

Consolidated Interim Financial Results

for the Fiscal Year Ended December 31, 2006 (January 1, 2006 to June 30, 2006)

Company name:	SIIX Corporation
Stock code:	7613
Stock exchange listing (Section):	Tokyo Stock Exchange, (First Section) Osaka Securities Exchange, (First Section)
Head office:	Osaka, Japan
URL:	http://www.siix.co.jp
President & COO:	Kansho Murase
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Telephone:	+81-6-6266-6415
Board meeting for approving the financial results:	August 17, 2006
Name of parent company:	Sakata Inx Corporation (Stock code: 4633)
Percentage of voting rights owned by parent company:	22.2%
Accounting principle:	Japanese GAAP

1. Consolidated Financial Results (January 1, 2006 – June 30, 2006)

(1) Consolidated Results of Operations

(Amounts rounded down to million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
First half ended Jun. 2006	58,688	8.4	1,269	(13.7)	1,076	(17.1)
First half ended Jun. 2005	54,123	0.4	1,472	120.9	1,298	89.4
Year ended Dec. 2005	112,474		3,118		2,980	

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
First half ended Jun. 2006	152	(92.6)	12.08	—
First half ended Jun. 2005	2,050	—	162.72	—
Year ended Dec. 2005	2,650		209.04	—

Notes:

1. Equity in net earnings (losses) of affiliates

First half ended June 2006:	(31) million yen
First half ended June 2005:	(32) million yen
Year ended December 2005:	5 million yen

2. Average number of shares outstanding

First half ended June 2006:	12,599,970 shares
First half ended June 2005:	12,599,970 shares
Year ended December 2005:	12,599,970 shares

3. Changes in accounting policy: None

4. The percentages for net sales, operating income, ordinary income, and net income in the above tables represent changes from the same period in the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
First half ended Jun. 2006	46,154	13,535	29.0	1,074.26
First half ended Jun. 2005	43,114	11,822	27.4	938.33
Year ended Dec. 2005	46,254	13,424	29.0	1,064.10

Note: Number of shares outstanding

As of June 30, 2006: 12,599,970 shares

As of June 30, 2005: 12,599,970 shares

As of December 31, 2005: 12,599,970 shares

(3) Consolidated Cash Flows Position

	Net cash provided by (used in)			Cash and cash equivalents at fiscal year end
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
First half ended Jun. 2006	535	(1,238)	(958)	3,814
First half ended Jun. 2005	(453)	1,023	(574)	3,844
Year ended Dec. 2005	5,793	(2,277)	(2,090)	5,518

(4) Scope of consolidation and application of equity method

The number of consolidated subsidiaries: 14

The number of unconsolidated subsidiaries under equity method application: —

The number of affiliates under equity method application: 3

(5) Changes in the scope of consolidation and application of equity method

The number of consolidated subsidiaries

Newly added: —

Excluded: 1

The number of affiliates under equity method application

Newly added: —

Excluded: —

2. Forecasts for the Year Ending December 2006 (January 1, 2006 - December 31, 2006)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	126,817	3,004	1,366

Reference: Estimated net income per common share for the full year: 108.41 yen

Forecasts regarding future performance and plans in these materials are based on judgments made in accordance with information available to management or putative market trend at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors, including but not limited to the operating environments. Please refer to the page on the outlook for further information concerning these projections.

Corporate Group

The SIIX Group of companies is made up of SIIX Corp. (the Company), fourteen consolidated subsidiaries, one non-consolidated subsidiary, eight affiliates, of which three are equity-method affiliates, and fourteen jointly owned companies. These companies are engaged in the manufacture and sale of electronic devices, electronic components, industrial machinery, and other products.

Group companies by business segment and the roles of major companies are as follows.

Company	Country	Capital/ Investment	Owner- ship (%)	Activities	Segment	Category
(Consolidated subsidiaries)						
SIIX (Shanghai) Co., Ltd.	Shanghai, China	Thousand RMB 1,655	100.00	Sales and procurement of products	Electronics	Trading
SIIX EMS Dongguan Ltd.	Guangdong, China	Thousand RMB 101,302	100.00 (100.00)	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
SIIX H.K. Ltd.	Hong Kong, China	Thousand HK\$ 4,000	100.00	Sales and procurement of products	Electronics	Trading
SIIX TWN Co., Ltd.	Taipei, Taiwan	Thousand NT\$ 5,000	100.00	Sales and procurement of products	Electronics	Trading
SIIX Singapore Pte. Ltd.	Singapore	Thousand US\$ 1,144	100.00	Sales and procurement of products	Electronics	Trading
SIIX Bangkok Co., Ltd.	Bangkok, Thailand	Thousand Baht 30,000	100.00	Sales and procurement of products	Electronics	Trading
SIIX EMS (Thailand) Co., Ltd.	Samutprakarn, Thailand	Thousand Baht 309,100	100.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
SIIX Phils., Inc.	Pasay City, Metro Manila, Philippines	Thousand PHP 14,700	100.00	Sales and procurement of products	Electronics	Trading
SIIX Logistics Phils., Inc.	Laguna, Philippines	Thousand US\$ 2,078	100.00	Sales and procurement of products	Electronics	Trading
PT SIIX Electronics Indonesia	Vatam Island, Indonesia	Thousand US\$ 1,980	100.00 (100.00)	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
Nansha Sakata Ink Corp.	Guangdong, China	Thousand RMB 2,077	50.00	Manufacturing, sales, and procurement of raw materials and products	Others	Manufacturing
SIIX Europe GmbH	Willich, Germany	Thousand Euro 1,022	100.00	Sales and procurement of products	Electronics	Trading
SIIX EMS Slovakia s.r.o.	Nitra, Slovakia	Thousand Euro 3,634	100.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
SIIX U.S.A. Corp.	Illinois, U.S. A.	Thousand US\$ 4,000	100.00	Sales and procurement of products	Electronics	Trading
(Equity-method affiliates)						
TAKAYA SIIX Electronics (Shanghai) Co., Ltd.	Shanghai, China	Thousand RMB 70,631	40.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
Innertech SIIX Electronics (Suzhou) Co., Ltd.	Jiangsu, China	Thousand RMB 99,325	20.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
Kawasaki Motors (Phils) Corp.	Philippines	Thousand PHP 101,430	20.06	Manufacturing, sales, and procurement of raw materials and products	Machinery	Manufacturing

Notes: 1. Names of business segments are listed in the “Activities” column.

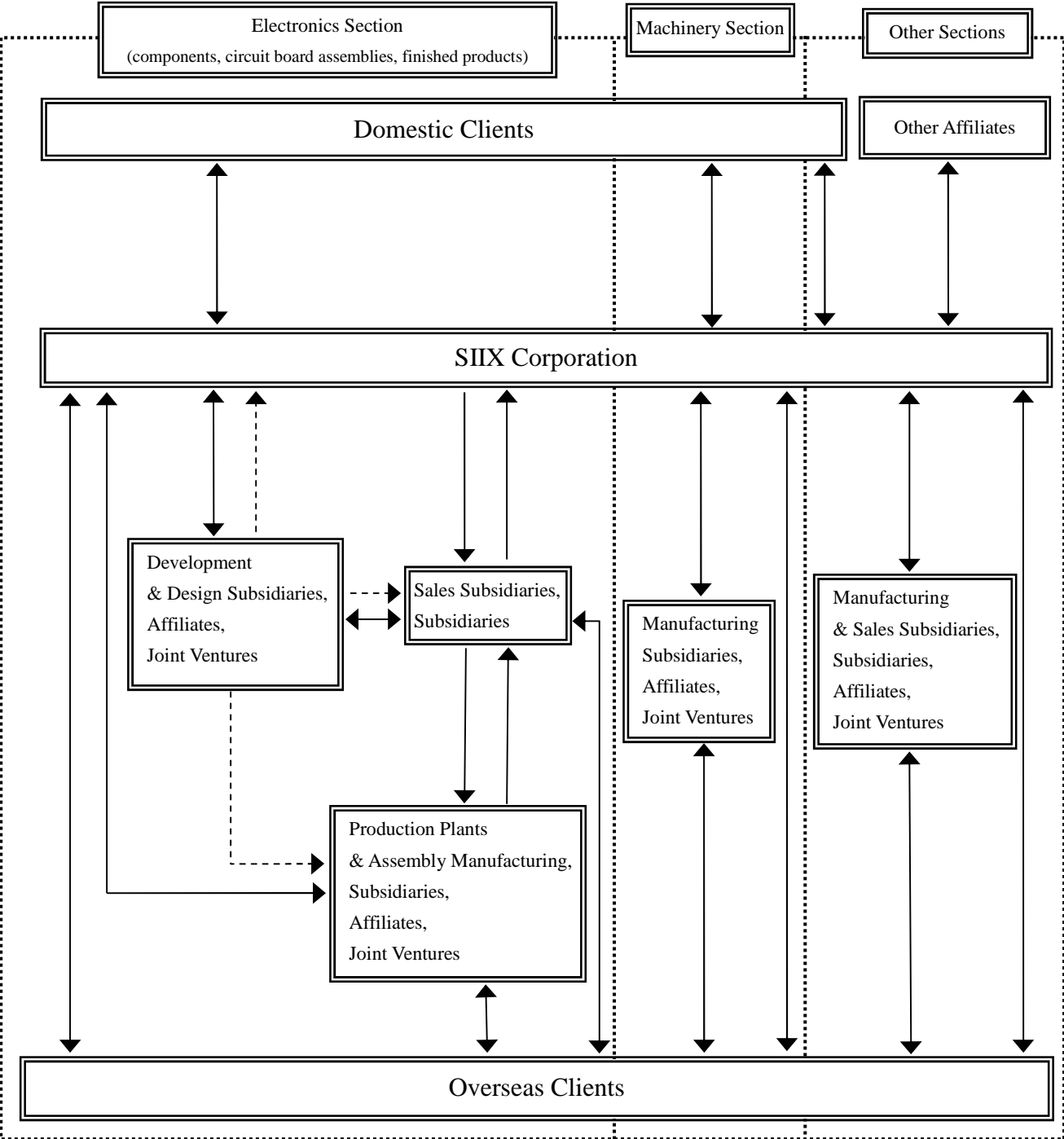
2. The figure in parentheses in the “Ownership” column indicates the shares indirectly owned.

(Major affiliated companies)	Country	Segment
TS-PRO Co., Ltd.	Japan	Electronics
Bando SIIX Ltd.	China (Hong Kong)	Others
PFU Technology (Singapore) Pte. Ltd.	Singapore	Electronics
Delsa Chemicals and Multi Products Inc.	Philippines	Others

(Major jointly owned companies)

TOYO iTEC Co., Ltd.	Japan	Electronics
Panyu Kyokuto Sakata Electronics Ltd.	China	Electronics
Kyokuto China Limited	China (Hong Kong)	Electronics
Stars Microelectronics (Thailand) Co., Ltd.	Thailand	Electronics
Integrated Microelectronics, Inc.	Philippines	Electronics
Shinto Welbest Mfg. Inc.	Philippines	Others

Flowchart of Business Activities



- ▶ Products, merchandise, and components
- - - - -▶ Technical support

*The above flowchart shows business activities by major operating segment.

Management Policies

1. Fundamental Management Policy

Consumer needs have diversified greatly alongside the maturation of markets in developed countries in recent years. In addition, the structure of the global market has been changing, with developments such as the rapid growth of emerging markets, particularly in Asia. As for corporations, the allocation and utilization of resources in a global and timely fashion have come to be important issues for management in all areas of operations, including procurement, production, sales, and logistics. The objective of the Group is to provide solutions to these kinds of new corporate issues. Focusing on electronics-related areas, where we have many years of experience, our fundamental policies are to provide comprehensive coordination for diverse needs around the world and to be a global business organizer, supplying customers with concrete business advantages (customer value). The Group defines its corporate philosophy through these corporate activities as “the pursuit of effective use of the world’s resources to activate social systems and contribute to the advancement of humankind.”

2. Fundamental Policy Regarding Allocation of Earnings

The Company continues to base its fundamental policy on the continuous and stable distribution of earnings to shareholders, while at the same time following a policy of determining dividends after consideration of such topics as enhancing retained earnings for the sake of future growth and the strengthening of the management base.

Regarding the dividends for this consolidated interim financial year, the common dividend is set as 7.50 yen per share as previously planned. Accordingly, the year-end dividend is 7.50 yen per share, which is the same as the interim dividend, and the annual dividend per share is planned to be 15 yen.

3. Position and Policy Regarding Investment Units

The Company recognized that broadening the investor base is as an important issue in its capital policy. Therefore, we have already set the mandatory unit of transaction as 100 shares. Moreover, to further increase the liquidity of company stock, the company enacted a two-for-one share split on February 18, 2005. We will continue to make appropriate responses in consideration of the trends in the stock market and movements in our stock price in the future.

4. Targeted Management Indicators

The medium-term goal is to raise net sales to 160,000 million yen and ordinary income to 4,800 million yen on a consolidated basis in 2008. From the standpoint of increasing shareholder value, we also aim to raise the consolidated ROE to at least 15%.

5. Mid- and Long-Term Corporate Management Strategy

In the electronics and automotive electronics industries, the core areas in the Group’s operations, the development of the global production and logistics network, centered on Southeast Asia is now in full swing. This development started from a conventional approach to overseas business expansion that saw the relocation of production because of demands for lower manufacturing costs, such as for labor but is now occurring against a backdrop of the gradually increasing necessity for full-scale local production and sales in the expanding consumer markets the Group has targeted, including those in the Newly Industrializing Countries. In addition, trends in international production and logistics networks do not only include the creation of links between Japan and locations overseas; there is an accelerating trend for global activities that link one overseas location with another. Accompanying this, the needs of manufacturers have come to shift towards attaining the same rates of efficiency overseas as are achieved in Japanese production, including both parts and product distribution, and are not limited to production technology and quality.

The Company's operations as a global business organizer have also expanded due to responses to outsourcing needs that developed as a direct result of such corporate trends. In the mid-term future, we intend to expand operations by taking advantage of our trading house and distribution functions, which in combination with our

manufacturing function we regard as our strengths, and our global logistics and manufacturing network, and provide a total electronic manufacturing service (EMS) that will allow Japanese manufacturing overseas.

6. Issues for the Company to Resolve

By turning the trend toward full-scale development of global production and logistics networks in the company (as stated in the previous section), into a business opportunity, the Group is tackling the issues outlined below in order to expand operations.

- (1) Enhancement of the global network of bases and realization of greater inter-base synergy effects
- (2) Establishment of an international distribution network able to cope with just-in-time delivery that spans national borders
- (3) Strengthening of global materials procurement and proposal skills to meet material cost reduction needs
- (4) Upgrading of manufacturing capabilities and technology at EMS bases in response to upgraded overseas product lines such as digital equipment and automotive devices
- (5) Development of new business, while giving due regard to transformations in electronics areas such as the digitalization and networking of electronics devices, and the computerization of vehicle-mounted devices

7. Matters Concerning the Parent Company

- (1) Name of the parent company.

Parent company	Attributes	Parent company's proportion of ownership of shareholder voting rights	Securities exchange on which shares issued by the parent company are listed
Sakata Inx Corporation	Affiliates where a listed company is an affiliate of another company	22.2% (—)	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section

Note: The figure in parentheses in the column titled "Parent company's proportion of ownership of shareholder voting rights" indicates indirectly owned shares.

- (2) The positioning of the Company in the parent company's corporate group
As of June 30, 2006, Sakata Inx Corporation's proportion of ownership of shareholder voting rights in the Company was 22.2%. The Company is their affiliate under the equity method. Furthermore, the Company acts as a contact office for exports to certain regions of printing ink, Sakata Inx's main product, and handles Sakata Inx business in other departments. Moreover, one of the Company's three auditors is an auditor of Sakata Inx Corporation and works as an auditor for the Company on a part-time basis.
- (3) Transactions with the parent company
The value of purchases from Sakata Inx Corporation was 84 million yen during the current consolidated interim fiscal year (0.2% of consolidated purchasing results).

Results of Operations and Financial Position

1) Overview

Looking back on the economic environment both domestically and abroad during the current consolidated interim period, the Japanese economy showed a sustained trend toward expansion with the support of increased private capital investment, improvements in the employment situation, and increased personal consumption due to improvements in corporate performance. In the U.S. economy, while there were concerns about an economic slowdown due to inflationary pressures and an increase in interest rates resulting from rising energy prices, etc., capital investment has continued to grow steadily supporting deceleration of personal consumption. In Europe, the foundation for an economic recovery became firmer because of a mild expansion in personal consumption and exports, in addition to improved employment after stagnation in the previous year. As for the economies of Asia, domestic consumption, mainly fixed asset investment and personal consumption, remained strong in China and India, and exports increased significantly. The economies in other Asian countries tended to expand overall.

In the electronics industry, related to the Group's core business, while digital audio-visual equipment including flat-screen TVs using plasma, liquid crystal, etc. and digital cameras, and the electronic components and devices used in these products continued expanding domestically, price competition became even fiercer. In addition, because of the increasing popularity of cars with electrical components such as safety devices, vehicle-mounted devices such as car navigation systems did well. Outside Japan, the demand for digital audio-visual equipment, PC-related devices, and other products increased, but existing audio-visual equipment continued to face difficulties. Particularly in the East Asia region, more production bases have shifted from manufacturing for exports to the Europe and U.S. to manufacturing for the East Asian market itself.

Due to these conditions, consolidated net sales for this interim period increased 4,564 million yen over the previous consolidated interim period (8.4% increase), to 58,688 million yen. On the income front, operating income stood at 1,269 million yen, dropping 202 million yen in comparison with the previous consolidated interim period (13.7% decrease), because of the increase in depreciation costs for upgrading production plant and equipment. In addition, ordinary income was 1,076 million yen, a decrease of 221 million yen in comparison with the previous consolidated interim period (17.1% decrease). Net income was 152 million yen, a decrease of 1,898 million yen in comparison with the previous consolidated interim period (92.6% decrease).

Results by business segment were as follows.

(Electronics Section)

The Group's core segment, electronics, covers a broad range of products, including finished products, subassemblies, circuit board assemblies, components, and kits. These are used in communication equipment, vehicle-mounted devices, information devices, household electrical devices, audio equipment, and general-purpose electronic parts. In this segment, shipments of LCD modules for mobile phones decreased, but shipments of components for air conditioners and scanners increased. As a result, sales in the electronics segment in this consolidated interim period were 53,608 million yen, an increase of 4,876 million yen in comparison with the previous consolidated interim period (10.0% increase). In addition, operating income was 1,786 million yen, a decrease of 218 million yen in comparison with the previous consolidated interim period (10.9% decrease). This was a result of the excessive amount of depreciation costs for upgrading production plant and equipment due to the delay in the start-up of new projects in the field of digital home electrical products.

(Machinery Section)

The main products in this segment are motorcycle components, automotive wire harness components and industrial machinery. Shipments of motorcycle components, automotive wire harness components, and other shipments decreased. Sales in this interim period were 4,663 million yen, a decrease of 1,386 million yen in comparison with the previous consolidated interim period (22.9% decrease). In addition, operating income was 15 million yen, an increase of 0 million yen in comparison with the previous consolidated interim period (2.4% increase).

(Other Sections)

The main products in this segment are printing ink, synthetic chemicals, miscellaneous goods, and other items. Sales for this consolidated interim period were 1,012 million yen, an increase of 23 million yen in comparison with the previous consolidated interim period (2.3% increase). In addition, operating income was 52 million yen, an increase of 0 million yen in comparison with the previous consolidated interim period (0.4% increase).

Results by geographic segment were as follows.

(Japan)

Shipments of components for audio-visual equipment for business purposes, air-cleaning devices, and other shipments increased, but because shipments of LCD modules for mobile phones and other products, digital camera components, and other shipments decreased, sales were 25,658 million yen, a decrease of 1,688 million yen in comparison with the previous consolidated interim period (6.2% decrease). In addition, operating income was 591 million yen, a decrease of 132 million yen in comparison with the previous consolidated interim period (18.3% decrease).

(Asia)

Shipments of components for air conditioners, scanners, and other shipments increased, sales were 41,949 million yen, an increase of 5,543 million yen in comparison with the previous consolidated interim period (15.2% increase). In addition, operating income was 1,320 million yen, a decrease of 106 million yen in comparison with the previous consolidated interim period (7.5% decrease).

(Europe)

Shipments of LCD modules for mobile phones and other shipments decreased, sales were 1,604 million yen, a decrease of 1,650 million yen in comparison with the previous consolidated interim period (50.7% decrease). There was an operating loss of 262 million yen, an increase of 89 million yen in comparison with the previous consolidated interim period (there was an operating loss of 173 million yen in the previous consolidated interim period).

(Americas)

Because shipments of components for audio-visual equipment for business purposes increased, sales increased by 1,765 million yen in comparison with the previous consolidated interim period (46.5% increase) to finish at 5,562 million yen. In addition, operating income was 244 million yen, an increase of 137 million yen in comparison with the previous consolidated interim period (128.9% increase).

2) Outlook for the full year (ending December 2006)

With respect to trends in the world economy in the second half, there are uncertain factors such as impacts on the business climate due to the steep rise in energy prices, the increase in interest rates, etc., but it is envisaged that the overall world economy will remain strong. In the electronics industry, the market demand, such as for vehicle-mounted devices and digital home electrical products and information devices, is expected to expand continuously and the trend is expected to progress toward relocation of manufacturing abroad. This will necessitate finding the right places for production bases in consideration of price competition, which is the key to success.

In such circumstances, the Company is focusing on business development, including parts and material sales and circuit board assemblies, mainly in the fields of vehicle-mounted devices, digital home electrical products, and information devices.

With respect to results for the period, the Group is forecasting sales of 126,817 million yen (12.8% increase), ordinary income of 3,004 million yen (0.8% increase) and net income of 1,366 million yen (48.5% decrease). This forecast assumes an exchange rate of 117 yen to the US dollar.

Forecasts for operating results and other forward-looking statements contained in this document represent our judgements based on the information available at the time this document was prepared. Accordingly, these

statements contain potential risks and uncertainties. Please note that actual results may differ significantly from the forward-looking statements contained in this document due to changes in a variety of factors.

3) **Financial Position**

Cash and cash equivalents (hereinafter referred to as “cash”) in this consolidated interim period, decreased 1,704 million yen to finish at 3,814 million yen (30.9% decrease). This was because of expenditures for such things as repayment of short-term borrowings and purchase of tangible fixed assets, despite increased cash inflow from long-term borrowings. Significant factors affecting cash flows are as follows:

(Cash flow from operating activities)

Net cash provided by operating activities stood at 535 million yen (net cash used in 453 million yen in the previous consolidated interim period). This was mainly due to factors such as the increase in depreciation to 866 million yen, despite the increase of 1,184 million yen for trade notes and accounts receivable in addition to 893 million yen for income before income taxes and minority interests.

(Cash flow from investing activities)

Net cash used in investment activities stood at 1,238 million yen (net cash provided by 1,023 million yen in the previous consolidated interim period). This was mainly due to factors such as 1,119 million yen to acquire tangible fixed assets.

(Cash flow from financing activities)

Net cash used in financing activities stood at 958 million yen (net cash used in 574 million yen in the previous consolidated interim period). This was mainly due to such factors as 1,740 million yen for repayment of short-term borrowings and 556 million yen for repayment of long-term borrowings, against cash inflow of 1,418 million in the form of fresh long-term borrowings.

The Group’s cash flow indices are as follows.

	First half ended June 2005	First half ended June 2006	Year ended December 2005
Shareholders’ equity ratio (%)	27.4	29.0	29.0
Shareholders’ equity ratio based on market prices (%)	46.1	60.7	53.3
Debt to annual cash flow ratio (years)	—	11.4	2.4
Interest coverage ratio (X)	—	2.7	17.5

Note: Cash flow indices are calculated as follows.

- Shareholders’ equity ratio: Shareholders’ equity / Total assets
- Shareholders’ equity ratio based on market prices: Market capitalization / Total assets
- Debt to annual cash flow ratio: Interest-bearing liabilities ([beginning of year + end of year] / 2) / Operating cash flow
- Interest coverage ratio: Operating cash flow / Interest payments

1. All indices are calculated on a consolidated basis.
2. Market capitalization is calculated as the closing price of stock on the consolidated balance sheet date (Tokyo Stock Exchange, First Section) × the number of shares outstanding on the balance sheet date.
3. Interest-bearing liabilities are the aggregated sum of liabilities carried on the consolidated balance sheets including short-term borrowings, long-term borrowings, corporate bonds and finance lease payments. Operating cash flow uses cash flow due to operating activities reported on the consolidated statements of cash flows.
4. Interest uses the value of interest paid reported on consolidated statements of cash flows.
5. The debt to annual cash flow ratio at the end of the interim period is calculated on the assumption that annual cash flow will be double the interim cash flow.

4) Operating Risks

With regard to the Group's operating risks, the main matters that might significantly influence investor perception are as shown below. Various risks also accompany activities of the Group other than those shown here, therefore, these are not all the risks the Group is exposed to.

Any forward-looking statements contained in this description of risks were made based on the judgement of the Group during this consolidated fiscal year.

(1) Variations in market conditions

The electronics industry, with which the Group's core operations are associated, is liable to experience a temporary worsening of market conditions because the demand-supply balance can change suddenly due to the short product life-cycle. On the other hand, great market growth can be expected from technological innovation and the development of new products. For example, in markets such as mobile phones, trends such as those mentioned above are relatively short-lived, and the unpredictable demand-supply gap can influence results, as seen in production adjustment, order cancellations, overcapacity, inventory increases, obsolescence and profit ratio decreases.

(2) Fluctuations in exchange rates

As the Group carries out transactions with overseas partners using various currencies and under different conditions, we are careful to avoid exchange rate risks. Basically, we hedge exchange rate risks by making arrangements related to a) having revenue and sales in the same currency, b) making forward exchange contracts, and c) sharing the burden of risk with customers. However, sudden exchange rate fluctuations sometimes influence sales and income.

(3) Operational activities overseas

The Group is able to demonstrate its strength in overseas transactions that utilize our global network. At present, we are active globally with a total of eleven companies in the Asia region (four companies in China, including Hong Kong), two companies in Europe, one company in the U.S., and one company in South America, and we also have eight affiliate companies (three of which are subsidiaries and subject to application of the equity method). Because of this, country risks, such as the worsening of political and economic factors in the country or region, legal or regulatory changes, changes in currency policy, anti-Japanese movements and social disorder, may influence the Group's operating results and financial circumstances.

(4) Fund procurement and interest rate fluctuations

The Group procures the necessary funding for its operations through such measures as borrowing from financial institutions. Some funds are procured as interest-bearing liabilities at variable interest rates, so the Group reduces interest rate fluctuation risk by shifting to borrowings with fixed rate interest and by taking advantage of derivative transactions (interest swap contracts, etc.). However, unpredictable fluctuations in market interest rates may influence the Group's profit and loss situation.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Thousand yen)

Item	As of Jun. 30, 2005		As of Jun. 30, 2006		As of Dec. 31, 2005		Change
	Amount	(%)	Amount	(%)	Amount	(%)	Amount
Assets							
I Current assets							
1. Cash and deposits	3,865,822		3,836,480		5,518,343		(1,681,862)
2. Trade notes and accounts receivable	16,314,813		17,343,250		16,676,602		666,648
3. Inventories	10,478,801		10,427,983		9,505,550		922,433
4. Deferred tax assets	394,655		138,688		177,753		(39,064)
5. Others	1,811,607		2,107,678		2,216,665		(108,986)
Provision for doubtful receivables	(110,307)		(468,591)		(277,779)		(190,811)
Total current assets	32,755,391	76.0	33,385,491	72.3	33,817,134	73.1	(431,643)
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	3,717,362		4,855,055		3,973,286		
Accumulated depreciation	1,013,240	2,704,121	1,315,423	3,539,631	1,182,836	2,790,450	749,181
(2) Machinery, equipment, and vehicles	6,385,400		8,638,404		7,916,155		
Accumulated depreciation	2,952,046	3,433,353	4,380,987	4,257,416	3,689,854	4,226,300	31,116
(3) Tools, furniture and fixtures	1,206,945		1,283,412		1,335,938		
Accumulated depreciation	850,637	356,307	1,002,897	280,514	985,088	350,849	(70,334)
(4) Land		988,126		1,206,906		1,182,281	24,624
(5) Others		62,894		195,438		446,809	(251,371)
Total tangible fixed assets	7,544,805	17.5	9,479,907	20.5	8,996,691	19.5	483,216
2. Intangible assets							
(1) Software	66,246		89,318		67,505		21,812
(2) Others	7,838		263,156		168,073		95,083
Total intangible fixed assets	74,085	0.2	352,475	0.8	235,579	0.5	116,896
3. Investments and other assets							
(1) Investment securities	1,737,461		2,038,129		2,145,938		(107,809)
(2) Investment in capital	408,913		402,532		433,154		(30,621)
(3) Long-term loans receivable	70,224		136,369		66,471		69,897
(4) Deferred tax assets	24,613		3,687		23,072		(19,384)
(5) Others	793,592		679,583		843,939		(164,355)
Provision for doubtful receivables	(294,727)		(323,866)		(307,808)		(16,057)
Total investments and other assets	2,740,078	6.3	2,936,436	6.4	3,204,767	6.9	(268,331)
Total fixed assets	10,358,969	24.0	12,768,819	27.7	12,437,038	26.9	331,781
Total assets	43,114,360	100.0	46,154,310	100.0	46,254,172	100.0	(99,861)

(Thousand yen)

Item	As of Jun. 30, 2005		As of Jun. 30, 2006		As of Dec. 31, 2005		Change
	Amount	(%)	Amount	(%)	Amount	(%)	Amount
Liabilities							
I Current liabilities							
1. Trade accounts payable	13,017,297		15,990,680		16,261,446		(270,766)
2. Short-term borrowings	11,256,823		8,839,755		9,522,044		(682,289)
3. Current portion of bonds payable	300,000		—		—		—
4. Accrued expenses	871,090		1,101,597		839,196		262,401
5. Income taxes payable	1,127,791		552,551		1,098,121		(545,569)
6. Deferred tax liabilities	6,268		658		41,859		(41,200)
7. Others	1,038,030		1,701,103		610,468		1,090,634
Total current liabilities	27,617,302	64.1	28,186,345	61.1	28,373,136	61.4	(186,790)
II Fixed liabilities							
1. Long-term liabilities	2,755,302		3,085,205		2,995,734		89,470
2. Provision for retirements	134,250		110,589		120,293		(9,703)
3. Provision for retirement benefits for directors	131,990		140,990		140,990		—
4. Deferred tax liabilities	363,293		1,026,199		977,170		49,029
5. Others	58,336		69,378		71,189		(1,811)
Total fixed liabilities	3,443,172	8.0	4,432,363	9.6	4,305,377	9.3	126,985
Total liabilities	31,060,475	72.1	32,618,709	70.7	32,678,514	70.7	(59,805)
Minority interests							
Minority interests	230,907	0.5	—	—	151,057	0.3	—
Shareholders' equity							
I Common stock	2,144,000	5.0	—	—	2,144,000	4.6	—
II Capital surplus	1,853,000	4.3	—	—	1,853,000	4.0	—
III Retained surplus	8,712,527	20.2	—	—	9,095,660	19.7	—
IV Net unrealized gain (loss) on other securities	(88,583)	(0.2)	—	—	312,393	0.7	—
V Foreign currency translation adjustments	(797,934)	(1.9)	—	—	19,578	0.0	—
VI Treasury stock	(32)	(0.0)	—	—	(32)	(0.0)	—
Total shareholders' equity	11,822,977	27.4	—	—	13,424,600	29.0	—
Total liabilities, minority interests and shareholders' equity	43,114,360	100.0	—	—	46,254,172	100.0	—

(Thousand yen)

Item	As of Jun. 30, 2005		As of Jun. 30, 2006		As of Dec. 31, 2005		Change
	Amount	(%)	Amount	(%)	Amount	(%)	Amount
Net assets							
I Shareholders' equity							
1. Common stock	—		2,144,000	4.7	—		—
2. Capital surplus	—		1,853,000	4.0	—		—
3. Retained surplus	—		9,136,311	19.8	—		—
4. Treasury stock	—		(32)	(0.0)	—		—
Total shareholders' equity			13,133,279	28.5			
II Difference of appreciation and conversion							
1. Net unrealized gain (loss) on other securities	—		218,694	0.5	—		—
2. Net gain (loss) on deferral hedge	—		7,914	0.0	—		—
3. Foreign currency translation adjustments	—		20,497	0.0	—		—
Total of difference of appreciation and conversion	—		247,106	0.5	—		—
III Minority interests	—		155,215	0.3	—		—
Total net assets	—		13,535,601	29.3	—		—
Total liabilities and net assets	—		46,154,310	100.0	—		—

2. Consolidated Statements of Income

(Thousand yen)

Item	Note	Jan. 1, 2005 – Jun. 30, 2005		Jan. 1, 2006 – Jun. 30, 2006		Change		Jan. 1, 2005 – Dec. 31, 2005	
		Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
I Net sales		54,123,414	100.0	58,688,022	100.0	4,564,608	8.4	112,474,303	100.0
II Cost of sales		50,145,363	92.7	54,626,048	93.1	4,480,685	8.9	104,114,288	92.6
Gross profit		3,978,050	7.3	4,061,973	6.9	83,922	2.1	8,360,014	7.4
III Selling, general and administrative expenses	*1	2,505,662	4.6	2,792,034	4.7	286,372	11.4	5,241,112	4.7
Operating income		1,472,388	2.7	1,269,938	2.2	(202,449)	(13.7)	3,118,901	2.7
IV Non-operating income									
1. Interest income		24,811		42,278				44,936	
2. Dividend income		19,913		28,164				22,152	
3. Amortization of consolidation goodwill		4,238		4,524				8,762	
4. Rent income		26,409		27,255				75,978	
5. Others		115,429	190,802	126,690	228,913	38,111	20.0	174,041	325,870
V Non-operating expenses									
1. Interest expenses		148,848		220,988				328,570	
2. Losses due to equity method		32,294		31,245				—	
3. Foreign exchange losses		116,510		111,082				38,077	
4. Others		66,937	364,591	58,551	421,867	57,275	15.7	97,905	464,553
Ordinary income		1,298,598	2.4	1,076,984	1.8	(221,614)	(17.1)	2,980,218	2.6
VI Extraordinary income									
1. Gain on sales of fixed assets	*2	2,657		6,465				86,437	
2. Reversal of allowance for doubtful accounts		4,928		35,850				47,005	
3. Gain on sales of shares in affiliated companies	*3	2,369,939		—				2,369,939	
4. Gain on sales of investment securities		—	2,377,525	—	42,316	(2,335,209)	(98.2)	46,594	2,549,976
VII Extraordinary loss									
1. Loss on sale of investment securities		—		283				56,617	
2. Loss on valuation of investment securities		26,858		—				3,053	
3. Loss on sale of fixed assets		—		32				4,422	
4. Loss on disposal of fixed assets	*4	241		24,972				1,396	
5. Expenses for refurbishment of head office	*5	—		10,435				—	
6. Provision for allowance for doubtful receivables	*6	—		189,584				—	
7. Loss on valuation of inventories	*7	619,451		—				639,414	
8. Loss on disposal of inventories	*8	—	646,551	—	225,308	(421,242)	(65.2)	249,843	954,747
Income before income taxes and minority interests		3,029,573	5.6	893,992	1.5	(2,135,580)	(70.5)	4,575,447	4.1
Current income taxes		1,022,962		598,402				1,375,978	
Deferred income taxes		(38,586)	984,375	127,770	726,172	(258,202)	(26.2)	562,663	1,938,642
Minority stockholder income or loss on minority interests		5,107	0.0	(15,668)	(0.0)	(20,776)	—	14,138	0.0
Net income		2,050,305	3.8	152,150	0.3	(1,898,154)	(92.6)	2,650,943	2.4

3. Consolidated Statements of Retained Surplus

(Thousand yen)

		Jan. 1, 2005 - Jun. 30, 2005		Jan 1, 2005 – Dec. 31, 2005	
Item	Note	Amount		Amount	
Capital surplus					
I Balance at beginning of period			1,853,000		1,853,000
II Balance at end of period			1,853,000		1,853,000
Retained surplus					
I Balance at beginning of period			6,745,222		6,745,222
II Increase in retained surplus					
1. Net income		2,050,305	2,050,305	2,650,943	2,650,943
III Decrease in retained surplus					
1. Dividends		63,000		157,499	
2. Bonuses to directors		20,000		20,000	
3. Decrease accompanying standard currency changes at overseas subsidiaries		—	83,000	123,005	300,505
IV Balance at end of period			8,712,527		9,095,660

4. Consolidated Statements of Changes in Stockholders' Equity

For the consolidated half year ended June 30, 2006 (January 1, 2006 – June 30, 2006)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained surplus	Treasury stock	Total shareholders' equity
Balance at December 31, 2005	2,144,000	1,853,000	9,095,660	(32)	13,092,628
Changes in consolidated interim fiscal year					
Dividends from retained surplus			(94,499)		(94,499)
Net income			152,150		152,150
Bonuses to directors			(17,000)		(17,000)
Total changes in consolidated interim fiscal year	—	—	40,651	—	40,651
Balance at June 30, 2006	2,144,000	1,853,000	9,136,311	(32)	13,133,279

(Thousand yen)

	Difference of appreciation and conversion				Minority interests	Total net assets
	Net unrealized gain (loss) on other securities	Net gain (loss) on deferral hedge	Foreign currency translation adjustments	Total of difference of appreciation and conversion		
Balance at December 31, 2005	312,393	—	19,578	331,972	151,057	13,575,658
Changes in consolidated interim fiscal year						
Dividends from retained surplus				—		(94,499)
Net income				—		152,150
Bonuses to directors				—		(17,000)
Net change of items other than shareholders' equity	(93,699)	7,914	919	(84,865)	4,158	(80,707)
Total changes in consolidated interim fiscal year	(93,699)	7,914	919	(84,865)	4,158	(40,056)
Balance at June 30, 2006	218,694	7,914	20,497	247,106	155,215	13,535,601

5. Consolidated Statements of Cash Flows

(Thousand yen)

		Jan. 1, 2005 – Jun. 30, 2005	Jan. 1, 2006 – Jun. 30, 2006	Jan. 1, 2005 – Dec. 31, 2005
Item	Note	Amount	Amount	Amount
I Operating activities				
1. Income before income taxes and minority interests		3,029,573	893,992	4,575,447
2. Depreciation		634,014	866,055	1,397,228
3. Amortization of consolidation goodwill		(4,238)	11,506	(8,762)
4. Change in provision for doubtful accounts		(12,304)	218,580	202,340
5. Interest and dividend income		(44,724)	(70,443)	(67,089)
6. Interest expenses		148,848	220,988	328,570
7. Foreign exchange gains and losses		116,510	111,082	38,077
8. Gains and losses due to equity method		32,294	31,245	(5,653)
9. (Increase) decrease in trade notes and accounts receivable		(956,040)	(1,184,091)	(33,702)
10. (Increase) decrease in inventories		(1,825,103)	(842,511)	(526,812)
11. (Increase) decrease in consumption taxes receivable		492,836	104,770	533,337
12. Increase (decrease) in trade notes and accounts payable		(331,850)	105,514	2,358,104
13. Increase (decrease) in advances received		—	878,182	—
14. Gain on sales of stock of affiliates		(2,369,939)	—	(2,369,939)
15. Loss on valuation of inventories		619,451	—	639,414
16. Others		766,607	292,479	84,159
Subtotal		295,935	1,637,351	7,144,721
17. Interest and dividends received		44,580	79,817	67,223
18. Interest paid		(149,476)	(199,359)	(330,329)
19. Income taxes paid		(644,157)	(981,915)	(1,088,050)
Net cash provided by (used in) operating activities		(453,118)	535,893	5,793,564
II Investing activities				
1. Purchase of tangible fixed assets		(877,561)	(1,119,111)	(3,995,493)
2. Proceeds from sales of tangible fixed assets		1,425	7,015	92,463
3. Purchases of intangible fixed assets		(6,793)	(42,222)	(19,958)
4. Purchases of investment securities		—	(70,517)	(15,996)
5. Proceeds from sales of investment securities		4,308	1,783	350,233
6. Payment for loans		(128,000)	—	(128,519)
7. Proceeds from recovered loans		650,153	5,102	682,604
8. Payment for investment in affiliates		—	(4,806)	—
9. Proceeds from sales of shares in affiliates		1,346,901	—	1,346,901
10. Others		32,956	(15,917)	(589,489)
Net cash provided by (used in) investing activities		1,023,390	(1,238,674)	(2,277,253)

(Thousand yen)

		Jan. 1, 2005 – Jun. 30, 2005	Jan. 1, 2006 – Jun. 30, 2006	Jan. 1, 2005 – Dec. 31, 2005
Item	Note	Amount	Amount	Amount
III Financing activities				
1. (Decrease) increase in short-term borrowings		(276,660)	(1,740,172)	(2,682,756)
2. Proceeds from long-term borrowings		—	1,418,665	500,000
3. Repayment of long-term borrowings		(429,938)	(556,506)	(932,795)
4. Dividends paid		(62,050)	(94,011)	(156,237)
5. Payment of dividends to minority shareholders		—	—	(8,418)
6. Proceeds from sale and lease back activities		239,773	76,334	1,579,866
7. Others		(45,899)	(63,084)	(389,913)
Net cash provided by (used in) financing activities		(574,775)	(958,774)	(2,090,255)
		161,704	(42,601)	405,269
IV Effect of exchange rate changes on cash and cash equivalents				
V Net increase (decrease) in cash and cash equivalents				
		157,201	(1,704,156)	1,831,325
VI Cash and cash equivalents at beginning of period				
		3,687,018	5,518,343	3,687,018
VII Cash and cash equivalents at end of period				
		3,844,219	3,814,186	5,518,343

(Segment Information)

Information by operating segment

Previous interim period (January 1, 2005 – June 30, 2005)

(Thousand yen)

	Electronics	Machinery	Others	Total	Eliminations and corporate	Consolidated
Net sales						
(1) Sales — outside customers	48,717,774	4,415,992	989,647	54,123,414	—	54,123,414
(2) Sales and transfer-inter-segment	15,005	1,634,682	—	1,649,687	(1,649,687)	—
Total	48,732,779	6,050,675	989,647	55,773,102	(1,649,687)	54,123,414
Operating expenses	46,727,686	6,035,924	936,901	53,700,511	(1,049,485)	52,651,026
Operating income	2,005,093	14,751	52,745	2,072,590	(600,202)	1,472,388

Current interim period (January 1, 2006 – June 30, 2006)

(Thousand yen)

	Electronics	Machinery	Other	Total	Eliminations and corporate	Consolidated
Net sales						
(1) Sales — outside customers	53,608,951	4,066,257	1,012,813	58,688,022	—	58,688,022
(2) Sales and transfer-inter-segment	—	597,536	—	597,536	(597,536)	—
Total	53,608,951	4,663,794	1,012,813	59,285,559	(597,536)	58,688,022
Operating expenses	51,822,011	4,648,692	959,833	57,430,537	(12,453)	57,418,083
Operating income	1,786,939	15,101	52,980	1,855,022	(585,083)	1,269,938

Previous year (January 1, 2005 – December 31, 2005)

(Thousand yen)

	Electronics	Machinery	Others	Total	Eliminations and corporate	Consolidated
Net sales						
(1) Sales — outside customers	100,714,306	9,650,578	2,109,418	112,474,303	—	112,474,303
(2) Sales and transfer-inter-segment	32,786	2,463,957	—	2,496,743	(2,496,743)	—
Total	100,747,092	12,114,535	2,109,418	114,971,046	(2,496,743)	112,474,303
Operating expenses	96,551,084	12,088,032	1,983,864	110,622,981	(1,267,580)	109,355,401
Operating income	4,196,008	26,503	125,553	4,348,064	(1,229,162)	3,118,901

Notes:

1. Operating segments are based on product similarities
2. Major products by operating segment

Section	Major products
Electronics section	Finished products, subassemblies, circuit board assemblies, components, and kits in the fields listed below: Communication devices (LCD modules and camera modules for mobile phones, etc.), vehicle-mounted devices (car audios, meters, front panels, etc.), information devices (scanners, printers, peripheral devices, etc.), household electrical products, and other industrial equipment (air conditioners, digital cameras, healthcare equipment, etc.), audio devices (portable audio players, etc.), and general electronic products
Machinery section	Motorcycle parts and materials, wire harnesses, electrical components such as spark plugs, general and industrial equipment and devices and related parts and materials
Other sections	Printing ink, synthetic chemicals, miscellaneous goods and other items

3. Operating expenses included under the heading "Eliminations and corporate" consist primarily of expenses related to the management divisions, mainly the general affairs and accounting divisions, at the parent company. Operating expenses included under "Eliminations and corporate" are as follows:

Previous interim period: 600,202 thousand yen

Current interim period: 604,500 thousand yen

Previous year: 1,229,162 thousand yen

Geographical Segment Information

Previous interim period (January 1, 2005 – June 30, 2005)

(Thousand yen)

	Japan	SE Asia	Europe	Other	Total	Eliminations and corporate	Consolidated
Net sales							
(1) Sales — outside customers	16,148,996	32,007,638	3,042,305	2,924,473	54,123,414	—	54,123,414
(2) Sales and transfers—inter-segments	11,198,135	4,398,955	213,073	872,197	16,682,361	(16,682,361)	—
Total	27,347,132	36,406,594	3,255,378	3,796,671	70,805,775	(16,682,361)	54,123,414
Operating expenses	26,622,423	34,979,815	3,429,105	3,690,047	68,721,391	(16,070,365)	52,651,026
Operating income or operating loss	724,708	1,426,778	(173,727)	106,623	2,084,384	(611,996)	1,472,388

Current interim period (January 2006 - June 30, 2006)

(Thousand yen)

	Japan	Asia	Europe	Americas	Total	Eliminations and corporate	Consolidated
Net sales							
(1) Sales — outside customers	16,280,412	38,035,753	1,404,931	2,966,925	58,688,022	—	58,688,022
(2) Sales and transfers-inter-segments	9,377,738	3,914,096	199,540	2,595,185	16,086,560	(16,086,560)	—
Total	25,658,151	41,949,850	1,604,471	5,562,110	74,774,583	(16,086,560)	58,688,022
Operating expenses	25,066,371	40,629,776	1,867,466	5,318,025	72,881,640	(15,463,556)	57,418,083
Operating income or operating loss	591,779	1,320,073	(262,995)	244,084	1,892,943	(623,004)	1,269,938

Previous year (January 1, 2005 – December 31, 2005)

(Thousand yen)

	Japan	SE Asia	Europe	Other	Total	Eliminations and corporate	Consolidated
Net sales							
(1) Sales — outside customers	32,951,799	68,279,775	5,048,602	6,194,125	112,474,303	—	112,474,303
(2) Sales and transfers—inter-segments	21,216,084	8,377,782	328,802	2,774,145	32,696,814	(32,696,814)	—
Total	54,167,883	76,657,558	5,377,404	8,968,270	145,171,117	(32,696,814)	112,474,303
Operating expenses	52,574,769	73,606,962	5,945,963	8,702,180	140,829,874	(31,474,473)	109,355,401
Operating income or operating loss	1,593,114	3,050,596	(568,558)	266,090	4,341,242	(1,222,341)	3,118,901

Notes:

1. Operating expenses included under the heading “Eliminations and corporate” consist primarily of expenses related to the management divisions, mainly the general affairs and accounting divisions, at the parent company. Operating expenses included under “Eliminations and corporate” are as follows:

Previous interim period: 600,202 thousand yen

Current interim period: 604,500 thousand yen

Previous year: 1,229,162 thousand yen

2. Method of geographical segmentation and major countries and regions in individual segments.

Method of geographical segmentation:

Geographic proximity

Major areas and countries in geographical segments:

Asia: China, Singapore, Philippines, Taiwan, and Thailand

Europe: Germany

Americas: USA

3. Changes in segments in the Geographical Segment Information table

The former segment “Other” was changed to “Americas” because of the increase in the importance of this region due to the high contribution this segment made to net sales in this interim period. The amounts of net sales and operation income (loss) in the “Americas” segment are comparable to the amounts in the “Other” segment in the previous interim period and the previous year.

In addition, the former segment “Southeast Asia” was changed to “Asia” from this interim period because of the increase in the importance of China. With this change, no changes will be made to the location and the details of this geographical segment.

Overseas Sales

Previous interim period (January 1, 2005 – June 30, 2005)

	SE Asia	Europe	N. America	Other	Total
I Overseas sales (thousand yen)	33,784,642	2,616,759	4,703,812	1,683,528	42,788,742
II Consolidated sales (thousand yen)					54,123,414
III Share of overseas sales in consolidated sales (%)	62.4	4.9	8.7	3.1	79.1

Current interim period (January 1, 2006 – June 30, 2006)

	Asia	Europe	N. America	Other	Total
I Overseas sales (thousand yen)	37,069,883	3,163,379	4,414,322	1,434,194	46,081,779
II Consolidated sales (thousand yen)					58,688,022
III Share of overseas sales in consolidated sales (%)	63.2	5.4	7.5	2.4	78.5

Previous year (January 1, 2005 – December 31, 2005)

	SE Asia	Europe	N. America	Other	Total
I Overseas sales (thousand yen)	70,687,353	5,285,492	9,062,837	3,748,276	88,783,960
II Consolidated sales (thousand yen)					112,474,303
III Share of overseas sales in consolidated sales (%)	62.8	4.7	8.1	3.3	78.9

Notes:

1. Method of geographical segmentation and major countries and regions in individual segments.

- Method of geographical segmentation:

- Geographic proximity

- Major areas and countries in geographical segments:

- Asia: China, Singapore, Philippines, and Thailand

- Europe: Germany, France, and Italy

- North America: USA

- Other: Central and South America, Oceania

2. Changes in segments in Overseas Sales table

Although we previously used segments including “Southeast Asia,” “Europe,” “North America,” and “Other”, we changed “Southeast Asia” to “Asia” from this interim period because of the increase in the importance of China. With this change, no changes will be made to countries or areas and the details of this segment.