



PALTEK CORPORATION

Summary of Financial Statements

for the Term Ended December 31, 2007

(Translation)

NOTES:

All information has been prepared in accordance with generally accepted accounting principles in Japan. Amounts shown in this accounting report and in the attached material have been rounded down to omit fractions less than the units indicated. This document is an English translation of the Japanese Financial Statement (*Kessan Tanshin*) filed with the stock exchange in Japan on February 13, 2008.

Company Name:	PALTEK CORPORATION	Shares Traded:	JASDAQ
Security Code No:	7587	URL:	http://www.paltek.co.jp/
Representative:	Tadahito Takahashi, President		
Contact:	Tadashi Ito, Director, General Manager of Operational Service Division and in charge of Environment		
Telephone:	+81-45-477-2000		
Scheduled date of Annual General Meeting of Shareholders:	March 29, 2008		
Scheduled date of commencement of dividend payments:	March 31, 2008		
Scheduled filing date for full-year financial report:	March 31, 2008		

Summary of Consolidated Financial Statements
Fiscal year ended December 31, 2007
 (Translation)

February 13, 2008

PALTEK CORPORATION

Security code number: 7587 (URL <http://www.paltek.co.jp/>)
 Shares traded: JASDAQ
 Name & position of legal representative: Tadahito Takahashi, President
 Please address all communications to: Tadashi Ito, Director, General Manager of Operational Service Division and in charge of Environment
 Phone: +81-45-477-2000

Scheduled date of Annual General Meeting of Shareholders: March 29, 2008

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1. Consolidated operating results (From January 1, 2007 to December 31, 2007)**(1) Consolidated financial results**

(Fractional amounts discarded)
 (Percentage figures show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal 2007	20,655	40.2	(300)	-	(222)	-	(258)	-
Fiscal 2006	14,729	(17.9)	(412)	-	(42)	-	(36)	-

	Net income per share	Net income per share, fully diluted	Return on equity ratio	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
Fiscal 2007	(22.13)	-	(3.1)	(2.0)	(1.5)
Fiscal 2006	(3.13)	-	(0.4)	(0.3)	(2.8)

(N.B.) Equity in earnings (losses) of affiliated companies:

December 2007 term: -

December 2006 term: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2007	11,013	8,211	74.6	704.24
December 31, 2006	11,074	8,680	77.8	738.88

(N.B.) Total equity:

December 2007 term: 8,211 million yen

December 2006 term: 8,616 million yen

(3) Consolidated cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal 2007	(548)	101	566	2,231
Fiscal 2006	4,016	114	(5,037)	2,108

2. Dividends

(Record date)	Annual dividend per share					Total dividend paid (for the year)	Dividend payout ratio (consolidated)	Dividends/net assets (consolidated)
	First quarter	Interim	Third quarter	End of term	Annual			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
Fiscal 2006	-	-	-	10.00	10.00	116	-	1.4
Fiscal 2007	-	-	-	10.00	10.00	116	-	1.4
Fiscal 2008 (Forecast)	-	-	-	10.00	10.00	-	259.1	-

3. Consolidated forecasts for fiscal year to December 2008

(From January 1, 2008 to December 31, 2008)

(Percentage figures show projected year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Interim 2008	11,500	26.0	20	-	5	-	3	-	0.26
Fiscal 2008	25,000	21.0	110	-	75	-	45	-	3.86

4. Others

(1) Significant changes in major subsidiary status during period under review (changes in specific subsidiaries affecting changes in scope of consolidation): None

new: - elimination: -

(Note) Please refer to page 12 ("Group organization") for further details.

(2) Changes in principles/methods of accounting treatment, presentation method or other items relating to preparation of consolidated financial statements (changes to basis of presentation and significant accounting policies)

1) Changes relating to revision of accounting standards: Yes

2) Changes other than those included in 1) above: None

(3) Number of issued shares (common stock)

1) Number of issued shares at end of term (including treasury stock):

December 2007 term: 11,849,899

December 2006 term: 11,849,899

2) Number of treasury shares at end of term:

December 2007 term: 189,347

December 2006 term: 188,947

(Reference) Summary of Nonconsolidated operating results

1. Nonconsolidated operating results (From January 1, 2007 to December 31, 2007)

(1) Nonconsolidated financial results

(Fractional amounts discarded)
(Percentage figures show year-on-year changes)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal 2007	10,079	54.1	(461)	-	(334)	-
Fiscal 2006	6,541	(55.7)	(724)	-	(405)	-

	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
Fiscal 2007	(282)	-	(24.23)	-
Fiscal 2006	(224)	-	(19.26)	-

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2007	9,561	7,910	82.7	678.41
December 31, 2006	9,642	8,339	86.5	715.20

(N.B.) Total equity:

December 2007 term: 7,910 million yen

December 2006 term: 8,339 million yen

2. Nonconsolidated forecasts for fiscal year to December 2008

(From January 1, 2008 to December 31, 2008)

(Percentage figures show projected year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Interim 2008	6,800	59.0	15	-	5	-	3	-	0.26
Fiscal 2008	15,000	48.8	55	-	30	-	18	-	1.54

*** Disclaimer regarding appropriate use of forecasts and related points of note**

The forecasts stated above are based on our current expectations and assumptions prepared using information available at present and subject to various uncertainties. Actual results may differ significantly due to changes in business conditions. Please refer to the attached pages 6 to 7 for information regarding the preparation of the forecasts.

Financial Performance

1. Analysis of results

(1) Results for the period to December 31, 2007

The Japanese economy showed signs of slowing during the fiscal year ended December 31, 2007. Although on the whole corporate performances continued to improve, the subprime mortgage crisis in the United States, rising oil prices, and other factors pulled the economy down, particularly in the second half.

In the electronics industry, the PALTEK Group's business sector, sales of flat-panel television sets and other items were favorable in the consumer product segment. However, it was a difficult business environment for communications infrastructure and industrial equipment sales, which exhibited a lack of robustness amid the continued decline in prices caused by the severe global competition. In addition, a variety of activities were going on in the domestic industry to deal with changes in the external environment resulting in the successive announcements of sales and mergers and acquisitions of businesses among Japanese electronics manufacturers.

Amid this market environment, the PALTEK Group endeavored to expand the sales of its PLD solutions business, which was in its second year of operations following a change in its supplier. In addition, the Group worked to strengthen its analog solutions business, which is now its largest business, and its rapidly growing system solutions business.

In the PLD solutions business, the PALTEK Group focused on expanding its PLD market share during its second year since signing a sales agency agreement with Xilinx, Inc. The Group uncovered prospective users of Xilinx's products within the customer bases it is responsible for and proceeded with business proposals and providing engineering support services. Although sales are still below those prior to the change of supplier, the benefits of the activities to increase contractual orders the Group has been concentrating on since the first year are beginning to emerge. In particular, the Group has successfully captured contractual orders for many products among the medium-sized and major communications and industrial equipment manufacturers, a previous area of strength for the PALTEK Group. Moreover, the Group is making progress with expanding its customer base, and sales are steadily recovering.

Sales of the analog solutions business rose year on year, boosted especially by volume production for a large project from a customer in the mobile phone business in the mid-year. On the other hand, price competition is extremely severe, especially in the consumer product segment. It will be necessary to further intensify sales promotions and improve costs to increase contractual orders and achieve profits.

In the system solutions business, sales of ASSP products sold well, driven in particular by

broadband communications products. Sales of memory products slowed in the second half after a sharp drop in prices beginning mid-year, but were favorable over the full year because of the steady expansion in the customer base.

As a result of these business activities, consolidated net sales for the fiscal year increased 40.2% year on year, to 20,655 million yen, a record high, supported by sales growth in all three businesses.

Looking at profitability, as stated above all three businesses recorded favorable sales growth, but the gross profit margin dropped 3.4 points from the previous fiscal year due to the greater proportion in net sales of the analog solutions and memory products in consumer products where the severe price competition were seen. To compensate for the lower gross profit margin, the Group focused on reducing SG&A expenses by further improving operating efficiency. Among other actions to strengthen its competitive cost capabilities, PALTEK CORPORATION absorbed the logistics operations of NS Microelectronics Co., Ltd., a group company. Despite these efforts, the fact that PLD solutions sales fell below those achieved before the switch in suppliers impacted negatively on performance. Although the Company did move back into producing profits in the second half due to the sales growth of all three businesses and to efforts to cut SG&A expenses, it was not able to offset the operating loss of the first half, and posted a consolidated operating loss of 300 million yen compared with a consolidated operating loss of 412 million yen in the previous fiscal year.

After including foreign exchange gain, the Company registered consolidated ordinary loss of 222 million yen compared with ordinary loss of 42 million yen in the previous fiscal year. PALTEK CORPORATION recorded a consolidated net loss of 258 million yen compared with a net loss of 36 million yen last fiscal year.

* *PLD (Programmable Logic Device): a semiconductor that can be reconfigured for specific functions.*

ASSP (Application Specific Standard Product): a high-performance semiconductor that is dedicated to specific applications.

(2) Outlook for the year ending December 2008

With respect to the outlook for the Japanese economy, the PALTEK Group expects the direction of the domestic market to be unclear in the first half and the slowdown to deepen amid surging oil and material prices and the impact of the subprime mortgage crisis in the United States. However, the economies of the BRIC nations and other emerging countries should continue to grow. Hence, capital investment by the private sector should be firm, driven by robust exports.

In this environment, in the PLD solutions business, which is still on the road to recovery, the PALTEK Group will concentrate on enlarging its share of the business from the existing customer base for the Xilinx products that it now handles. In addition, the Group will take

steps to build its new customer base. However, it takes six months to one year for new design-win projects to be mass-produced and contribute to sales. Since the following fiscal year is the third year after the change of suppliers, it is expected that sales from mass-production of projects which were designed in the first and second years will steadily increase and begin to contribute to sales. The PALTEK Group will continue to utilize its know-how in selling PLDs and engineering support which was acquired and polished over the years to further develop its business, expand its share of Xilinx product sales, and build a new customer base.

In the analog solutions business, the PALTEK Group will continue to aggressively sell the broad product line and highly competitive power supply semiconductors of National Semiconductor Corporation, endeavoring to expand sales by focusing on large projects including those for consumer products. The PALTEK Group also will increase contractual orders by obtaining orders for multiple products by combining PLD and other digital products with National Semiconductor Corporation's interface products, AD and DA converters, and other new products. National Semiconductor Corporation has invested actively in R&D for these products to increase their competitiveness.

The PALTEK Group will pursue further growth in ASSPs and memory products, the customer bases and applications of which are steadily expanding. The Group is doing so by using synergies between its core PLD and analog semiconductor product lines and offering system proposal and engineering support services, areas of strength for the Group. Targeted areas include applied devices or customer groups in the main fields of both product lines.

Based on the foregoing, the PALTEK Group is projecting the following results for the fiscal year ending December 31, 2008: net sales, 25,000 million yen (up 21.0% year on year); operating income, 110 million yen (cf., operating loss of 300 million yen in the reporting year); ordinary income, 75 million yen (cf., ordinary loss of 222 million yen in the reporting year); and net income, 45 million yen (cf., net loss of 258 million yen in the reporting year). On a non-consolidated basis, the Company is projecting the following: net sales, 15,000 million yen (up 48.8% year on year); operating income, 55 million yen (cf., operating loss of 461 million yen in the reporting year); ordinary income, 30 million yen (cf., ordinary loss of 334 million yen in the reporting year); and net income, 18 million yen (cf., net loss of 282 million yen in the reporting year).

2. Financial analysis

(1) Assets, liabilities and net assets

Consolidated total assets at December 31, 2007 amounted to 11,013 million yen, declining 61 million yen from the end of the previous fiscal year. The principal components in the decrease

were an increase in receivables–trade, a drop in inventories, and the sale of investment securities.

Liabilities grew by 407 million yen from the end of the previous fiscal year, to 2,801 million yen mainly due to short-term bank loans.

Net assets declined by 468 million yen to 8,211 million yen, resulting from dividend payments totaling 116 million yen and the recording of a net loss for the period.

(2) Cash flows

Cash and cash equivalents outstanding on a consolidated basis as of the end of the period under review grew by 123 million yen from the end of the previous fiscal year, to 2,231 million yen.

The respective cash flows and primary factors affecting them are as follows:

(Net cash from operating activities)

Net cash used in operating activities amounted to 548 million yen (cf., cash provided of 4,016 million yen during the previous fiscal year). Although inventories did decline, the loss before income taxes and minority interests of 199 million yen (cf., with a loss before income taxes and minority interests of 55 million yen in the previous fiscal year), increase in receivables–trade, and decrease in payables–trade resulted in an overall outflow of cash.

(Net cash from investing activities)

Net cash provided by investing activities amounted to 101 million yen (cf., cash provided of 114 million yen during the previous fiscal year), mainly reflecting the proceeds from sale of investment securities.

(Net cash from financing activities)

Net cash provided by financing activities amounted to 566 million yen (cf., cash used of 5,037 million yen in the year-earlier period), mainly reflecting borrowings.

Trends in cash flow-related indices for the PALTEK Group are shown below.

	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
Equity ratio	70.3%	68.4%	65.0%	77.8%	74.6%
Equity ratio based on market prices	106.6%	59.0%	40.6%	51.0%	44.3%
Years required to redeem liabilities	7.1 years	1.5 years	2.4 years	0.0 years	-
Interest-coverage ratio	12.3	69.4	45.5	211.0	-

(Notes)

1. *Equity ratio: Shareholders' equity/total assets*

2. *Equity ratio based on market prices: Market capitalization/total assets*

3. *Years required to redeem liabilities: Interest-bearing liabilities/operating cash flow*

4. *Interest-coverage ratio: Operating cash flow/interest payments*

(1) *Each of the foregoing ratios is calculated on the basis of consolidated financial data.*

(2) *“Market capitalization” is calculated by multiplying the share closing price on the final day of the fiscal period by the number of shares outstanding on the same day.*

(3) *For “operating cash flow,” we use the figure for “net cash from operating activities” in the consolidated statement of cash flows. “Interest-bearing liabilities” refers to all liabilities on the consolidated balance sheet on which interest payments are made. For “interest payments,” we use the figure for “interest paid” in the consolidated statement of cash flows.*

3. Fundamental policy regarding dividends for the reporting and following fiscal years

The PALTEK Group recognizes that providing value to shareholders is one of management’s primary concerns. Accordingly, its basic policy on dividends will be to continue to make payouts that are appropriate in light of its needs to build a strong operating foundation and to finance future business initiatives. It will do so while endeavoring to enhance financial performance and operating efficiency, and maintain continuous earnings. With respect to dividend payouts, the Company will maintain a dividend rate of 10 yen per share. With this as a baseline, it will decide on any future changes by considering the appropriateness if its dividend payout ratio in relation to consolidated and parent company earnings.

Despite the net loss noted above in the financial performance for the full fiscal year ended December 2007, the Company is scheduled to pay a dividend of 10 yen per share. Similarly, the Company plans to pay a year-end dividend of 10 yen per share in the year ending December 2008.

4. Risk-related factors

The following is a list of issues that could affect the financial performance and financial standing of the PALTEK Group.

Recognizing the reality of such risks, the Group intends to take steps to prevent their occurrence and to develop effective countermeasure if such events should come to pass. This section includes forward-looking statements, which are based on judgments made as of the end of the term that ended in December 2007.

(1) Risk factors resulting from a dependence on the semiconductor business

The customers of the PALTEK Group principally comprise companies in the Japanese electronics industry. The financial performance of the Group is therefore affected by demand for products in its customers’ industries and by capital investment trends, as well as by cyclical economic fluctuations that occur in the semiconductor industry as a whole. In response to these risks, the Group is implementing changes in its earnings structure which will allow it to deal effectively with such fluctuations. Notwithstanding such efforts, however, sharp and sudden

changes in business conditions in the Japanese electronics industry and changes in demand patterns in the electronics industry could have an impact on the Group's financial results.

(2) Dependence on specific suppliers

The Paltek Group's main suppliers are National Semiconductor Corporation and Xilinx, Inc. and products from these two companies accounted for approximately 48% and 17% of sales respectively for the period under review. The Group currently enjoys stable relations with both National Semiconductor and Xilinx, but there is a possibility that Group results would be impacted if it became difficult to maintain these relationships because of a review of agency policies, restructuring, etc. at those companies.

(3) Regarding security breaches resulting in the loss of informational assets

The PALTEK Group possesses various information assets that are important tools for deploying its sales strategies. The Company has for some time positioned information security as a priority task, establishing a privacy policy and introducing various technological measures for information security. In addition, to set up a more robust information management system, the Company obtained ISMS certification* in December 2004 and upgraded to the ISO27001 (JIS Q 27001) standard in November 2007 along with the conversion of the ISMS certification to an ISO standard. Through these activities, the Company has endeavored to prevent breaches in the security surrounding this information through a variety of "soft" and "hard" measures, including introducing encryption software for notebook computers and regular information securities education to heighten employees' awareness of the appropriate ways to handle information assets. If, however, despite the Company's best efforts, information were to fall into other hands due to an unintended disruption of systems, mistaken processing, an external intrusion or other unforeseen events, the PALTEK Group's financial performance could suffer from the resulting loss of public trust in the Group or from other such factors as the need to pay indemnification for damages.

* *ISMS (information security management system) Certification: A private sector-driven third-party certification system started by Japan Information Processing Development Corporation (JIPDEC) based on the "Introduction of International Standards for Information Security Management and the Reform of the Secure Information Systems Accreditation Scheme for Information-Processing Service Companies" announced in July 2000 by the Ministry of Economy, Trade and Industry (METI).*

(4) Impact of fluctuation in exchange rates

The PALTEK Group's primary business is the selling of semiconductors and related products, the bulk of which are procured from overseas suppliers. Because currency transactions are a regular part of the Group's operations, fluctuations in foreign exchange rates could have an impact on the Group's financial performance. The Group has adopted a variety of measures to minimize these risks and to avoid such impacts. Such measures cannot, however, guarantee the elimination of all foreign exchange risks. Consequently, sudden and rapid fluctuations in the

foreign exchange markets could have an impact on the Group's financial performance and financial standing.

(5) Recruitment of new suppliers and the advancement of business

The PALTEK Group has endeavored to "increase its areas of competitive advantage" and "broaden its base of customers" by procuring the most competitive products in the industry and by expanding and deepening its product offerings. To stay ahead in terms of products and product offerings, the Group has effectively utilized its highly proficient engineering support capabilities and the marketing prowess that enables it to tailor its services to individual customers. The Group intends to maintain this policy going ahead and further develop our businesses.

The semiconductor industry is, however, characterized by rapid technological innovation and intense competition. In such an environment, it is becoming increasingly difficult to prevail over the competition in the battle to win new influential suppliers. Even if agreements can be reached with such suppliers and their products begin to be supplied to customers, there is no guarantee that the PALTEK Group's business will unfold as planned. This is because business is affected by factors such as the competitiveness of the customer's final product and by its shortened life cycles. Consequently, while the PALTEK Group will continue to keep a close eye on market and technology trends and endeavor to achieve the targets set in its projections by acquiring competitive new products, its financial performance could be affected by delays in getting the businesses that use these products of new suppliers up and running.

(6) Impact of the shift of production facilities overseas

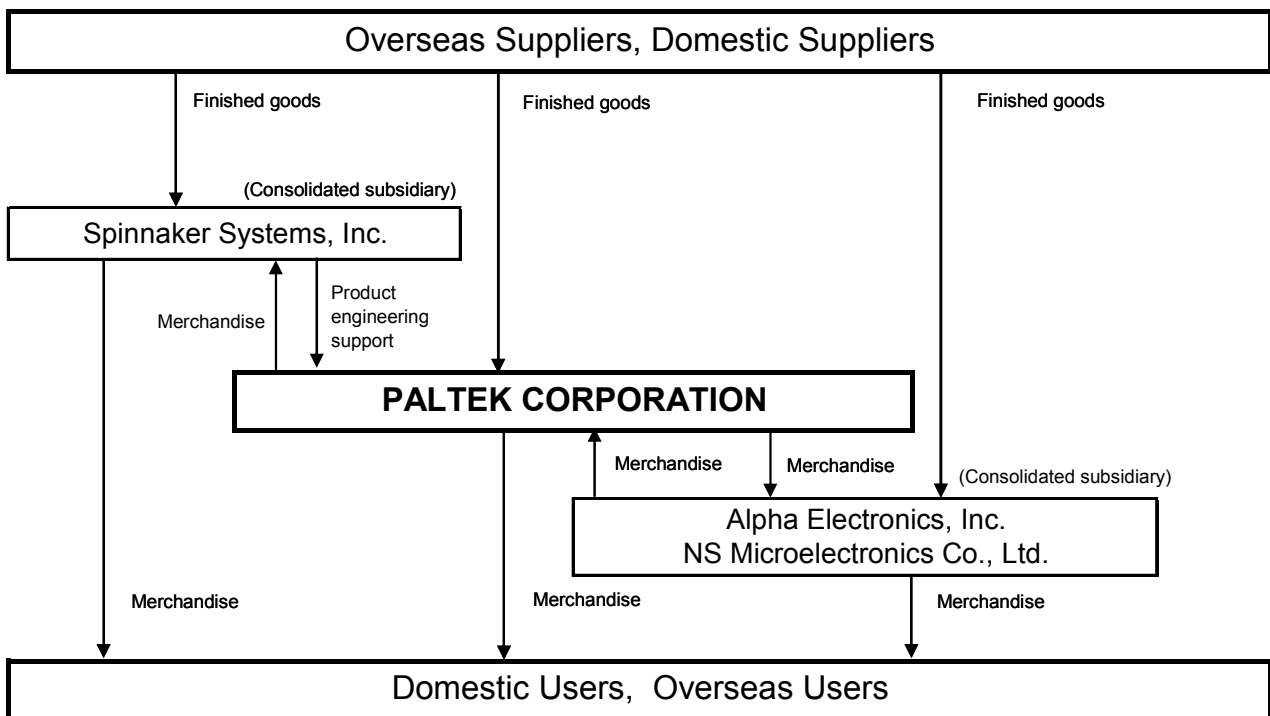
The PALTEK Group sells semiconductors and other products to domestic electronic manufacturers, who, motivated by lower costs and rapidly growing markets, are increasingly shifting their manufacturing plants to overseas locations, principally in China and other parts of Asia.

In order to continue to provide these customers with products and engineering support, the PALTEK Group established Alpha Electron (HK) Co., Ltd. in Hong Kong in March 2002 and a representative office in Shanghai in October 2004. NS Microelectronics Co., Ltd., which the Company acquired on May 16, 2006, and made a Group company, has a branch office in Singapore. The PALTEK Group uses this branch office as its sales and distribution base for Southeast Asia. Should there be a further shift overseas of the product development of the Group's customers in Japan, however, and should this shift be to regions beyond the reach of the PALTEK Group's sales operations, it could have an impact on the Group's financial performance.

Group organization

The PALTEK Group’s primary business activities are the distribution of semiconductors and design software used in electronics equipment, as well as design support services. The structure of the group and the business relationships among the group companies are illustrated in the diagram below.

Business segment	Business description	Main companies
Semiconductors and related business	Design, development and sales of semiconductor-related products; engineering support	PALTEK Corporation (PALTEK) Alpha Electronics Inc. (Alpha Electronics) NS Microelectronics Co., Ltd. (NS Microelectronics) Spinnaker Systems, Inc. (Spinnaker Systems)



Management policy

1. Basic management policies

The PALTEK Group's management philosophy is "Cooperative Growth with Diverse Partners." Guided by this philosophy, it aims to create significant social value for all its stakeholders, including its customers, suppliers, employees, shareholders, and the local communities in which it operates.

As part of the continually evolving and growing electronics industry, the PALTEK Group searches and discovers innovative semiconductors, software and other products being developed around the world and provides them to those who develop and sell a variety of electronic devices and systems. In this search, it is guided by an understanding of leading-edge technologies and market needs. More than just a distributor, the PALTEK Group endeavors to provide its customers with optimal solutions by supporting their design development activities with a high level of technology and by proposing systems-based solutions that take into consideration the entire architecture of each customer's electronic equipment.

Through such actions, the PALTEK Group will continue to work diligently to develop the electronics industry and to contribute to a more convenient and dynamic ubiquitous network society—and, on that basis, to coexist in a mutually beneficial way with all its stakeholders.

2. Targeted financial ratios

The PALTEK Group's medium-term goal is to achieve consolidated sales of 50 billion yen and an operating margin of 10%.

3. Medium- to long-term management strategies

There has been a notable emergence of the electronics industry, which the PALTEK Group is part of, in Korea, China, and India of course, but also particularly in other Asian countries. As a result, global competition in the industry is intensifying in such aspects as product ideas, design and production technology and in pricing. In response to this business environment, the PALTEK Group will pursue high-value-added sales based on a firm technological understanding of all the devices of its customers, which develop or sell electronics products that are evolving on a daily basis. The Group will not merely sell the semiconductor products or software it handles, it will make proposals covering component selection to development methods and provide related development support.

The PALTEK Group possesses a deep level of knowledge and experience regarding digital semiconductors, centered on PLDs, accumulated over the years. The Group also has strong engineering support capabilities for analog semiconductors. By combining these capabilities, it

will carry out sales activities based on a firm technological background. The Group will concentrate especially on the industrial equipment market, which Japanese electronic manufacturers specialize in and hold a large market share of, as well as the communications infrastructure market. The industrial equipment market features medical, broadcasting, and measurement equipment that require high performance and high speed.

4. Issues requiring action

To ensure the sustainable growth of the PALTEK Group, the Group is first focusing on achieving a recovery of the PLD solutions business to the level previous to the temporary but substantial decline in the scope of the business following its switch in suppliers at the start of 2006. Based on PLD selling know-how and engineering support experience accumulated over the years, the Group will work toward a recovery in sales by increasing its contractual orders, expanding its share of the PLD business of its current customer base, and promoting the building of a new customer base from the as yet undeveloped segments of the market and the expansion of application coverage.

In addition, because continuing to provide solid engineering support and system proposals for high-speed and high-performance products is linked to the maintenance and improvement of the PALTEK Group's competitiveness, the Group will endeavor to nurture and acquire personnel with a high level of knowledge and engineering support capabilities regarding the market.

5. Establishment and Operation of Internal Control System

Because of the duplication of items reported in "Basic Policies Regarding Internal Control Systems and their Operation" in the Corporate Governance Report stipulated in Article 8-3 of the Securities Listing Regulations and in Article 10, Paragraph 3 of the Timely Disclosure Regulations, those items have been omitted in this document.

6. Other important issues related to company management

There are no other important issues to report related to the Company's management.

Consolidated financial statements

Consolidated balance sheet

Thousands of yen	December 31, 2006	%	December 31, 2007	%	Year-on-year change
Current assets					
Cash and bank deposits	2,148,622		2,295,984		
Notes and accounts receivable	3,966,758		5,070,103		
Inventories	3,246,472		1,992,042		
Consumption taxes receivable	148,951		280,084		
Deferred tax assets	36,876		41,385		
Others	153,365		219,922		
Allowance for doubtful accounts	(504)		(540)		
	<u>9,700,542</u>	87.6	<u>9,898,982</u>	89.9	<u>198,440</u>
Fixed assets					
Tangible fixed assets					
Buildings	153,980		151,313		
Accumulated depreciation	106,580		111,994		
	<u>47,399</u>		<u>39,319</u>		
Vehicle equipment	920		920		
Accumulated depreciation	874		874		
	<u>46</u>		<u>46</u>		
Furniture and fixtures	392,720		380,916		
Accumulated depreciation	335,004		334,677		
	<u>57,715</u>		<u>46,239</u>		
Land	598		598		
	<u>105,759</u>	1.0	<u>86,202</u>	0.8	<u>(19,556)</u>
Intangible fixed assets					
Goodwill	68,415		55,044		
Others	48,113		54,693		
	<u>116,529</u>	1.0	<u>109,737</u>	1.0	<u>(6,791)</u>
Investments and other assets					
Investment securities	263,658		92,876		
Deferred tax assets	381,139		380,222		
Others	513,922		452,059		
Allowance for doubtful accounts	(7,244)		(7,012)		
	<u>1,151,475</u>	10.4	<u>918,146</u>	8.3	<u>(233,328)</u>
Total fixed assets	<u>1,373,764</u>	12.4	<u>1,114,087</u>	10.1	<u>(259,676)</u>
Total assets	<u>11,074,307</u>	100.0	<u>11,013,070</u>	100.0	<u>(61,236)</u>

PALTEK CORPORATION

Thousands of yen	December 31, 2006	%	December 31, 2007	%	Year-on-year change
Current liabilities					
Notes and accounts payable	1,430,343		1,280,221		
Short-term bank loans	95,820		780,000		
Income taxes payable	127,959		11,017		
Accrued bonuses	57,212		55,047		
Others	308,922		333,767		
	<u>2,020,257</u>	18.2	<u>2,460,053</u>	22.3	<u>439,795</u>
Long-term liabilities					
Negative goodwill	-		566		
Liability for employees' retirement benefits	44,852		54,700		
Liability for directors' and corporate auditors' retirement benefits	290,187		247,453		
Others	38,272		38,462		
	<u>373,312</u>	3.4	<u>341,182</u>	3.1	<u>(32,130)</u>
Total liabilities	<u>2,393,570</u>	21.6	<u>2,801,235</u>	25.4	<u>407,665</u>
Net assets					
Shareholders' equity					
Common stock	1,339,634	12.1	1,339,634	12.2	-
Capital surplus	2,698,526	24.4	2,698,526	24.5	-
Retained earnings	4,672,259	42.2	4,297,642	39.0	(374,617)
Treasury stock	(130,421)	(1.2)	(130,599)	(1.2)	(177)
	<u>8,579,998</u>	77.5	<u>8,205,203</u>	74.5	<u>(374,794)</u>
Valuation/translation gains (losses)					
Unrealized gains (losses) on securities—net	36,032	0.3	6,471	0.1	(29,560)
Deferred hedging gains (losses)	-	-	159	0.0	159
	<u>36,032</u>	0.3	<u>6,631</u>	0.1	<u>(29,401)</u>
Minority interests	<u>64,705</u>	0.6	<u>-</u>	-	<u>(64,705)</u>
Total net assets	<u>8,680,736</u>	78.4	<u>8,211,834</u>	74.6	<u>(468,901)</u>
Total liabilities and net assets	<u>11,074,307</u>	100.0	<u>11,013,070</u>	100.0	<u>(61,236)</u>

Consolidated statement of income

Thousands of yen	Year ended December 31, 2006	%	Year ended December 31, 2007	%	Year-on-year change
Net sales	14,729,321	100.0	20,655,287	100.0	5,925,965
Cost of sales	12,284,141	83.4	17,938,774	86.8	5,654,632
Gross profit	2,445,179	16.6	2,716,513	13.2	271,333
Selling, general and administrative expenses					
Provision for doubtful accounts	-		199		
Salary	961,297		1,055,615		
Provision for bonuses	46,272		54,428		
Provision for directors' and corporate auditors' retirement benefits	8,726		1,563		
Rent expenses	308,228		316,547		
Amortization of goodwill	7,751		15,699		
Others	1,525,222		1,572,978		
	2,857,500	19.4	3,017,032	14.7	159,532
Operating income (loss)	(412,320)	(2.8)	(300,518)	(1.5)	111,801
Nonoperating income					
Interest income	8,022		9,040		
Dividend income	157		185		
Commissions received	219,866		-		
Foreign exchange gain	118,753		85,541		
Gain on valuation of derivatives	59,517		-		
Gain on sale of investment securities	81		1,335		
Interest on refunds of consumption taxes	3,457		483		
Amortization of negative goodwill	1,355		799		
Others	22,747		29,844		
	433,958	2.9	127,229	0.6	(306,729)
Nonoperating expenses					
Interest expenses	16,523		12,880		
Provision for doubtful accounts	7,147		-		
Commissions paid	17,913		16,942		
Losses on assignment of accounts receivables	13,921		13,211		
Others	8,404		5,911		
	63,909	0.4	48,945	0.2	(14,964)
Ordinary income (loss)	(42,271)	(0.3)	(222,235)	(1.1)	(179,963)
Extraordinary income					
Gain on sale of fixed assets	28		50		
Gain on reversal of directors' and corporate auditors' retirement benefits	75		75		
Reversal of allowance for doubtful accounts	3,660		-		
Gain on sale of investment securities	18,000		48,932		
Gain on cancellation of derivatives	-		4,741		
Gain on reversal of guarantee liabilities	176		7		
	21,940	0.1	53,807	0.3	31,867

PALTEK CORPORATION

Thousands of yen	Year ended December 31, 2006	%	Year ended December 31, 2007	%	Year-on-year change
Extraordinary losses					
Loss on revision of earnings from previous period	10,389		3,030		
Loss on disposal of fixed assets	4,731		2,273		
Impairment losses	17,111		1,691		
Loss on sale of investment securities	-		2,734		
Loss on devaluation of investment securities	2,826		21,015		
	<u>35,058</u>	0.2	<u>30,746</u>	0.2	<u>(4,312)</u>
Income (loss) before income taxes and minority interests	(55,389)	(0.4)	(199,173)	(1.0)	(143,784)
Income taxes—current	146,482		41,852		
Income taxes—deferred	(175,643)		16,947		
	<u>(29,160)</u>	(0.2)	<u>58,799</u>	0.2	87,960
Minority interest in income of consolidated subsidiaries	10,243	0.0	33	0.0	(10,209)
Net income (loss)	<u>(36,472)</u>	(0.2)	<u>(258,007)</u>	(1.2)	<u>(221,534)</u>

Consolidated statement of changes in net assets*Year ended December 31, 2006*

Thousands of yen	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Dec. 31, 2005	1,339,634	2,698,526	4,829,522	(130,161)	8,737,521
Changes during the term					
Dividends			(116,614)		(116,614)
Directors' and corporate auditors' bonuses			(4,174)		(4,174)
Net income (loss)			(36,472)		(36,472)
Acquisition of treasury stock				(260)	(260)
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term	-	-	(157,262)	(260)	(157,522)
Balance as of Dec. 31, 2006	1,339,634	2,698,526	4,672,259	(130,421)	8,579,998

Thousands of yen	Valuation/translation gains (losses)		Minority interests	Total net assets
	Unrealized gains (losses) on securities - net	Total valuation/translation gains (losses)		
Balance as of Dec. 31, 2005	31,515	31,515	67,619	8,836,656
Changes during the term				
Dividends				(116,614)
Directors' and corporate auditors' bonuses				(4,174)
Net income (loss)				(36,472)
Acquisition of treasury stock				(260)
Other changes in non-shareholders' equity items during the term (net)	4,516	4,516	(2,913)	1,602
Total changes during the term	4,516	4,516	(2,913)	(155,920)
Balance as of Dec. 31, 2006	36,032	36,032	64,705	8,680,736

PALTEK CORPORATION

Year ended December 31, 2007

Thousands of yen	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Dec. 31, 2006	1,339,634	2,698,526	4,672,259	(130,421)	8,579,998
Changes during the term					
Dividends			(116,609)		(116,609)
Net income (loss)			(258,007)		(258,007)
Acquisition of treasury stock				(177)	(177)
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term	-	-	(374,617)	(177)	(374,794)
Balance as of Dec. 31, 2007	1,339,634	2,698,526	4,297,642	(130,599)	8,205,203

Thousands of yen	Valuation/translation gains (losses)			Minority interests	Total net assets
	Unrealized gains (losses) on securities-net	Deferred hedging gains (losses)	Total valuation/translation gains (losses)		
Balance as of Dec. 31, 2006	36,032	-	36,032	64,705	8,680,736
Changes during the term					
Dividends					(116,609)
Net income (loss)					(258,007)
Acquisition of treasury stock					(177)
Other changes in non-shareholders' equity items during the term (net)	(29,560)	159	(29,401)	(64,705)	(94,107)
Total changes during the term	(29,560)	159	(29,401)	(64,705)	(468,901)
Balance as of Dec. 31, 2007	6,471	159	6,631	-	8,211,834

Consolidated statement of cash flows

Thousands of yen	Year ended December 31, 2006	Year ended December 31, 2007	Year-on-year change
Net cash from operating activities			
Income (loss) before income taxes and minority interests	(55,389)	(199,173)	(143,784)
Depreciation	64,664	52,081	(12,582)
Amortization of goodwill	6,396	15,699	9,303
Amortization of negative goodwill	-	(799)	(799)
Impairment losses	17,111	1,691	(15,419)
Loss on valuation of investment securities	2,826	21,015	18,189
Increase (decrease) in allowance for doubtful accounts	3,486	101	(3,385)
Increase (decrease) in accrued bonuses	15,056	(2,165)	(17,221)
Increase (decrease) in liability for employees' retirement benefits	1,148	9,847	8,699
Increase (decrease) in liability for directors' and corporate auditors' retirement benefits	(49,611)	(42,734)	6,877
Interest and dividends income	(8,179)	(9,225)	(1,046)
Interest expenses	16,523	12,880	(3,642)
Foreign exchange gain	(1,299)	(4,142)	(2,843)
Gain on sale of investment securities	(18,081)	(50,267)	(32,186)
Loss on sale of investment securities	-	2,734	2,734
Gain on sale of tangible fixed assets	(28)	(50)	(21)
Loss on disposal of tangible fixed assets	4,081	2,158	(1,923)
Loss on disposal of intangible fixed assets	649	115	(534)
Commissions received	(219,866)	-	219,866
Gain on valuation of derivatives	(59,517)	-	59,517
Gain on cancellation of derivatives	-	(4,741)	(4,741)
Decrease (increase) in accounts receivables —trade	2,152,004	(1,098,406)	(3,250,411)
Decrease (increase) in inventories	2,645,082	1,246,046	(1,399,036)
Increase (decrease) in accounts payables — trade	(1,158,067)	(150,100)	1,007,967
Decrease (increase) in consumption tax receivable	808,849	(90,857)	(899,706)
Decrease (increase) in advance payments	(6,322)	9,964	16,286
Increase (decrease) in advances	(989)	12,257	13,246
Bonuses paid to directors and corporate auditors	(4,700)	-	4,700
Others	(136,738)	(113,579)	23,158
	4,019,089	(379,652)	(4,398,741)
Interest and dividends received	7,512	8,611	1,098
Interest paid	(19,031)	(13,178)	5,853
Commissions received	219,866	-	(219,866)
Tax refunds	-	61,998	61,998
Income taxes paid	(210,915)	(226,609)	(15,693)
	4,016,521	(548,829)	(4,565,350)

PALTEK CORPORATION

Thousands of yen	Year ended December 31, 2006	Year ended December 31, 2007	Year-on-year change
Net cash from investing activities			
Increase in time deposits	(44,005)	(24,098)	19,906
Decrease in time deposits	40,000	-	(40,000)
Purchases of investment securities	(23,915)	(2,230)	21,685
Proceeds from sale of investment securities	49,641	146,755	97,113
Payments for acquisition of affiliate's equity	(11,220)	(64,546)	(53,326)
Proceeds received from inclusion of NS Microelectronics Co., Ltd. as a subsidiary	99,953	-	(99,953)
Purchases of tangible fixed assets	(19,183)	(8,075)	11,107
Proceeds from sale of tangible fixed assets	4,804	137	(4,667)
Purchases of intangible fixed assets	(15,988)	(27,490)	(11,501)
Proceeds from sale of investment in partnership	18	-	(18)
Payments for loans	(500)	(959)	(459)
Proceeds from collection of loans	235	914	679
Proceeds from cancellation of insurance policies	-	41,865	41,865
Increase in other investments	(25,864)	(37,585)	(11,721)
Decrease in other investments	61,016	77,031	16,014
	114,992	101,717	(13,274)
Net cash from financing activities			
Net increase (decrease) in short-term bank loans	(3,124,000)	690,000	3,814,000
Repayment of long-term bank loans	(1,045,730)	(5,820)	1,039,910
Payments for redemption of bonds	(750,000)	-	750,000
Purchases of treasury stock	(260)	(177)	83
Cash dividends paid to minority shareholders	(665)	(555)	110
Cash dividends paid	(116,746)	(117,270)	(523)
	(5,037,402)	566,176	5,603,579
Effect of exchange rate changes on cash and cash equivalents	1,336	4,199	2,862
Net increase (decrease) in cash and cash equivalents	(904,552)	123,263	1,027,816
Cash and cash equivalents at beginning of period	3,013,168	2,108,616	(904,552)
Cash and cash equivalents at end of period	2,108,616	2,231,879	123,263

Nonconsolidated financial statements**Nonconsolidated balance sheet**

Thousands of yen	December 31, 2006	%	December 31, 2007	%	Year-on-year change
Current assets					
Cash and bank deposits	1,170,180		1,166,662		
Notes receivable	112,239		173,141		
Accounts receivable	1,397,108		2,503,841		
Merchandise	1,664,350		840,943		
Supplies	6,287		7,363		
Prepaid expenses	44,425		38,857		
Deferred tax assets	18,159		38,186		
Short-term loans	2,900,000		2,400,000		
Other accounts receivable	562		96,852		
Income tax refunds receivable	60,695		2,819		
Consumption taxes receivable	148,413		260,629		
Others	21,178		1,491		
Allowance for doubtful accounts	(394)		(431)		
	7,543,207	78.2	7,530,356	78.8	(12,850)
Fixed assets					
Tangible fixed assets					
Buildings	118,858		118,858		
Accumulated depreciation	83,735		89,144		
	35,122		29,713		
Furniture and fixtures	348,985		335,968		
Accumulated depreciation	298,672		296,963		
	50,313		39,004		
	85,436	0.9	68,718	0.7	(16,717)
Intangible fixed assets					
Telephone rights	2,577		2,577		
Software	38,308		37,761		
	40,886	0.4	40,338	0.4	(547)

PALTEK CORPORATION

Thousands of yen	December 31, 2006	%	December 31, 2007	%	Year-on-year change
Investments and other assets					
Investment securities	236,955		71,125		
Investments in subsidiaries and affiliated companies	1,121,319		1,185,866		
Claims provable in bankruptcy, claims provable in rehabilitation and other	-		161		
Long-term prepaid expenses	196		120		
Deferred tax assets	329,178		363,419		
Fixed leasehold deposits	131,851		131,775		
Cash value of insurance policies	152,532		169,481		
Long-term loans to employees	579		624		
Allowance for doubtful accounts	-		(161)		
	<u>1,972,613</u>	20.5	<u>1,922,412</u>	20.1	<u>(50,201)</u>
Total fixed assets	<u>2,098,935</u>	21.8	<u>2,031,469</u>	21.2	<u>(67,466)</u>
Total assets	<u>9,642,143</u>	100.0	<u>9,561,826</u>	100.0	<u>(80,317)</u>

PALTEK CORPORATION

Thousands of yen	December 31, 2006	%	December 31, 2007	%	Year-on-year change
Current liabilities					
Accounts payable	812,930		400,356		
Short-term bank loans	-		730,000		
Other payables	125,385		153,207		
Accrued expenses	32,658		30,495		
Income taxes payable	4,483		10,747		
Deposits received	31,733		25,531		
Accrued bonuses	39,379		36,793		
Others	104		4,995		
	<u>1,046,676</u>	10.8	<u>1,392,128</u>	14.6	<u>345,451</u>
Long-term liabilities					
Liability for employees' retirement benefits	19,395		24,627		
Liability for directors' and corporate auditors' retirement benefits	197,897		196,022		
Others	38,272		38,462		
	<u>255,564</u>	2.7	<u>259,111</u>	2.7	<u>3,547</u>
Total liabilities	<u>1,302,241</u>	13.5	<u>1,651,240</u>	17.3	<u>348,998</u>
Net assets					
Shareholders' equity					
Common stock	1,339,634	13.9	1,339,634	14.0	-
Capital surplus					
Capital reserve	<u>1,678,512</u>		<u>1,678,512</u>		
	1,678,512	17.4	1,678,512	17.6	-
Retained earnings					
Legal reserve	46,100		46,100		
Other retained earnings					
Special reserves	5,400,000		5,400,000		
Retained earnings carried forward	<u>(24,116)</u>		<u>(423,224)</u>		
	5,421,983	56.3	5,022,875	52.5	(399,107)
Treasury stock	<u>(130,421)</u>	(1.4)	<u>(130,599)</u>	(1.4)	<u>(177)</u>
	8,309,709	86.2	7,910,423	82.7	(399,285)
Valuation/translation gains (losses)					
Unrealized gains (losses) on securities - net	30,192	0.3	3	0.0	(30,189)
Deferred hedging gains (losses)	-	-	159	0.0	159
	<u>30,192</u>	0.3	<u>162</u>	0.0	<u>(30,030)</u>
Total net assets	<u>8,339,901</u>	86.5	<u>7,910,586</u>	82.7	<u>(429,315)</u>
Total liabilities and net assets	<u>9,642,143</u>	100.0	<u>9,561,826</u>	100.0	<u>(80,317)</u>

Nonconsolidated statement of income

Thousands of yen	Year ended December 31, 2006	%	Year ended December 31, 2007	%	Year-on-year change
Net sales	6,541,972	100.0	10,079,733	100.0	3,537,760
Cost of sales					
Beginning inventory–Merchandise	3,861,459		1,664,350		
Purchase of merchandise	3,056,326		7,753,220		
Processing cost	48,040		42,447		
	6,965,827		9,460,019		
Transfers to other accounts	6,576		8,383		
Ending inventory–Merchandise	1,664,350		840,943		
	5,294,900	80.9	8,610,692	85.4	3,315,792
Gross profit	1,247,071	19.1	1,469,040	14.6	221,968
Selling, general and administrative expenses					
Provision for doubtful accounts	-		198		
Directors' and corporate auditors' salaries	141,429		146,159		
Salary	685,637		689,417		
Bonuses	197,861		171,325		
Employee benefit expenses	111,668		108,911		
Provision for bonuses	38,639		36,175		
Rent expenses	228,207		223,580		
Depreciation	54,044		39,384		
Commissions paid	96,133		89,845		
Others	418,201		426,012		
	1,971,822	30.2	1,931,008	19.2	(40,813)
Operating income (loss)	(724,750)	(11.1)	(461,968)	(4.6)	262,782
Nonoperating income					
Interest income	19,384		28,563		
Dividend income	5,286		5,396		
Commissions received	219,866		-		
Foreign exchange gain	82,928		99,444		
Business commission income from associate companies	-		18,651		
Gain on sale of investment securities	81		1,335		
Others	30,561		14,209		
	358,108	5.5	167,600	1.7	(190,507)
Nonoperating expenses					
Interest expenses	12,848		11,341		
Commissions paid	13,222		16,942		
Loss on assignment of promissory notes	4,468		2,633		
Losses on assignment of receivables	5,788		6,196		
Others	2,815		3,274		
	39,142	0.6	40,389	0.4	1,246
Ordinary income (loss)	(405,784)	(6.2)	(334,757)	(3.3)	71,027

PALTEK CORPORATION

Thousands of yen	Year ended December 31, 2006	%	Year ended December 31, 2007	%	Year-on-year change
Extraordinary income					
Gain on sale of investment securities	18,000		48,932		
Gain on reversal of directors' and corporate auditors' retirement benefits	75		75		
Reversal of allowance for doubtful accounts	3,771		-		
Gain on reversal of guarantee liabilities	176		7		
	<u>22,022</u>	0.3	<u>49,015</u>	0.5	26,993
Extraordinary losses					
Loss on disposal of fixed assets	4,731		1,308		
Impairment losses	17,111		1,691		
Loss on valuation of investment securities	-		20,000		
Loss on sale of investment securities	-		2,734		
	<u>21,842</u>	0.3	<u>25,735</u>	0.3	3,892
Income (loss) before income taxes	<u>(405,605)</u>	(6.2)	<u>(311,476)</u>	(3.1)	94,128
Income taxes - current	4,330		4,730		
Income taxes - deferred	<u>(185,385)</u>		<u>(33,708)</u>		
	<u>(181,055)</u>	(2.8)	<u>(28,978)</u>	(0.3)	152,076
Net income (loss)	<u>(224,549)</u>	(3.4)	<u>(282,498)</u>	(2.8)	(57,948)

Nonconsolidated statement of changes in net assets

Year ended December 31, 2006

Thousands of yen	Shareholders' equity								
	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity
	Common stock	Capital reserve	Legal reserve	Other retained earnings		Total retained earnings			
				Special reserves	Retained earnings carried forward				
Balance as of Dec 31, 2005	1,339,634	1,678,512	46,100	5,400,000	317,047	5,763,147	(130,161)	8,651,134	
Changes during the term									
Dividends					(116,614)	(116,614)		(116,614)	
Net income (loss)					(224,549)	(224,549)		(224,549)	
Acquisition of treasury stock							(260)	(260)	
Other changes in non-shareholders' equity items during the term (net)									
Total changes during the term	-	-	-	-	(341,164)	(341,164)	(260)	(341,425)	
Balance as of Dec 31, 2006	1,339,634	1,678,512	46,100	5,400,000	(24,116)	5,421,983	(130,421)	8,309,709	
Thousands of yen	Valuation/translation gains (losses)				Total valuation/translation gains (losses)	Total net assets			
	Unrealized gains (losses) on securities - net								
Balance as of Dec 31, 2005			27,092		27,092	8,678,226			
Changes during the term									
Dividends						(116,614)			
Net income (loss)						(224,549)			
Acquisition of treasury stock						(260)			
Other changes in non-shareholders' equity items during the term (net)			3,100		3,100	3,100			
Total changes during the term			3,100		3,100	(338,325)			
Balance as of Dec 31, 2006			30,192		30,192	8,339,901			

PALTEK CORPORATION

Year ended December 31, 2007

Thousands of yen	Shareholders' equity								
	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity
	Common stock	Capital reserve	Legal reserve	Other retained earnings		Total retained earnings			
				Special reserves	Retained earnings carried forward				
Balance as of Dec 31, 2006	1,339,634	1,678,512	46,100	5,400,000	(24,116)	5,421,983	(130,421)	8,309,709	
Changes during the term									
Dividends					(116,609)	(116,609)		(116,609)	
Net income (loss)					(282,498)	(282,498)		(282,498)	
Acquisition of treasury stock							(177)	(177)	
Other changes in non-shareholders' equity items during the term (net)									
Total changes during the term	-	-	-	-	(399,107)	(399,107)	(177)	(399,285)	
Balance as of Dec 31, 2007	1,339,634	1,678,512	46,100	5,400,000	(423,224)	5,022,875	(130,599)	7,910,423	

Thousands of yen	Valuation/translation gains (losses)			Total net assets
	Unrealized gains (losses) on securities - net	Deferred hedging gains (losses)	Total valuation/translation gains (losses)	
Balance as of Dec 31, 2006	30,192	-	30,192	8,339,901
Changes during the term				
Dividends				(116,609)
Net income (loss)				(282,498)
Acquisition of treasury stock				(177)
Other changes in non-shareholders' equity items during the term (net)	(30,189)	159	(30,030)	(30,030)
Total changes during the term	(30,189)	159	(30,030)	(429,315)
Balance as of Dec 31, 2007	3	159	162	7,910,586