

Management's Discussion and Analysis

Future forecasts and statements are based on conditions at the end of this consolidated accounting term (March 31, 2009)

(1) Significant Accounting Policies and Forward-looking Estimates

The group consolidated financial statements are based on generally accepted accounting standards in Japan. Estimates, judgments, and assessments are made on the basis of factors that are deemed reasonable in the light of past performance and conditions. However, since estimates invariably involve uncertainties, actual results may differ from the estimates.

1. Valuation Standards and Methods of Significant Assets

The securities with current price among other securities in the securities are valued with the market value method (valuation difference is processed by the all-net assets-direct-input method, and sales cost is calculated by the moving average cost method) based on the market price at the end of the consolidated accounting term. The securities without current price are valued with the cost method by moving average cost method. In addition, in case of the impairment accounting processing, when current price at the end of the consolidated accounting term falls 50% or more compared with that of the acquisition cost about the securities with current price, the impairment accounting processing is performed to all of them. When it falls 30% to 50%, the impairment accounting processing is performed in the order accepted to be required in consideration of recovery possibility, etc. When it is judged about the securities without current price that the stock real price fell remarkably due to aggravation of the financial condition of the issuing company, the impairment accounting processing is performed about the amount accepted to be required.

As to the inventory, in the companies that submitted consolidated financial statements and the domestic consolidated subsidiaries, although it is mainly valued with the cost method based on the periodic average method (the value of balance sheet is calculated by the book amount write-down method based on decreased profitability), the cost method based on the last stocking is adopted in part in the consolidated subsidiaries. In the consolidated subsidiaries overseas, it is mainly adopted with the lower of cost or market method based on the moving average cost method.

2. Appropriating Standards for Important Reserves and Allowances

In order to prepare for loss incurred by bad debts, the allowance is appropriated using the historical bad debt rate for non-problematic accounts, whereas specific accounts such as doubtful accounts are examined individually for their recoverability and estimated irrecoverable amount is appropriated.

In order to prepare for paying bonus to employees, the amount which belongs to this consolidated accounting term is appropriated for the allowance for bonus payable, among the prospective amount of the bonus to employees.

As to the retirement allowance, in order to prepare for the retirement benefit of employees, the amount is appropriated based on the retirement benefit obligation and the prospective amount of pension assets at the end of this consolidated accounting term.

As to the officers' retirement allowance, it is prepared for the expenditure of officer's retirement benefit, and the required amount is appropriated based on the internal regulations.

3. Deferred Tax Assets

As to the deferred tax assets, recoverable amounts are appropriated in full consideration of future recoverability.

(2) Analysis of Financial Conditions and Business Performance in This Consolidated Accounting Term

1. Analysis of Balance Sheets

The total assets in this consolidated accounting term were ¥90,620 million (¥14,786 million decrease over the previous term). This is mainly because trade notes and accounts receivable decreased by ¥6,153 million, tangible fixed assets decreased by ¥2,807 million, and investment and other assets such as investment securities decreased by ¥5,922 million.

Liabilities were ¥66,856 million (¥2,094 million increase over the previous term). This is mainly because notes and accounts payable decreased by ¥7,104 million, while short-term loans and long-term loans increased by ¥9,150 million.

The net assets were ¥23,764 million (¥16,881 million decrease over the previous term). This is mainly because accumulated

earnings decreased by ¥13,898 million, and the valuation of other marketable securities decreased by ¥1,385 million.

2. Analysis of Income Statements

Sales in this consolidated accounting term were ¥85,239 million (15.5% decrease over the previous term). The gross margin was ¥8,487 million (42.3% decrease over the previous term), and operating losses were ¥4,036 million due to cutdown in sales and loss on revaluation of inventories.

Ordinary loss was ¥6,548 million due to the incurrence of exchange-rate loss, etc, at non-operating income and expenditure, and net deficit for the term was ¥13,271 million due to the record of business structure modification cost and loss on revaluation of investments in securities at special profit and loss.

(3) Factors with Important Effect on Management Performance and Outlook

Our company group involves taking risks in the field of power device which include semiconductor and IC products, one of the core products, the risks caused by the influence of external environmental changes such as drastic decreasing of demand accompanied by the deterioration of the world economy or jump in material costs, tougher competition, and appreciation of the yen.

Moreover, in the telecommunications infrastructure market, competition is becoming more severe due to progressive price reductions accompanying product miniaturization. Furthermore, the motorcycle market centered on Asia involves unstable devices, such as sudden changes in demand accompanying country risk. In the light of those circumstances, our company shall carry out resolutely the structural improvement such as complete fixed and proportional cost compression or acceleration of overseas production transfer and build up secure operating foundation sustainable against steep external environment variation as well as fully fledged entering into the field of environment/new energy such as environment-responsive cars or LED illumination power supply, etc, which are prospective of expansion and shall aim continuous development and growth.

(4) Analysis of Financial Source of Capital and Liquidity of Funds

The capital situation of our company was minus of ¥820 million at cash flow by business activities. This is because of large minus factor such as net loss before taxes and other adjustments of this term, etc, even though plus factors such as allowance for depreciation existed.

In cash flow by investing, it used the fund of ¥1,430 million which was ¥4,139 million more than that of the previous consolidated accounting term.

This is mainly because of payment existed for acquisition of tangible fixed assets due to the conduction of overseas production transfer of semiconductor products and electric components for two-wheel vehicles and investing for maintenance/renewal. In cash flow by investment activities, the group obtained funds of ¥8,585 million, which was ¥8,227 million more than in the previous consolidated accounting term. This was achieved by issuing new corporate bonds and by taking long-term and short-term loans accompanying repayment of corporate bonds and commitment to repay long-term loans.

As mentioned above, in this consolidated accounting term, funds of ¥1,430 million used by investing was covered by funds on hand, funds of ¥8,585 million acquired by financing activities. At this consolidated accounting term, outstanding balance of bonds and amount borrowed of our company group was ¥38,377 million due to the conduction of funding by money borrowed for long-term and short-term aiming to redeem bond or equipment investment and securing cash plus marketable securities, and increased ¥9,150 million compared to the end of last consolidated accounting term. In addition, it is considered that required liquidity on hand is sufficiently secured since amount outstanding of cash reserves increased by ¥5,295 million compared to the end of last consolidated fiscal year and was ¥14,243 million.