

HITACHI
Inspire the Next

Business Report

for the 92th Term 2007.4.1→2008.3.31



X-ray CT system
ECLOS

Hitachi Medical Corporation
Stock ticket number: 6910

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1. Matters pertaining to the current state of the Hitachi Medical Group

(1) The progression of business and results of the Hitachi Medical Group

In the consolidated accounting period under review, the diagnostic imaging system market contracted compared to the preceding fiscal year in Japan. In the U.S. market, the Deficit Reduction Act has made an impact on the sales. Overall, the market faced tough conditions.

In this environment, the Hitachi Medical Group, as an integrated medical systems manufacturer, took steps to develop and manufacture new products by taking advantage of the technical capabilities of the entire Hitachi Group, including the Hitachi Medical Group itself, and to provide those solutions that really help produce the value sought by patients and other customers under its global sales and service strategy.

Notwithstanding the above efforts, net sales fell by 6.7% year-on-year to JPY 110,386 million due to sales decreases both in Japan and in the U.S. Operating income increased by 7.6% to JPY 3,309 million due mainly to a reduction in fixed costs, while ordinary income decreased 0.7% to JPY 2,413 million due mainly to foreign exchange losses.

Under this harsh market environment, the Hitachi Medical Group has been pursuing business restructuring in an effort to achieve our goal of making profit on a non-consolidated operating income basis in the year ending March 31, 2009. As part of this restructuring, we implemented an early retirement scheme for the purpose of ensuring the appropriate number of personnel and streamlining management, and reported JPY 1,471 million in early extra retirement payments under extraordinary losses. Impairment loss and other losses totaling JPY 266 million were also reported under extraordinary losses.

Consequently we recorded a consolidated net loss of JPY 1,089 million for the current consolidated accounting period.

■ Medical Systems Segment

[MRI Systems]

There was a slide in domestic sales of permanent magnet MRI models, including the APERTO Inspire and the AIRIS Elite. In overseas market, although sales climbed in Europe, sales of the high-field closed MRI System, ECHELON Vega,

fell short of our expectations and the sales of conventional products, including the Altaire, dropped in the U.S. As a result, overall results showed a year-on-year decline.

[X-ray CT Systems]

In the second half of the current fiscal year, domestic sales improved with the launch of new multi slice CT systems on July 2007, the ECLOS (16, 8, and 4 slices), while sales for the full year remained flat from the previous fiscal year. Overseas sales surpassed the figure reported in the preceding fiscal year. Overall, sales in this segment increased from the level of the previous fiscal year.

[X-ray Systems]

The POPULUS general-purpose X-ray system and mammography systems experienced sluggish sales. Consequently, results in this segment were below the level of the preceding fiscal year.

[Diagnostic Ultrasound Systems]

Domestic sales rose, driven primarily by new products. Overseas sales also increased; the gain in Europe was particularly remarkable. As a result, sales in this segment were higher compared with the previous fiscal year.

[Others]

Sales of third-party products and maintenance services fell below the previous fiscal year's level.

As a result of the above, sales from this segment fell by 7.8% from the preceding fiscal year to JPY 99,823 million. Operating income increased by 40.7% from the preceding fiscal year to JPY 3,461 million due mainly to a reduction in fixed costs.

■ Medical Information Systems

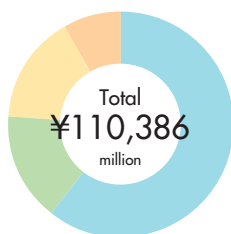
Hitachi Medical Computer Systems, Inc., the Company's consolidated subsidiary based in Japan, reported a sales decrease since it did not enjoy a boost in sales of medical accounting systems which it saw in the previous fiscal year after a revision to medical charges. On the other hand, the Company's hospital information systems and medical checkup systems enjoyed brisk sales.

As a result, sales from this segment increased by 4.7% from the preceding fiscal year to JPY 10,563 million. In contrast, we recorded an operating loss of JPY 374 million due mainly to the decrease in sales of medical accounting systems of Hitachi Medical Computer Systems, Inc.

Sales by Segment

Segment	Amount (Millions of yen)	Composition (%)	Year-on-year change (%)
Medical Systems	99,823	90.4	92.2
Medical Information Systems	10,563	9.6	104.7
Total	110,386	100.0	93.3

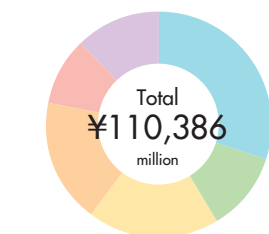
Reference



Domestic and International Sales (Consolidated)

(Fiscal year ended March 31, 2008) Millions of yen

Japan	67,106 (60.8%)
North America	17,006 (15.4%)
Europe	17,091 (15.5%)
Asia and other Regions	9,182 (8.3%)



Sales by Product Category (Consolidated)

(Fiscal year ended March 31, 2008) Millions of yen

MRI Systems	33,210 (30.1%)
X-ray CT Systems	12,437 (11.3%)
X-ray Systems	20,890 (18.9%)
Diagnostic Ultrasound Systems	19,907 (18.0%)
Medical Information Systems	10,562 (9.6%)
Others	13,380 (12.1%)

(2) Issues to be worked on by the Hitachi Medical Group

As for the Japanese economy during the period under review, uncertainty is expected to prevail, as it is weighted down with risks associated with the decelerating U.S. economy, stemming from the subprime mortgage crisis and the credit crunch in the industrialized nations, in addition to the basic trend of the appreciating yen against the dollar and the continued soar in prices of crude oil and other raw materials.

The world economy, on the other hand, is expected to continue its high growth, thanks primarily to the BRIC countries.

In terms of the market for diagnostic imaging systems, despite the lack of expectations for any substantial growth on the domestic market, on the international market strong performances in sales are anticipated in the peripheral nations of Europe, the BRIC and VISTA countries.

Under these circumstances, Kiyoshi Hamamatsu took over as President and Chief Executive Officer, as of April 1, 2008, and efforts would be made under this new executive structure to improve our earning capacity. And as part of our performance restructuring vision, we intend to undertake the measures outlined below:

[Performance Restructuring Vision]

- 1) Aim to expand sales by developing distinctive products that target customers in the volume zone.
- 2) Pursue further enhancement of our business structure through improvement of product quality and increased productivity, while at the same time ensure profits by cutting back on fixed expenses.
- 3) Improve the efficiency of and reinforce R&D by sharing a common business strategy with Hitachi, Ltd. (Research & Development Group and other divisions)

Specifically, we will implement the following operations.

[Sales Growth and Product Development]

We are undertaking efforts on sales growth of the following new products and product development.

[MRI Systems]

We will redouble our efforts on sales of the high field model, the ECHELON Vega, in Japan and overseas. Moreover, we will be launching the 1.2-tesla high field open MRI system in the

U.S. market with the intention of expanding its sales.

[X-ray CT Systems]

We will step up sales of the ECLOS, new multi-slice (16, 8, and 4 slices) CT systems. We will also continue to develop high-end models, as the market is expected to further expand.

[X-ray Systems]

In addition to the conventional flat-panel display mounted models, we will focus on expanding sales of the CUREVISTA, a fluoroscopic system with a wide workspace and the Sirius Ubiquitous, a CR mounted mobile X-ray system.

[Diagnostic Ultrasound Systems]

Working around the key function of Elastography, which produces color images of tissue hardening, we will promote sales of our new HI VISION 900, EUB-7500 and Apron EUB-7000HV.

[Medical Information Systems]

By promoting further collaborations with Hitachi Medical Computer Systems, Inc. and the Hitachi Group, we intend to expand our solution proposing business including our medical image management systems, electronic medical charts for clinics and comprehensive medical checkup systems for small- to medium-scale hospitals. We will also increase sales of simulations of lifestyle-related diseases that are compatible with specific medical checkups and specific health guidance together with our next generation medical checkup systems.

[Reinforcement of Our Overseas Sales Structure]

In the Chinese market, we intend to further bolster our sales structure primarily through Hitachi Medical Systems (Beijing) Corporation, and in Russia, Eastern Europe and Africa, we will build up appropriate sales structures and expand sales by utilizing the trading companies and our sales agents.

[Reinforcement of Our Product Development Capabilities]

In order to drastically improve our product development capabilities, the following measures were taken as of April 1, 2008:

- 1) With the cooperation of Hitachi, Ltd. (Research & Development Group and others), the “Medical Systems Development Center” was established within the Company and the development structure for next-generation high field MRI systems, next-generation diagnostic ultrasound systems and next-generation X-ray CT systems was reinforced.
- 2) With the cooperation of Hitachi, Ltd. (Hitachi works and others), the development and production structure of superconducting electromagnets was reinforced.

[Reinforcement of Our Business Constitution]

In order to further reinforce our business constitution, we will continue to make efforts in implementing measures such as “reduction of production lead time,” “reduction of inventories,” “improvement in product quality,” “improvement in service quality,” “increasing maintenance income,” and “promotion of environment measures.”

As a result of the above efforts, we are projecting net sales of JPY 115,000 million (4.2% increase over the preceding fiscal year), operating income of 3,500 million yen (5.8% increase over the preceding fiscal year), ordinary income of 2,500 million yen (3.6% increase over the preceding fiscal year), and net income of 1,800 million yen.

Hitachi Medical intends to continue to be true to our “ethical fundamentals and right way” and put our concerted efforts into a compliance-oriented management.

Reference

Forecast of results for the fiscal year ending March 31, 2009 (consolidated)

● Net Sale:	JPY 115,000 million
● Operating Income:	JPY 3,500 million
● Ordinary Income:	JPY 2,500 million
● Net Income:	JPY 1,800 million

(3) Capital Investments by the Hitachi Medical Group

The amount of capital investments during the consolidated accounting period was JPY 2,994 million, which consisted mainly of investments in a newly-built facility and its accompanying equipment, namely Hitachi Medical Technical Academy, located in the vicinity of the Kashiwa Works.

(4) Assets and business results of the Hitachi Medical Group

1) The Hitachi Medical Group

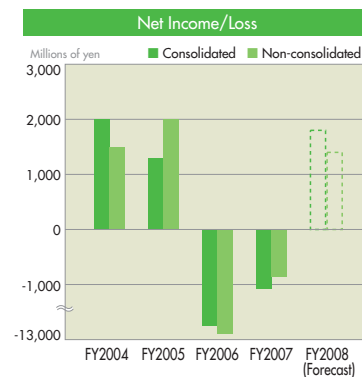
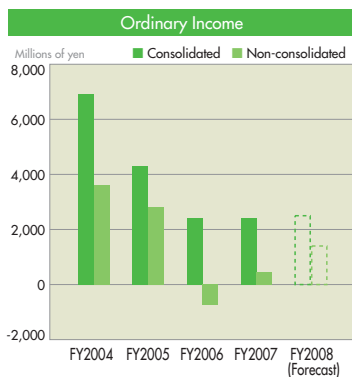
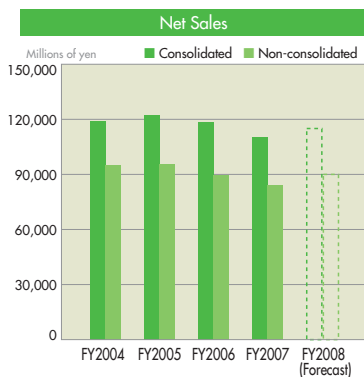
		FY2004	FY2005	FY2006	FY2007
Net sales	(Millions of yen)	119,282	122,436	118,342	110,386
Ordinary income	(Millions of yen)	6,907	4,308	2,429	2,413
Net income/loss	(Millions of yen)	2,009	1,296	△11,344	△1,089
Net income/loss per share	(yen)	51.06	32.96	△288.77	△27.77
Total assets	(Millions of yen)	126,812	131,874	114,219	111,364

2) Hitachi Medical (Non-consolidated)

		FY2004	FY2005	FY2006	FY2007
Net sales	(Millions of yen)	95,051	95,441	89,689	84,384
Ordinary income/loss	(Millions of yen)	3,597	2,550	△734	463
Net income/loss	(Millions of yen)	1,492	2,007	△12,301	△860
Net income/loss per share	(yen)	37.92	51.05	△313.15	△21.93
Total assets	(Millions of yen)	109,673	115,429	97,259	97,542

Reference

Major Results and Changes



(5) State of the parent company and major subsidiaries (As of March 31, 2008)

1) Relationship with the parent company

The Company's parent company is Hitachi, Ltd. and 61.72% of the Company's shares are held by the parent company. The Company sells medical systems to hospitals belonging to the parent company.

2) Major consolidated subsidiaries

Company Name	Paid-in Capital	Share of voting rights (%)	Principal Business
Hitachi Medical Computer Systems, Inc.	325 million yen	100.00	Sales and service of medical information systems
Hitachi Medical Systems America, Inc.	900 thousand US dollars	75.00	Sales and service of medical systems
Hitachi Medical Systems (Singapore) Pte, Ltd.	600 thousand Singaporean dollars	100.00	Sales and service of medical systems
Hitachi Medical Systems Europe Holding AG	1,673 thousand euros	100.00	Sales and service of medical systems
Performance Controls, Inc.	3,800 thousand US dollars	100.00	Manufacturing and sales of medical systems components
Hitachi Medical Systems (Suzhou) Corporation	41,385 thousand yuan	100.00	Manufacturing and sales of medical systems
Hitachi Medical Systems (Beijing) Corporation	29,385 thousand yuan	100.00	Sales and service of medical systems
Hitachi Medical (Guangzhou) Co., Ltd.	23,830 thousand yuan	60.00	Sales and service of medical systems

(6) Principal Businesses of the Hitachi Medical Group (As of March 31, 2008)

The Group is involved in the development, manufacturing, sales and installation of medical systems and medical information systems and the maintenance services thereof.

Segment	Business Description
Medical Systems	MRI systems, X-ray CT systems, X-ray systems, Diagnostic Ultrasound systems, Nuclear Medicine systems, etc.
Medical Information Systems	Medical image management systems, hospital information systems, comprehensive medical checkup systems, medical administration systems

(7) Number of Employees of the Hitachi Medical Group (As of March 31, 2008)

Segment	Number of employees	Change from the end of the previous fiscal year (number of employees)
Medical Systems	3,165	-26
Medical Information Systems	439	+5
Total (Non-consolidated)	3,604 (2,329)	-21 (-6)

2. Stock Information (As of March 31, 2008)

(1) Number of shares authorized 158,000,000 shares

(2) Number of shares issued 39,540,000 shares

Capital	13,884,000,000 yen
Type of stock	Common stock
Number of shares per unit	1,000 shares

(3) Number of stockholders 3,363

(4) Major Stockholders

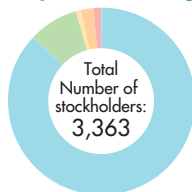
Stockholders	Equity in the Company	
	Number of shares held (shares)	Percentage of shares held (%)
Hitachi, Ltd.	24,220,400	61.72
State Street Bank and Trust Company 505019	1,102,000	2.81
Goldman Sachs International	965,000	2.46
Morgan Stanley & Co. International PLC	918,000	2.34
CBLDN Stichting Pensioenfonds Zorg En Welzijn	730,000	1.86
CBNY DFA Intl Small Cap Value Portfolio	675,000	1.72
Hitachi Medical Corporation Group Employees' Stock Association	662,891	1.69
The Master Trust Bank of Japan, Ltd.	614,000	1.56
Japan Trustee Services Bank, Ltd.	418,000	1.07
Yoshifumi Sakurai	255,000	0.65

Notes: 1. The Company holds 297,002 treasury shares but is excluded from the list of major stockholders above.

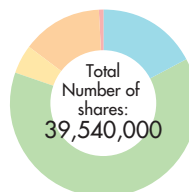
2. The percentage of shares held represents the ratio of the number of shares held to the total number of shares outstanding excluding 297,002 treasury shares.

Reference

Composition by Type of Stockholder



Individuals, others:	2,931	87.15%
Japanese companies:	284	8.45%
Financial institutions:	35	1.04%
Foreign investors:	75	2.23%
Securities companies:	38	1.13%



Individuals, others:	6,849,000	17.32%
Japanese companies:	24,907,000	62.99%
Financial institutions:	1,963,000	4.97%
Foreign investors:	5,532,000	13.99%
Securities companies:	289,000	0.73%

3. Board Members and Corporate Officers

(1) Names of the Board of Directors and Executive Officers, their positions and responsible divisions

■ Board of Directors (As of June 24, 2008)

Position	Name	Responsible Division (Committee)
Chairman, External Director	Yoshiro Kuwata	Chairman of the Nomination Committee and Member of the Compensation Committee
Director	Kiyoshi Hamamatsu	Member of the Nomination Committee and Chairman of the Compensation Committee
Director	Kazuyoshi Miki	—
Director	Kenichiro Kosugi	—
Director	Masahiro Tanaka	Chairman of the Audit Committee
External Director	Michiharu Nakamura	Member of the Nomination Committee, the Audit Committee and the Compensation Committee
External Director	Shozo Saito	Member of the Nomination Committee, the Audit Committee and the Compensation Committee

■ Executive Officers (As of June 24, 2008)

Position	Name	Responsible Division
President and Chief Executive Officer	*Kiyoshi Hamamatsu	Overall control
Senior Vice President and Chief Executive Officer	Kazuyoshi Miki	Quality control, intellectual property, development
Vice President and Executive Officer	Hideki Takahashi	International operations
Vice President and Executive Officer	*Kenichiro Kosugi	Finance
Vice President and Executive Officer	Toshiaki Teshima	Materials, quality control, development, production
Vice President and Executive Officer	Michito Kinoshita	Marketing, medical information systems business, Domestic sales, services business
Executive Officer	Norifumi Katsukura	Human resources, labor affairs, legal affairs, risk measures, compliance
Executive Officer	Etsuji Yamamoto	Management support
Executive Officer	Kenichi Kaneki	Environment, export control
Executive Officer	Kunio Edo	Services business
Executive Officer	Tsuneo Maeda	Development

(*Serving concurrently as a member of the Board of Directors)

4. The Company's system and policy

(1) Summary of the contents of the Board of Directors' resolution regarding the enhancement of systems, etc. to ensure the adequacy of business operations

■ Matters necessary for the execution of duties by the Audit Committee

1) Matters pertaining to directors and employees who are to assist the duties of the Audit Committee

An administrative office for the Board of Directors has been established to assist the duties of the various Committees including the Audit Committee and the Board of Directors; and one or more staff has been assigned to this office. In addition to the staff assigned to the administrative office for the Board of Directors, employees of the Audit Division and the General Affairs Division also assist the administrative affairs of the Board of Directors and the various Committees. It should be noted that Directors have not been appointed explicitly to assist the duties of the Audit Committee.

2) Matters pertaining to the independence of the Directors and employees stipulated in the previous paragraph from the Executive Officer

The Audit Committee shall receive prior explanation regarding the personnel changes involving employees belonging to the administrative office for the Board of Directors and may request changes to the Executive Officer in charge of human resources, as necessary. When disciplinary actions are to be taken against an employee belonging to the administrative office for the Board of Directors, the Executive Officer in charge of human resources must obtain prior approval from the Audit Committee.

3) System for Executive Officers and employees to report to the Audit Committee and the system for other reporting to the Audit Committee

Matters that have been brought before or reported to the Management Conference, results of internal audits conducted by the Audit Division, the status of reports

under the whistleblower system to monitor compliance and in situations where an Executive Officer is discovered to be in danger of causing material damage to the Company, reports must be made without delay to the Audit Committee.

4) Systems to ensure that audits are performed effectively by the Audit Committee

The Audit Committee shall establish a standing audit committee and draw up activity plans upon adjustments with the audit plans of the Audit Division.

■ System to ensure that the execution of duties by the Executive Officers comply with the relevant laws and the Articles of Incorporation

Same as "System to ensure that execution of duties by the employee comply with relevant laws and the Articles of Incorporation," stated below.

■ The enhancement of other systems stipulated as necessary by the Order of the Ministry of Justice to ensure the adequacy of operations

1) System regarding the retention and management of information relating to the execution of duties by the Executive Officer

Internal rules (Executive Officer Regulations and Document Retention Rules) stipulate that records of decisions by Executive Officers must be made and retained and that approval documents must be retained for certain number of years. Moreover in the event that a request is made for the above record or document by a member of the Audit Committee, it must be submitted by the Executive Officer without delay.

2) Regulations and other systems relating to the management of risk of loss

In terms of risks relating to compliance, information security, the environment, disasters, quality and export control, systems have been established at each corresponding division to formulate rules and guidelines, conduct training, and create/distribute manuals.

Efforts are also being made to monitor the probability of occurrence of new risks through the reports given periodically by the Executive Officers on the execution of their duties; and in order to deal with the newly occurring risks, instructions are given to the Divisions concerned by the President and Chief Executive Officer as necessary, in addition to appointing an Executive Officer responsible for promptly dealing with such risks.

Furthermore, in the event that the risks materialize and the occurrence of material losses is predicted, the Executive Officer shall promptly report to members of the Audit Committee.

3) System to ensure that the execution of duties by the Executive Officers is conducted effectively

The effectiveness of the execution of duties by the Executive Officers is ensured by utilizing the management control system indicated below.

- The Management Conference and the management conference for each segment have been established and decisions are being made after deliberations on various aspects take place.
- Each segment, to the end of systematically and efficiently executing operations, draws up its business strategies, action plans and numerical targets in the form of the medium-term management plan (medium-term plan) and the yearly budget and manages its performance accordingly.
- Internal audits are being performed to monitor the status of operations and to implement improvements.
- In order for the Audit Committee to supervise the accounting auditors and to ensure the independence of the accounting auditors from the Executive Officers, the Audit Committee shall receive prior reports on the audit plans from the accounting auditors. Remunerations for the accounting auditors and commissioning non-auditing operations to the accounting auditors require prior approval by the Audit Committee.

- Documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified (verifications are commissioned to accounting auditors as necessary).

4) System to ensure that the execution of duties by the employees comply with relevant laws and the Articles of Incorporation

A compliance system is being maintained continuously by utilizing the management control system indicated below.

- Internal audits by the Audit Division and other related divisions are being conducted in order to confirm the status of compliance and to deter violations of the laws.
- A whistleblower system to monitor compliance has been established so that personnel may report incidents to their divisions.
- As part of the Company's compliance education, an educational program using texts including handbooks on the laws relating to the business activities of the Company is being conducted.
- In order to make the internal control systems known throughout the Company and to ensure their efficiency, the Executive Officers, as part of their duties, are establishing the rules for each Company. However the enactment and the revision/removal of rules determining the system of rules/enactment methods, and of the rules relating to the organizations of the companies and to compliance/information management, particularly significant ones will require the approval of the Board of Directors.

5) System to ensure the adequacy of operations by the Corporate Group comprising the Company, the Company's parent company and its subsidiaries

The adequacy of operations by the Corporate Group is ensured by the system indicated below.

[The system, which includes the parent company]

- We regard the corporate behavior standards of the Company and Hitachi, Ltd., the parent company, as the

foundation for the Hitachi brand and our CSR activities. We will nurture a set of values to be shared by the entire Hitachi Group, while at the same time share in the understanding of the CSR that need to be fulfilled as a corporate entity.

- We are undergoing periodic audits on operations, accounting, export control and compliance by the parent company and receiving the results thereof in the form of appropriate feedback.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Hitachi Group fairly and based on market prices.

[The system, which includes the subsidiaries]

- The Company has determined policies and management rules, which have at their core the compliance with the laws governing the business activities of the Hitachi Medical Group, including information security, the environment, quality control, export control, prevention of antisocial business, etc., and has laid down similar rules at its subsidiaries.
- In order to ensure efficiency and compliance, we have determined rules on internal audits and have developed a system that conducts periodic audits. We have also dispatched the Company's Directors and Corporate Auditors to the Hitachi Medical Group Companies.
- We have established a whistleblower system to monitor compliance, which enables employees of the Company and the Hitachi Medical Group to make reports of incidents to the responsible divisions of the Company.
- In terms of internal controls over financial statements, documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified by the Corporate Auditors, etc. of each company.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Group fairly and based on market prices.

(2) Basic policy on the nature of persons who control decision-making over the financial and business policies of the Company

The Company recognizes that the listing of its stocks and the raising of capital for the Company's future growth from investors and from the stock market, while engaging in the management of the Company with a sense of urgency instilled by the awareness of being evaluated on a daily basis, is extremely important in enhancing its corporate value.

On the other hand, from the perspective of stockholder composition, the Company's parent company is Hitachi, Ltd. and on the basis of this capital relationship with Hitachi, Ltd., the Company is aggressively utilizing the R&D capabilities, the brand power and other management resources of Hitachi, Ltd. and the Hitachi Group.

The Company considers the optimization of its value as it applies to all of its stockholders as one of its major management goals and from this perspective it intends to engage in the construction of its governance structure and the formulation of its management plans.

(3) Policy on the determination of dividends

The Company considers the interests of its stockholders as one of its top priorities.

Dividend payments will be executed based on maintaining a balance between the appropriate return of profits to our stockholders and the retention of internal reserves for R&D investments, while comprehensively taking into account the Company's performance and financial position.

During the current consolidated accounting period, the Company declared a year-end dividend of 4.5 yen per share, which is the same amount as the interim dividend, for a full year dividend of 9.0 yen per share.

II. Consolidated Balance Sheets

(Millions of yen)

Item	FY2007 (As of March 31, 2008)	FY2006 (Reference) (As of March 31, 2007)
Assets		
Current Assets	84,295	88,616
Cash	6,908	8,252
Receivables	33,920	35,127
Marketable securities	545	3,610
Inventories	24,347	24,234
Deferred tax assets	3,949	3,698
Deposits	13,759	13,065
Others	1,393	1,133
Less: Allowance for doubtful accounts	△528	△506
Fixed Assets	27,068	25,602
Tangible fixed assets	16,435	16,029
Buildings and structures	6,003	5,933
Machinery, equipment and vehicles	1,586	1,861
Land	5,790	5,793
Others	3,055	2,441
Intangible fixed assets	3,925	2,673
Goodwill	57	77
Software	3,766	2,473
Others	101	121
Investment and other assets	6,707	6,899
Investment securities	4,942	4,865
Long-term prepaid expenses	303	392
Deferred tax assets	220	432
Others	1,241	1,209
Total Assets	111,364	114,219

Item	FY2007 (As of March 31, 2008)	FY2006 (Reference) (As of March 31, 2007)
Liabilities		
Current Liabilities	34,472	34,921
Notes and accounts payable	20,689	20,146
Accounts payable-other	2,067	—
Short-term loans payable	—	625
Accrued expenses	5,696	6,339
Accrued income taxes	462	724
Reserve for guarantee for after-care of products	1,751	1,889
Others	3,804	5,195
Long-Term Liabilities	11,726	11,901
Long-term loans payable	40	—
Accrued retirement benefits	9,307	9,554
Reserve for directors' retirement allowances	469	527
Deferred tax liabilities on revaluation	1,612	1,612
Others	296	206
Total Liabilities	46,198	46,822
Net Assets		
Stockholders' Equity	66,348	67,820
Common stock	13,884	13,884
Capital surplus	21,206	21,206
Retained earnings	31,652	33,096
Treasury stock	△394	△366
Valuation and Translation Adjustments	△2,671	△2,189
Unrealized gain/loss on marketable securities	328	275
Unrealized gain/loss on revaluation of land	△3,053	△3,053
Foreign currency translation adjustment	53	588
Minority Interests	1,488	1,765
Total Net Assets	65,165	67,396
Total Liabilities and Net Assets	111,364	114,219

III. Consolidated Statements of Income

(Millions of yen)

Item	FY2007 (from April 1, 2007 to March 31, 2008)		FY2006 (Reference) (from April 1, 2006 to March 31, 2007)	
Net sales	110,386		118,342	
Cost of goods sold	70,503		76,677	
Gross Profit	39,883		41,665	
Selling, general and administrative expenses	36,573		38,588	
Operating Income	3,309		3,076	
Non-operating income				
Interest income	241		206	
Foreign exchange gains	—		51	
Others	270	511	233	492
Non-operating expenses				
Interest expenses	41		46	
Loss on disposal of inventories	806		545	
Loss on disposal of fixed assets	117		283	
Foreign exchange losses	377		—	
Others	65	1,407	264	1,139
Ordinary Income	2,413		2,429	
Extraordinary income				
Gain on sales of investment securities	—	—	208	208
Extraordinary losses				
Impairment loss	161		—	
Loss on disposal of inventories	—		2,743	
Loss on valuation of investment securities	24		127	
Early extra retirement payments	1,471		—	
Amortization of goodwill	—		292	
Loss on sales of stocks of affiliates	—		372	
Others	81	1,738	—	3,536
Income/Loss before Income Taxes	674		△898	
Income taxes-Current	1,416		1,842	
Income taxes-Deferred	△102	1,314	7,987	9,829
Minority interest in earnings of consolidated subsidiaries	450		615	
Net Loss	△1,089		△11,344	

IV. Consolidated Statement of Changes in Stockholders' Equity (From April 1, 2007 to March 31, 2008)

(Millions of yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2007	13,884	21,206	33,096	△366	67,820
Changes in the consolidated year					
Dividend payments of surplus			△353		△353
Net loss			△1,089		△1,089
Acquisition of treasury stocks				△30	△30
Disposition of treasury stocks			△0	2	1
Net changes in items other than stockholders' equity during the consolidated year					
Total changes during the consolidated year	—	—	△1,443	△28	△1,472
Balance as of March 31, 2008	13,884	21,206	31,652	△394	66,348

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain/loss on marketable securities	Unrealized gain/loss on revaluation of land	Foreign currency translation adjustment	Total valuation and translation adjustment		
Balance as of March 31, 2007	275	△3,053	588	△2,189	1,765	67,396
Changes in the consolidated year						
Dividend payments of surplus						△353
Net loss						△1,089
Acquisition of treasury stocks						△30
Disposition of treasury stocks						1
Net changes in items other than stockholders' equity during the consolidated year	53		△535	△481	△277	△758
Total changes during the consolidated year	53	—	△535	△481	△277	△2,231
Balance as of March 31, 2008	328	△3,053	53	△2,671	1,488	65,165

V. Non-consolidated Balance Sheets

(Millions of yen)

Item	FY2007 (As of March 31, 2008)	FY2006 (Reference) (As of March 31, 2007)
Assets		
Current Assets	69,226	70,642
Cash	3,576	3,778
Notes receivable-trade	4,439	4,472
Accounts receivable-trade	26,411	26,427
Marketable securities	545	3,610
Merchandise	165	135
Finished goods	7,143	7,252
Materials	1,041	1,255
Work in process	7,464	7,427
Deferred tax assets	2,977	2,539
Accounts receivable-other	997	—
Short-term loans	574	17
Deposits	13,759	13,065
Others	135	687
Less: Allowance for doubtful accounts	△3	△26
Fixed Assets	28,316	26,617
Tangible fixed assets	14,869	14,433
Buildings	5,468	5,361
Structures	148	145
Machinery	1,197	1,375
Vehicles	1	3
Equipment	2,256	1,726
Land	5,682	5,682
Construction in progress	115	140
Intangible fixed assets	3,245	2,097
Patent right	23	31
Right of trademark	2	3
Software	3,170	2,011
Right of using facilities	48	51
Investment and other assets	10,201	10,086
Investment securities	4,872	4,782
Stocks of affiliates	1,990	1,990
Investments in capital of affiliates	1,251	1,091
Long-term loans receivable from employees	2	10
Loans receivable from affiliates	858	900
Long-term prepaid expenses	293	370
Others	932	941
Total Assets	97,542	97,259

Item	FY2007 (As of March 31, 2008)	FY2006 (Reference) (As of March 31, 2007)
Liabilities		
Current Liabilities	27,058	25,236
Notes payable-trade	410	376
Accounts payable-trade	19,245	18,697
Accounts payable-other	1,600	371
Accrued expenses	3,289	3,564
Accrued income taxes	111	39
Advance received	624	542
Deposits received	492	437
Reserve for guarantee for after-care of products	1,166	1,029
Notes payable-facilities	6	53
Others	111	124
Long-Term Liabilities	10,948	11,297
Long-term loans payable	40	—
Accrued retirement benefits	8,643	8,998
Reserve for directors' retirement allowances	414	490
Deferred tax liabilities	236	195
Deferred tax liabilities on revaluation	1,612	1,612
Total Liabilities	38,006	36,534
Net Assets		
Stockholders' Equity	62,261	63,504
Common stock	13,884	13,884
Capital surplus	21,206	21,206
Capital reserve	21,206	21,206
Retained earnings	27,565	28,780
Earned surplus reserve	798	798
Other retained earnings	26,767	27,981
General reserve	38,968	38,968
Retained earnings carried forward	△12,201	△10,986
Treasury stock	△394	△366
Valuation and Translation Adjustments	△2,724	△2,778
Unrealized gain/loss on marketable securities	328	275
Unrealized gain/loss on revaluation of land	△3,053	△3,053
Total Net Assets	59,536	60,725
Total Liabilities and Net Assets	97,542	97,259

VI. Non-consolidated Statements of Income

(Millions of yen)

Item	FY2007 (from April 1, 2007 to March 31, 2008)		FY2006 (Reference) (from April 1, 2006 to March 31, 2007)	
Net sales	84,384		89,689	
Cost of goods sold	65,698		69,620	
Gross Profit	18,685		20,069	
Selling, general and administrative expenses	19,369		21,787	
Operating Loss	△684		△1,718	
Non-operating income				
Interest income	145		71	
Interest on securities	9		26	
Dividends income	1,963		1,550	
Miscellaneous income	128		72	
	2,247		1,721	
Non-operating expenses				
Interest expenses	9		9	
Loss on disposal of inventories	542		215	
Loss on disposal of fixed assets	67		272	
Foreign exchange losses	443		—	
Miscellaneous loss	36		240	
	1,099		738	
Ordinary Income/Loss	463		△734	
Extraordinary income				
Gain on sales of investment securities	—		208	
Extraordinary losses				
Impairment loss	161		—	
Loss on disposal of inventories	—		2,743	
Loss on liquidation of affiliates	—		1,489	
Loss on valuation of investment securities	24		127	
Early extra retirement payments	1,471		—	
Others	81		—	
	1,738		4,360	
Loss before Income Taxes	△1,274		△4,887	
Income taxes-Current	24		32	
Income taxes-Deferred	△438		7,382	
	△414		7,414	
Net Loss	△860		△12,301	

VII. Non-consolidated Statement of Changes in Stockholder's Equity (From April 1, 2007 to March 31, 2008)

(Millions of yen)

	Stockholders' equity						
	Common stock	Capital surplus		Retained earnings			
		Capital reserve	Total capital surplus	Earned surplus reserve	Other retained earnings		Total retained earnings
				General reserve	Retained earnings carried forward		
Balance as of March 31, 2007	13,884	21,206	21,206	798	38,968	△10,986	28,780
Changes in the year							
Dividend payments of surplus						△353	△353
Net loss						△860	△860
Acquisition of treasury stocks							
Disposition of treasury stocks						△0	△0
Net changes in items other than stockholders' equity during the year							
Total changes during the year	—	—	—	—	—	△1,214	△1,214
Balance as of March 31, 2008	13,884	21,206	21,206	798	38,968	△12,201	27,565

	Stockholders' equity		Variance of evaluation and translation			Total net assets
	Treasury stock	Total stockholders' equity	Unrealized gain/loss on marketable securities	Unrealized gain/loss on revaluation of land	Total valuation and translation adjustment	
Balance as of March 31, 2007	△366	63,504	275	△3,053	△2,778	60,725
Changes in the year						
Dividend payments of surplus		△353				△353
Net loss		△860				△860
Acquisition of treasury stocks	△30	△30				△30
Disposition of treasury stocks	2	1				1
Net changes in items other than stockholders' equity during the year			53		53	53
Total changes during the year	△28	△1,243	53	—	53	△1,189
Balance as of March 31, 2008	△394	62,261	328	△3,053	△2,724	59,536