

# Consolidated Financial Results for the Third Quarter of FY2007/3 (April 1, 2006 to December 31, 2006)

January 29, 2007

Company:	Densei-Lambda K.K.	Code number: 6917
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## 1. Notes to the Quarterly Financial Results:

- (1) Use of simplified accounting method: No
- (2) Changes in accounting method from the most recent fiscal year: No
- (3) Changes in scope of consolidation and equity method: No

## 2. Consolidated Financial Results for the Third Quarter of FY2007/3 (April 1, 2006 to December 31, 2006)

### (1) Consolidated Financial Results

	Net sales	Operating income	Ordinary income	Net income
	JPY million	JPY million	JPY million	JPY million
FY2007/3 (Q3)	37,936 (51.8%)	- 218 ( -- %)	- 294 ( -- %)	- 805 ( -- %)
FY2006/3 (Q3)	24,990 ( 1.7%)	1,459 (13.9%)	1,569 (12.0%)	622 (23.3 %)
(For reference) FY2006/3 full year	JPY million 39,441	JPY million 1,837	JPY million 2,012	JPY million - 119

	Net income per share (Basic)	Net income per share (Diluted)
	JPY	JPY
FY2007/3 (Q3)	- 37.41	--
FY2006/3 (Q3)	28.93	28.86
(For reference) FY2006/3 full year	JPY - 6.46	JPY --

Notes: Figures in bracket under net sales, operating income, etc. refer to year-on-year percentage change

### [Information regarding Consolidated Financial Results]

In this third quarter, Japanese economy had been slowly recovering as a whole, thanks to continuing capital investments supported by high-level corporate earnings, despite recently sluggish consumer spending.

Under such circumstance, Densei-Lambda Group has made efforts to develop new customers or make closer relationship with existing customers inside/outside of Japan, collaborating with TDK Group. In addition, it has continued cost reduction efforts by promoting Manufacturing Reform Initiative and aggressive procurement from local vendors in order to improve profitability and reinforce business base.

Accordingly, because of sales contribution by Lambda EU and US, which had been acquired in the previous fourth quarter for the purpose of increasing sales in the EU and US markets, consolidated sales through this third quarter amounted to 37,936 million yen (+51.8% y-o-y). In terms of profit, due to increased SG&A cost caused by goodwill amortization for the acquisition and ERP implementation cost in Lambda US, operating loss through this third quarter was 218 million yen (operating income: 1,459 million yen in the previous year) and ordinary loss through this third quarter was 294 million yen (ordinary income: 1,569 million yen in the previous year).

Furthermore, despite gain on sales of fixed assets (idle property) as extraordinary income, due to increase in corporate tax adjustment, net loss amounted to 805 million yen (net income: 622 million yen in the previous year).

## (2) Changes in Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	JPY million	JPY million	JPY million	JPY million
FY2007/3 (Q3)	40,598	17,539	45.1	812.95
FY2006/3 (Q3)	34,524	19,079	55.3	886.64
(For reference) FY2006/3 full year	39,672	17,959	45.3	833.96

### [Consolidated Statements of Cash Flows]

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	JPY million	JPY million	JPY million	JPY million
FY2007/3 (Q3)	- 990	- 49	834	4,243
FY2006/3 (Q3)	- 1,573	- 663	888	3,292
(For reference) FY2006/3 full year	2,001	- 6,398	3,939	4,199

### [Information regarding Changes in Consolidated Financial Position]

Total assets at the end of this third quarter increased by 6,073 million yen from the end of the previous year to 40,598 million yen due to increase in current assets such as notes and accounts receivable and inventories. Total liabilities increased by 7,641 million yen to 23,059 million yen mainly due to increase in current liabilities such as notes and accounts payable and short-time borrowings. Net assets were 17,539 million yen due to decrease in shareholders' equity.

### [Statements of Cash Flows]

Cash and cash equivalent at the end of this third quarter increased by 44 million yen from the end of the previous year to 4,243 million yen.

Cash flows from operating activities decreased by 990 million yen because an outflow such as net loss before taxes and other adjustments (150 million yen), increase in inventories (2,314 million yen) and decrease in notes and accounts payable (595 million yen) exceeded an inflow such as depreciation (1,104 million yen) and amortization of goodwill (2,182 million yen).

Cash flows from investing activities decreased by 49 million yen because an outflow by acquisition of tangible fixed assets (726 million yen) and intangible fixed assets (149 million yen) exceeded an inflow by selling of idle property (825 million yen).

Cash flows from financing activities increased by 834 million yen because an inflow by refinancing of short-term borrowings (1,593 million yen) exceeded an outflow by payment of long-term borrowings (545 million yen) and dividends paid (215 million yen).

### [Reference]

#### Consolidated Financial Forecast for FY2007/3 (April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	JPY million	JPY million	JPY million
Full year	52,300	1,300	- 400

Note: The estimated net income per share for the fiscal year is -18.57 yen.

### [Information regarding Financial Forecast]

No change was made to the forecast that was published on July 26, 2006.

\*The above forecast is based on the information available as of the date when this information is disclosed, so our actual performance could be different from it due to possible factors from now on.

Quarterly Consolidated Balance Sheets (Summary)

(Thousands of yen)

	FY2007/3 Third Quarter (As of December 31, 2006)		FY2006/3 Third Quarter (As of December 31, 2005)		Change		FY2006/3 (As of March 31, 2006)	
		%		%		%		%
<b>[ ASSETS ]</b>								
<b>I. Current assets</b>	<b>28,950,873</b>	<b>71.3</b>	<b>23,193,849</b>	<b>67.2</b>	<b>5,757,024</b>	<b>24.8</b>	<b>25,420,558</b>	<b>64.1</b>
1 Cash and deposits	4,243,869		3,302,761		941,108		4,209,042	
2 Notes and accounts receivable-trade	13,476,694		11,510,284		1,966,409		12,873,335	
3 Inventories	9,734,002		6,957,617		2,776,384		7,156,941	
4 Others	1,496,307		1,423,185		73,121		1,181,239	
<b>II. Fixed assets</b>	<b>11,647,244</b>	<b>28.7</b>	<b>11,330,838</b>	<b>32.8</b>	<b>316,405</b>	<b>2.8</b>	<b>14,252,053</b>	<b>35.9</b>
1 Tangible fixed assets	8,787,227		7,564,865		1,222,361		9,185,784	
2 Intangible fixed assets	1,785,293		1,100,108		685,185		3,992,854	
3 Investments and others	1,074,723		2,665,864		-1,591,141		1,073,415	
<b>Total assets</b>	<b>40,598,118</b>	<b>100.0</b>	<b>34,524,687</b>	<b>100.0</b>	<b>6,073,430</b>	<b>17.6</b>	<b>39,672,612</b>	<b>100.0</b>
<b>[ LIABILITIES ]</b>								
<b>I. Current liabilities</b>	<b>18,829,280</b>	<b>46.4</b>	<b>11,302,208</b>	<b>32.7</b>	<b>7,527,071</b>	<b>66.6</b>	<b>17,998,362</b>	<b>45.3</b>
1 Notes and accounts payable-trade	7,653,203		7,027,372		625,831		7,967,800	
2 Short-term borrowings	6,062,643		1,386,336		4,676,307		4,469,210	
3 Current portion of long-term debt	1,292,593		590,000		702,593		1,792,213	
4 Others	3,820,838		2,298,500		1,522,338		3,769,139	
<b>II. Long-term liabilities</b>	<b>4,229,836</b>	<b>10.4</b>	<b>4,114,942</b>	<b>11.9</b>	<b>114,894</b>	<b>2.8</b>	<b>3,686,844</b>	<b>9.3</b>
1 Long-term debt	212,863		1,500,000		-1,287,136		259,622	
2 Reserve for employees' retirement benefits	1,656,590		1,876,442		-219,851		1,836,078	
3 Others	2,360,382		738,500		1,621,881		1,591,143	
<b>Total liabilities</b>	<b>23,059,116</b>	<b>56.8</b>	<b>15,417,151</b>	<b>44.6</b>	<b>7,641,965</b>	<b>49.6</b>	<b>21,685,206</b>	<b>54.6</b>
<b>I. Shareholders' equity</b>	<b>17,025,463</b>	<b>41.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1 Common stock	2,950,110	7.3	-	-	-	-	-	-
2 Additional paid-in capital	2,813,140	6.9	-	-	-	-	-	-
3 Retained earnings	11,757,485	28.9	-	-	-	-	-	-
4 Treasury stock	-495,272	-1.2	-	-	-	-	-	-
<b>II. Revaluation and translation difference</b>	<b>486,172</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1 Unrealized gains or losses on other securities	354,883	0.9	-	-	-	-	-	-
2 Revaluation account for land	272,218	0.6	-	-	-	-	-	-
3 Foreign currency translation adjustments	-140,928	-0.3	-	-	-	-	-	-
<b>III. Minority Interest in Consolidated Companies</b>	<b>27,364</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>17,539,001</b>	<b>43.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>40,598,118</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>[ MINORITY INTEREST IN CONSOLIDATED COMPANIES ]</b>								
	-	-	27,841	0.1	-	-	28,146	0.1
I Common stock	-	-	2,941,025	8.5	-	-	2,946,516	7.4
II Additional paid-in capital	-	-	2,803,150	8.1	-	-	2,809,555	7.1
III Retained earnings	-	-	13,337,920	38.6	-	-	12,803,687	32.3
IV Revaluation account for land	-	-	479,737	1.4	-	-	272,218	0.7
V Unrealized gains or losses on other securities	-	-	810,430	2.4	-	-	355,353	0.9
VI Foreign currency translation adjustments	-	-	-800,992	-2.3	-	-	-738,166	-1.9
VII Treasury stock	-	-	-491,576	-1.4	-	-	-489,904	-1.2
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>19,079,694</b>	<b>55.3</b>	<b>-</b>	<b>-</b>	<b>17,959,259</b>	<b>45.3</b>
<b>Total liabilities, minority interest in consolidated companies and shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>34,524,687</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>39,672,612</b>	<b>100.0</b>

## Quarterly Consolidated Statements of Income (Summary)

(Thousands of yen)

	FY2007/3 Third Quarter (From April 1, 2006 to December 31, 2006)		FY2006/3 Third Quarter (From April 1, 2005 to December 31, 2005)		Change		FY2006/3 Full Year (From April 1, 2005 to March 31, 2006)	
		%		%		%		%
<b>I. Net sales</b>	<b>37,936,879</b>	<b>100.0</b>	<b>24,990,944</b>	<b>100.0</b>	<b>12,945,934</b>	<b>51.8</b>	<b>39,441,676</b>	<b>100.0</b>
<b>II. Cost of sales</b>	26,063,023	68.7	18,017,170	72.1	8,045,852	44.7	28,294,696	71.7
Gross Profit	<b>11,873,855</b>	<b>31.3</b>	<b>6,973,773</b>	<b>27.9</b>	<b>4,900,081</b>	<b>70.3</b>	<b>11,146,979</b>	<b>28.3</b>
<b>III. Selling, general and administrative expenses</b>	12,092,548	31.9	5,514,730	22.1	6,577,817	119.3	9,309,821	23.6
Operating income (loss)	<b>-218,692</b>	<b>-0.6</b>	<b>1,459,043</b>	<b>5.8</b>	<b>-1,677,735</b>	-	<b>1,837,158</b>	<b>4.7</b>
<b>IV. Non-operating income</b>	183,478	0.5	180,524	0.7	2,953	1.6	285,541	0.7
<b>V. Non-operating expenses</b>	259,718	0.7	70,225	0.2	189,493	269.8	110,121	0.3
Ordinary income (loss)	<b>-294,932</b>	<b>-0.8</b>	<b>1,569,342</b>	<b>6.3</b>	<b>-1,864,275</b>	-	<b>2,012,577</b>	<b>5.1</b>
<b>VI. Extraordinary income</b>	315,385	0.8	22,007	0.1	293,377	-	1,017,649	2.6
<b>VII. Extraordinary losses</b>	170,776	0.4	425,637	1.7	-254,861	-59.9	1,312,603	3.3
Net income (loss) before taxes and other adjustments	<b>-150,323</b>	<b>-0.4</b>	<b>1,165,713</b>	<b>4.7</b>	<b>-1,316,036</b>	-	<b>1,717,624</b>	<b>4.4</b>
Corporate, inhabitant and enterprise taxes	430,318	1.1	141,273	0.6	289,044	204.6	310,339	0.8
Deferred tax	227,404	0.6	400,240	1.6	-172,836	-43.2	1,524,854	3.9
Minority interest in income (loss) of consolidated subsidiaries	-2,255	-0.0	1,559	0.0	-3,814	-244.6	1,542	0.0
Net income (loss) for the term	<b>-805,790</b>	<b>-2.1</b>	<b>622,639</b>	<b>2.5</b>	<b>1,428,429</b>	-	<b>-119,112</b>	<b>-0.3</b>

## Quarterly Consolidated Statements of Changes in Shareholders' Equity (Summary)

(Thousands of yen)

FY2007/3 Third Quarter (From April 1, 2006 to December 31, 2006)	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	2,946,516	2,809,555	12,803,687	-489,904	18,069,854
Changed amount during the period					
Issuance of new shares	3,594	3,585			7,179
Dividends from retained earnings*			-215,372		-215,372
Directors' bonuses*			-22,520		-22,520
Net loss			-805,790		-805,790
Acquisition of treasury stock				-5,367	-5,367
Employees' welfare fund			-2,519		-2,519
Changed amount except shareholders' equity during the period					
Total changed amount during the period	3,594	3,585	-1,046,202	-5,367	-1,044,390
Balance as of December 31, 2006	2,950,110	2,813,140	11,757,485	-495,272	17,025,463

(Thousands of yen)

FY2007/3 Third Quarter (From April 1, 2006 to December 31, 2006)	Revaluation and Translation Difference				Minority interest in consolidated subsidiaries	Total net assets
	Unrealized gains or losses on other securities	Revaluation account for land	Foreign currency translation adjustments	Total revaluation and translation difference		
Balance as of March 31, 2006	355,353	272,218	-738,166	-110,595	28,146	17,987,405
Changed amount during the period						
Issuance of new shares						7,179
Dividends from retained earnings*						-215,372
Directors' bonuses*						-22,520
Net loss						-805,790
Acquisition of treasury stock						-5,367
Employees' welfare fund						-2,519
Changed amount except shareholders' equity during the period	-470	-	597,238	596,768	-781	595,986
Total changed amount during the period	-470	-	597,238	596,768	-781	-448,404
Balance as of December 31, 2006	354,883	272,218	-140,928	486,172	27,364	17,539,001

\*Profit appropriation matters resolved at the Ordinary General Meeting of Shareholders in June 2006 and interim dividend resolved at the Board of Directors Meeting in October 2006.

## Quarterly Consolidated Statements of Retained Earnings (Summary)

(Thousands of yen)

	FY2007/3 Third Quarter (From April 1, 2006 to December 31, 2006)	FY2006/3 Third Quarter (From April 1, 2005 to December 31, 2005)	FY2006/3 Full Year (From April 1, 2005 to March 31, 2006)
[ CAPITAL SURPLUS ]			
<b>I.</b> Capital surplus at beginning of period	-	2,803,150	2,803,150
<b>II.</b> Increase of capital surplus	-	-	6,405
<b>III.</b> Capital surplus at end of period	-	2,803,150	2,809,555
[ RETAINED EARNINGS ]			
<b>I. Retained earnings at beginning of period</b>	-	12,955,307	12,955,307
<b>II. Increase of retained earnings</b>	-	622,639	207,518
<b>III. Decrease of retained earnings</b>	-	240,026	359,138
<b>IV. Retained earnings at end of period</b>	-	13,337,920	12,803,687

## Quarterly Consolidated Statements of Cash Flows (Summary)

(Thousands of yen)

	FY2007/3 Third Quarter (From April 1, 2006 to December 31, 2006)	FY2006/3 Third Quarter (From April 1, 2005 to December 31, 2005)	FY2006/3 Full Year (From April 1, 2005 to March 31, 2006)
<b>I. Cash flows from operating activities</b>			
Net income (loss) before taxes and other adjustments	-150,323	1,165,713	1,717,624
Depreciation	1,104,470	746,791	1,097,641
Impairment losses	-	183,173	894,851
Goodwill	2,182,627	-	727,542
Increase (decrease) in other allowances	-282,076	-411,575	2,830
Interest and dividend income	-71,446	-54,895	-67,774
Interest expenses	114,450	50,378	80,355
Decrease (increase) in notes and accounts receivable	-168,507	-1,834,080	-845,647
Decrease (increase) in inventories	-2,314,953	-2,813,475	-1,455,370
Increase (decrease) in notes and accounts payable	-595,790	1,452,651	1,036,994
Others	-808,996	-58,573	-1,187,242
Net cash used in (provided by) operating activities	-990,544	-1,573,892	2,001,804
<b>II. Cash flows from investing activities</b>			
Payments for acquisition of tangible fixed assets	-726,200	-678,113	-884,231
Payments for acquisition of intangible fixed assets	-149,688	-67,827	-95,190
Others	825,928	82,290	-5,419,247
Net cash used in investing activities	-49,960	-663,650	-6,398,668
<b>III. Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	1,593,434	1,139,500	4,222,374
Proceeds from increase in long-term debt / Payments for long-term debt	-545,000	-30,000	-
Dividends paid	-215,372	-215,221	-215,221
Others	1,813	-6,045	-67,478
Net cash provided by (used in) financing activities	834,875	888,234	3,939,675
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	250,456	232,424	246,586
<b>V. Increase (decrease) in cash and cash equivalents</b>	44,827	-1,116,884	-210,603
<b>VI. Cash and cash equivalents at beginning of period</b>	4,199,042	4,409,645	4,409,645
<b>VII. Cash and cash equivalents at end of period</b>	4,243,869	3,292,761	4,199,042