

# Allied Telesis Holdings, K.K.

## Year End Financial Results (Fiscal 2007)

March 28, 2008

### Allied Telesis Holdings, K.K.

Code Number: 6835  
Shares Listed: Second Section of Tokyo Stock Exchange  
(URL:<http://www.at-global.com>)  
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# 1. Consolidated Year End Financial Results for Fiscal 2007 (From January 1, 2007 to December 31, 2007)

## (1) Operating Results

(Rounded down to millions of yen, except

per share data)

	Net sales	% change	Operating Income(loss)	% change	Ordinary Income(loss)	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2007 year ended December 31,2007	53,899	2.2	1,453	—	745	—
Fiscal 2006 year ended December 31,2006	52,729	(3.3)	(3,385)	—	(3,345)	—

	Net income (loss)	% change	Net income per share (Primary)	Net income per share (Diluted)
	(Millions of yen)	(%)	(yen)	(yen)
Fiscal 2007 year ended December 31,2007	44	—	0.30	—
Fiscal 2006 year ended December 31,2006	(8,075)	—	(84.84)	—

Notes: Investment gains/losses on equity method:

Year ended December 31,2007 (4) million yen

Year ended December 31,2006 (23) million yen

## (2) Financial Condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
Fiscal 2007 year ended December 31,2007	28,040	12,991	45.4	81.23
Fiscal 2006 year ended December 31,2006	33,006	8,381	25.2	76.16

## (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and ash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal 2007 year ended December 31,2007	5,361	(683)	(5,704)	2,662
Fiscal 2006 year ended December 31,2006	1,942	(1,383)	(755)	2,985

## 2. Dividends

	Interim dividend per share	Year-end dividend per share	Dividend per share for the year
	(yen)	(yen)	(yen)
Year ended December 31,2007	0	0	0
Year ended December 31,2008(Forecast)	0	0	0

## 3. Projection for Fiscal 2008 (January 1, 2008 to December 31, 2008)

	Net sales	% change	Operating income	% change	Ordinary income	% change
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2008 6 months ended June 30,2008	27,240	2.5	1,380	—	500	434.8
Fiscal 2008 ending December 31,2008	54,700	1.6	2,870	90.1	1,950	143.4

	Net income	% change	Net income per share
	(Millions of yen)	(%)	(yen)
Fiscal 2008 6 months ended June 30,2008:	250	—	1.59
Fiscal 2008 ending December 31,2008	970	2,084	6.18

Notes:

1. Change in the scope of consolidation and application of the equity method: No

2. Change in accounting policy during the term: Yes

3. Number of shares issued and outstanding at the end of the term (consolidated):

Year ended December 31,2007 156,826,421 shares

Year ended December 31,2006 109,410,740 shares

## **[Business Environment]**

Network-related Market is expected to continue growing along with drastic changes, but competition in the market is also expected to intensify. Against the background of enhanced development, production and sales activities of “Network Products for Enterprise”, and arrival of the full-fledged growth period for globally recognized “IP Triple Play”, the Company Group will work to increase sales in the medium and long term, reduce product costs, continue appropriate personnel and business restructuring, and ensure sustained improvement in corporate value.

### **(1) Network Products Business**

Since its founding, the Company Group has established its position as a leading comprehensive network equipment manufacturer in the world, with its global sales network extended to 21 countries in the world, and the industry-leading broad product line. We will always return to the basics as an equipment manufacturer, take in customers' needs fast, develop and market technologically advanced products in a timely manner, expand sales of core products through timely implementation of campaigns, and aim at increasing our market share. Furthermore, we will establish a stable base for profitability through a broadly-based business strategy including enhancement of support services and provision of professional services to build up an optimum IT system foundation.

### **(2) IP Triple Play Business**

#### **(i) NSP (Network Service Provider)**

The Company Group has quickly addressed the IP Triple Play market which has shown steady growth in Europe and the U.S., made continuous investments in this business and established a system to provide one-stop services from development of equipment to support services and consulting. We aim at establishing our position as the market leader. Also, in order to meet new demand for services such as IPTV, we will set up strong partnerships with major integrators and expand business through enhancement of both marketing capacity and product strengths.

#### **(ii) IP-GSP (IP Global Service Provider)**

This business provides various services and contents such as installing infrastructure, IP telephony, IPTV and other networks in limited areas like universities or US military bases. Its business scope goes beyond that of an equipment manufacturer, and with this business, we aim at making a growing quickly into a business group which provides comprehensive services extending from constructing networks to providing services utilizing such networks. This business will act, through expansion, as the business gateway for us to grow to a global company in the future. As this is a business model which can produce revenues in accordance with services provided and lead to a more stable source of earnings, we will strive to reinforce the structure for this business.

### **(3) Research and Development Business**

In the network-related market, global competition for development of products is intensifying, and technological innovation is constantly advancing. As this business is essential for the Company Group to grow further as a comprehensive network-related equipment manufacturer and to improve its corporate value, we will continue to invest a certain percentage of sales into research and development, and carry out business activities with an eye to the future.

## **[Analysis of financial condition and results of operations]**

### **(1) Significant accounting policies and estimates**

The consolidated financial statements of the Company Group are prepared in accordance with accounting principles generally accepted in Japan. Consolidated foreign subsidiary companies maintain their respective accounts in conformity with accounting principles generally accepted in each country of their respective domicile. The preparation of consolidated financial statements requires us to make estimates which affect the stated assets, liabilities and contingent liabilities at the end of the consolidated accounting year, and the stated revenues and expenses in the consolidated accounting year. Actual results may differ from those estimates. Tangible fixed assets are recorded at acquisition cost, and depreciation is computed based on the estimated useful life of the assets. Depreciation of software for the Company Group's own use is computed based on the expected period of use, and software for sale on the expected period for sale. Impairment loss will be posted in the event market value or actual value of investment securities declines considerably, except in cases where there are prospects for recovery.

## **(2) Analysis of financial condition**

### **<Assets>**

Total assets at the end of the current consolidated accounting year declined 4,965 million yen from the previous period, to 28,040 million yen. Current assets declined 3,862 million yen from the previous period to 23,411 million yen. This was mainly due to a 2,000 million yen reduction in deposits related to the escrow agreement for Euro yen unsecured convertible bond-type warrant bonds issued on September 21, 2006, and a 1,377 million yen reduction in inventories. Fixed assets declined 1,102 million yen from the previous period to 4,629 million yen. Main reasons for the decline included a 582 million yen reduction in investment securities, and a 344 million yen reduction in tangible fixed assets.

### **<Liabilities>**

Total liabilities as at the end of the current consolidated accounting year declined 9,575 million yen from the previous period to 15,049 million yen. Current liabilities declined 4,408 million yen, due to the 1,051 million yen reduction in trade notes and accounts payable, 680 million yen reduction in short-term borrowings and 2,166 million yen reduction in long-term borrowings due within one year, etc. Fixed liabilities declined 5,166 million yen, due to the 4,314 million yen reduction in bonds and 858 million yen reduction in long-term borrowings, etc.

### **<Net assets>**

Shareholders' equity increased 4,260 million yen from the previous period to 12,605 million yen, mainly due to increase in capital and capital reserves by 2,107 million yen, respectively, as a result of the exercise of warrant rights. Shareholders' equity ratio rose 20.2 percentage points from the previous period end to 45.4%. Other than shareholders' equity accounts, the foreign currency translation adjustment account increased 231 million yen, stock warrants increased 203 million yen, etc. Consequently, total net assets at the end of the current consolidated accounting year increased 4,610 million yen, to 12,991 million yen.

## **(3) Analysis of results of operations**

In the current consolidated accounting year, net sales amounted to 53,899 million yen (up 2.2% compared with the same period the previous year), gross profit stood at 24,590 million yen (up 8.6% compared with the same period the previous year), selling, general and administrative expenses at 23,136 million yen (down 11.0% compared with the same period the previous year), operating income at 1,453 million yen, ordinary income at 745 million yen, and net income at 44 million yen.

### **<Net sales>**

Net sales in the current consolidated accounting year amounted to 53,899 million yen (increased 1,169 million yen from 52,729 million yen in the previous consolidated accounting year). In the Japan market, although demand for network products was between seasons, sales of switch products (our core products) increased in the second half through implementation of various campaigns etc. As a result, sales in Japan amounted to 26,847 million yen (down 1,516 million yen, or 94.7%, compared with 28,363 million yen in the previous consolidated business year). In the European and U.S. markets, meanwhile, demand for network equipment as well as IP Triple Play turned up particularly in Europe, and sales including the US amounted to 23,355 million yen (up 1,830 million yen, or 108.5%, compared with 21,525 million yen in the previous consolidated accounting year). In the Asia and Oceania markets, demand showed an upward trend centering on China, and sales amounted to 3,696 million yen (up 856 million yen, or 130.1%, compared with the previous consolidated accounting year).

### **<Gross profit margin>**

Gross profit margin in the current consolidated accounting year stood at 24,590 million yen (up 1,956 million yen from 22,633 million yen in the previous consolidated accounting year). This was due to the decrease in one-time costs for building a production system in conformity with environmental conservation standards, which we dealt with aggressively in the previous year, steady progress in reducing product costs, favorable sales of high-margin products, etc.

### **<Selling, general and administrative expenses>**

Selling, general and administrative expenses in the current consolidated accounting year stood at 23,136 million yen (down 2,883 million yen from 26,019 million yen in the previous consolidated accounting year). This was mainly due to a 1,864 million yen reduction in personnel and outsourcing expenses, and a 1,019 million yen reduction in research and development expenses as investment fell in development of IP Triple Play and our focus shifted to network equipment business.

**<Operating income>**

As a result of the above-mentioned increase in net sales and reduction in selling, general and administrative expenses, operating income in the current consolidated accounting year surged to 1,453 million yen (up 4,839 million yen from the loss of 3,385 million yen in the previous consolidated accounting year).

**<Non-operating income/expenses, ordinary income>**

Ordinary income in the current consolidated accounting year surged to 745 million yen (up 4,090 million yen from the loss of 3,345 million yen in the previous consolidated accounting year). There were 246 million yen in non-operating expenses including foreign exchange loss due to the appreciation of the yen since the beginning of the period, but the large increase in operating income made up for such expenses.

**<Extraordinary income/loss >**

In the current consolidated accounting year, a total 834 million yen extraordinary loss was recorded, including 392 million yen impairment loss on fixed assets such as tools, furniture and fixtures, 147 million yen of business reorganization costs, and 744 million yen of extraordinary income, including 636 million yen gain on the sale of investment securities.

**<Net income>**

Net income before taxes and other adjustments was 655 million yen. Taxes and other adjustments after applying tax effect accounting were 610 million yen (down 2,608 million yen from 3,219 million yen in the previous consolidated accounting year). As a result, the Company Group posted net income of 44 million yen for the current consolidated accounting year (up 8,120 million yen from 8,075 million yen loss in the previous consolidated accounting year).

**(4) Analysis of cash flows**

Cash and cash equivalents at the end of the current consolidated accounting year (hereinafter referred to as "Funds") declined 323 million yen from the end of the previous period to 2,662 million yen. Details of each cash flow in the current consolidated accounting year, and relevant variation factors are as follows:

**<Cash flow from operating activities>**

Cash flow from operating activities was 5,361 million yen in the current consolidated accounting year. Trade accounts receivable increased, and there was a decrease in amortization of goodwill which was recorded in the previous consolidated accounting year, but net income before taxes and other adjustments substantially increased and trade accounts payable increased. As a result, net cash provided by operating activities surged 3,419 million yen from the previous period.

**<Cash flow from investing activities>**

Cash flow from investing activities was 683 million yen in the current consolidated accounting year. Expenditures on plant and equipment and for acquisition of development and inspection equipment increased marginally, but revenues from the sale of investment securities were recorded. As a result, net cash used in investing activities declined 699 million yen from the previous period.

**<Cash flow from financing activities>**

Cash flow from financing activities was 5,704 million yen in the current consolidated accounting year. The decrease in cash inflow through issuance of bonds and stock exceeded the decrease in cash outflow through reduction in repayment of long and short term borrowings and bonds, and offset by drawing of bond repayment related deposits which were recorded in the previous consolidated business year. As a result, net cash used in financing activities increased 4,949 million yen from the previous period.

## [Accounting]

### **1. Method to produce Consolidated Financial Statement and its Financial Statements**

(1) The consolidated financial statements of our company are produced in conformity to “The Rules and Regulations on terms, forms and methods to produce Consolidated Financial Statements” (Ministry of Finance Ordinance No 28 enforced in 1976; hereinafter referred to as the “Rules on Consolidated Financial Statements”).

Furthermore, the statements of the previous consolidated accounting term (January 1, 2006 to December 31, 2006) were produced in conformity to the Rules on Consolidated Financial Statements enforced prior to the revision, and the current accounting term’s consolidated financial statements (January 1, 2007 to December 31, 2007) are produced in conformity to the Rules on Consolidated Financial Statements enforced after the revision.

(2) The financial statements of our company are produced in conformity to “The Rules and Regulations on the terms, forms and producing method for the Financial Statements” (Ministry of Finance Ordinance No 59 enforced in 1963; hereinafter referred to as the “Rules on Financial Statements”).

Furthermore, the financial statements of the previous accounting term (January 1, 2006 to December 31, 2006) were produced in conformity to the Rules on Consolidated Financial Statements enforced prior to the revision, and the current accounting term’s financial statements (January 1, 2007 to December 31, 2007) are produced in conformity to the Rules on Consolidated Financial Statements enforced after the revision.

### **2. Audit Certification**

The financial statements and consolidated financial statements of our company for the previous consolidated accounting term (January 1, 2006 to December 31, 2006) and the previous accounting term (January 1, 2006 to December 31, 2006) under the provision set forth in the Item 2 of Article 193 of the Securities Exchange Law, and for the current consolidated accounting term (January 1, 2007 to December 31, 2007) and the current business term (January 1, 2007 to December 31, 2007) under the provision set forth in the Item 2 of Article 193 of the Securities Exchange Law have been audited by Deloitte Touche Tohmatsu

1 Consolidated Financial Statements  
(1) Consolidated Financial Statements  
(A) Consolidated Balance Sheet

Items	Notes	Previous Consolidated Accounting Term (end December 31, 2006)		Current Consolidated Accounting Term (end December 31, 2007)	
		Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)
<b>(Assets)</b>					
<b>I. Current Assets</b>					
1. Cash and Deposits	*2		3,497,514		3,238,593
2. Bills and Accounts receivable	*1, 2		11,062,391		11,795,717
3. Marketable securities	*2		125,875		115,008
4. Inventory assets	*2		8,993,982		7,616,502
5. Escrow deposit	*4		2,000,000		—
6. Others	*2		2,267,641		1,476,386
Allowance for bad debt			(672,642)		(830,370)
Total Current Assets			27,274,763	82.6	23,411,838
<b>II. Fixed Assets</b>					
<b>1. Tangible fixed assets</b>					
(1) Buildings and structures	*2	1,729,898		1,698,556	
Aggregate of depreciation deduction		712,818	1,017,079	790,097	908,459
(2) Machinery and vehicles	*2	1,122,516		1,702,013	
Aggregate of depreciation deduction		870,759	251,757	852,219	849,794
(3) Tools and equipment	*2	7,016,849		5,325,335	
Aggregate of depreciation deduction		5,245,493	1,771,356	4,356,452	968,883
(4) Land	*2		716,157		722,971
(5) Construction in progress	*2		46,303		7,678
Total Tangible Fixed Assets			3,802,654	11.5	3,457,786
<b>2. Intangible Fixed Assets</b>					
(1) Others	*2		466,419		313,413
Total Intangible Fixed Assets			466,419	1.4	313,413
<b>3. Investment and Other Assets</b>					
(1) Investment securities			650,555		68,206
(2) Long-term prepaid expenses			40,344		40,610
(3) Others	*2		783,913		749,117
Allowance for bad debt			(12,383)		—
Total of Investment and Other Assets			1,462,430	4.5	857,934
Total of Fixed Assets			5,731,504	17.4	4,629,134
Total Assets			33,006,267	100.0	28,040,972

Items	Notes	Previous Consolidated Accounting Term (end December 31, 2006)		Current Consolidated Accounting Term (end December 31, 2007)	
		Amount (1,000 yen)	Ratio (%)	Amount (1,000 yen)	Ratio (%)
<b>(Liabilities)</b>					
I. Current Liabilities					
1. Bills payable and Accounts payable	*1	5,855,241		4,803,272	
2. Short-term Loan	*2,3	4,351,281		3,671,140	
3. Long-term Loan repayable within one year	*2,3	3,247,295		1,081,178	
4. Corporate Bonds redeemable within one year		268,000		264,000	
5. Accrued expenses		2,106,219		1,727,015	
6. Accrued corporate income tax		126,641		410,021	
7. Deferred tax liabilities		34,310		—	
8. Allowance for bonus payable		248,306		194,625	
9. Other		2,062,921		1,740,097	
Total Current Liabilities		18,300,216	55.4	13,891,350	49.6
II. Fixed Liabilities					
1. Corporate bonds	*4	4,314,000		—	
2. Long-term loan	*2	1,326,178		467,460	
3. Deferred tax liabilities		34,013		9,786	
4. Allowance for retirement		605,444		612,244	
5. Other		45,368		68,955	
Total of Fixed Liabilities		6,325,004	19.2	1,158,446	4.1
Total Liabilities		24,625,220	74.6	15,049,797	53.7
<b>(Net Assets)</b>					
I. Shareholders' Equity					
1. Capital		7,697,146	23.3	9,805,100	35.0
2. Capital surplus		9,827,574	29.8	11,935,528	42.5
3. Accumulated profit		(9,167,169)	(27.7)	(9,122,767)	(32.5)
4. Treasury stock		(11,929)	(0.0)	(12,085)	(0.0)
Total Shareholders' Equity		8,345,622	25.4	12,605,776	45.0
II. Valuation and Translation Adjustments					
1. Other appraisal gain/(loss) on marketable securities		35,991	0.1	1,111	0.0
2. Deferred gain/(loss) on hedging instruments		49,990	0.1	—	—
3. Foreign currency translation Adjustment account		(102,471)	(0.3)	129,077	0.4
Total of appraisal and Translation Adjustments etc		(16,489)	(0.1)	130,189	0.4
III. Warrants					
Total Net Assets		8,381,047	25.4	12,991,175	46.3
Total Liabilities and Net Assets		33,006,267	100.0	28,040,972	100.0

(B) Consolidated Profit and Loss Account

Account	Notes	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)		Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)			
		Amount (1,000 yen)		Ratio (%)	Amount (1,000 yen)		Ratio (%)
I. Sales			52,729,748	100.0		53,899,698	100.0
II. Cost of Sales			30,096,014	57.1		29,309,503	54.4
Gross profit margin			22,633,733	42.9		24,590,194	45.6
III. Selling, General and Administrative Expenses	*1,2		26,019,418	49.3		23,136,344	42.9
Operating Income (loss)			(3,385,685)	(6.4)		1,453,850	2.7
IV. Non-operating Income							
1. Interest received		61,586			73,882		
2. Dividend received		1,184			104		
3. Foreign exchange profit		395,180			—		
4. Others		36,013	493,965	0.9	98,056	172,043	0.3
V. Non-operating Expenses							
1. Interest paid		316,540			406,131		
2. Foreign exchange loss		—			246,905		
3. Valuation loss on foreign exchange contract		13,397			26,013		
4. Equity in loss of affiliates		23,015			4,579		
5. Compliance expense		—			77,473		
6. Others		100,352	453,305	0.8	119,254	880,358	1.6
Ordinary Income (loss)			(3,345,025)	(6.3)		745,534	1.4
VI. Extraordinary Income							
1. Gain on sale of fixed assets	*3	11,827			16,183		
2. Gain on sale of investment securities		16			636,015		
3. Reversal of allowance for doubtful accounts		21,267			55,315		
4. Liquidating dividends		28,910			—		
5. Reversal of allowance for warrants		—			9,151		
6. Other		8,511	70,533	0.1	27,671	744,336	1.4

Items	Notes	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)		Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)			
		Amount (1,000 yen)		Ratio (%)	Amount (1,000 yen)		Ratio (%)
VII. Extraordinary loss							
1. Loss on sale of fixed assets	*5	275			2,039		
2. Loss on disposal of fixed assets	*4	409,105			17,113		
3. Appraisal loss on securities investments		285,449			269		
4. loss on sales of investment securities		—			403		
5. Impairment loss	*6	—			392,189		
6. loss on redemption of bonds		—			58,000		
7. Restructuring expenses		—			147,524		
8. Litigation related expenses		—			105,215		
9. Amortization of goodwill		1,013,154			—		
10. Others		196,523	1,904,508	3.6	112,008	834,762	1.5
Net income (loss) before tax adjustment			(5,179,000)	(9.8)		655,109	1.3
Corporate tax, resident tax and enterprise tax		322,326			590,232		
Prior fiscal year Corporate tax, resident tax and enterprise tax		—			20,474		
Adjustment in corporate tax		2,896,714	3,219,041	6.1	—	610,707	1.1
Loss of minority shareholders			322,202	(0.6)		—	—
Net income (loss)			(8,075,840)	(15.3)		44,402	0.1

(C) Statement of Changes in Consolidated Shareholders' Equity  
 Previous consolidated accounting term (January 1, 2006 – December 31, 2006)

	Shareholders' Equity				
	Capital	Capital surplus	Accumulated profit	Treasury stock	Total shareholder's equity
Balance as of December 31, 2005 (1,000 yen)	4,996,366	7,126,908	(1,091,329)	(11,466)	11,020,479
Change during consolidated accounting term					
Warrants exercised	2,700,779	2,700,666			5,401,445
Current period net loss			(8,075,840)		(8,075,840)
Acquisition of treasury stock				(462)	(462)
Net changes in items other than stockholder's equity during current consolidated accounting term					
Total change during consolidated accounting period (1,000 yen)	2,700,779	2,700,666	(8,075,840)	(462)	(2,674,857)
Balance (1,000 yen) as of December 31, 2006	7,697,146	9,827,574	(9,167,169)	(11,929)	8,345,622

	Valuation and translation adjustments				Subscription rights	Minority equity	Total net assets
	Net unrealized gains on securities	Deferred hedge gains & losses	Foreign exchange adjustment account	Total			
Balance as of December 31, 2005 (1,000 yen)	47,312	108,342	(123,982)	31,671	–	292,047	11,344,199
Change during consolidated accounting term							
Warrants exercised							5,401,445
Current period net loss							(8,075,840)
Acquisition of treasury stock							(462)
Net changes in items other than stockholder's equity during current consolidated accounting term	(11,320)	(58,351)	21,510	(48,161)	51,914	(292,047)	(288,294)
Total change during consolidated accounting period (1,000 yen)	(11,320)	(58,351)	21,510	(48,161)	51,914	(292,047)	(2,963,151)
Balance as of December 31, 2006 (1,000 yen)	35,991	49,990	(102,471)	(16,489)	51,914	–	8,381,047

Current consolidated accounting term (January 1, 2007 – December 31, 2007)

	Shareholders' Equity				
	Capital	Capital surplus	Accumulated profit	Treasury stock	Total shareholder's equity
Balance as of December 31, 2006 (1,000 yen)	7,697,146	9,827,574	(9,167,169)	(11,929)	8,345,622
Change during consolidated accounting term					
Warrants exercised	2,107,954	2,107,954			4,215,908
Current period net income			44,402		44,402
Acquisition of treasury stock				(156)	(156)
Net changes in items other than stockholder's equity during current consolidated accounting term					
Total change during consolidated accounting period (1,000 yen)	2,107,954	2,107,954	44,402	(156)	4,260,153
Balance (1,000 yen) as of December 31, 2007	9,805,100	11,935,528	(9,122,767)	(12,085)	12,605,776

	Valuation and translation adjustments				Subscription rights	Total net assets
	Net unrealized gains on securities	Deferred hedge gains & losses	Foreign exchange adjustment account	Total		
Balance as of December 31, 2006 (1,000 yen)	35,991	49,990	(102,471)	(16,489)	51,914	8,381,047
Change during consolidated accounting term						
Warrants exercised						4,215,908
Current period net income						44,402
Acquisition of treasury stock						(156)
Net changes in items other than stockholder's equity during current consolidated accounting term	(34,880)	(49,990)	231,549	146,678	203,295	349,974
Total change during consolidated accounting period (1,000 yen)	(34,880)	(49,990)	231,549	146,678	203,295	4,610,128
Balance as of December 31, 2007 (1,000 yen)	1,111	–	129,077	130,189	255,209	12,991,175

### (D) The Consolidated Cash Flow Statement

		Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
Items	Notes	Amount (1,000 yen)	Amount (1,000 yen)
<b>I. Cash flow from operating activity</b>			
1. Net income (loss) before tax adjustment		(5,179,000)	655,109
2. Depreciation expense		1,687,827	1,323,721
3. Amortization of goodwill		1,060,197	—
4. Impairment loss		—	392,189
5. Increase (decrease) in allowance for bad debt		(177,301)	288,167
6. Increase (decrease) in allowance for bonus payable		84,410	(50,958)
7. Increase (decrease) in allowance for retirement		60,732	16,843
8. Interest and dividend received		(62,771)	(73,986)
9. Interest paid		316,540	406,131
10. Foreign exchange gain (loss)		132,778	261,568
11. Forward-exchange contract appraisal gain (loss)		13,397	26,013
12. Investment securities appraisal loss		285,449	269
13. Gain on sale of investment securities		(16)	(635,612)
14. Gain (loss) on sale of tangible fixed assets		(11,552)	(14,143)
15. Loss on write-off of tangible fixed assets		409,105	17,113
16. Investment profit & loss on equity method		23,015	4,579
17. Increase (decrease) of accrued expenses		—	(477,770)
18. Decrease (increase) in account receivable		2,257,983	(345,769)
19. Decrease (increase) in inventory assets		1,392,286	1,200,335
20. Increase (decrease) in purchase liabilities		(1,004,104)	676,263
21. Gain on reversal of warrants		—	(9,151)
22. Litigation related expenses		—	105,215
23. loss on redemption of bonds		—	58,000
24. Respond of compliance expenses		—	77,473
25. Restructuring expenses		—	147,524
26. Others		1,333,624	2,188,499
<b>Sub-total</b>		<b>2,622,602</b>	<b>6,237,626</b>
27. Respond of compliance expenses paid		—	(77,473)
28. Restructuring expenses paid		—	(147,524)
29. Interest/dividends received		62,771	73,986
30. Interest paid		(337,330)	(430,696)
31. Corporate and other tax paid		(405,702)	(294,030)
<b>Cash Flow from operating activity</b>		<b>1,942,341</b>	<b>5,361,888</b>
<b>II. Cash Flow from investing activity</b>			
1. Expenses on acquisition of tangible fixed assets		(873,111)	(928,380)
2. Revenue on sale of tangible fixed assets		23,199	55,151
3. Expenses on acquisition of intangible fixed assets		(254,186)	(300,846)
4. Expenses on acquisition of investment securities		(67,759)	(11,268)
5. Revenue on sale of investment securities		16	1,162,656
6. Net increases in time deposits		(562,939)	(626,568)
7. Expenses incurred by loan		(757)	(14,526)
8. Revenue incurred by repayment of loan		44,206	50,497
9. Others		307,731	(70,481)
<b>Cash Flow from investing activity</b>		<b>(1,383,599)</b>	<b>(683,767)</b>

		Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
Items	Notes	Amount (1,000 yen)	Amount (1,000 yen)
III. Cash Flow from Financing activity			
1. Revenue from deposits		—	2,000,000
2. Net Increase (decrease) in Short-term Loans		(3,113,712)	(2,617,950)
3. Revenue from the Long-term loans		8,071,956	—
4. Long-term loans repayment expense		(12,816,285)	(3,484,328)
5. Revenue from corporate bond issues		11,000,000	—
6. Expenses from deposits		(2,000,000)	—
7. Expenses from corporate bond redemptions		(4,168,000)	(1,718,000)
8. Revenue from share issues		2,337,541	105,408
9. Revenue from issuance of warrants		73,800	10,500
10. Expenses associated with redemptions of warrants		(65,000)	—
11. Expenses by acquisition of treasury stock		(462)	(156)
12. Others		(74,866)	—
Cash flow by financing activity		(755,029)	(5,704,526)
IV. Exchange gain (loss) relating to cash and cash equivalent		(593,577)	703,186
V. Increase (decrease) in cash and cash equivalent		(789,865)	(323,218)
VI. Balance of cash and cash equivalent at the beginning of the term		3,775,449	2,985,583
VII. Balance of cash and cash equivalent at the end of the term	*1	2,985,583	2,662,364

## Important Basic Matters to Make Consolidated Financial Statements

Items	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
1. Matters on the scope of consolidation	<p>(1) Number of consolidated subsidiaries 41 companies Names of main consolidated subsidiaries are not listed here as they are indicated in “Brief on the Company 4 – Affiliated companies.”</p> <p>Liquidation of Allied Telesis R&amp;D Center Yamanashi Co., Ltd. was completed on May 31, 2006, and liquidation of NACSE Japan K.K. was completed on December 21, 2006, and as such are excluded from the consolidated accounts. There are no unconsolidated subsidiaries.</p>	<p>(1) Number of consolidated subsidiaries 40 companies Names of main consolidated subsidiaries are not listed here as they are indicated in “Brief on the Company 4 – Affiliated companies.” There are no unconsolidated subsidiaries. Merged of Allie Telesis International S.r.l and Allied Telesis International Services S.r.l on December 20 2007.</p>
2. Matters on the application of equity method	<p>(1) Number of corporations accounted for by the equity method: 1 corporation Name of corporation accounted for by the equity method: Internetworking &amp; Broadband Consulting Co., Ltd. The stock of Internetworking &amp; Broadband Consulting Co., Ltd. was acquired on February 6, 2006. It has been accounted for by the equity method since that consolidated accounting term.</p>	<p>(1) Number of corporations accounted for by the equity method: 1 corporation Name of corporation accounted for by the equity method: Internetworking &amp; Broadband Consulting Co., Ltd.</p>
3. Matters on the business term of the consolidated subsidiaries and corporation accounted for by equity method.	<p>The end of the business term for all consolidated subsidiaries corresponds with the consolidated closing date. The end of the business term for Internetworking &amp; Broadband Consulting Co., Ltd. (a company accounted for by the equity method) is September 30. Its financial statements based on preliminary settlement as of the consolidated closing date were used when producing the consolidated financial statements</p>	<p>Same as described on left.</p>
4. Matters on the Accounting Standards	<p>(1) Appraisal standards and methods for significant assets</p> <p>(a) Securities Other Securities - Marketable securities The market value method based on the market price as of the consolidated closing date (the difference between book value and market price shall be treated in accordance with the method of direct conversion into capital. Cost of securities sold is calculated by the moving average method) is applied. - not traded at current market price The cost method using the moving average method is applied.</p> <p>(b) Derivatives The market value method is applied.</p> <p>(c) Inventory Assets The cost method primarily using the weighted average method is applied for our company and our domestic consolidated subsidiaries, and the lower of cost or market method (LCM) mainly using the first-in-first-out method (FIFO) is mainly applied to overseas consolidated subsidiaries.</p>	<p>(1) Appraisal standards and method for significant assets</p> <p>(a) Securities Other Securities - Marketable securities Same as described on left.</p> <p>- not traded at current market price Same as described on left.</p> <p>(b) Derivatives Same as described on left.</p> <p>(c) Inventory Assets Same as described on left.</p>

Items	Previous Consolidated Accounting Term (January 1, 2006– December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
	<p>(2) Appraisal standard and its method for significant depreciable assets</p> <p>(a) Tangible fixed assets</p> <p>The diminishing balance method is applied for our company and our domestic consolidated subsidiaries (the straight line method is applied to buildings acquired on or after April 1, 1998 (excluding facilities annexed to the building) while the straight line method is applied for overseas consolidated subsidiaries.</p> <p>Durable years</p> <p>Building and structures (3 years to 39 years)</p> <p>Machinery and vehicles (5 years to 6 years)</p> <p>Tools and fixtures (3 years to 20 years)</p> <p>(b) Intangible fixed assets</p> <p>The straight line method based on the expected duration of internal service (either 3 years or 5 years) is applied to software used internally.</p> <p>The straight line method is applied to software for sale based on the expected duration which it will remain saleable (3 years).</p> <p>(3) Accounting treatment for significant deferred assets</p> <p>(a) Cost of bond issues</p> <p>Treated as expense in full amount at the time of accrual</p> <p>(b) Cost of new share issues</p> <p>Treated as expense in full amount at the time of accrual</p> <p>(4) Basis to account for significant allowances</p> <p>(a) Allowance for non-collectible debts</p> <p>In order to provide against loss arising from non-collectable debt, expected uncollectible amount is recognized using loan loss ratio for general debt, and for specific debt such as doubtful debt, expected uncollectible amount is recognized taking into account the probability of an individual account being collected.</p> <p>(b) Allowance for bonus payable</p> <p>In order to provide for bonus payable to employees, the amount payable during the consolidated accounting term is recognized.</p> <p>(c) Allowance for retirement benefits for employees</p> <p>In order to provide for retirement</p>	<p>(2) Appraisal standard and its method for significant depreciable assets</p> <p>(a) Tangible fixed assets</p> <p>Same as described on left.</p> <p>(b) Intangible fixed assets</p> <p>Same as described on left.</p> <p>3) Accounting treatment for significant deferred assets</p> <p>-----</p> <p>(b) Cost of stock delivery</p> <p>Same as described on left.</p> <p>(4) Basis to account for significant allowances</p> <p>(a) Allowance for non-collectable debts</p> <p>Same as described on left.</p> <p>(b) Allowance for bonus payable</p> <p>Same as described on left.</p> <p>(c) Allowance for retirement benefits for employees</p> <p>Same as described on left.</p>

	<p>benefits for employees, the amount which is perceived to have been realized at the end of the consolidated accounting term based on the expected amount of retirement benefits payable at the end of the consolidated accounting term is recognized.</p> <p>The amount for mathematical difference allocated proportionately over the prescribed number of years (8 years), which should be within the average outstanding length of service per employee, is recognized as an expense from the consolidated accounting term following the term in which it occurred</p> <p>(5) Conversion standard for exchanging significant foreign currency denominated assets or liabilities, applied in producing the financial statements of underlying consolidated companies for which consolidated financial statements were produced.</p> <p>Foreign currency denominated monetary obligations are converted into yen using the spot exchange rate on the consolidated closing date, with the difference between the foreign currency and yen amounts resulting from the currency conversion treated as an exchange gain or loss. Assets and liabilities of overseas consolidated subsidiaries are translated into yen using the spot exchange rate on the consolidated closing date, and the revenue and the expense are converted into yen using the average exchange rate during the term, with the difference between the foreign currency and yen amounts resulting from the currency conversion included in the Adjustment Account for Foreign Currency Conversions in Net Assets.</p>	<p>(5) Conversion standard for exchanging significant foreign currency denominated assets or liabilities, applied in producing the financial statements of underlying consolidated companies for which consolidated financial statements were produced.</p> <p>Same as described on left.</p>
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Items	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
	<p>(6) Accounting for significant lease transactions Our company and our domestic consolidated subsidiaries apply an accounting method in conformity with methods applied to ordinary lease transaction for finance leases other than transactions in which the ownership of a leased object is deemed to be transferred to the leaseholder. Overseas consolidated subsidiaries apply an accounting method which conforms to ordinary transactions.</p> <p>(7) Accounting methods for significant hedge transactions</p> <p>(a) Accounting method for hedge transactions When the criteria for deferral hedge accounting treatment and special treatment for interest rate swaps are satisfied, special treatment is applied.</p> <p>(b) Means for hedging and its subject means for hedging</p> <ul style="list-style-type: none"> <li>- Interest rate swap</li> <li>- Forward exchange transaction</li> </ul> <p>Its subjects</p> <ul style="list-style-type: none"> <li>- Interest on borrowing/loan</li> <li>- Foreign monetary liabilities</li> </ul> <p>(c) Hedging policy Based on our guidelines for market risk management, our company conducts forward exchange transactions to the extent necessary to avoid exchange rate fluctuation risks deriving from foreign currency denominated transactions. Interest rate swap transactions are also conducted for the purpose of avoiding variation risks involved in interest rates for loans. The subject of hedge transactions for each individual contract is identified.</p>	<p>(6) Accounting for significant lease transactions Same as described on left.</p> <p>(7) Accounting method for significant hedge transactions</p> <p>(a) Accounting method for hedge transactions Same as described on left.</p> <p>(b) Means for hedging and its subject means for hedging Same as described on left.</p> <p>(c) Hedging policy Same as described on left.</p>

Items	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
	<p>(d) Appraisal method of the validity of a hedge</p> <p>Over the period commencing from the start of a hedge transaction until appraisal of the validity of hedge, the appraisal of validity of hedge is conducted based on the accumulated value of changes in both of the subject of the hedge transaction and the means of hedging, in addition to accumulated cash flow changes.</p> <p>Moreover, in accordance with risk management policy, the following interest rate swap contracts which satisfy the following conditions are being concluded:-</p> <p>I. The assumed principal of the interest rate swap transaction corresponds with the principal of the long-term loan.</p> <p>II. The term and the maturity of the interest rate swap transaction and the term and the maturity of the long-term loan are the same.</p> <p>III. The index on the variable interest rate for long-term loan and the index on variable interest rate for receipt and payment in the interest rate swap are the same.</p> <p>IV. Conditions on interest rate revisions for the interest rate swap and for the long-term loan are the same.</p> <p>V. Conditions for receipt and payment for the interest rate swap transaction remain the same during the swap period.</p> <p>Therefore, the appraisal on the closing date of the validity of an interest rate swap transaction which satisfies conditions for special treatment is omitted.</p> <p>(8) Other important matters for producing consolidated financial statements</p> <p>(a) Accounting treatment of the consumption tax</p> <p>The before-tax method is applied for accounting treatment of consumption tax and regional consumption tax.</p> <p>(b) Consolidated taxation system</p> <p>The consolidated taxation system is applied.</p>	<p>(d) Appraisal method of the validity of hedge</p> <p>Same as described on left.</p> <p>(8) Other important matters for producing the consolidated financial statements</p> <p>(a) Accounting treatment for the consumption tax</p> <p>Same as described on left.</p> <p>(b) Consolidated taxation system</p> <p>Same as described on left.</p>

Items	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
5. Matters on the appraisal of assets and liabilities in consolidated subsidiaries	The mark-to-market method is applied for the appraisal of assets and liabilities in consolidated subsidiaries.	Same as described on left.
6. Matters on amortization of the consolidated adjustment account	<p>The method of amortization of the consolidated adjustment account is as follows:-</p> <p>The straight-line amortization method over 20 years is applied. (additional information)</p> <p>Impairment of goodwill was accounted for in the current consolidated accounting term, so 1,013,154,000 yen was recognized as Amortization of Goodwill in Extraordinary Loss.</p>	-----
7. Scope of assets in the consolidated cash flow statement	In the consolidated cash flow statement, the assets (cash and cash equivalent) consist of cash in hand, cash deposits which are able to be withdrawn at any time, and short-term investment which is easily convertible into cash, and such assets are exposed to an extremely small value fluctuation risk, while being expired or redeemed within three months of the acquisition date.	Same as described on left.

## Changes in the Accounting Treatment

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
<p>(Accounting Standards for Impairment of Fixed Assets)</p> <p>Effective from the current consolidated accounting term, the company applies the Accounting Standard for Impairment of Fixed Assets (Opinion Regarding Accounting Standard for Impairment of Fixed Assets (Business Accounting Council, August 9, 2002)) and Implementation Guidance for Accounting Standard for Impairment of Fixed Assets, (Accounting Standards Board of Japan, October 31, 2003, Accounting Standard Implementation Guidance No. 6). These had no impacts on losses.</p> <p>(Accounting Standard for Presentation of Net Assets in the Balance Sheet) (Partially Revised Accounting Standard for Treasury Shares and Appropriation of Legal Reserve)</p> <p>Effective from the current consolidated accounting term, the company applies the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, December 9, 2005, Accounting Standard No. 5) and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, December 9, 2005, Accounting Standard Implementation Guidance No. 8), along with the revised Accounting Standard for Treasury Shares and Appropriation of Legal Reserve (Accounting Standards Board of Japan, Final Revision, August 11, 2006, Accounting Standard No. 1) and Implementation Guidance for Accounting Standard for Treasury Shares and Appropriation of Legal Reserve (Accounting Standards Board of Japan, Final Revision, August 11, 2006, Accounting Standard Implementation Guidance No. 2). These had no impacts on losses. Under the previous standards, the Total of Capital would have a total of 8,279,142,000 yen. Due to the revisions of consolidated financial statement rules, the consolidated financial statements of the current consolidated accounting term are produced in accordance with the revised consolidated financial statement rules.</p> <p>(Accounting Standard for Share-based Payment)</p> <p>Effective from the current consolidated accounting term, the company applied the Accounting Standard for Share-based Payment (Accounting Standards Board of Japan, December 27, 2005, Accounting Standard No. 8) and Implementation Guidance for Accounting Standard for Share-based Payment (Accounting Standards Board of Japan, Final Revision, May 31, 2006, Accounting Standard Implementation Guidance No. 11). Application of these standards had the effect of recognizing 24,524,000 yen of stock compensation as expenses. This increased operating loss, ordinary loss, and current loss before tax adjustment by 24,524,000 yen. Effects on segment information are noted in the relevant section.</p>	<p>-----</p> <p>-----</p> <p>-----</p>

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
<p>(Accounting treatment of stock based compensation)</p> <p>In the U.S., accounting treatment of stock-based compensation such as stock options is based on Accounting Principles Board (APB) Opinion No. 25, and SFAS No. 123 Accounting for Stock-Based Compensation (after amendment by SFAS No. 148 Accounting for Stock-Based Compensation — Transition and Disclosure). In the fair value method which is based on SFAS No. 123, compensation cost is measured on the grant date based on the value of compensation, recognized over the service period. In December 2003, the Financial Accounting Standards Board (FASB) announced the amended SFAS No. 123 Accounting for Stock-Based Compensation. This is a replacement for SFAS No. 123, and has priority over APB Opinion No. 25. This standard requires recognition in financial statements of all costs related to stock based compensation expense transactions, establishes items subject to measurement by fair value, and requires enterprises to apply a measurement method based on fair value accounting for stock compensation transactions. This standard applies to accounting terms starting on or after January 1, 2006, and the Allied Telesis Group applies it from the current consolidated accounting term.</p> <p>Application of this standard had the effect of recognizing 27,389,000 yen of stock based compensation as expense, which increased operating loss, ordinary loss, and current loss before tax adjustment by 27,389,000 yen. Effects on segment information are noted in the relevant section.</p> <p>-----</p>	<p>-----</p> <p>(Depreciation method of tangible fixed assets)</p> <p>In accordance with 2007 revision of the Corporate Tax Law, we recorded depreciation cost computed based on the depreciation method provided in the revised Corporate Tax Law, for tangible fixed assets acquired on or after April 1, 2007. This change had minimal effect on income.</p>

### Changes in Presentation Method

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
<p>(Consolidated balance sheets)</p> <p>Accrued Expenses, which were included in Other of Current Liabilities in the previous consolidated accounting term, now exceed 5% of total liabilities and net assets. Thus it is presented separately, starting with the current consolidated accounting term.</p> <p>1,436,173 yen were included in Other of Current Liabilities in the previous consolidated accounting term.</p>	<p>-----</p>
<p>(Consolidate Cash Flow Statement)</p> <p>Associated with revisions to the consolidated financial statement rules, items recognized as Amortization of Consolidated Account Adjustment in the previous consolidated accounting term are presented as Amortization of Goodwill from the current consolidated accounting term.</p>	<p>-----</p>

Notes  
(for the consolidated balance sheet)

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)																																				
<p><b>*1 Treatment of bills expired at the end of the term</b> The end of the term falls on a bank holiday and as such the bills which expired at the end of the term were received or paid on the bill clearing date. Therefore, the following bills which expire at the end of the term have been included in the balance at the end of the term.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Bills receivable</td> <td style="text-align: right;">51,466,000 yen</td> </tr> <tr> <td>Bills payable</td> <td style="text-align: right;">754,000 yen</td> </tr> </table>	Bills receivable	51,466,000 yen	Bills payable	754,000 yen	<p><b>*1 Treatment of bills expired at the end of the term</b> The end of the term falls on a bank holiday and as such the bills which expired at the end of the term were received or paid on the bill clearing date. Therefore, the following bills which expire at the end of the term have been included in the balance at the end of the term.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Bills receivable</td> <td style="text-align: right;">10,762,000 yen</td> </tr> <tr> <td>Bills payable</td> <td style="text-align: right;">67,000 yen</td> </tr> </table>	Bills receivable	10,762,000 yen	Bills payable	67,000 yen																												
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<p><b>*2 Assets offered as collateral</b> The following assets have been offered as collateral:-</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Item</td> </tr> <tr> <td>Deposits</td> <td style="text-align: right;">53,599,000 yen</td> </tr> <tr> <td><u>Accounts receivable</u></td> <td style="text-align: right;"><u>38,005,000 yen</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">91,605,000 yen</td> </tr> </table>	Item		Deposits	53,599,000 yen	<u>Accounts receivable</u>	<u>38,005,000 yen</u>	Total	91,605,000 yen	<p><b>*2 Assets offered as collateral</b> The following assets have been offered as collateral:-</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Item</td> </tr> <tr> <td>Cash and Deposits</td> <td style="text-align: right;">518,625,000 yen</td> </tr> <tr> <td>Bills and Accounts</td> <td style="text-align: right;">1,130,031,000 yen</td> </tr> <tr> <td>Marketable securities</td> <td style="text-align: right;">115,000,000 yen</td> </tr> <tr> <td>Inventories</td> <td style="text-align: right;">1,856,209,000 yen</td> </tr> <tr> <td>Other current assets</td> <td style="text-align: right;">505,846,000 yen</td> </tr> <tr> <td>Buildings and structures</td> <td style="text-align: right;">795,361,000 yen</td> </tr> <tr> <td>Machinery and vehicles</td> <td style="text-align: right;">66,958,000 yen</td> </tr> <tr> <td>Tools and equipment</td> <td style="text-align: right;">267,840,000 yen</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">722,971,000 yen</td> </tr> <tr> <td>Construction in progress</td> <td style="text-align: right;">7,678,000 yen</td> </tr> <tr> <td>Intangible Fixed Assets (other)</td> <td style="text-align: right;">109,433,000 yen</td> </tr> <tr> <td><u>Investment securities (other)</u></td> <td style="text-align: right;"><u>186,241,000 yen</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">6,282,197,000 yen</td> </tr> </table> <p>In addition to the above, assets have been offered as collateral there are Bills receivable and Accounts receivable 8,643,738,000 yen, Accounts receivable-other 240,818,000 yen, Advance payments 112,679,000 yen that was offset erase on consolidated.</p>	Item		Cash and Deposits	518,625,000 yen	Bills and Accounts	1,130,031,000 yen	Marketable securities	115,000,000 yen	Inventories	1,856,209,000 yen	Other current assets	505,846,000 yen	Buildings and structures	795,361,000 yen	Machinery and vehicles	66,958,000 yen	Tools and equipment	267,840,000 yen	Land	722,971,000 yen	Construction in progress	7,678,000 yen	Intangible Fixed Assets (other)	109,433,000 yen	<u>Investment securities (other)</u>	<u>186,241,000 yen</u>	Total	6,282,197,000 yen
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<p>Outstanding debt on the above-mentioned pledged assets is as follows:- Item</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Short-term loan</td> </tr> <tr> <td>(Lending Commitment Line)</td> <td style="text-align: right;">238,220,000 yen</td> </tr> <tr> <td><u>(Factoring)</u></td> <td style="text-align: right;"><u>34,177,000 yen</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">272,397,000 yen</td> </tr> </table>	Short-term loan		(Lending Commitment Line)	238,220,000 yen	<u>(Factoring)</u>	<u>34,177,000 yen</u>	Total	272,397,000 yen	<p>Outstanding debt on the above-mentioned pledged assets is as follows:- Item</p> <p>Among Short-term loan Lending Commitment Line (799,050,000 yen) and Factoring ( 2,808,000 yen) is included</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Short-term loan</td> <td style="text-align: right;">3,626,838,000 yen</td> </tr> <tr> <td colspan="2">Long-term Loan repayable</td> </tr> <tr> <td>within one year</td> <td style="text-align: right;">591,458,000 yen</td> </tr> <tr> <td><u>Long-term Loan</u></td> <td style="text-align: right;"><u>432,180,000 yen</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">4,650,476,000 yen</td> </tr> </table> <p>In addition to the above, assets have been offered deposits 250,000,000 yen as collateral of payment due date extended of import duty / and consumption tax etc. according.</p>	Short-term loan	3,626,838,000 yen	Long-term Loan repayable		within one year	591,458,000 yen	<u>Long-term Loan</u>	<u>432,180,000 yen</u>	Total	4,650,476,000 yen																		
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Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)																		
<p><b>*3 Lending Commitment Line Contract</b></p> <p>The consolidated subsidiary, Allied Telesis International S.A. has entered into a Lending Commitment Line Contract with its bank, Credit Suisse Bank in order to facilitate efficient raising of working capital.</p> <p>The unexecuted balance of the loan relating to the Lending Commitment Line Contract at the end of the consolidated accounting term is as follows.</p> <table data-bbox="188 539 766 633"> <tr> <td>Total value of the Lending Commitment</td> <td>297,775,000 yen</td> </tr> <tr> <td><u>Unexecuted balance</u></td> <td><u>238,220,000 yen</u></td> </tr> <tr> <td>Difference</td> <td>59,555,000 yen</td> </tr> </table>	Total value of the Lending Commitment	297,775,000 yen	<u>Unexecuted balance</u>	<u>238,220,000 yen</u>	Difference	59,555,000 yen	<p><b>*3 Lending Commitment Line Contract</b></p> <p>The consolidated subsidiary, Allied Telesis International S.A. has entered into a Lending Commitment Line Contract with its bank, Credit Suisse Bank in order to facilitate efficient raising of working capital.</p> <p>The unexecuted balance of the loan relating to the Lending Commitment Line Contract at the end of the consolidated accounting term is as follows.</p> <table data-bbox="849 539 1426 633"> <tr> <td>Total value of the Lending Commitment</td> <td>228,300,000 yen</td> </tr> <tr> <td><u>Unexecuted balance</u></td> <td><u>228,300,000 yen</u></td> </tr> <tr> <td>Difference</td> <td>— yen</td> </tr> </table> <p>The consolidated subsidiary, Allied Telesis Inc. has entered into a Lending Commitment Line Contract with its, Archer Capital Fund in order to facilitate efficient raising of working capital.</p> <p>The unexecuted balance of the loan relating to the Lending Commitment Line Contract at the end of the consolidated accounting term is as follows.</p> <table data-bbox="849 891 1442 985"> <tr> <td>Total value of the Lending Commitment</td> <td>1,141,500,000 yen</td> </tr> <tr> <td><u>Unexecuted balance</u></td> <td><u>570,750,000 yen</u></td> </tr> <tr> <td>Difference</td> <td>570,750,000 yen</td> </tr> </table> <p style="text-align: center;">-----</p>	Total value of the Lending Commitment	228,300,000 yen	<u>Unexecuted balance</u>	<u>228,300,000 yen</u>	Difference	— yen	Total value of the Lending Commitment	1,141,500,000 yen	<u>Unexecuted balance</u>	<u>570,750,000 yen</u>	Difference	570,750,000 yen
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<p><b>*4 Deposit for Escrow Agreement</b></p> <p>The 2,000,000,000 yen Escrow deposit is for the escrow agreement for the 6,000,000,000 yen 2010 maturity Euro yen unsecured convertible warrant bonds, which were issued on September 21, 2006 (redemption on September 17, 2010, London time). The escrow deposit is a compulsory deposit in custody of Hammonds, in the name of Allied-Telesis.</p> <p>This compulsory deposit is to meet the exercise amount, to fulfill the escrow agreement when the bonds which exceed 4,000,000,000 yen are converted to shares or transferred. Thus it is presented as Escrow deposit, not as Deposits.</p>																			

(for the consolidated profit and loss account)

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)																																																																																								
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The recoverable value of such asset groups were assessed their use value. For those assets for which no recoverable value was recognized based on future cash flows, impairment loss was assessed on the basis that use value was estimated as zero.</p>	Wages	6,543,699,000 yen	Research and Development	5,277,647,000 yen	Allowance for bonus payable	194,625,000 yen	Retirement benefit expense	85,730,000 yen	Machinery	4,346,000 yen	Automotive equipment	4,085,000 yen	Tools and fixtures	7,745,000 yen	<u>Other intangible Fixed Assets</u>	<u>6,000 yen</u>	Total	16,183,000 yen	Software	7,554,000 yen	Tools and fixtures	9,526,000,yen	Machinery and vehicles	33,000 yen			Total	17,113,000 yen	Tools and fixtures	2,039,000 yen	Location	Usage	Type	Amount	United States Washington	Business assets	Tools and equipment etc.	176,851,000	Switzerland	Business assets	Tools and equipment etc.	134,702,000	Republic of Singapore	Business assets	Tools and equipment etc.	43,814,000	Japan	Business assets	Tools and equipment etc.	36,819,000	Total			392,189,000
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(Related to consolidated statement of changes in shareholders' equity)

Previous consolidated accounting term (January 1, 2006 – December 31, 2006)

1 Items related to shares issued

Type of shares	End of previous consolidated accounting term	Increase	Decrease	End of current consolidated accounting term
Common shares	85,596,122	23,814,618	—	109,410,740

(Summary of reasons for change)

The main reasons for the increase were, an increase of 229,800 shares by exercise of stock options, increase of 10,000,000 shares by exercise of warrants (third party allocation), and increase of 13,584,818 shares by exercise of convertible bond warrants (third party allocation).

2 Items related to treasury shares

Type of shares	End of previous consolidated accounting term	Increase	Decrease	End of current consolidated accounting term
Common shares	52,541	1,543	—	54,084

(Summary of reasons for change)

The main reason for the increase was purchase of shares which were less than one unit, resulting in a 1,543 increase.

3 Items related to subscription rights, etc.

	Breakdown	Type of shares from exercise	Number of shares from exercise				Balance at end of current consolidated accounting term (1,000 yen)
			End of previous consolidated accounting term	Increase	Decrease	End of current consolidated accounting term	
Submitting corporation	January 1998 Subscription Rights	Common shares	8,000	—	—	8,000	—
	March 1999 Subscription Rights	Common shares	42,000	—	500	41,500	—
	December 1999 Subscription Rights	Common shares	79,800	—	11,700	68,100	—
	March 2000 Subscription Rights	Common shares	93,100	—	7,000	86,100	—
	March 2002 Subscription Rights	Common shares	28,000	—	—	28,000	—
	Warrant No.1	Common shares	197,000	—	22,400	174,600	—
	Warrant No.2	Common shares	51,000	—	2,500	48,500	—
	Warrant No.3	Common shares	53,500	—	5,200	48,300	—
	Warrant No.4	Common shares	1,279,000	—	323,000	956,000	—
	Warrant No.5	Common shares	813,000	—	314,000	499,000	—
	Warrant No.6	Common shares	720,000	—	134,000	586,000	—
Warrant No.7	Common shares	727,000	—	163,000	564,000	—	
Warrant No.8	Common shares	500,000	—	—	500,000	—	

	Warrant No.10	Common shares	—	6,500,000	6,500,000	—	—
	Warrant No.11	Common shares	—	2,000,000	230,000	1,770,000	—
	Warrant No.12	Common shares	—	10,000,000	10,000,000	—	—
	Warrant No.13	Common shares	—	770,000	100,000	670,000	24,524
Subtotal			4,591,400	19,270,000	17,813,300	6,048,100	24,524
Subsidiaries	1988 stock options	Common shares	—	—	—	—	—
	1998 stock options	Common shares	—	—	—	—	27,389
Subtotal			—	—	—	—	27,389
TOTAL			4,591,400	19,270,000	17,813,300	6,048,100	51,914

(Notes) 1. The number of shares from exercise is the total possible number of shares that can result from exercise.

2. Reasons for changes in the number of shares from exercise

- (1) The decrease in March 1999 Subscription Rights is due to employees who lost rights as result of their retirement, etc.
- (2) The decrease in December 1999 Subscription Rights is due to the exercise of the rights.
- (3) The decrease in March 2000 Subscription Rights is due to exercise of the rights, and rights cancelled as a result of employee retirement, etc.
- (4) The decrease in Warrant No. 1 is due to exercise of the warrants, and warrants cancelled as a result of employee retirement, etc.
- (5) The decrease in Warrant No. 2 is due to warrants cancelled as a result of employee retirement, etc.
- (6) The decrease in Warrant No. 3 is due to exercise of the warrants, and warrants cancelled as a result of employee retirement, etc.
- (7) The decrease in Warrant No. 4 is due to exercise of the warrants, and warrants cancelled as a result of employee retirement, etc.
- (8) The decrease in Warrant No. 5 is due to exercise of the warrants, and warrants cancelled as a result of employee retirement, etc..
- (9) The decrease in Warrant No. 6 is due to exercise of the warrants, and warrants cancelled as a result of employee retirement, etc.
- (10) The decrease in Warrant No. 7 is due to exercise of the warrants, and warrants cancelled as a result of employee retirement, etc.
- (11) The increase and decrease in Warrant No. 10 are due to the issue and early redemption of warrants.
- (12) The increase and decrease in Warrant No. 11 are due to warrants issued, and cancellations as a result of retirement, etc. The initial exercise date of this warrant has not arrived yet.
- (13) The increase and decrease in Warrant No. 12 are due to warrants issued and exercised.
- (14) The increase and decrease in Warrant No. 13 are due to warrants issued, and cancelled as a result of retirement, etc. The initial exercise date for this warrant has not arrived yet.

#### 4. Items related to Dividends

Nil.

Current consolidated accounting term (January 1, 2007 – December 31, 2007)

1 Items related to shares issued

Type of shares	End of previous consolidated accounting term	Increase	Decrease	End of current consolidated accounting term
Common shares	109,410,740	47,415,681	—	156,826,421

(Summary of reasons for change)

The main reasons for the increase were, an increase of 25,200,000 shares by exercise of warrants (third party allocation), and increase of 22,215,681 shares by exercise of convertible bond warrants (third party allocation).

2 Items related to treasury shares

Type of shares	End of previous consolidated accounting term	Increase	Decrease	End of current consolidated accounting term
Common shares	54,084	1,500	—	55,584

(Summary of reasons for change)

The main reason for the increase was purchase of shares which were less than one unit, resulting in a 1,500 increase.

3 Items related to subscription rights, etc.

	Breakdown	Type of shares from exercise	Number of shares from exercise				Balance at end of current consolidated accounting term (1,000 yen)
			End of previous consolidated accounting term	Increase	Decrease	End of current consolidated accounting term	
Submitting corporation	January 1998 Subscription Rights	Common shares	8,000	—	—	8,000	—
	March 1999 Subscription Rights	Common shares	41,500	—	14,500	27,000	—
	December 1999 Subscription Rights	Common shares	68,100	—	11,500	56,600	—
	March 2000 Subscription Rights	Common shares	86,100	—	9,000	77,100	—
	March 2002 Subscription Rights	Common shares	28,000	—	—	28,000	—
	Warrant No.14	Common shares	—	25,200,000	25,200,000	—	—
	Warrant as stock option	—	—	—	—	—	219,314
Subtotal			231,700	25,200,000	25,235,000	196,700	219,314
Subsidiaries	1998 stock options	Common shares	—	—	—	—	35,895
Subtotal			—	—	—	—	35,895
TOTAL			231,700	25,200,000	25,235,000	196,700	255,209

(Notes) 1. The number of shares from exercise is the total possible number of shares that can result from exercise.

2. Reasons for changes in the number of shares from exercise

- (1) The decrease in March 1999 Subscription Rights is due to employees who lost rights as result of their retirement, etc.
- (2) The decrease in December 1999 Subscription Rights is due to employees who lost rights as result of their retirement, etc.
- (3) The decrease in March 2000 Subscription Rights is due to employees who lost rights as result of their retirement, etc.
- (4) The increase and decrease in Warrant No. 14 are due to warrants issued and exercised.

This Warrant was exercise of the right all on July 17, 2007

3. January 1998 Subscription Rights was expiration on January 7, 2008

4. Items related to Dividends

Nil.

## (Consolidated cash flow statement)

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)																												
<p>*1. The relationship between the balance of cash and cash equivalent at the end of the term with the amounts for items indicated on the consolidated balance sheet (as of December 31, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">3,497,514,000 yen</td> </tr> <tr> <td>Time deposit with term of over 3 months</td> <td style="text-align: right;">637,806,000 yen</td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> </tr> <tr> <td>Difference</td> <td style="text-align: right;">2,859,707,000 yen</td> </tr> <tr> <td>Marketable Securities</td> <td style="text-align: right;">125,875,000 yen</td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> </tr> <tr> <td>Cash and cash equivalent</td> <td style="text-align: right;">2,985,583,000 yen</td> </tr> </table>	Cash and deposits	3,497,514,000 yen	Time deposit with term of over 3 months	637,806,000 yen		-----	Difference	2,859,707,000 yen	Marketable Securities	125,875,000 yen		-----	Cash and cash equivalent	2,985,583,000 yen	<p>*1. The relationship between the balance of cash and cash equivalent at the end of the term with the amounts for items indicated on the consolidated balance sheet (as of December 31, 2007)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">3,238,593,000 yen</td> </tr> <tr> <td>Time deposit with term of over 3 months</td> <td style="text-align: right;">576,237,000 yen</td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> </tr> <tr> <td>Difference</td> <td style="text-align: right;">2,662,356,000 yen</td> </tr> <tr> <td>Marketable Securities</td> <td style="text-align: right;">8,000 yen</td> </tr> <tr> <td></td> <td style="text-align: right;">-----</td> </tr> <tr> <td>Cash and cash equivalent</td> <td style="text-align: right;">2,662,364,000 yen</td> </tr> </table>	Cash and deposits	3,238,593,000 yen	Time deposit with term of over 3 months	576,237,000 yen		-----	Difference	2,662,356,000 yen	Marketable Securities	8,000 yen		-----	Cash and cash equivalent	2,662,364,000 yen
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## (for the lease transactions)

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)				Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)			
(Unit: 1,000 yen)				(Unit: 1,000 yen)			
1. Finance lease transactions other than those in which the ownership of a leased object is deemed to be transferred to the leaseholder				1. Finance lease transactions other than those in which the ownership of a leased object is deemed to be transferred to the leaseholder			
(a) Acquisition price, accumulated depreciation and balance at the end of the term				(a) Acquisition price, accumulated depreciation, accumulated impairment loss and balance at the end of the term			
	Tools and Fixtures	Intangible Fixed assets others	Total		Tools and Fixtures	Intangible Fixed assets others	Total
	-----	-----	-----		-----	-----	-----
Acquisition price	150,119	20,665	170,785	Acquisition price	200,399	—	200,399
Accumulated Depreciation	68,346	19,004	87,351	Accumulated Depreciation	64,711	—	64,711
	-----	-----	-----	Impairment loss	9,600	—	9,600
Balance at the end of the term	81,773	1,660	83,434	Balance at the end of the term	126,087	—	126,087
(b) Balance of fees for unexpired leases at the end of the term				(b) Balance of fees for unexpired leases at the end of the term			
Within one year		38,505 yen		Within one year		35,173 yen	
More than one year		46,118 yen		More than one year		103,920 yen	
-----				-----			
Total		84,623 yen		Total		139,094 yen	
(c) Leasing fees paid, depreciation and interest paid				(c) Leasing fees paid, depreciation, interest paid and			
Lease fee paid		41,066 yen		Lease fee paid		48,395 yen	
Depreciation		38,839 yen		Depreciation		46,380 yen	
Interest paid		2,349 yen		Interest paid		4,060 yen	
(d) Calculation method for the depreciation				(d) Calculation method for the depreciation			
Straight line depreciation is used, with useful life equal to the lease term, and zero residual value.				Same as described on left.			
(e) Calculation method for the interest				(e) Calculation method for the interest			
Interest is calculated by setting the difference between the total lease fee and the acquisition value of the leased object as the interest, with interest method used for distribution to each term.				Same as described on left.			
2. Operating Lease transactions				2. Operating Lease transactions			
Unexpired lease fees				Unexpired lease fees			
Within one year		225,431 yen		Within one year		282,514 yen	
More than one year		<u>688,541 yen</u>		More than one year		<u>728,952 yen</u>	
Total		913,973 yen		Total		1,011,466 yen	
(Regarding loss on impairment)				-----			
No loss on impairment is allocated to lease assets							

(Securities)

Previous consolidated accounting term (as of December 31, 2006)

1. Other securities traded at market value (as of December 31, 2006)

Type	Cost of Acquisition (1,000 yen)	Amount accounted for in the consolidated balance sheet at the consolidated closing date	Difference (1,000 yen)
Securities for which the amount accounted for in the balance sheet exceeds the cost of acquisition			
Shares	6,885	10,612	3,726
Bonds	—	—	—
Others	—	—	—
Sub-total	6,885	10,612	3,726
Securities for which the amount accounted for in the balance sheet does not exceed the cost of acquisition			
Shares	2,695	2,229	(466)
Bonds	—	—	—
Others	—	—	—
Sub-total	2,695	2,229	(466)
Total	9,580	12,841	3,260

2. Other securities sold (from January 1, 2006 to December 31, 2006)

Value sold (1,000 yen)	Total profit on sales (1,000 yen)	Total loss on sales (1,000 yen)
16	16	—

3. Non-marketable Securities (as of December 31, 2006)

	Amount accounted for in the consolidated balance sheet (1,000 yen)
Other securities	
(a) Negotiable certificates of deposits (CDs)	125,875
(b) Unlisted shares (note)	637,714
Total	763,589

(Note) Securities which decreased significantly in value during the current consolidated accounting term were treated as impaired assets. The decreased value of these unlisted securities is 36,614,000 yen, and 248,834,000 yen of convertible bonds.

(Securities)

Current consolidated accounting term (as of December 31, 2007)

1. Other securities traded at market value (as of December 31, 2007)

Type	Cost of Acquisition (1,000 yen)	Amount accounted for in the consolidated balance sheet at the consolidated closing date	Difference (1,000 yen)
Securities for which the amount accounted for in the balance sheet exceeds the cost of acquisition			
Shares	8,354	10,375	2,021
Bonds	—	—	—
Others	—	—	—
Sub-total	8,354	10,375	2,021
Securities for which the amount accounted for in the balance sheet does not exceed the cost of acquisition			
Shares	4,782	4,635	(147)
Bonds	—	—	—
Others	—	—	—
Sub-total	4,782	4,635	(147)
Total	13,136	15,010	1,874

2. Other securities sold (from January 1, 2007 to December 31, 2007)

Value sold (1,000 yen)	Total profit on sales (1,000 yen)	Total loss on sales (1,000 yen)
1,162,656	636,015	403

3. Non-marketable Securities (as of December 31, 2007)

	Amount accounted for in the consolidated balance sheet (1,000 yen)
Other securities	
(a) Negotiable certificates of deposits (CDs)	115,008
(b) Unlisted shares	53,195
Total	168,204

(Derivative transactions)

1. Matters on the transactions

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
<p>1. Details and purpose of transactions</p> <p>Our company conducts derivative transactions related to currency and interest rates with the aims of reducing risks associated with fluctuations in currency exchange rates and interest rates on future trading markets, in addition to reducing the cost of raising capital. Hedge accounting is applied using derivative transactions.</p> <p>(a) Accounting methods for hedge transactions</p> <p>Special treatment is applied when the criteria for deferral hedge accounting treatment and special treatment for interest rate swaps are satisfied.</p> <p>(b) Means for hedging and its subject</p> <p>Means for hedging</p> <ul style="list-style-type: none"><li>- Interest rate swaps</li><li>- Forward currency exchange transactions</li></ul> <p>Subject</p> <ul style="list-style-type: none"><li>- Interest on borrowings/loans</li><li>- Foreign currency denominated liabilities</li></ul> <p>(c) Hedging policy</p> <p>Based on our guidelines for market risk management, forward exchange transactions are conducted as necessary for the purpose of avoiding risks with exchange rate fluctuations deriving from foreign currency denominated transactions, and interest rate swap transactions are also conducted for the purpose of avoiding risks deriving from variations in interest rates on loans. The subject of a hedge transactions is identified for each individual contract.</p> <p>(d) Appraisal method for validity of hedge</p> <p>Over the period commencing at the time of starting hedge transaction to the time of appraisal for validity of a hedge, in principal, the appraisal for validity of hedge is conducted based on the accumulated value of changes in both of the subject for hedge transaction and means for hedging, in addition to accumulated cash flow changes.</p> <p>In accordance with risk management policy, the following interest rate swap contracts are concluded satisfying the following conditions:-</p> <ol style="list-style-type: none"><li>I. The assumed principal of the interest rate swap transaction corresponds with the principal of the long-term loan.</li><li>II. The term and the maturity of the interest rate swap transaction and the term and the maturity of the long-term loan are the same.</li><li>III. The index on the variable interest rate for long-term loan and the index on the variable interest rate for receipt and payment in the interest rate swap are the same.</li><li>IV. Conditions on interest rate revisions for an interest rate swap and for the long-term loan are the same.</li><li>V. Conditions on receipt and payment for an interest rate swap transaction remain the same during the swap period.</li></ol> <p>Therefore, the appraisal of the validity of an interest rate swap transaction at the closing date is omitted if the interest rate swap transaction satisfies the conditions for special treatment.</p>	<p>1. Details and purpose of transactions</p> <p>Our company conducts derivative transactions related to currency and interest rates with the aims of reducing risks associated with fluctuations in currency exchange rates and interest rates on future trading markets, in addition to reducing the cost of raising capital. Hedge accounting is applied using derivative transactions.</p> <p>(a) Accounting methods for hedge transactions</p> <p>Same as described on left.</p> <p>(b) Means for hedging and its subject</p> <p>Same as described on left.</p> <p>(c) Hedging policy</p> <p>Same as described on left.</p> <p>(d) Appraisal method for validity of hedge</p> <p>Same as described on left.</p>

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
<p>2. Approach to derivative transactions and details of involved risk</p> <p>Derivative transactions conducted are intended for receivables and debts based on real demand and are not for the purpose of speculation and trading. Derivative transactions conducted are aimed at hedging the risk of sudden fluctuations in exchange rates and interest rates. Credit risks are also well considered when selecting the counterparty for a contract entered into. Therefore, it is recognized that market risks and credit risks involved in derivative transactions conducted are extremely limited.</p> <p>3. Risk management systems for derivative transactions</p> <p>The Finance Department is responsible for the execution and management of derivative transactions. The Department submits a monthly report on such transactions at the Board of Directors meeting.</p> <p>Decisions regarding derivative transactions which involve large sums are concluded at Board of Directors before the relevant transactions are made.</p>	<p>2. Approach to derivative transactions and details of involved risk</p> <p style="text-align: center;">Same as described on left.</p> <p>3. Risk management systems for derivative transactions</p> <p style="text-align: center;">Same as described on left.</p>

## 2. Matters on the market value of the derivative transactions

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)

Contract amount, the market values and the appraisal profit/loss of the derivative transactions

Currency-related

Type	Previous Consolidated Accounting Term (as of December 31, 2006)			
	Contract Amount (1,000 yen)	Contract Amount for contracts with a term in excess of one year (1,000 yen)	Market Value (1,000 yen)	Appraisal Profit/Loss (1,000 yen)
Off-market transactions				
Forward exchange transactions				
Open long positions				
USD	647,764	—	664,072	16,308
NZD	35,222	—	41,741	6,518
<b>Total</b>	<b>682,986</b>	<b>—</b>	<b>705,814</b>	<b>22,827</b>

(Notes)

### 1. Calculation method for market value

For forward exchange transactions --- based on the futures market value.

2. Open long positions for the above-mentioned forward exchange transactions are for future payments relating to import transactions.

3. Transactions to which hedge accounting is applied are not subject to disclosure.

Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)

Nil, Balance at the end of the term is nothing.

(Retirement benefits)

Previous Consolidated Accounting Term (From January 1, 2006 To December 31, 2006)

1. The summary of the retirement benefit system

The retirement lump sum grant system is applied based on the provisions on retirement benefits. Some overseas consolidated subsidiaries also apply the retirement lump sum grant system.

2. Matters on the retirement benefit obligation (Unit: 1,000 yen)

(a) Retirement benefit obligation	(609,807)
(b) Retirement benefit allowance	(605,444)
(c) Untreated mathematical difference	4,362

3. Matters on the benefit expenses

(a) Benefit expenses	60,722
(b) Service expense	47,150
(c) Interest expense	7,157
(d) Mathematical difference treated as expense	6,414

4. Matters on the basis for calculation of the retirement benefit obligation

(a) Discount rate	1.50%
(b) Method of term allocation for expected retirement benefit	Fixed amount per term
(c) Other matters for calculation of retirement benefit obligation	
Number of years for treatment of mathematical difference	8 years
	(The amount allocated proportionately over the prescribed number of years, which should be within the average outstanding length of service per employee, is recognized as an expense from the consolidated accounting term following the term in which it occurred.)

Current Consolidated Accounting Term (From January 1, 2007 To December 31, 2007)

1. The summary of the retirement benefit system

The retirement lump sum grant system is applied based on the provisions on retirement benefits. Some overseas consolidated subsidiaries also apply the retirement lump sum grant system.

2. Matters on the retirement benefit obligation (Unit: 1,000 yen)

(a) Retirement benefit obligation	(612,435)
(b) Retirement benefit allowance	(612,244)
(c) Untreated mathematical difference	190

3. Matters on the benefit expenses

(a) Benefit expenses	85,730
(b) Service expense	77,169
(c) Interest expense	7,478
(d) Mathematical difference treated as expense	1,082

4. Matters on the basis for calculation of the retirement benefit obligation

(a) Discount rate	1.50%
(b) Method of term allocation for expected retirement benefit	Fixed amount per term
(c) Other matters for calculation of retirement benefit obligation	
Number of years for treatment of mathematical difference	8 years
	(The amount allocated proportionately over the prescribed number of years, which should be within the average outstanding length of service per employee, is recognized as an expense from the consolidated accounting term following the term in which it occurred.)

(Related to Stock Options, etc.)

Previous Consolidated Accounting Term (From January 1, 2006 To December 31, 2006)

1. Stock option details, scale, and changes

For stock options which existed in the current consolidated accounting term, numbers of stock options are noted by converting them into numbers of shares.

(1) Stock option details

a) Submitting corporation

	January 8, 1998 shareholders meeting resolution Subscription rights	March 30, 1999 shareholders meeting resolution Subscription rights	December 20, 1999 shareholders meeting resolution Subscription rights
Classification and number of grantees	This company's Directors 6 This company's employees 83	This company's Directors 6 This company's employees 54	This company's Directors 8 This company's employees 89
Number of stock options	Common shares 160,000	Common shares 101,000	Common shares 150,000
Grant date	November 13, 1998	December 1, 1999	November 21, 2000
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: November 13, 1998 To: January 8, 2000	From: December 1, 1999 To: March 30, 2001	From: November 21, 2000 To: December 21, 2001
Exercise period	From: January 8, 2000 To: January 7, 2008	From: March 30, 2001 To: March 29, 2009	From: December 21, 2001 To: December 20, 2009

	March 29, 2000 shareholders meeting resolution Subscription rights	March 27, 2002 shareholders meeting resolution Subscription rights	Warrant No. 1
Classification and number of grantees	This company's Directors 15 This company's employees 150	This company's employees 5	This company's Directors 4 This company's employees 157 Affiliate employees 22
Number of stock options	Common shares 200,000	Common shares 58,000	Common shares 269,300
Grant date	November 21, 2000	April 15, 2002	July 24, 2002
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: November 21, 2000 To: March 30, 2002	From: April 15, 2002 To: March 30, 2004	From: July 24, 2002 To: June 7, 2004
Exercise period	From: March 30, 2002 To: March 29, 2010	From: March 30, 2004 To: March 29, 2012	From: June 7, 2004 To: June 6, 2012

	Warrant No. 2	Warrant No. 3	Warrant No. 4
Classification and number of grantees	This company's Directors 1 This company's Auditor 1 This company's employees 15	This company's employees 20 Affiliate employees 9	This company's Auditor 1 This company's employees 5 Affiliate Director 1 Affiliate employees 5
Number of stock options	Common shares 65,600	Common shares 140,500	Common shares 1,800,000
Grant date	April 28, 2003	August 25, 2003	November 5, 2004
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: April 28, 2003 To: June 7, 2004	From: August 25, 2003 To: March 26, 2005	From: November 5, 2004 To: March 24, 2005
Exercise period	From: June 7, 2004 To: June 6, 2012	From: March 26, 2005 To: March 25, 2013	From: March 24, 2005 To: March 23, 2014

	Warrant No. 5	Warrant No. 6	Warrant No. 7
Classification and number of grantees	Affiliate directors 8 Affiliate employees 17	This company's Directors 1 This company's employees 1 Affiliate Directors 2 Affiliate employees 33	This company's Directors 2 This company's employees 3 Affiliate Director 1 Affiliate employees 40
Number of stock options	Common shares 1,065,000	Common shares 815,000	Common shares 830,000
Grant date	December 14, 2004	February 23, 2005	March 18, 2005
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: December 14, 2004 To: March 24, 2005	From: February 23, 2005 To: March 24, 2005	From: March 18, 2005 To: March 24, 2005
Exercise period	From: March 24, 2005 To: March 23, 2014	From: March 24, 2005 To: March 23, 2014	From: March 24, 2005 To: March 23, 2014

	Warrant No. 8	Warrant No. 11	Warrant No. 13
Classification and number of grantees	This company's Directors 2 This company's Auditors 1 Affiliate Directors 2 Affiliate employees 2	This company's Directors 1 This company's employees 11 Affiliate Director 1 Affiliate employees 65	This company's Directors 2 This company's employees 2 Affiliate Director 1 Affiliate employees 8
Number of stock options	Common shares 500,000	Common shares 2,000,000	Common shares 770,000
Grant date	March 31, 2005	February 27, 2006	June 8, 2006
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: March 31, 2005 To: March 23, 2006	From: February 27, 2006 To: February 27, 2008	From: June 8, 2006 To: June 8, 2008
Exercise period	From: March 23, 2006 To: March 22, 2015	From: February 27, 2008 To: March 22, 2015	From: June 8, 2008 To: March 29, 2016

b) Affiliate corporation  
Allied Telesis, Inc.

	1988 stock options	1998 stock options
Classification and number of grantees	This company's employees 39 Affiliate employees, etc. 7	This company's employees 250 Affiliate employees, etc. 75
Number of stock options	4,108,835 shares	4,518,770 shares
Grant dates	November 1988 — August 1998	January 1999 — December 2006
Vesting conditions	Work for the company for a one year continuous period, starting on or after the grant date	Work for the company for a one year continuous period, starting on or after the grant date
Service period	4 year period from grant date	4 year period from grant date
Exercise period	10 year period from vesting	10 year period from vesting

## (2) Stock option details, scale, and changes

## (a) Number of stock options

## a) Submitting corporation

	January 8, 1998 shareholders meeting resolution Subscription rights	March 30, 1999 shareholders meeting resolution Subscription rights	December 20, 1999 shareholders meeting resolution Subscription rights
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	8,000	42,000	79,800
Vested	—	—	—
Exercised	—	—	11,700
Nullified	—	500	—
Unexercised balance	8,000	41,500	68,100

	March 29, 2000 shareholders meeting resolution Subscription rights	March 27, 2002 shareholders meeting resolution Subscription rights	Warrant No. 1
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	93,100	28,000	197,000
Vested	—	—	—
Exercised	3,700	—	400
Nullified	3,300	—	22,000
Unexercised balance	86,100	28,000	174,600

	Warrant No. 2	Warrant No. 3	Warrant No. 4
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	51,000	53,500	1,279,000
Vested	—	—	—
Exercised	—	200	113,000
Nullified	2,500	5,000	210,000
Unexercised balance	48,500	48,300	956,000

	Warrant No. 5	Warrant No. 6	Warrant No. 7
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	813,000	720,000	727,000
Vested	—	—	—
Exercised	88,000	12,000	12,000
Nullified	226,000	122,000	151,000
Unexercised balance	499,000	586,000	564,000

	Warrant No. 8	Warrant No. 11	Warrant No. 13
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	2,000,000	770,000
Nullified	—	230,000	100,000
Vested	—	—	—
Unvested balance	—	1,770,000	670,000
After vesting (shares)			
Previous consolidated accounting term	500,000	—	—
Vested	—	—	—
Exercised	—	—	—
Nullified	—	—	—
Unexercised balance	500,000	—	—

b) Affiliate corporations

Allied Telesis, Inc.

	1988 Stock options	1998 Stock options
Before vesting (shares)		
Previous consolidated accounting term	—	477,912
Granted	—	266,500
Nullified	—	138,725
Vested	—	238,387
Unvested balance	—	367,300
After vesting (shares)		
Previous consolidated accounting term	1,917,089	1,625,309
Vested	—	238,387
Exercised	—	—
Nullified	47,779	476,774
Unexercised balance	1,869,310	1,386,922

(b) Price information

a) Submitting corporation

	January 8, 1998 shareholders meeting resolution Subscription rights	March 30, 1999 shareholders meeting resolution Subscription rights	December 20, 1999 shareholders meeting resolution Subscription rights
Exercise price (yen)	200	200	310
Average stock price at time of exercise (yen)	—	528	—
Fair value price (grant date) (yen)	—	—	—

	March 29, 2000 shareholders meeting resolution Subscription rights	March 27, 2002 shareholders meeting resolution Subscription rights	Warrant No. 1
Exercise price (yen)	400	421	409
Average stock price at time of exercise (yen)	599	—	812
Fair value price (grant date) (yen)	—	—	—

	Warrant No. 2	Warrant No. 3	Warrant No. 4
Exercise price (yen)	275	235	239
Average stock price at time of exercise (yen)	—	475	506
Fair value price (grant date) (yen)	—	—	—

	Warrant No. 5	Warrant No. 6	Warrant No. 7
Exercise price (yen)	170	288	336
Average stock price at time of exercise (yen)	390	572	652
Fair value price (grant date) (yen)	—	—	—

	Warrant No. 8	Warrant No. 11	Warrant No. 13
Exercise price (yen)	406	573	290
Average stock price at time of exercise (yen)	—	—	—
Fair value price (grant date) (yen)	—	—	204 – 220

(Note) The average stock price at time of exercise is the average of this stock's daily average closing price on the Tokyo Stock Exchange in the month including the date of exercise (rounded off to the nearest yen). If there are multiple exercise months, then it is the average of (the averages of each month's daily closing prices of this company's stock on the Tokyo Stock Exchange), rounded off to the nearest yen.

b) Affiliate corporations

Allied Telesis Inc.

	1988 Stock options	1998 Stock options
Exercise price (US\$)	—	—
Average stock price at time of exercise (US\$)	—	—
Fair value price (grant date) (US\$)	0.12 – 1.50	3.00

## 2. Methods of estimating fair value price of stock options

The methods to estimate fair value of stock options existing in this consolidated accounting term are as follows.

### (1) Valuation technique used

Stock option name	Warrant No. 13	1988 Stock options	1998 Stock options
Valuation technique used	Black-Scholes formula	Black-Scholes formula	Black-Scholes formula

### (2) Primary basic data

Stock option name	Warrant No. 13	1988 Stock options	1998 Stock options
Stock price volatility	85.56%	75%	75%
Forecast time remaining	5.9 – 7.4 years	4 years	0.5 – 3.5 years
Forecast dividends (yield)	0.17%	-	-
Risk free interest rate	1.63%	3.185% – 4.745%	3.185% – 4.745%

### (3) Methods to estimate major basic data

Stock option name	Warrant No. 13	1988 Stock options	1998 Stock options
Stock price volatility	Calculated based on volatility over a period of 5 years, 10 months (from August 2000 to May 2006)	—	—
Forecast time remaining	Sufficient data was unavailable, and rational estimate was difficult. Thus it is assumed that these are exercised in the middle of the exercise period.	The estimate assumes that the rights vest on the grant date.	The estimate assumes that the rights vest on the grant date.
Forecast dividends (yield)	Calculated based on past results.	—	—
Risk free interest rate	Average yield of 10 year Japanese Government Bonds, from June 1996 to May 2006	Average yield of 5 year bonds of the Federal Reserve Bank of St. Louis	Average yield of 5 year bonds of the Federal Reserve Bank of St. Louis

## 3. Method of estimating the number of stock options vested

Basically, it is difficult to rationally estimate the number of future nullified options, so a method was adopted which reflects the past number of options nullified.

## 4. Impact on the consolidated financial statements

Stock compensation expense through the stock option system 51,914,000 yen

Current Consolidated Accounting Term (From January 1, 2007 To December 31, 2007)

1. Stock option details, scale, and changes

For stock options which existed in the current consolidated accounting term, numbers of stock options are noted by converting them into numbers of shares.

(1) Stock option details

a) Submitting corporation

	January 8, 1998 shareholders meeting resolution Subscription rights	March 30, 1999 shareholders meeting resolution Subscription rights	December 20, 1999 shareholders meeting resolution Subscription rights
Classification and number of grantees	This company's Directors 6 This company's employees 83	This company's Directors 6 This company's employees 54	This company's Directors 8 This company's employees 89
Number of stock options	Common shares 160,000	Common shares 101,000	Common shares 150,000
Grant date	November 13, 1998	December 1, 1999	November 21, 2000
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: November 13, 1998 To: January 8, 2000	From: December 1, 1999 To: March 30, 2001	From: November 21, 2000 To: December 21, 2001
Exercise period	From: January 8, 2000 To: January 7, 2008	From: March 30, 2001 To: March 29, 2009	From: December 21, 2001 To: December 20, 2009

	March 29, 2000 shareholders meeting resolution Subscription rights	March 27, 2002 shareholders meeting resolution Subscription rights	Warrant No. 1
Classification and number of grantees	This company's Directors 15 This company's employees 150	This company's employees 5	This company's Directors 4 This company's employees 157 Affiliate employees 22
Number of stock options	Common shares 200,000	Common shares 58,000	Common shares 269,300
Grant date	November 21, 2000	April 15, 2002	July 24, 2002
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: November 21, 2000 To: March 30, 2002	From: April 15, 2002 To: March 30, 2004	From: July 24, 2002 To: June 7, 2004
Exercise period	From: March 30, 2002 To: March 29, 2010	From: March 30, 2004 To: March 29, 2012	From: June 7, 2004 To: June 6, 2012

	Warrant No. 2	Warrant No. 3	Warrant No. 4
Classification and number of grantees	This company's Directors 1 This company's Auditor 1 This company's employees 15	This company's employees 20 Affiliate employees 9	This company's Auditor 1 This company's employees 5 Affiliate Director 1 Affiliate employees 5
Number of stock options	Common shares 65,600	Common shares 140,500	Common shares 1,800,000
Grant date	April 28, 2003	August 25, 2003	November 5, 2004
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: April 28, 2003 To: June 7, 2004	From: August 25, 2003 To: March 26, 2005	From: November 5, 2004 To: March 24, 2005
Exercise period	From: June 7, 2004 To: June 6, 2012	From: March 26, 2005 To: March 25, 2013	From: March 24, 2005 To: March 23, 2014

	Warrant No. 5	Warrant No. 6	Warrant No. 7
Classification and number of grantees	Affiliate directors 8 Affiliate employees 17	This company's Directors 1 This company's employees 1 Affiliate Directors 2 Affiliate employees 33	This company's Directors 2 This company's employees 3 Affiliate Director 1 Affiliate employees 40
Number of stock options	Common shares 1,065,000	Common shares 815,000	Common shares 830,000
Grant date	December 14, 2004	February 23, 2005	March 18, 2005
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: December 14, 2004 To: March 24, 2005	From: February 23, 2005 To: March 24, 2005	From: March 18, 2005 To: March 24, 2005
Exercise period	From: March 24, 2005 To: March 23, 2014	From: March 24, 2005 To: March 23, 2014	From: March 24, 2005 To: March 23, 2014

	Warrant No. 8	Warrant No. 11	Warrant No. 13
Classification and number of grantees	This company's Directors 2 This company's Auditors 1 Affiliate Directors 2 Affiliate employees 2	This company's Directors 1 This company's employees 11 Affiliate Director 1 Affiliate employees 65	This company's Directors 2 This company's employees 2 Affiliate Director 1 Affiliate employees 8
Number of stock options	Common shares 500,000	Common shares 2,000,000	Common shares 770,000
Grant date	March 31, 2005	February 27, 2006	June 8, 2006
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: March 31, 2005 To: March 23, 2006	From: February 27, 2006 To: February 27, 2008	From: June 8, 2006 To: June 8, 2008
Exercise period	From: March 23, 2006 To: March 22, 2015	From: February 27, 2008 To: March 22, 2015	From: June 8, 2008 To: March 29, 2016

	Warrant No. 15	Warrant No. 16
Classification and number of grantees	This company's employees 4 Affiliate Directors 4 Affiliate employees 4	This company's Directors 5 This company's Auditor 1 External collaborator 1
Number of stock options	Common shares 475,000	Common shares 4,525,000
Grant date	November 16, 2007	November 16, 2007
Vesting conditions	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.	At time of exercise, must be a Director, Auditor, or employee of this company or affiliate.
Service period	From: November 16, 2007 To: November 6, 2009	From: November 16, 2007 To: November 16, 2007
Exercise period	From: November 6, 2009 To: March 28, 2017	From: November 16, 2007 To: March 28, 2017

b) Affiliate corporation  
Allied Telesis, Inc.

	1988 stock options	1998 stock options
Classification and number of grantees	This company's employees 39 Affiliate employees, etc. 7	This company's employees 250 Affiliate employees, etc. 75
Number of stock options	4,108,835 shares	4,518,770 shares
Grant dates	November 1988 — August 1998	January 1999 — December 2006
Vesting conditions	Work for the company for a one year continuous period, starting on or after the grant date	Work for the company for a one year continuous period, starting on or after the grant date
Service period	4 year period from grant date	4 year period from grant date
Exercise period	10 year period from vesting	10 year period from vesting

## (2) Stock option details, scale, and changes

## (a) Number of stock options

## a) Submitting corporation

	January 8, 1998 shareholders meeting resolution Subscription rights	March 30, 1999 shareholders meeting resolution Subscription rights	December 20, 1999 shareholders meeting resolution Subscription rights
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	8,000	41,500	68,100
Vested	—	—	—
Exercised	—	—	—
Nullified	—	14,500	11,500
Unexercised balance	8,000	27,000	56,600

	March 29, 2000 shareholders meeting resolution Subscription rights	March 27, 2002 shareholders meeting resolution Subscription rights	Warrant No. 1
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	86,100	28,000	174,600
Vested	—	—	—
Exercised	—	—	—
Nullified	9,000	—	8,300
Unexercised balance	77,100	28,000	166,300

	Warrant No. 2	Warrant No. 3	Warrant No. 4
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	48,500	48,300	956,000
Vested	—	—	—
Exercised	—	—	—
Nullified	6,000	3,400	150,000
Unexercised balance	42,500	44,900	806,000

	Warrant No. 5	Warrant No. 6	Warrant No. 7
Before vesting (shares)			
Previous consolidated accounting term	—	—	—
Granted	—	—	—
Nullified	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
After vesting (shares)			
Previous consolidated accounting term	499,000	586,000	564,000
Vested	—	—	—
Exercised	—	—	—
Nullified	90,000	80,000	142,000
Unexercised balance	409,000	506,000	422,000

	Warrant No. 8	Warrant No. 11	Warrant No. 13
Before vesting (shares)			
Previous consolidated accounting term	—	1,770,000	670,000
Granted	—	—	—
Nullified	—	490,000	250,000
Vested	—	—	—
Unvested balance	—	1,280,000	420,000
After vesting (shares)			
Previous consolidated accounting term	500,000	—	—
Vested	—	—	—
Exercised	—	—	—
Nullified	—	—	—
Unexercised balance	500,000	—	—

	Warrant No. 15	Warrant No. 16
Before vesting (shares)		
Previous consolidated accounting term	—	—
Granted	475,000	4,525,000
Nullified	—	—
Vested	—	4,525,000
Unvested balance	475,000	—
After vesting (shares)		
Previous consolidated accounting term	—	—
Vested	—	4,525,000
Exercised	—	—
Nullified	—	—
Unexercised balance	—	4,525,000

b) Affiliate corporations

Allied Telesis, Inc.

	1988 Stock options	1998 Stock options
Before vesting (shares)		
Previous consolidated accounting term	—	367,300
Granted	—	300,000
Nullified	—	256,642
Vested	—	58,783
Unvested balance	—	351,875
After vesting (shares)		
Previous consolidated accounting term	1,869,310	1,386,922
Vested	—	58,783
Exercised	—	—
Nullified	1,869,310	408,615
Unexercised balance	—	1,037,090

(b) Price information

a) Submitting corporation

	January 8, 1998 shareholders meeting resolution Subscription rights	March 30, 1999 shareholders meeting resolution Subscription rights	December 20, 1999 shareholders meeting resolution Subscription rights
Exercise price (yen)	200	200	310
Average stock price at time of exercise (yen)	—	—	—
Fair value price (grant date) (yen)	—	—	—

	March 29, 2000 shareholders meeting resolution Subscription rights	March 27, 2002 shareholders meeting resolution Subscription rights	Warrant No. 1
Exercise price (yen)	400	421	409
Average stock price at time of exercise (yen)	—	—	—
Fair value price (grant date) (yen)	—	—	—

	Warrant No. 2	Warrant No. 3	Warrant No. 4
Exercise price (yen)	275	235	239
Average stock price at time of exercise (yen)	—	—	—
Fair value price (grant date) (yen)	—	—	—

	Warrant No. 5	Warrant No. 6	Warrant No. 7
Exercise price (yen)	170	288	336
Average stock price at time of exercise (yen)	—	—	—
Fair value price (grant date) (yen)	—	—	—

	Warrant No. 8	Warrant No. 11	Warrant No. 13
Exercise price (yen)	406	573	290
Average stock price at time of exercise (yen)	—	—	—
Fair value price (grant date) (yen)	—	—	204 – 220

	Warrant No. 15	Warrant No. 16
Exercise price (yen)	63	63
Average stock price at time of exercise (yen)	—	—
Fair value price (grant date) (yen)	42 – 46	39

(Note) The average stock price at time of exercise is the average of this stock's daily average closing price on the Tokyo Stock Exchange in the month including the date of exercise (rounded off to the nearest yen). If there are multiple exercise months, then it is the average of (the averages of each month's daily closing prices of this company's stock on the Tokyo Stock Exchange), rounded off to the nearest yen.

b) Affiliate corporations

Allied Telesis Inc.

	1988 Stock options	1998 Stock options
Exercise price (US\$)	—	—
Average stock price at time of exercise (US\$)	—	—
Fair value price (grant date) (US\$)	0.12 – 1.50	3.00

## 2. Methods of estimating fair value price of stock options

The methods to estimate fair value of stock options existing in this consolidated accounting term are as follows.

### (1) Valuation technique used

Stock option name	Warrant No. 15	Warrant No. 16
Valuation technique used	Black-Scholes formula	Black-Scholes formula

### (2) Primary basic data

Stock option name	Warrant No. 15	Warrant No. 16
Stock price volatility	81.28%	81.28%
Forecast time remaining	5.6 – 7.1 years	4.6 years
Forecast dividends (yield)	0.14%	0.14%
Risk free interest rate	1.50%	1.50%

### (3) Methods to estimate major basic data

Stock option name	Warrant No. 15	Warrant No. 16
Stock price volatility	Calculated based on volatility over a period of 70 months (from January 2002 to October 2007)	Calculated based on volatility over a period of 70 months (from January 2002 to October 2007)
Forecast time remaining	Sufficient data was unavailable, and rational estimate was difficult. Thus it is assumed that these are exercised in the middle of the exercise period.	Sufficient data was unavailable, and rational estimate was difficult. Thus it is assumed that these are exercised in the middle of the exercise period.
Forecast dividends (yield)	Calculated based on past results.	Calculated based on past results.
Risk free interest rate	Average yield of 10 year Japanese Government Bonds, from November 1997 to October 2007	Average yield of 10 year Japanese Government Bonds, from November 1997 to October 2007

## 3. Method of estimating the number of stock options vested

Basically, it is difficult to rationally estimate the number of future nullified options, so a method was adopted which reflects the past number of options nullified.

## 4. Impact on the consolidated financial statements

(1) The amount of stock option expense and subjects in Current Consolidated Accounting Term.

Stock compensation expense of Selling, General and Administrative 215,819,000 yen

(2) The amount as income by revocation of non exercise the right in Current Consolidated Accounting Term.

Gain on reversal of warrants of Extraordinary Profit 9,151,000 yen

## (Tax Effect Accounting)

Previous Consolidated Accounting Term (December 31, 2006)		Current Consolidated Accounting Term (December 31, 2007)	
1. Breakdown of deferred tax assets and deferred tax liabilities by cause of occurrence (1,000 yen)		1. Breakdown of deferred tax assets and deferred tax liabilities by cause of occurrence (1,000 yen)	
DEFERRED TAX ASSETS		DEFERRED TAX ASSETS	
Appraisal loss of inventory assets	453,576	Appraisal loss of inventory assets	456,419
Depreciation expense	108,639	Depreciation expense	186,684
Loss brought forward	2,098,844	Loss brought forward	2,118,213
Research and Development expense	1,984,124	Research and experiment expenses	
Allowance for retirement benefit	198,465	tax credit	1,754,182
Impairment for Investment securities	199,296	Allowance for retirement benefit	208,018
Others	561,191	Impairment for Investment securities	98,544
<u>Allowance for appraisal</u>	<u>(5,604,138)</u>	Impairment loss	138,480
Total of Deferred tax assets	—	Others	565,261
DEFERRED TAX LIABILITIES		<u>Allowance for appraisal</u>	<u>(5,525,805)</u>
Foreign exchange forward contracts	34,310	Total of Deferred tax assets	—
Other securities appraisal difference	24,891	DEFERRED TAX LIABILITIES	
<u>Others</u>	<u>9,121</u>	Other securities appraisal difference	822
<u>Total of the deferred liabilities</u>	<u>68,324</u>	<u>Others</u>	<u>8,964</u>
Total deferred tax liability	68,324	<u>Total of the deferred liabilities</u>	<u>9,786</u>
		Total deferred tax liability	9,786
2. Breakdown of major causes of significant differences between the legal effective tax rate and the corporate tax rate after the application of tax effect accounting		2. Breakdown of major causes of significant differences between the legal effective tax rate and the corporate tax rate after the application of tax effect accounting	
Domestic legal effective tax rate (Adjusted)	40.7%	Legal effective tax rate (Adjusted)	40.7%
Difference in tax rate between domestic and overseas subsidiaries	(16.1%)	Difference in tax rate between domestic and overseas subsidiaries	43.3%
Permanent differences such as dividends received	1.9%	Permanent differences	3.8%
Per capita residential tax	(0.4%)	Per capita residential tax	5.1%
Amortization of goodwill	(8.3%)	Prior Fiscal Year Corporate Taxes, etc.	3.2%
Difference in the applied tax rate to write-off of the unrealized profit	(1.5%)	Difference in the applied tax rate to write-off of the unrealized profit	(10.4%)
Allowance for appraisal	(76.9%)	Research and experiment expenses	
Others	<u>(1.5%)</u>	tax credit	(8.2%)
Corporate tax rate after application of the tax effect accounting	(62.1%)	Allowance for appraisal	15.6%
		Others	<u>0.1%</u>
		Corporate tax rate after application of the tax effect accounting	93.2%

(Segment Information)

Segment Information by business type

The consolidated group omitted segment information by business type for the previous consolidated accounting term (January 1, 2006 – December 31, 2006) and the current consolidated accounting term (January 1, 2007 – December 31, 2007), because our consolidated group provides only news concerning information communication and network-related businesses.

Segment Information by location

Previous consolidated accounting term (January 1, 2006 – December 31, 2006)

	Japan (1,000 yen)	Europe/America (1,000 yen)	Asia/Oceania (1,000 yen)	Total (1,000 yen)	Write-off or all group (1,000 yen)	Consolidated (1,000 yen)
I. Sales and Operating profit (loss)						
Sales						
(1) To external customers	28,363,034	21,525,777	2,840,936	52,729,748	—	52,729,748
(2) Between segments or transfer	1,433,815	584,438	15,923,287	17,941,541	(17,941,541)	—
Total	29,796,850	22,110,215	18,764,223	70,671,289	(17,941,541)	52,729,748
Operating expenses	31,328,309	23,625,545	19,232,546	74,186,402	(18,070,968)	56,115,433
Operating profit (loss)	1,531,459	1,515,330	468,323	3,515,113	129,427	3,385,685
II Assets	31,886,672	15,155,231	14,673,732	61,715,637	(28,709,370)	33,006,267

(Notes)

1. Breakdowns by country or region are based on geographical proximity.

2. Major countries and regions included in areas other than Japan

(1) Europe/America – United States, Canada, United Kingdom, France, Germany, Netherlands, and Italy

(2) Asia/Oceania – Singapore, China, Australia, New Zealand, and South Korea

3. As indicated in Changes in the Accounting Treatment, from the current consolidated accounting term, this company applies the Accounting Standard for Share-based Payment (Accounting Standards Board of Japan, December 27, 2005, Accounting Standard No. 8) and Implementation Guidance for Accounting Standard for Share-based Payment (Accounting Standards Board of Japan, Final Revision, May 31, 2006, Accounting Standard Implementation Guidance No. 11). Through these, 24,524,000 yen of stock compensation expense was recognized in Japan, increasing the operating loss by 24,524,000 yen. In the U.S., it also applies Accounting for Stock-Based Compensation (Financial Accounting Standards Board (FASB), December 2004, amended SFAS 123). This resulted in 27,389,000 yen of stock compensation expense recognized in “Europe/America”, increasing the operating loss by 27,389,000 yen.

Current consolidated accounting term (commencing January 1, 2007 to December 31, 2007)

	Japan (1,000 yen)	Europe/America (1,000 yen)	Asia/Oceania (1,000 yen)	Total (1,000 yen)	Write-off or all group (1,000 yen)	Consolidated (1,000 yen)
I. Sales and Operating profit (loss)						
Sales						
(1) To external customers	26,847,708	23,355,081	3,696,908	53,899,698	—	53,899,698
(2) Between segments or transfer	1,427,746	505,387	13,397,243	15,330,377	(15,330,377)	—
Total	28,275,454	23,860,468	17,094,152	69,230,075	(15,330,377)	53,899,698
Operating expenses	27,572,256	23,375,092	17,178,198	68,125,546	(15,679,698)	52,445,848
Operating profit (loss)	703,198	485,375	(84,046)	1,104,527	349,323	1,453,850
II Assets	25,358,911	14,752,802	13,387,953	53,499,666	(25,458,694)	28,040,972

(Notes)

1. Breakdowns by country or region are based on geographical proximity.

2. Major countries and regions included in areas other than Japan

(1) Europe/America – United States, Canada, United Kingdom, France, Germany, Netherlands, Italy

(2) Asia/Oceania – Singapore, China, Australia, New Zealand, South Korea

**[Overseas Sales]**

**Previous consolidated accounting term (January 1, 2006 to December 31, 2006)**

	North America	Europe	Asia/Oceania	Total
I Overseas Sales (1,000 yen)	9,120,355	12,405,421	2,840,936	24,366,713
II Consolidated Sales (1,000 yen)	—	—	—	52,729,748
III Percentage of overseas sales within consolidated sales (%)	17.3	23.5	5.4	46.2

(Notes)

1. Breakdown by country or region is based on geographical proximity.
2. Major countries and regions included in areas other than Japan
  - (1) North America – United States and Canada
  - (2) Europe – United Kingdom, France, Germany, Netherlands, and Italy
  - (3) Asia/Oceania – Singapore, China, Australia, New Zealand, and South Korea
3. Overseas sales include company and consolidated subsidiary sales in countries or regions other than Japan.

**Current consolidated accounting term (January 1, 2007 to December 31, 2007)**

	North America	Europe	Asia/Oceania	Total
I. Overseas Sales (1,000 yen)	9,224,503	14,130,578	3,696,908	27,051,990
II. Consolidated Sales (1,000 yen)	—	—	—	53,899,698
III. Percentage of overseas sales within consolidated sales (%)	17.1	26.2	6.9	50.2

(Notes)

1. Breakdown by country or region is based on geographical proximity.
2. Major countries and regions included in areas other than Japan
  - (1) North America – United States and Canada
  - (2) Europe – United Kingdom, France, Germany, Netherlands, and Italy
  - (3) Asia/Oceania – Singapore, China, Australia, New Zealand, and South Korea
3. Overseas sales include company and consolidated subsidiary sales in countries or regions other than Japan.

Transactions with related parties  
Previous consolidated accounting term (January 1, 2006 – December 31, 2006)

Attribute	Name of company, etc.	Address	Capital or amount invested (1,000 yen)	Details of business or occupation	Ratio of ownership of voting rights	Relationship details	
						Directors holding additional posts	Actual relationship
Director and major shareholder	Takayoshi Oshima	—	—	CEO	Ownership Directly 32.1% Indirectly 9.6%	—	—
Director and major shareholder	Takayoshi Oshima	—	—	CEO	Ownership Directly 32.1% Indirectly 9.6%	—	—

Transaction details	Transaction amount (1,000 yen)	Type	Balance at term end (1,000 yen)
Underwriting of subscription rights (Note 1)	65,000	—	—
Cancellation of unexercised subscription rights (Note 2)	65,000	—	—

Note 1: Transaction terms, policy for determining terms, etc.

1. This was an underwriting of the 10th Subscription Rights, which were issued on February 6, 2006. The resolution was taken at the Board of Directors meeting held on January 19, 2006.
2. This was carried out to raise working capital. The transaction terms were determined based on stock market conditions, and the company's financial situation.
3. Consumption tax is not included in the above transaction amounts.

Note 2: Transaction terms, policy for determining terms, etc.

1. The resolution to cancel the subscription rights was taken in the Board of Directors meeting held on August 30, 2006, and the 10th Subscription Rights were cancelled on September 1, 2006.
2. The working capital was raised by issuing warrant bonds through a separate resolution, so all the subscription rights were cancelled.
3. Consumption tax is not included in the above transaction amounts.

Current consolidated accounting term (January 1, 2007 – December 31, 2007)  
Directors, major individual shareholders, etc.

Attribute	Name of company, etc.	Address	Capital or amount invested (1,000 yen)	Details of business or occupation	Ratio of ownership of voting rights	Relationship details	
						Directors holding additional posts	Actual relationship
Director and major shareholder	Takayoshi Oshima	—	—	Director	Ownership Directly 22.4% Indirectly 6.7%	—	—
Director	Atsushi Kotani	—	—	Director	Ownership Directly 0.4%	—	—
Director	Tomoyuki Sugihara	—	—	Director	Ownership Directly 0.0%	—	—
Director	Tadashi Wakana	—	—	Director	—	—	—
Director	Richard Andrew Gephardt	—	—	Director	—	—	—
Director has more than 50% of voting shares of the company etc..	Gephardt Group, LLC	Delaware, U.S.A.	—	Consulting	—	Concurrent of Director One	—
Director	Kihachiro Kojima	—	—	Auditor	—	—	—

Transaction details	Transaction amount (1,000 yen)	Type	Balance at term end (1,000 yen)
Grant of warrants (Note 1,2)	—	—	—
Grant of warrants (Note 1,2)	—	—	—
Grant of warrants (Note 1,2)	—	—	—
Grant of warrants (Note 1,2)	—	—	—
Grant of warrants (Note 1,2)	—	—	—
Consulting occupation (Note 3)	24,734	—	—
Grant of warrants (Note 1,2)	—	—	—

Note: Transaction terms, policy for determining terms, etc.

1. This was granted Warrant No.16 on November 16, 2007. The resolution was taken at the Board of Directors held on November 6, 2007.
2. Warrant No.16 is due to the free issue.
3. Transaction terms and policy for determining terms, etc. is decided the amount by mutual negotiation.

### Information per share

Items	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
Net assets per share	76.16 yen	81.23 yen
Current net income (loss) per share	(84.84 yen)	0.30 yen
Diluted net income per share	—	0.30 yen
	The diluted net income per share is not indicated, as a current net loss was recognized.	-----

(Notes)

### Basis for calculation of current net income and loss and diluted net income per share

	Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)
Current net income (loss) per share		
Current net income(loss) in consolidated profit and loss account (1,000 yen)	(8,075,840)	44,402
Current net income(loss) relating to common shares (1,000 yen)	(8,075,840)	44,402
Average number of common shares during the term (shares)	95,191,365	145,673,014
Diluted net income per share		
Current net income Adjustment	—	—
Increase of common shares	—	876,572
(in Warrants)	(—)	(876,572)
Residual securities which do not dilute net income per share	—	Warrants 12 9,596,700 Subscription rights 5 196,700 (share)

### (Important Subsequent Events)

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)						
<p>1. Capital increase from exercise of warrants attached to warrant bonds</p> <p>During the period from January 1, 2007 to February 28, 2007, warrants attached to the 2010 maturity Euroyen unsecured convertible warrant bond were exercised, which increased the capital and capital reserve.</p> <p>The details are as follows.</p> <p>Type and number of shares increased</p> <table data-bbox="188 539 643 633"><tr><td>Common shares</td><td>20,703,313 shares</td></tr><tr><td>Capital increase</td><td>1,212,500,000 yen</td></tr><tr><td>Capital reserve increase</td><td>1,212,500,000 yen</td></tr></table> <p>2. Purchase and retirement of warrant bonds</p> <p>At the meeting of the Board of Directors held on February 22, 2007, a resolution was passed to purchase and retire all the unredeemed Allied Telesis Holdings Co., Ltd. 2010 maturity unsecured convertible warrant bonds, and 1.45 billion yen of the bonds were purchased and retired on March 8, 2007.</p> <p>(1) Reason to purchase and retire</p> <p>After discussions with the bondholders, all unredeemed bonds were purchased and retired, based on the bond issue terms.</p> <p>(2) Amount and method of purchase and retirement</p> <p>By purchasing and retiring all unredeemed bonds on the planned purchase and retirement date.</p> <p>(3) Purchase price</p> <p>104 yen per face value of 100 yen</p> <p>(4) Impact on results</p> <p>This purchase and retirement caused a 58,000,000 yen loss on retirement.</p>	Common shares	20,703,313 shares	Capital increase	1,212,500,000 yen	Capital reserve increase	1,212,500,000 yen	<p>-----</p> <p>-----</p>
Common shares	20,703,313 shares						
Capital increase	1,212,500,000 yen						
Capital reserve increase	1,212,500,000 yen						

Previous Consolidated Accounting Term (January 1, 2006 – December 31, 2006)	Current Consolidated Accounting Term (January 1, 2007 – December 31, 2007)																					
<p>3. Issue of warrants by allocation to third party</p> <p>At the meeting of the Board of Directors held on March 9, 2007, a resolution was passed to issue Warrant No. 14 for Allied Telesis Holdings Co., Ltd. A third party allocation contract was concluded on March 26, 2007, along with receipt of the full payment.</p> <p>(1) Subscription Conditions</p> <p>Number of warrants: 300</p> <p>Number of shares through the warrants: 25,200,000</p> <p>Total value of issue: 10,500,000 yen (35,000 yen per warrant)</p> <p>Due date for payment: March 26, 2007 (Monday)</p> <p>Initial exercise price: 125 yen</p> <p>Exercise period: from March 26, 2007 to March 25, 2011</p> <p>(2) Summary of proposed assignee and the relationship between our company and the assignee</p> <table border="1" data-bbox="153 790 778 1404"> <tr> <td data-bbox="153 790 571 920">Name of the proposed assignee</td> <td colspan="2" data-bbox="574 790 778 920">Lehman Brothers Commercial Corporation Asia Limited</td> </tr> <tr> <td data-bbox="153 925 571 954">Subscription rights allocated</td> <td colspan="2" data-bbox="574 925 778 954">300</td> </tr> <tr> <td data-bbox="153 958 571 987">Amount paid</td> <td colspan="2" data-bbox="574 958 778 987">10,500,000 yen</td> </tr> <tr> <td data-bbox="153 992 360 1245" rowspan="2">Details of proposed assignee</td> <td data-bbox="363 992 571 1178">Address</td> <td data-bbox="574 992 778 1178">Level 26, Two International Finance Centre, 8 Finance Street, Central, Hong Kong</td> </tr> <tr> <td data-bbox="363 1182 571 1245">Occupation</td> <td data-bbox="574 1182 778 1245">Cheung Ming Joseph</td> </tr> <tr> <td data-bbox="153 1249 360 1404" rowspan="3">Relationship</td> <td data-bbox="363 1249 571 1312">Capital contribution</td> <td data-bbox="574 1249 778 1312">NA</td> </tr> <tr> <td data-bbox="363 1317 571 1346">Transactions</td> <td data-bbox="574 1317 778 1346">NA</td> </tr> <tr> <td data-bbox="363 1350 571 1404">Personal Relationship</td> <td data-bbox="574 1350 778 1404">NA</td> </tr> </table>	Name of the proposed assignee	Lehman Brothers Commercial Corporation Asia Limited		Subscription rights allocated	300		Amount paid	10,500,000 yen		Details of proposed assignee	Address	Level 26, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	Occupation	Cheung Ming Joseph	Relationship	Capital contribution	NA	Transactions	NA	Personal Relationship	NA	<p>-----</p>
Name of the proposed assignee	Lehman Brothers Commercial Corporation Asia Limited																					
Subscription rights allocated	300																					
Amount paid	10,500,000 yen																					
Details of proposed assignee	Address	Level 26, Two International Finance Centre, 8 Finance Street, Central, Hong Kong																				
	Occupation	Cheung Ming Joseph																				
Relationship	Capital contribution	NA																				
	Transactions	NA																				
	Personal Relationship	NA																				

(5) Consolidated Schedules  
Statement of convertible bonds

Name of company	Name of Bond	Issue date	Balance at the end of previous term (1,000 yen)	Balance at the end of current term (1,000 yen)	Coupon rate (%)	Secured/ Unsecured	Maturity Date
Allied Telesis Holdings Co., Ltd.	No. 2 Unsecured Convertible Bonds	September 30, 2005	532,000	264,000 (264,000)	6-Month TIBOR +0.15%	—	September 30, 2008
Allied Telesis Holdings Co., Ltd.	2010 Maturity Euro yen Unsecured Convertible Bond With Attached Warrant (note 2)	September 21, 2006	4,050,000	—	—	—	September 17, 2010
Total (notes 1, 3)	—	—	4,582,000 (268,000)	264,000 (264,000)	—	—	—

(Notes)

- In the column "Balance at the end of the current term", the figures in the bracket show the expected redemption value within one year.
- Details of the 2010 Maturity Euro yen Unsecured Convertible Warrant Bond with Attached Warrant were purchased and retired all unredeemed bonds on March 8, 2007.
- Redemptions planned within five years after the consolidated closing date are shown below:-

<1 year (1,000 yen)	1 – 2 years (1,000 yen)	2 – 3 years (1,000 yen)	3 – 4 years (1,000 yen)	4 – 5 years (1,000 yen)
264,000	—	—	—	—

Statement on Borrowings

Items	Balance at the end of the previous term (1,000 yen)	Balance at the end of the current term (1,000 yen)	Average interest rate (%) (note 1)	Repayment due date
Short-term loans	4,351,281	3,671,140	13.393	—
Long-term loans due within one year	3,247,295	1,081,178	2.496	—
Long-term loans (excluding loans due within one year) (note 2)	1,326,178	467,460	8.38	2017
Total	8,924,754	5,219,788	—	—

(Notes)

- The "average interest rate" is the weighted average interest rate to the balance of the borrowings at the end of the term.
- Long-term loans (And, other interest-bearing debt (except repayment within one year) due within five years after the consolidated closing date is shown below:-

1 – 2 years (1,000 yen)	2 – 3 years (1,000 yen)	3 – 4 years (1,000 yen)	4 – 5 years (1,000 yen)
83,790	52,920	52,920	52,920

(2) Miscellaneous  
Nil