

Summary of Consolidated Financial Results for the Year Ended December 31, 2010

Company name: PALTEK CORPORATION Shares Traded: Osaka Securities Exchange
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 Date of Annual General Meeting of Shareholders: March 26, 2011 Date of commencement of dividend payment: March 28, 2011
 Date of filing of financial report: March 28, 2011

(Millions of yen rounded down)

1. Consolidated Operating Results for the Year Ended December 31, 2010 (January 1, 2010 to December 31, 2010)

(1) Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 2010	16,499	11.8	322	-	448	-	238	-
Fiscal year ended December 2009	14,762	(28.8)	(182)	-	(103)	-	(60)	-

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 2010	20.84	-	3.0	4.8	2.0
Fiscal year ended December 2009	(5.17)	-	(0.7)	(1.1)	(1.2)

(Reference)

Equity in earnings (losses) of affiliates companies:

December 2010 fiscal term: - million yen

December 2009 fiscal term: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	9,774	8,084	82.7	707.33
As of December 31, 2009	9,102	7,905	86.8	691.68

(Reference)

Total equity: As of December 31, 2010: 8,084 million yen

As of December 31, 2009: 7,905 million yen

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 2010	(163)	(26)	(58)	2,026
Fiscal year ended December 2009	231	347	(731)	2,302

2. Dividends

	Dividends per share					Dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net sales (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
Fiscal year ended December 2009	Yen -	Yen 0.00	Yen -	Yen 5.00	Yen 5.00	Million yen 57	% -	% 0.7
Fiscal year ended December 2010	Yen -	Yen 0.00	Yen -	Yen 7.00	Yen 7.00	80	33.6	1.0
Fiscal year ending December 2011 (Forecast)	Yen -	Yen 0.00	Yen -	Yen 5.00	Yen 5.00		31.7	

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending December 31, 2011 (January 1, 2011 to December 31, 2011)

(% figures represent year-on-year increase or decrease)

	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 period	8,000	(0.3)	40	(72.9)	30	(83.9)	18	(81.2)	1.57
Full year	18,000	9.1	330	2.2	300	(33.1)	180	(24.4)	15.75

4. Other

(1) Changes in material subsidiaries during the period (changes in specific subsidiaries affecting the scope of consolidation): No

New: - (Company name:)

Excluded: - (Company name:)

(Note) For details, please refer to "Corporate Group Situation" on page 7.

(2) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements (recorded in changes to important items that form the basis for preparation of quarterly consolidated financial statements)

(1) Changes due to revisions to accounting standards, etc.: No

(2) Changes other than 1): Yes

(3) Number of outstanding shares (common stocks)

1) Number of shares outstanding at term-end (including treasury stocks)

As of December 31, 2010: 11,849,899 shares

As of December 31, 2009: 11,849,899 shares

2) Number of treasury stock at term-end

As of December 31, 2010: 420,662 shares

As of December 31, 2009: 420,366 shares

【Reference】Non-consolidated Operating Results

1. Non-Consolidated Operating Results for the Year Ended December 31, 2010

(January 1, 2010 to December 31, 2010)

(1) Non-Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 2010	16,391	18.9	314	-	444	-	234	99.8
Fiscal year ended December 2009	13,781	6.1	(44)	-	(56)	-	117	(52.5)

	Net income per share	Net income per share fully diluted
	Yen	Yen
Fiscal year ended December 2010	20.54	-
Fiscal year ended December 2009	10.11	-

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	9,845	8,151	82.8	713.25
As of December 31, 2009	9,188	7,976	86.8	697.90

(Reference)

Shareholders' equity: As of December 31, 2010: 8,151 million yen

As of December 31, 2009: 7,976 million yen

* Proper Use of Business Results Forecasts and Other Notes

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to a number of factors. Please refer to "1. Operating Results, (1) Analysis of Operating Results" on page 3 for the matters concerning business results forecasts, etc.

1. Operating Results

(1) Analysis of Operating Results

1) Operating results in this term

The Japanese economy during this consolidated fiscal year made a slow and steady recovery. An export recovery driven by economic growth of emerging countries particularly in Asia, such as China and India, and a pick-up in consumer spending in Japan from economic stimulus measures such as the eco-points program were among the factors that contributed to this recovery. However, factors such as the ongoing severity of the employment environment and the continuation of deflation brought the economy to an almost standstill in the second half of the fiscal year.

In the electronics industry in which the company Group belongs, there was robustness in some fields such as the expanding smartphone market and the boom in flat-panel TV and car navigation system thanks to the eco-points program, etc. However, corporate IT investment and other sources of demand remained low key, preventing any full-scale recovery from eventuating.

Amidst this market environment, while our company Group was busily engaged in a development phase for communications infrastructure for next-generation base stations and the like and mobile communication devices including the expanding market for smart phones and proposing solutions and providing technological support to customers in the telecommunications field, we also broadened our business activities into the smart grid field and focused on building a customer base. Brimming with new development contracts, the smart grid field has become popular due to a rising consciousness towards energy conservation and environmental improvement. As we publicly announced on August 31, 2010, upon consideration of the termination of our distribution contract with National Semiconductor effective March 31, 2011, we are aggressively seeking out new suppliers in the analog semiconductor field to ensure we can utilize our technological assets and knowledge that we have accumulated in this field over many years.

As a result of these activities, our operations performed as follows. In the area of PLD solutions, although sales were flat in our mainstay communications field, we have entered to a new round of mass production phase in the industrial equipment field such as for medical equipment, measurement equipment and broadcasting equipment and achieved a considerable growth in net sales of 26.8% compared with the previous year.

In the area of analog solutions, sales in the first half of the fiscal year for our mid-sized and medium-to-small-sized customers were strong, but in the second half, there was an overall stalling. As a result, the growth in sales was limited to 7.1% compared with the previous fiscal year. Although we announced the cancellation of the aforementioned distribution contract with National Semiconductor, sales activities continued through to March 31, 2011, which was the date the contract was cancelled, so caused no impact on the sales results. Looking to the next term, in addition to aggressively cultivating new markets for analog related products and other products, we have also announced contracts with a number of suppliers in the second half of this fiscal year and started aggressive sales activities.

In the area of ASSP solutions, the large contracts we were anticipating at the beginning of this fiscal year did not work out as well as expected, and net sales were on par with the previous fiscal year. On the other hand, ASSP for the interface field, which has a high gross margin, performed strongly and contributed to profits.

In the area of memory solutions, contracts for the car navigation market returned strong sales up until the middle of the fiscal year, resulting in a growth in net sales of 18.8% compared with the previous fiscal year.

As a result of these business activities, net sales for this consolidated fiscal year were lifted by the increase in sales from PLD solutions and rose 11.8% compared with the previous fiscal year to 16,499 million yen.

In terms of profits and losses, return on sales was improved by the growth of the PLD solutions, which has a comparatively high gross margin and ASSP for the interface field. Furthermore, operating income also improved considerably because of the merger of subsidiaries and ongoing efforts to curtail expenses, and an operating income of 322 million yen was recorded (against an operating loss of 182 million yen in the previous fiscal year).

Ordinary income and net income improved by recording foreign exchange gains of 132 million yen as a result of the strengthening yen, and we recorded an ordinary income of 448 million yen (against an ordinary loss of 103 million yen in the previous fiscal year) and a net income of 238 million yen (against a net loss of 60 million yen in the previous fiscal year).

2) Forecasts for the next term

In our outlook for the Japanese economy in the next term, while we expect the economy to continue being lifted by firm growth of the emerging countries of Asia that have provided the impetus for economic recovery since the previous fiscal year, we expect the current situation of economic uncertainty to continue. This is because of concerns about the effect of inflation in these emerging countries, the fact that there are many destabilizing factors such as unsettling employment situations in various countries in Europe and North America, together with the prolonged yen strength and the severe employment situation in Japan.

In the electronics industry in which the company Group belongs, although we expect growth in new fields such as smartphones, we are forecasting difficult conditions, particularly for the first half of the fiscal year caused by an expected lull in consumer spending following the economic stimulus measures such as the eco-points program that were conducted in the electronics market in 2010 and a stagnant environment in corporate capital investment.

In light of this business environment, the company Group will carry out the following activities in its areas of core focus. In the areas of PLD solutions and ASSP solutions, while expanding sales through our ongoing provision of technological support to customers in the fields of next-generation communication infrastructure that is moving into a mass production phase, data centers, and industrial equipment, we will continue to build a new base of mid-sized and medium-to-small-sized customers. In addition we are earnestly developing new suppliers in such areas of analog semiconductors mostly for new information/communication devices such as smartphones and tablet-style devices, an area of strong development activity, and we will promote marketing.

In addition, in response to current circumstances such as an engineer shortage amongst customers and a demand for a shorter timeframe for the design and development phase, we shall provide solutions that involve deeper levels of development and improve the services that we offer. We shall also strive to make this area of our business contribute more to the company Group's revenues. Furthermore, in the field of the environment in which we have been developing business plans since 2010 while proactively participating in activities such as exhibits and related consortiums, we will continue our business activities related to the actual development of products and participation in various trials.

Through the activities outlined above the consolidated earnings forecasts for the company Group are: net sales of 18,000 million yen (up 9.1% from the previous fiscal year), operating income of 330 million yen (up 2.2% from the previous fiscal year), ordinary income of 300 million yen (down 33.1% from the previous fiscal year) and net income of 180 million yen (down 24.4% from the previous fiscal year).

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

Total assets for this fiscal year increased by 671,636 thousand yen as compared with the level at the end of the previous fiscal year to 9,774,233 thousand yen. The major factors were current assets increasing 894,782 thousand yen to 9,307,042 thousand yen, noncurrent assets decreasing 223,146 thousand yen to 467,191 thousand yen. The increase in current assets was principally an increase in advance payments, and the decrease in noncurrent assets was a decrease in deferred tax assets.

Liabilities increased 492,968 thousand yen compared with the level at the end of the previous fiscal year to 1,690,044 thousand yen. The major factor was an increase in advances received.

Net assets increased by 178,667 thousand yen as compared with the level at the end of the previous fiscal year to 8,084,189 thousand yen. Because of payment of 57,147 thousand yen in dividends on one hand and net income of 238,213 thousand yen on the other, retained earnings increased 181,066 thousand yen compared with the level at the end of the previous fiscal year to 4,244,493 thousand yen.

2) Cash flow

Cash flow situations for this consolidated fiscal year, and relevant causes, are as follows.

(Cash flow from operations)

Regarding cash flow from operations, whilst we recorded a net income before income taxes and minority interests of 446 million yen (against a net loss before income taxes and minority interests of 212 million yen in the previous consolidated fiscal year), due to increases in advance payments, accounts receivable-other and consumption taxes refund receivable and other reasons, cash flow from operations came to an outlay of 163 million yen (against an income of 231 million yen in the previous consolidated fiscal year).

(Cash flow from investment)

Regarding cash flow from investment, due to purchase of property, plant and equipment and other reasons, cash flow from investment came to an outlay of 26 million yen (against an income of 347 million yen in the previous consolidated fiscal year).

(Cash flow from financing)

Regarding cash flow from financing, due to cash dividends paid and other reasons, cash flow from financing came to an outlay of 58 million yen (against an outlay of 731 million yen in the previous consolidated fiscal year).

Trends in indicators of cash flows for PALTEK group are as follows:

	FY 2006 Ended December	FY 2007 Ended December	FY 2008 Ended December	FY 2009 Ended December	FY 2010 Ended December
Equity ratio (%)	77.8	74.6	78.8	86.8	82.7
Equity ratio (market value basis) (%)	51.0	44.3	31.1	39.6	42.8
Years of debt redemption (years)	0.0	–	0.9	0.2	–
Interest coverage ratio (times)	211.0	–	45.8	68.1	–

Notes:

1. Equity ratio: Shareholders' equity/total assets
2. Equity ratio (market value basis): Market capitalization/total assets
3. Years of debt redemption: Interest-bearing debt/operating cash flow
4. Interest coverage ratio: Operating cash flow/interest payment
 - 1) Each indicator is calculated based on consolidated financial statements.
 - 2) Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares as of that date.
 - 3) For the operating cash flow, the cash flow from operating activities shown in the consolidated statement of cash flows is used.

Interest-bearing debts cover all liabilities with interest payments under the liabilities section of the consolidated balance sheets. Interest payments equal the amount of interest expenses paid on the consolidated statements of cash flows.

(3) Basic Policy Regarding Profit Allocation, and Dividends in the Current and Next Period

The company Group recognizes profit returns to all shareholders as one of the important business issues. For this reason, whilst striving to improve performance and business efficiency, and continually maintaining profitability, we have a basic policy of providing fair profit allocation, with consideration given to enhancement of our management base and future business evolution. Regarding dividends, we will determine dividend amounts after taking into account payout ratios for performance, whilst maintaining the steady dividends that we have offered up until now.

Regarding year-end dividends for this consolidated fiscal year, as a result of earnings improving on the initial forecast as per the revision announcement dated January 27, 2011, and consideration of the payout ratio against the financial position and earnings, we have increased the year-end dividend per share by two yen from the initially forecasted five yen to seven yen.

Also, regarding dividends in the next term, basing our decision on the basic policy of profit allocation outlined above, we are planning to offer year-end dividends of five yen per share. The company Group will strive to achieve the earnings forecast and further improve revenues particularly by swiftly executing the launch of new products.

(4) Business Risks

The following are items that may affect the company Group's operating results or financial situation.

The company Group recognizes the potential for these risks to arise, and works to prevent them from arising, and to respond in cases where they do arise. Although future matters are included among these items, judgments that have been made with regard to these items are current as of the end of this consolidated fiscal year.

1) Variable factors determined by dependence on semiconductors

The company Group's clients are mainly within the domestic electronics industry, and the Group's performance is affected by trends in product demand within the industry and capital investment trends, and may also be affected by cyclically occurring demand fluctuations in the semiconductor industry as a whole. In response to these, profit structure reforms are being imposed at the company Group in order to be able to cope with these kinds of fluctuations, but it is possible that rapid business fluctuations in the electronics industry and changes in demand trends may impact upon the Group's performance.

2) Dependence upon specific suppliers

The company Group's main suppliers are Xilinx and National Semiconductor, this consolidated fiscal year sales of products from these two companies accounted for 31 and 20 percent of consolidated sales, respectively. As announced on August 31, 2010, following National Semiconductor's reassessment of its distributor policy, the distributor contract with that company was cancelled effective March 31, 2011. Although business relations with Xilinx are currently progressing steadily, if difficulties should arise in continuing our business relationship due to the supplier changing its distribution policy as described above or engaging in restructuring, such difficulties might impact upon the Group's performance. To avoid this risk, the company Group is sharing business strategies with current suppliers and is aiming to expand sales and strengthen the relationship. Also, by always understanding the needs of the customer and establishing new suppliers with competitive advantage, we are striving to expand our business and reduce our dependence upon specific suppliers.

3) Regarding outflow of information assets

As a key tool of its sales strategy, the company Group holds various information assets. The Company has always regarded information security as a vital duty, and made efforts to draw up privacy policies and introduce a wide range of technological measures. Furthermore, in order to build a more robust information management system, the Company acquired ISMS certification* in December 2004, and based on the conversion of this certification to ISO in November 2007, the Company received ISO27001 (JIS Q 27001 certification). Through these activities, as well as introducing encoded software to notebook computers, as a result of providing regular education about information security, the Company has worked to increase employees' awareness of appropriate handling of information assets, and has strived to prevent information leaks from the aspects of both hardware and software. However, where outflow of information assets occurs due to unintended system failure, incorrect operation, intrusion or attack from outside, or other unforeseen circumstances, this may impact upon performance through either a loss of trust in the company Group, or through claims for compensatory damages.

*ISMS certification: Based on the "introduction of international standards for information security management, and reforms made to the system for certifying businesses implementing safety measures for information systems within the information-processing industry," as announced by the Ministry of International Trade and Industry in July 2000, this is a private-sector driven third-party certification system that was started at the Japan Information Processing Development Corporation (JIPDEC).

4) Effects of foreign exchange rate fluctuations

Sales of semiconductor-related products form the core of the company Group's business, but its main suppliers are overseas manufacturers, and transactions in foreign currency constantly arise. For this reason, it is possible that exchange rate fluctuations may affect the Group's performance. The Group takes various measures to lessen the risk of exchange rate fluctuations and avoid this outcome, but cannot ensure that risks posed by exchange rate fluctuations are fully avoided. Due to this, it is possible that rapid exchange rate fluctuations may impact upon the Group's performance and financial situation.

5) Developing new suppliers and promoting business

By making full use of the high technical support capabilities that it has cultivated over many years, as well as its marketing ability that appeals to 'individuality', and by acquiring products that are highly competitive even within the industry, and expanding its product line, the company Group has worked towards "expanding its areas of specialty" and "expanding its customer base." In the future, the Group will continue with its policies, and work towards further business evolution.

However, in the fiercely competitive semiconductor industry, in which technological innovations happen quickly, competition to acquire these powerful new suppliers is becoming increasingly fierce, and even where new suppliers have been acquired and

supply is made to customers, due to the effects of competition among finished products at the customer end, as well as the shortening lifecycles of these products, the company Group's business plans may not always proceed according to plan. Thus, at the company Group, we are constantly keeping an eye on market and technological trends, and always work to acquire competitive new products, and to achieve business plans, but delays in business start-ups of new supplier products may impact upon the Group's performance.

6) Effects of clients shifting to overseas production

At present, the company Group sells products that are primarily semiconductors to domestic electronics manufacturers. Responding to the strong yen while seeking production bases at lower costs and markets with high growth potential, these domestic electronics manufacturers are strengthening their moves to shift production bases to foreign countries such as China and other Asian countries.

In order to respond to these overseas transfers by clients, and to continue supplying products and technical support, the company Group has established a branch office in Singapore to support customers with production bases in countries such as Malaysia, Thailand and Vietnam. The company Group has also established a subsidiary in Hong Kong to respond to production transfers by Japanese manufacturers to Hong Kong and mainland China. However, in cases where a customer's product development in Japan is further shifted overseas to an area beyond the reach of the Group's sales operations, it is possible that performance may be affected.

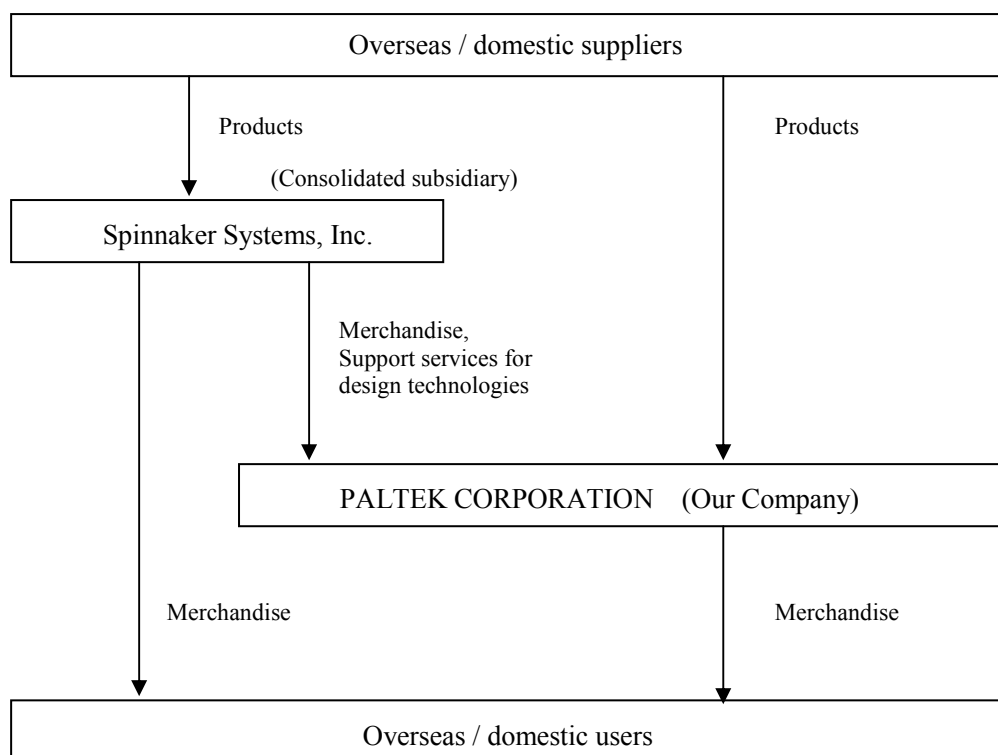
7) Effects of inventory disposal and evaluation

In order to respond suitably to customers' number requirements and delivery dates, the company Group holds several month's worth of inventory. In order to hold the optimum amount of inventory, as well as acquiring predictive information for quantities required by customers, and demand forecasts for merchandise with products pre-loaded, the Group analyzes past situations in terms of fluctuations and orders, and coordinates issuance of orders to suppliers, to thereby coordinate and manage inventory. However, where there are rapid fluctuations in quantities required by customers or in market prices, or where discrepancies arise with quantities initially forecast as being required by customers for either discontinued products or products that have been stored as maintenance stock, it may be necessary for us to dispose of them in accordance with accounting standards, and to revise asset value evaluations. Where such cases arise, performance may be affected.

2. Corporate Group Situation

The company Group's main business activities consist of selling semiconductor and design software for electronic equipment, and providing design support services. The following is a business system chart that broadly illustrates the relations between the Company and its affiliates within the company Group's business operations.

Business segment	Description of business	Major companies
Semiconductor related business	Design and development of semiconductor related products, Support services for sales and design technologies	PALTEK CORPORATION, Spinnaker Systems, Inc.



3. Management Policy

(1) The Company's Basic Management Policy

With the ideal of "co-existing with diverse ways of life," the company Group aims to create value that is meaningful for stakeholders involved with the Group, including customers, suppliers, employees, shareholders and local societies.

In the electronics industry, which evolves and grows on a daily basis, the company Group standardizes with cutting-edge technology and market needs, cultivate innovative semiconductor and software products that are created in all parts of the world, and also supplies them to customers who develop and sell various kinds of electronic equipment and systems. Our work is not limited to mere product distribution, as we also support customers' design and development with high-level technology, offer system-based proposals that take into account the whole equipment, and strive to supply suitable solutions. Furthermore, we will also make active efforts to provide solutions in awareness of the needs of the global environment, which are rapidly increasing due to things such as global-warming and environmental pollution.

Through the activities outlined above, as well as dedicating itself to developing the electronics industry, and contributing to the realization of a ubiquitous network society that is more convenient and vibrant, by providing solutions for achieving an eco-friendly low-carbon society, we will endeavor towards protection of global environment and symbiosis with all stakeholders.

(2) Targeted Management Indexes

The company Group operates within the electronics industry, which is undergoing remarkable change and growth because of rapid globalization and technological innovation and rising awareness towards environmental damage. Working to establish a stable corporate structure in this environment, the Group thoroughly streamlined management, including merging with Group companies, and carried out cost reductions. At present, although the global economy continues to grow on the strength of economic growth in the emerging countries, growth in the Japanese economy is expected to be diminished by declining population and a strong yen and the business environment surrounding the company Group is expected to become more difficult as a result. The company Group has set target management indexes of sales of 30,000 million yen and operating margin of 3 percent. While continuing sales of PLD and ASSP products for which we have a competitive advantage with respect to our highly experienced technical support, we are strengthening our efforts in the field of the environment, which we believe to be a future growth field, and working hard to grow further and boost revenue.

(3) Mid-and-Long Term Company Strategies

In the electronics industry to which the company Group belongs, in addition to Korea, China and India, the rise of other countries mainly in Asia has been noticeable, and the intensity of global competition is increasing in aspects such as products ideas, design and manufacturing techniques, and even price. Amidst such an environment, for customers developing and selling electronics products that evolve on a daily basis, the company Group will not sell the semiconductors and software that they handle individually, but rather, with an understanding of the overall technical requirements of customers' machines, will provide proposals with high added value based on solid technical understanding, that provide everything from component selection and development techniques to development support. With strengths such as the deep-level technical knowledge of PLD and analog semiconductors that we have acquired, and our experience in offering support, we conduct business operations based on our solid technical background. In particular, we will focus on industrial equipment and communications infrastructure markets for things such as medical equipment, broadcasting equipment and measurement equipment, in which Japanese manufacturers are strong and occupy high shares of global markets, and for which functionality and speed are required.

Also, as for endeavors into new growth fields, realizing the situation we are confronted with in terms of serious environmental changes such as global warming and environmental pollution, we will make active efforts in the smart-grid field, in which development awareness is rapidly increasing, and will contribute to the realization of a low-carbon society.

(4) Issues for the Company to Address

With respect the environment and outlook of the electronics industry to which the company Group belongs, it is expected that recovery will progress at a gradual pace with development and market expansion of emerging countries, particularly in Asia as the propelling force. Responding to the continuing trend of a strengthening yen and aiming to conduct development and production activities in regions close to markets of higher growth, Japanese makers will expand their shift of production to overseas, and growth in the domestic market is expected to weaken. The rivalry that Japanese makers face from Korean, Taiwanese, Chinese and other makers is not related to cost alone. Japanese makers are under pressure to put products to market in a shorter timeframe than ever before while ensuring that these products are more strongly competitive in all ways including function, cost and design. While there is a bitter global fight for survival in existing electronics fields, Japanese makers are placing an increasing focus on markets related to the environment and energy conservation, which are believed to be the new growth fields. As a result of a rapidly growing world population and the economic development of emerging countries, energy problems and environmental problems are global issues and Japanese makers have spent many years developing advanced technologies related to the environment and energy conservation and it is believed that these technologies will provide the competitive edge to excel in these fields.

Within such a market environment, we at the company Group are making the following efforts.

1) *Enhancing technological support and system-based proposals*

So that we can better respond to customers grappling with difficult development issues such as high-value-added products, product development within a short timeframe, and price competitiveness on the global market, we are further strengthening our support capabilities with respect to design and development processes. Already supporting our customers' development through support and marketing of PLD products, which are essential in product development, we are now working to strengthen our design service business that provides design services and board development so that we can provide support where design and development are more tightly knit.

2) *Strengthening support for overseas relocation of businesses*

As more and more Japanese makers are relocating their businesses overseas, the number of overseas production contracts

undertaken by the company Group is tending to increase. Providing support to these overseas customers has therefore become a priority issue. The company Group currently has branch offices and subsidiaries in Singapore and Hong Kong which are providing support for overseas production contracts. However, as we expect the overseas relocation of production to further accelerate, we are taking measures to increase our personnel and improve our support capabilities.

3) *Strategies focusing on growth fields*

The Company will draw up business projects that focus on the following application fields that are expected to grow in the future.

- Communications field: Next-generation wireless communication infrastructure and smart phone field
- Industrial equipment field: Fields of industrial equipment for medical, measurement and FA (Factory Automation) – use areas in which growth is expected in line with increasing economic development and capital investment in emerging countries, and in which Japanese manufacturers specialize.
- Environmentally-conscious fields: Fields involving smart-grids and energy-saving LED field in line with requirements due to increasing global environmental awareness

(5) Other Company Management Priorities

No applicable items.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY 2009 (As of December 31, 2009)	FY 2010 (As of December 31, 2010)
ASSETS		
Current assets		
Cash and deposits	2,302,915	2,026,080
Notes and accounts receivable-trade	3,544,782	3,485,327
Merchandise	1,590,820	1,635,093
Supplies	7,034	8,645
Advance payments-trade	-	735,153
Consumption taxes receivable	558,303	819,271
Deferred tax assets	191,415	187,272
Other	217,449	410,620
Allowance for doubtful accounts	(460)	(423)
Total current assets	8,412,259	9,307,042
Noncurrent assets		
Property, plant and equipment		
Buildings	124,123	122,166
Accumulated depreciation	(93,341)	(96,423)
Buildings, net	30,782	25,743
Tools, furniture and fixtures	297,690	273,599
Accumulated depreciation	(270,728)	(244,503)
Tools, furniture and fixtures, net	26,961	29,095
Land	598	-
Total property, plant and equipment	58,342	54,838
Intangible assets		
Goodwill	23,646	7,947
Other	37,262	34,654
Total intangible assets	60,908	42,601
Investments and other assets		
Investment securities	36,449	29,183
Deferred tax assets	212,165	17,273
Other	335,062	328,776
Allowance for doubtful accounts	(12,591)	(5,481)
Total investments and other assets	571,087	369,751
Total noncurrent assets	690,337	467,191
Total assets	9,102,597	9,774,233

(Thousands of yen)

	FY 2009 (As of December 31, 2009)	FY 2010 (As of December 31, 2010)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	498,239	566,778
Income taxes payable	9,247	13,400
Provision for bonuses	41,810	35,915
Advances received	—	504,129
Other	414,664	335,533
Total current liabilities	963,962	1,455,756
Noncurrent liabilities		
Negative goodwill	243	82
Provision for retirement benefits	25,476	24,875
Provision for directors' retirement benefits	166,363	166,363
Other	41,029	42,966
Total noncurrent liabilities	233,112	234,287
Total liabilities	1,197,075	1,690,044
NET ASSETS		
Shareholders' equity		
Capital stock	1,339,634	1,339,634
Capital surplus	2,698,526	2,698,526
Retained earnings	4,063,427	4,244,493
Treasury stock	(195,320)	(195,417)
Total shareholders' equity	7,906,267	8,087,236
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(410)	(2,414)
Deferred gains or losses on hedges	(334)	(632)
Total valuation and translation adjustments	(745)	(3,047)
Total net assets	7,905,522	8,084,189
Total liabilities and net assets	9,102,597	9,774,233

(2) Consolidated Statements of Income

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Net sales	14,762,241	16,499,956
Cost of sales	12,378,777	13,635,544
Gross profit	2,383,463	2,864,411
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	1,824	–
Salaries and allowances	1,060,453	1,026,141
Bonuses	–	270,488
Provision for bonuses	41,399	35,483
Rent expenses	270,634	234,552
Amortization of goodwill	15,699	15,699
Other	1,176,076	959,201
Total selling, general and administrative expenses	2,566,086	2,541,566
Operating income (loss)	(182,622)	322,844
Non-operating income		
Interest income	894	104
Dividends income	1	2
Foreign exchange gains	9,447	132,950
Gain on sales of investment securities	3,585	44
Interest on refunds of consumption taxes	1,188	1,919
Amortization of negative goodwill	161	161
Insurance premiums refunded cancellation	84,178	–
Other	8,952	19,442
Total non-operating income	108,409	154,624
Non-operating expenses		
Interest expenses	4,194	4,216
Commission fee	5,157	5,581
Losses on assignment of accounts receivable	13,848	13,111
Other	5,634	6,004
Total non-operating expenses	28,834	28,914
Ordinary income (loss)	(103,048)	448,554
Extraordinary income		
Gain on sales of investment securities	51	–
Reversal of provision for directors' retirement benefits	509	–
Reversal of warranty reserve	19,407	–
Gain on sales of noncurrent assets	–	1
Reversal of allowance for doubtful accounts	–	37
Total extraordinary income	19,968	39

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Extraordinary loss		
Loss on sales of noncurrent assets	747	1,825
Loss on retirement of noncurrent assets	3,934	426
Loss on valuation of investment securities	39,168	–
Restructuring loss	79,781	–
Loss on valuation of golf club membership	5,712	–
Other	572	–
Total extraordinary losses	129,915	2,252
Income (loss) before income taxes and minority interests	(212,995)	446,341
Income taxes-current	10,333	7,515
Income taxes-deferred	(163,188)	200,611
Total income taxes	(152,854)	208,127
Net income (loss)	(60,140)	238,213

(3) Statement of Changes in Consolidated Shareholders' Equity

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,339,634	1,339,634
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,339,634	1,339,634
Capital surplus		
Balance at the end of previous period	2,698,526	2,698,526
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	2,698,526	2,698,526
Retained earnings		
Balance at the end of previous period	4,240,170	4,063,427
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income (loss)	(60,140)	238,213
Total changes of items during the period	(176,743)	181,066
Balance at the end of current period	4,063,427	4,244,493
Treasury stock		
Balance at the end of previous period	(130,708)	(195,320)
Changes of items during the period		
Purchase of treasury stock	(64,612)	(97)
Total changes of items during the period	(64,612)	(97)
Balance at the end of current period	(195,320)	(195,417)
Total shareholders' equity		
Balance at the end of previous period	8,147,623	7,906,267
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income (loss)	(60,140)	238,213
Purchase of treasury stock	(64,612)	(97)
Total changes of items during the period	(241,355)	180,969
Balance at the end of current period	7,906,267	8,087,236

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(8,259)	(410)
Changes of items during the period		
Net changes of items other than shareholders' equity	7,849	(2,003)
Total changes of items during the period	7,849	(2,003)
Balance at the end of current period	(410)	(2,414)
Deferred gains or losses on hedges		
Balance at the end of previous period	(1,564)	(334)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,229	(297)
Total changes of items during the period	1,229	(297)
Balance at the end of current period	(334)	(632)
Total valuation and translation adjustments		
Balance at the end of previous period	(9,824)	(745)
Changes of items during the period		
Net changes of items other than shareholders' equity	9,078	(2,301)
Total changes of items during the period	9,078	(2,301)
Balance at the end of current period	(745)	(3,047)
Total net assets		
Balance at the end of previous period	8,137,798	7,905,522
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income (loss)	(60,140)	238,213
Purchase of treasury stock	(64,612)	(97)
Net changes of items other than shareholders' equity	9,078	(2,301)
Total changes of items during the period	(232,276)	178,667
Balance at the end of current period	7,905,522	8,084,189

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(212,995)	446,341
Depreciation and amortization	31,472	30,075
Amortization of goodwill	15,699	15,699
Amortization of negative goodwill	(161)	(161)
Increase (decrease) in allowance for doubtful accounts	1,824	(6,512)
Increase (decrease) in provision for bonuses	(8,952)	(5,895)
Increase (decrease) in provision for retirement benefits	(10,503)	(600)
Increase (decrease) in provision for directors' retirement benefits	(81,090)	-
Loss on valuation of golf club memberships	5,712	-
Interest and dividends income	(895)	(106)
Interest expenses	4,194	4,216
Foreign exchange losses (gains)	12,458	28,321
Loss (gain) on valuation of investment securities	39,168	-
Loss (gain) on sales of investment securities	(3,636)	(44)
Loss (gain) on sales of property, plant and equipment	747	1,824
Loss on retirement of property, plant and equipment	3,791	292
Loss on retirement of intangible assets	143	133
Gain on maturity of insurance contract	(84,178)	-
Loss on business restructuring	79,781	-
Decrease (increase) in notes and accounts receivable-trade	627,931	66,135
Decrease (increase) in inventories	369,971	(51,361)
Increase (decrease) in notes and accounts payable-trade	(311,582)	68,539
Decrease (increase) in consumption taxes refund receivable	(175,441)	(230,263)
Decrease (increase) in accounts receivable-other	-	(323,953)
Decrease (increase) in advance payments	(129,181)	(600,817)
Increase (decrease) in advances received	130,975	364,281
Other, net	12,989	40,760
Subtotal	318,240	(153,096)
Interest and dividends income received	1,027	109
Interest expenses paid	(3,404)	(4,026)
Payments for business restructuring	(78,379)	-
Income taxes refund	7,061	1,125
Income taxes paid	(12,598)	(7,450)
Net cash provided by (used in) operating activities	231,946	(163,338)

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Net cash provided by (used in) investing activities		
Payments into time deposits	(6,064)	-
Proceeds from withdrawal of time deposits	134,185	-
Purchase of investment securities	(13,016)	-
Proceeds from sales of investment securities	7,562	646
Purchase of property, plant and equipment	(1,889)	(18,084)
Proceeds from sales of property, plant and equipment	32	51
Purchase of intangible assets	(2,375)	(9,291)
Payments of loans receivable	(740)	(500)
Collection of loans receivable	933	541
Proceeds from cancelation of insurance policies	181,883	-
Decrease (increase) in other investments	47,312	-
Net cash provided by (used in) investing activities	347,824	(26,637)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(550,000)	-
Repayments of lease obligations	(575)	(1,012)
Purchase of treasury stock	(64,612)	(97)
Cash dividends paid	(116,601)	(57,631)
Net cash provided by (used in) financing activities	(731,788)	(58,741)
Effect of exchange rate change on cash and cash equivalents	(11,768)	(28,118)
Net increase (decrease) in cash and cash equivalents	(163,786)	(276,834)
Cash and cash equivalents at beginning of period	2,466,702	2,302,915
Cash and cash equivalents at end of period	2,302,915	2,026,080

5. Non-Consolidated Financial Statements**(1) Balance Sheets**

(Thousands of yen)

	FY 2009 (As of December 31, 2009)	FY 2010 (As of December 31, 2010)
ASSETS		
Current assets		
Cash and deposits	2,209,091	1,923,585
Notes receivable-trade	111,931	170,792
Accounts receivable-trade	3,421,255	3,301,904
Merchandise	1,590,853	1,635,105
Supplies	7,034	8,645
Advance payments-trade	133,760	731,817
Prepaid expenses	32,655	37,790
Deferred tax assets	191,415	187,272
Accounts receivable-other	45,584	369,495
Income taxes receivable	1,425	541
Consumption taxes receivable	558,303	819,271
Other	2,487	1,579
Allowance for doubtful accounts	(460)	(423)
Total current assets	8,305,338	9,187,379
Noncurrent assets		
Property, plant and equipment		
Buildings	124,123	122,166
Accumulated depreciation	(93,341)	(96,423)
Buildings, net	30,782	25,743
Tools, furniture and fixtures	291,102	263,857
Accumulated depreciation	(267,177)	(239,872)
Tools, furniture and fixtures, net	23,924	23,985
Land	598	-
Total property, plant and equipment	55,305	49,728
Intangible assets		
Goodwill	23,646	7,947
Telephone subscription right	4,862	4,862
Software	31,419	29,071
Total intangible assets	59,928	41,881
Investments and other assets		
Investment securities	34,653	29,183
Stocks of subsidiaries and affiliates	199,879	199,879
Claims provable in bankruptcy, claims provable in rehabilitation and other	7,437	767
Long-term prepaid expenses	839	556
Deferred tax assets	212,165	17,273
Lease and guarantee deposits	130,842	130,264
Insurance funds	186,429	186,429
Long-term loans receivable from employees	820	903
Other	1,778	1,778
Allowance for doubtful accounts	(7,065)	(589)
Total investments and other assets	767,780	566,445
Total noncurrent assets	883,014	658,055
Total assets	9,188,352	9,845,434

(Thousands of yen)

	FY 2009 (As of December 31, 2009)	FY 2010 (As of December 31, 2010)
LIABILITIES		
Current liabilities		
Accounts payable-trade	498,229	564,190
Short-term loans payable	30,000	30,000
Accounts payable-other	190,533	225,965
Accrued expenses	43,804	48,677
Income taxes payable	9,067	13,208
Advances received	135,421	499,334
Deposits received	32,904	38,869
Provision for bonuses	41,027	35,268
Other	3,542	11,511
Total current liabilities	984,530	1,467,026
Noncurrent liabilities		
Negative goodwill	243	82
Provision for retirement benefits	25,476	24,875
Provision for directors' retirement benefits	162,563	162,563
Other	38,842	39,032
Total noncurrent liabilities	227,126	226,554
Total liabilities	1,211,656	1,693,580
NET ASSETS		
Shareholders' equity		
Capital stock	1,339,634	1,339,634
Capital surplus		
Legal capital surplus	1,678,512	1,678,512
Total capital surpluses	1,678,512	1,678,512
Retained earnings		
Legal retained earnings	46,100	46,100
Other retained earnings		
General reserve	5,400,000	4,200,000
Retained earnings brought forward	(291,485)	1,086,071
Total retained earnings	5,154,614	5,332,171
Treasury stock	(195,320)	(195,417)
Total shareholders' equity	7,977,441	8,154,901
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(410)	(2,414)
Deferred gains or losses on hedges	(334)	(632)
Total valuation and translation adjustments	(745)	(3,047)
Total net assets	7,976,696	8,151,854
Total liabilities and net assets	9,188,352	9,845,434

(2) Statements of Income

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Net sales	13,781,612	16,391,527
Cost of sales		
Beginning goods	1,105,490	1,590,853
Cost of purchased goods	11,333,773	13,616,815
Transfer of goods by merger	711,394	-
Processing cost	29,112	32,211
Commission paid	5,648	-
Total	13,185,418	15,239,880
Transfer to other account	3,559	9,667
Ending goods	1,590,853	1,635,105
Cost of goods sold	11,591,005	13,595,106
Gross profit	2,190,607	2,796,421
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	2,397	-
Directors' compensations	105,570	107,933
Salaries and allowances	940,954	1,002,978
Bonuses	160,331	266,691
Welfare expenses	134,407	174,909
Provision for bonuses	40,616	34,837
Rent expenses	246,646	231,061
Depreciation	26,095	27,453
Commission fee	91,410	88,078
Other	486,712	547,542
Total selling, general and administrative expenses	2,235,144	2,481,485
Operating income (loss)	(44,536)	314,935
Non-operating income		
Interest income	6,538	73
Dividends income	1	2
Foreign exchange gains	-	137,473
Business commission income from associate companies	1,988	-
Gain on sales of investment securities	3,585	44
Insurance premiums refunded cancellation	8,109	-
Amortization of negative goodwill	120	161
Other	9,363	21,362
Total non-operating income	29,706	159,117

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Non-operating expenses		
Interest expenses	4,479	4,501
Commission fee	5,157	5,581
Losses on assignment of promissory notes	1,739	2,661
Losses on assignment of accounts receivable	12,390	13,111
Foreign exchange losses	13,769	-
Other	3,719	3,343
Total non-operating expenses	41,255	29,199
Ordinary income (loss)	(56,086)	444,853
Extraordinary income		
Gain on extinguishment of tie-in shares	275,176	-
Reversal of provision for directors' retirement benefits	509	-
Gain on sales of investment securities	51	-
Reversal of warranty reserve	19,407	-
Gain on sales of noncurrent assets	-	1
Reversal of allowance for doubtful accounts	-	37
Total extraordinary income	295,144	39
Extraordinary loss		
Loss on extinguishment of tie-in shares	160,132	-
Loss on sales of noncurrent assets	606	1,825
Loss on retirement of noncurrent assets	3,887	426
Loss on valuation of investment securities	39,168	-
Restructuring loss	49,881	-
Loss on valuation of golf club membership	3,517	-
Total extraordinary losses	257,194	2,252
Income (loss) before income taxes	(18,135)	442,640
Income taxes-current	4,709	7,324
Income taxes-deferred	(140,313)	200,611
Total income taxes	(135,604)	207,936
Net income	117,468	234,704

(3) Statement of Changes in Shareholders' Equity

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,339,634	1,339,634
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,339,634	1,339,634
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	1,678,512	1,678,512
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,678,512	1,678,512
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	46,100	46,100
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	46,100	46,100
Other retained earnings		
General reserve		
Balance at the end of previous period	5,400,000	5,400,000
Changes of items during the period		
Reversal of general reserve	-	(1,200,000)
Total changes of items during the period	-	(1,200,000)
Balance at the end of current period	5,400,000	4,200,000
Retained earnings brought forward		
Balance at the end of previous period	(292,351)	(291,485)
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income	117,468	234,704
Reversal of general reserve	-	1,200,000
Total changes of items during the period	866	1,377,557
Balance at the end of current period	(291,485)	1,086,071
Total retained earnings		
Balance at the end of previous period	5,153,748	5,154,614
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income	117,468	234,704
Total changes of items during the period	866	177,557
Balance at the end of current period	5,154,614	5,332,171
Treasury stock		
Balance at the end of previous period	(130,708)	(195,320)
Changes of items during the period		
Purchase of treasury stock	(64,612)	(97)
Total changes of items during the period	(64,612)	(97)
Balance at the end of current period	(195,320)	(195,417)

(Thousands of yen)

	FY 2009 (Fiscal year ended Dec. 31, 2009)	FY 2010 (Fiscal year ended Dec. 31, 2010)
Total shareholders' equity		
Balance at the end of previous period	8,041,187	7,977,441
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income	117,468	234,704
Purchase of treasury stock	(64,612)	(97)
Total changes of items during the period	(63,745)	177,460
Balance at the end of current period	7,977,441	8,154,901
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(8,259)	(410)
Changes of items during the period		
Net changes of items other than shareholders' equity	7,849	(2,003)
Total changes of items during the period	7,849	(2,003)
Balance at the end of current period	(410)	(2,414)
Deferred gains or losses on hedges		
Balance at the end of previous period	(1,564)	(334)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,229	(297)
Total changes of items during the period	1,229	(297)
Balance at the end of current period	(334)	(632)
Total valuation and translation adjustments		
Balance at the end of previous period	(9,824)	(745)
Changes of items during the period		
Net changes of items other than shareholders' equity	9,078	(2,301)
Total changes of items during the period	9,078	(2,301)
Balance at the end of current period	(745)	(3,047)
Total net assets		
Balance at the end of previous period	8,031,362	7,976,696
Changes of items during the period		
Dividends from surplus	(116,602)	(57,147)
Net income	117,468	234,704
Purchase of treasury stock	(64,612)	(97)
Net changes of items other than shareholders' equity	9,078	(2,301)
Total changes of items during the period	(54,666)	175,158
Balance at the end of current period	7,976,696	8,151,854

6. Other

(1) Change in Directors and Corporate Auditors

1) Change of Representative Director

No item to report.

2) Changes in other Directors and Corporate Auditors

• New candidates for corporate auditor

Corporate auditor (full-time)	Satoshi Sekimoto	Former General Manager of ITC Quality Assurance Department of Sony Corporation
Corporate auditor (part-time)	Makoto Fukui	Former Managing Director of Kyocera Communication Systems Co., Ltd.
Corporate auditor (part-time)	Koichi Hasegawa	Former Administration Officer of NEC Corporation

(Note) The new candidates for corporate auditor Messrs. Satoshi Sekimoto, Makoto Fukui and Koichi Hasegawa are candidates for outside corporate auditors.

• Retiring corporate auditors

Corporate auditor (full-time)	Yukio Miura
Corporate auditor (part-time)	Teruhiko Kyogoku
Corporate auditor (part-time)	Kazuhiko Nishimura

(Note) The retiring corporate auditors Messrs. Teruhiko Kyogoku and Kazuhiko Nishimura are outside corporate auditors.

3) Scheduled date of assumption of office

March 26, 2011

(2) Other

No items to report.