' equity ratio declined by 10.1 percentage points compared with the end of the previous fiscal year to 25.0%.

Interest-bearing debts increased by approximately JPY29.5 billion from the end of the previous fiscal year to JPY53.259 billion because the Company appropriated short-term borrowings from financial institutions for purposes such as funds for the acquisition of Zetron and the purchase of shares issued through a third-party allocation. Net debt rose by approximately JPY26.6 billion from the end of the previous fiscal year to JPY33.364 billion.

(2) Cash Flow Analysis

Cash flows from operating activities in the third quarter of the fiscal year ending March 2008 remained unchanged from the same period in the previous fiscal year, since an increase in necessary operating funds following a rise in inventories offset revenues from operating activities. Cash flows from operating activities in the first three quarters stood at JPY7.205 billion, down approximately JPY1.5 billion from the same period in the previous fiscal year. This was mainly attributable to an increase in necessary operating funds due to increases in trade receivables and inventories in the interim period.

Cash flows from investing activities in the third quarter decreased from the same period in the previous fiscal year because expenditures for the acquisition of fixed assets decreased from the same period in the previous fiscal year despite expenditures for the acquisition of shares in J&K Technologies Corp., which was established as of October 1, 2007. Cash flows from investing activities in the first three quarters increased by approximately JPY28.8 billion from the same period in the previous fiscal year to JPY32.869 billion, primarily due to the expenditure related to the acquisition of Zetron and the acquisition of shares of JVC in the interim period.

Cash flows from financing activities in the third quarter decreased from the same period in the previous fiscal year, mainly due to a decline in repayment of borrowings. Cash flows from financing activities in the first three quarters increased approximately JPY31.6 billion from the same period in the previous fiscal year to generate a net inflow of JPY28.293 billion. This was mainly attributable to appropriation of short-term borrowings from financial institutions for funds necessary for investing activities in the interim period.

3. Qualitative Information about Consolidated Earnings Outlook for the Fiscal Year Ending March 2008

Consolidated earnings of the Kenwood Group for the first three quarters of the fiscal year ending March 2008 were below the projections of the Company, primarily due to slipping of sales of some land mobile radio systems to the fourth quarter and the trends in the home electronics market as well as sluggish sales in the Car Electronics OEM business.

While uncertainty over the business outlook is growing due to the influence of the issue of U.S. subprime mortgage crisis, skyrocketing crude oil prices and the strong yen, the same tendency could continue in the Car Electronics OEM business in the fourth quarter. However, sales of some land mobile radio systems in the Communications Equipment business, which slipped, are expected to realize, and the effects of various measures such as strategic development, sales expansion and profit recovery on which we focused in the previous fiscal year are expected to become more apparent in the fourth quarter. We also pin hopes on the biggest sales season of the year in the Car Electronics Consumer business, which will be in the fourth quarter. Therefore, we maintain the earnings outlook we announced previously (net sales: JPY183.0 billion; operating profit: JPY8.3 billion; ordinary income: JPY5.0 billion; and net income: JPY4.0 billion).

Though we successively started cooperation with JVC under the capital and business alliance in the third quarter, it is expected to be in or after the next fiscal year that the business alliance will fully contribute to earnings. We will announce specific synergistic effects as soon as we finish carefully examining them.

[Notes on Earnings Outlook]

The earnings outlook described above is an estimate of the future state of affairs reflecting the judgments that the Group has made on the basis of currently available information. Please note that actual results may vary materially from the results projected and presented in this outlook for a variety of reasons. Accordingly, the Group recommends that you refrain from making your investment decisions solely on the strength of this outlook.

4. Others

(1) Change in the number of significant subsidiaries during the term (change in the number of specific subsidiaries due to change in the scope of consolidation)

None.

(2) Adoption of simplified accounting method

Certain simplified methods were used in allowances, tax effects, corporate taxes and other items.

(3) Changes in the application of consolidated accounting principles from the latest full fiscal year

With the revision of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries adopted the depreciation method based on the revised Corporation Tax Law to tangible fixed assets acquired on and after April 1, 2007.

With regard to assets acquired on and before March 31, 2007, the Company and its domestic consolidated subsidiaries equally depreciate the difference between the amount equivalent to 5% of the acquisition value and the reminder value over a period of five years and include the amount in depreciation expenses, starting from the following consolidated fiscal year of the consolidated fiscal year when the value of assets reached 5% of the acquisition value as a result of the application of the depreciation method based on the Corporate Tax Law before the revision.

As a result of the change in the accounting policy, operating profit decreased by JPY0.143 billion and ordinary income and quarterly income before income taxes respectively declined by JPY0.147 billion compared with the figures under the previous method.

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1. Summary of Consolidated Balance Sheet for the quarter

(JPY in Million)

Item	Previous period (3rd Quarter of FY2006)		Current period (3rd Quarter of FY2007)		Increase/ decrease		Reference (FY2006)	
	Amount	%	Amount	%	Amount	%	Amount	%
(Assets)								
I Current Assets								
1 Cash and cash equivalents	15,634		19,895		4,260		16,972	
2 Trade notes and accounts receivable	26,759		27,761		1,002		29,891	
3 Inventories	25,639		28,840		3,200		26,404	
4 Prepaid expenses	839		785		-53		634	
5 Deferred tax assets	698		498		-199		452	
6 Other current assets	5,002		4,225		-777		3,960	
7 Allowance for doubtful receivables	-819		-760		58		-751	
Total Current Assets	73,755	68.2	81,246	59.9	7,490	10.2	77,563	69.8
II Fixed Assets								
(1) Tangible fixed assets								
1 Building and other structures	17,073		17,073		0		17,041	
2 Machinery and equipment	20,365		21,025		660		20,284	
3 Tools, furniture and fixtures	14,260		14,502		241		14,228	
4 Land	9,431		9,438		7		9,443	
5 Construction in progress	0		10		9		3	
Total	61,132		62,051		918		61,001	
Accumulated depreciation	-39,912		-41,375		-1,463		-39,930	
Total tangible fixed assets	21,219	19.6	20,675	15.2	-544	-2.6	21,070	18.9
(2) Intangible fixed assets								
1 Goodwill	248		3,839		3,590		201	
2 Software	5,756		5,774		18		5,942	
3 Other intangible fixed assets	466		3,475		3,008		423	
Total Intangible fixed assets	6,471	6.0	13,088	9.7	6,616	102.2	6,567	5.9
(3) Investments and other assets								
1 Investment securities	4,849		18,460		13,611		3,933	
2 Deferred tax assets	733		774		40		675	
3 Other investments	1,167		1,478		310		1,457	
4 Allowance for doubtful receivables	-87		-82		4		-85	
Total investments and other assets	6,663	6.1	20,630	15.2	13,967	209.6	5,981	5.4
Total Fixed Assets	34,355	31.7	54,395	40.1	20,039	58.3	33,618	30.2
III Deferred Assets								
New stock issuing expenses	79		10		-69		38	
Total Deferred Assets	79	0.1	10	0.0	-69	-87.3	38	0.0
Total Assets	108,190	100.0	135,651	100.0	27,461	25.4	111,220	100.0

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(JPY in Million)

Item	Previous period (3rd Quarter of FY2006)		Current period (3rd Quarter of FY2007)		Increase/ decrease		Reference (FY2006)	
	Amount	%	Amount	%	Amount	%	Amount	%
(Liabilities)								
I Current Liabilities								
1 Trade notes and accounts payable	17,404		18,382		977		19,168	
2 Short term bank borrowings	4,044		33,259		29,214		3,754	
3 Accounts payable (non trade)	5,600		6,714		1,114		7,567	
4 Income taxes payable	592		719		127		529	
5 Accrued expenses	6,368		7,476		1,108		7,106	
6 Deferred tax liabilities	2		2		0		2	
7 Other current liabilities	1,943		2,321		378		1,205	
Total Current Liabilities	35,955	33.2	68,875	50.8	32,920	91.6	39,334	35.4
II Long Term Liabilities								
1 Long term debt	20,000		20,000		-		20,000	
2 Deferred tax liabilities as a result of land revaluations	2,027		2,027		-		2,027	
3 Deferred tax liabilities	1,168		882		-285		853	
4 Liability for employees' retirement benefits	9,628		9,597		-31		9,609	
5 Other long term liabilities	362		288		-73		329	
Total Long Term Liabilities	33,188	30.7	32,796	24.2	-391	-1.2	32,820	29.5
Total Liabilities	69,143	63.9	101,672	75.0	32,528	47.0	72,154	64.9
(Net Asset)								
I Shareholders' equity								
1 Paid-in capital	11,059		11,059		-		11,059	
2 Capital surplus	13,373		13,373		-		13,373	
3 Retained earnings	18,775		19,809		1,033		19,096	
4 Treasury stock	-101		-117		-15		-105	
Total Shareholders' equity	43,107	39.9	44,125	32.5	1,017	2.4	43,424	39.0
II Valuation and Translation adjustments								
1 Unrealized gain and loss on available-for-sale securities	1,457		-4,841		-6,298		1,096	
2 Deferred hedge gain and loss	-		-		-		71	
3 Land revaluation surplus	2,954		2,954		-		2,954	
4 Foreign currency translation adjustments	-8,472		-8,258		213		-8,480	
Total Valuation and Translation adjustments	-4,060	-3.8	-10,146	-7.5	-6,085	149.9	-4,358	-3.9
Total Net Asset	39,046	36.1	33,979	25.0	-5,067	-13.0	39,066	35.1
Total Liabilities and Net Asset	108,190	100.0	135,651	100.0	27,461	25.4	111,220	100.0

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2. Summary of Consolidated Income Statements

(JPY in Million)

Item	Previous period (April 1 to December 31, 2006)		Current period (April 1 to December 31, 2007)		Increase/ decrease		Reference (April 1, 2006 to March 31, 2007)	
	Amount	%	Amount	%	Amount	%	Amount	%
I Net Sales	123,659	100.0	129,826	100.0	6,166	5.0	169,194	100.0
II Cost of Sales	93,236	75.4	97,337	75.0	4,101	4.4	127,796	75.5
Gross Profit	30,423	24.6	32,488	25.0	2,065	6.8	41,397	24.5
III Selling, General and Administrative expenses	26,418	21.4	28,726	22.1	2,308	8.7	35,780	21.2
Operating Profit	4,005	3.2	3,762	2.9	-243	-6.1	5,617	3.3
IV Non-operating Profit								
1 Interest income and dividends	231		238		6		313	
2 Other non-operating profit	336		595		258		435	
Sub-total	568	0.5	833	0.7	265	46.7	749	0.4
V Non-operating Expense								
1 Interest expense	357		567		210		526	
2 Other non-operating expenses	2,159		1,979		-180		3,500	
Sub-total	2,517	2.0	2,546	2.0	29	1.2	4,026	2.3
Ordinary Income	2,056	1.7	2,049	1.6	-7	-0.4	2,339	1.4
VI Extraordinary Profit								
1 Gain on sales of fixed assets	74		48		-26		86	
2 Reversal of allowance for doubtful receivables	0		35		35		1	
3 Gain on sale of investment securities	117		16		-101		588	
Sub-total	192	0.2	100	0.0	-92	-48.0	676	0.4
VII Extraordinary Loss								
1 Loss on revision of profit and loss of previous year	94		-		-94		95	
2 Loss on devaluation of golf membership	0		-		-0		0	
3 Retirement allowance paid to directors	260		-		-260		260	
4 Loss on devaluation of investment securities	39		44		5		42	
5 Loss on disposal and sales of fixed assets	41		92		51		101	
6 Loss on sales of investment securities	-		0		0		-	
Sub-total	435	0.4	136	0.1	-298	-68.5	499	0.3
Income before Income taxes	1,813	1.5	2,012	1.5	198	11.0	2,516	1.5
Income Tax, Corporate Inhabitant Tax and Corporate Enterprise Tax	528	0.5	711	0.5	183	34.7	621	0.4
Corporate Tax and Other Adjustment	19	0.0	-156	-0.1	-175	-	308	0.2
Net Income	1,265	1.0	1,457	1.1	191	15.1	1,586	0.9

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3. Summary of Consolidated Statements of Cash Flows

(JPY in Million)

Item	Previous period (April 1 to December 31, 2006) Amount	Current period (April 1 to December 31, 2007) Amount	Reference (April 1, 2006 to March 31, 2007) Amount
I Cash Flows from Operating Activities:			
1 Income before income taxes	1,813	2,012	2,516
2 Depreciation	5,170	5,462	6,949
3 Amortization of goodwill	43	199	58
4 Decrease in allowance for doubtful accounts	-35	-91	-18
5 Increase in allowance for employees' retirement	249	210	209
6 Interest revenue and dividend income	-231	-238	-313
7 Interest expense	357	567	526
8 Gain on sale of investment securities	-117	-16	-588
9 Loss on devaluation of investment securities	39	44	42
10 Investment loss on equity method	-	59	-
11 Loss on devaluation of golf membership	0	-	0
12 Loss on disposal of fixed assets	40	88	98
13 (Gain) loss on sales of fixed assets	-73	-43	-83
14 Decrease in trade notes and accounts receivable	3,983	3,137	826
15 (Increase) decrease in inventories	1,147	-1,628	388
16 Increase (decrease) in accounts payable	-2,218	-2,133	1,474
17 Increase in consumption tax payable	16	55	86
18 (Increase) decrease in consumption tax refunds receivable	-370	-132	17
19 Amount paid as bonuses to directors	-59	-	-59
20 Others	-564	138	195
Sub-Total	9,190	7,691	12,327
21 Interest and dividend received	232	235	313
22 Interest paid	-267	-359	-512
23 Income taxes paid	-464	-361	-647
24 Amount paid as retirement allowance to directors	-24	-	-24
Net cash provided by operating activities	8,666	7,205	11,456
II Cash Flows from Investing Activities:			
1 Payment in time deposits	-	-0	-
2 Decrease in (withdrawal from) time deposits	6	0	6
3 Capital investment (real estate, plants and equipment)	-1,736	-1,900	-2,408
4 Proceeds from sales of property, plant and equipment	475	34	480
5 Purchase of intangible fixed assets	-2,934	-2,493	-4,102
6 Purchase of investment securities	-0	-20,506	-1
7 Proceeds from sales of investment securities	143	19	806
8 Purchase of shares of consolidated subsidiaries due to change in the scope of consolidation	-	-8,024	-
9 Others	0	0	0
Net cash used in investing activities	-4,046	-32,869	-5,218
III Cash Flows from Financing Activities:			
1 Increase (decrease) in short-term bank borrowings, net	-22,483	29,094	-22,795
2 Proceeds from long-term bank borrowings	19,925	-	19,925
3 Dividend payment	-728	-719	-729
4 Others	-73	-82	-117
Net cash provided by (used in) financing activities	-3,359	28,293	-3,717
IV Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	328	292	404
V Net Increase in Cash and Cash Equivalents	1,588	2,921	2,925
VI Cash and Cash Equivalents at beginning of year	14,008	16,934	14,008
VII Cash and Cash Equivalents at end of account settlement period	15,597	19,855	16,934