

July 31, 2008

Summary Report on Financial and Business Results for the First Quarter of the Fiscal Year Ending March 2009

List of Company: Daiwabo Information System Co., Ltd.
Code No.: 9912 URL: <http://www.pc-daiwabo.co.jp/>

Listing Stock Exchange (Section)
Tokyo Stock Exchange (1st)
Osaka Securities Exchange (1st)

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Scheduled date to securities statements: August 13, 2008

(Fractions of less than 1 millions of yen are omitted)

1. Consolidated business results for the first quarter of the fiscal year ending March 2009 (April 1, 2008 – June 30, 2008)

(1) Business Results (consolidated)

(Percentages indicate the rates of increase/decrease relative to the same period of the preceding year.)

	Net Sales		Operating Income		Ordinary Income		Net Income for the Current Quarter	
	million of yen	%	million of yen	%	million of yen	%	million of yen	%
March 2009, first quarter	86,104	-	505	-	405	-	147	-
March 2008, first quarter	80,480	-2.0	-56	-	-116	-	-162	-

	Net Income per Share	Net Income per Share (Diluted)
	Yen Sen	Yen Sen
March 2009, first quarter	7.67	7.59
March 2008, first quarter	-8.43	-8.35

(2) Financial Position (consolidated)

	Total Assets	Net Assets	Ratio of Shareholder's Equity to Total Assets	Net assets per share
	million of yen	million of yen	%	yen sen
March 2009, first quarter	111,302	38,109	34.2	1,980.10
Year Ended March 31, 2008	136,334	38,436	28.2	1,997.19

(Reference)

Shareholders' equity

Fiscal year ended March 2009: 38,109 million yen

Fiscal year ended March 2008: 38,436 million yen

2. Dividends

Base date	Dividend per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the fiscal year	Year
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
Year ended March 2008	-	15.00	-	25.00	40.00
Year ending March 2009	-	_____	_____	_____	_____
Year ending March 31, 2009(Projected)	_____	15.00	-	15.00	30.00

(Note) Necessity to modify the project dividends for the current quarter None

3. Projected consolidated business results for the fiscal year ending March 2009

(April 1, 2008 – March 31, 2009)

(Percentages indicate the rate of increase/decrease relative to the preceding year for full-term results and to the same period of the preceding year for midterm results.)

	Net sales		Operating income		Ordinary income		Current net income		Current net income per share
	million of yen	%	million of yen	%	million of yen	%	million of yen	%	yen sen
6 Months ending September 30, 2008	183,000	4.7	1,250	13.7	1,150	13.0	650	14.0	33.77
Year ending March 31, 2009	407,000	6.5	5,100	16.6	4,900	21.2	2,700	33.4	140.29

4. Others

- (1) Important transfers in subsidiaries during the term (transfers of specific subsidiaries that need a change of consolidation scope). None

New Elimination

- (2) Application of simplified accounting rules and accounting rules specific to the publication of the quarterly consolidated financial statements Yes

Please see “4. Others” in “Qualitative Information and Financial Statements” for details.

- (3) Changes in accounting rules, procedures, and presentations related to publication of the quarterly consolidated financial statements (important items required to be published in the quarterly consolidated financial statements)

- 1) Changes in association with modification of accounting rules Yes

- 2) Changes other than 1) Yes

Please see “4. Others” in “Qualitative Information and Financial Statements” for details.

- (4) Number of outstanding shares (common shares)

- 1) Number of outstanding shares at end term (including own shares)
First quarter of the fiscal year ending March 2009: 19,293,998 stocks
Fiscal year ended March 2008: 19,292,520 stocks

- 2) Own shares at end term
First quarter of the fiscal year ending March 2009: 47,680 stocks
Fiscal year ended March 2008: 47,120 stocks

- 3) Average shares during term (consolidated)
First quarter of the fiscal year ending March 2009: 19,245,683 stocks
First quarter of the fiscal year ended March 2008: 19,242,801 stocks

*Explanation for correct utilization of the projected consolidated business results, and other remarks

1. The net income per share of the projected consolidated business results released on May 8, 2008 was changed because of the conversion of bonds with share warrants to shares. No other values in the projected consolidated business results were changed.

2. The predictions presented above are based on information that could be obtained up to the date this material was announced. Owing to various subsequent changes, actual results may differ greatly from these predictions.

3. Beginning this consolidated fiscal year, the “accounting rules related to the quarterly consolidated financial statements” (Corporate accounting rules No. 12) and “Guidelines for application of accounting rules related to the quarterly financial statements” (Guidelines for application of corporate accounting rules No. 14) were applied to the presentation, and the quarterly consolidated financial statements were published in accordance with the “Rules of the quarterly consolidated financial statements.”

Qualitative Information and Financial Statements

1. Qualitative information on consolidated business results

The soaring prices of crude oil and raw materials suppressed corporate profit in the first quarter of the current fiscal year, and the Japanese economy remained listless because of the sluggish growth of corporate capital investment and personal consumption.

As regards the PC business, the personal user market was active thanks to the growing popularity of small notebook PCs, while new models saw steady sales as “Windows Vista” became widespread. However, the corporate user market experienced slow growth despite robust IT investment because corporate performance was severely damaged by the soaring prices of crude oil and raw materials.

In the business environment described above, our group recorded net sales of ¥86,104 million, an operating income of ¥505 million, an ordinary income of ¥405 million, and a net income of ¥147 million on a consolidated basis in the first quarter of the current fiscal year.

2. Qualitative information on the consolidated financial position

Total assets decreased ¥25,031 million from the end of the preceding fiscal year to ¥111,302 million at the end of the first quarter of the current fiscal year. Likewise, current assets decreased ¥24,777 million to ¥91,091 million mainly because notes and accounts receivable decreased by ¥23,949 million. Fixed assets decreased ¥253 million to ¥20,211 million because tangible fixed assets decreased by ¥88 million, intangible fixed assets decreased by ¥115 million, and investment and other assets decreased by ¥49 million.

Total liabilities decreased ¥24,704 million from the end of the preceding fiscal year to ¥73,193 million at the end of the first quarter of the current fiscal year. Likewise, current liabilities decreased ¥25,364 million to ¥65,565 million mainly because notes and accounts payable decreased by ¥20,734 million and because we paid income tax to decrease the accrued income tax by ¥1,447 million.

Fixed liabilities increased ¥660 million to ¥7,627 million because long-term debt increased by ¥620 million. Net assets decreased ¥327 million from the end of the preceding fiscal year to ¥38,109 million mainly because the allocation of the net income of the current quarter increased net assets by ¥147 million, while the payment of dividends decreased them by ¥481 million. As a result, the equity ratio increased from 28.2% in the preceding fiscal year to 34.2%.

3. Qualitative information on the projected consolidated business results

In the personal computer industry, corporate IT investment is expected to remain robust thanks to the demand for energy-saving products and the introduction of a new operating system despite concern over the decelerating world economy and uncertain factors including soaring raw material prices.

The predictions are based on information that could be obtained at this time, but actual results may differ greatly from these predictions because of various factors. It should be noted that the net income per share of the projected consolidated business results was modified because the conversion of bonds with share warrants to shares increased the number of outstanding shares. No other values of the projected consolidated business results have been modified since May 5, 2008 when the projected consolidated business results were released.

4. Others

- (1) Important transfers in subsidiaries during the term (Transfers in specific subsidiaries that require modification of the consolidation boundary)

None

- (2) Application of the simplified accounting procedures and application of accounting procedures specific to the publication of quarterly consolidated financial statements.

1. Calculation method of estimated bad debts of general receivables

We calculated the estimated bad debts by applying the loan loss ratio that was used at the end of the consolidated accounting of the preceding year because no difference was observed between the loan loss ratio of the current quarter and that at the end of the consolidated accounting procedure for the preceding year.

2. Calculation of tax expense

As for tax expense, we reasonably estimated the effective tax rate after applying tax effect accounting against net income before income tax of the consolidated accounting year that included the first quarter, and multiplied the net pre-tax income for the quarter by the resulting estimated effective tax rate.

(3) Changes in accounting rules, procedures, and presentations related to publication of consolidated financial statements

1. Beginning in this consolidated fiscal year, the “accounting rules related to the quarterly consolidated financial statements” (Corporate accounting rule No. 12) and “Guidelines for application of accounting rules related to the quarterly financial statements” (Guidelines for application of corporate accounting rule No. 14) were applied, and the quarterly consolidated financial statements were published in accordance with the “Rules of the quarterly consolidated financial statements.”
2. We primarily used a cost method based on the moving average method for inventory that we hold for standard sales. However, inventories were calculated mainly by a cost method based on the moving average method because “Criteria for evaluation of inventories” (Corporate accounting standard No. 9 enacted on July 5, 2006) were applied beginning in the first quarter of this consolidated fiscal year. (As for values in the balance sheet, we used write-down of book values based on the decreased profitability.) No difference was observed between the profit and loss results calculated by the traditional method and those calculated by the method mentioned above.
3. As regards the ownership non-transfer finance lease, we have traditionally applied accounting procedures equivalent to those used for a standard lease contract. However, it became possible to apply “Accounting rules on lease transaction” (Corporate accounting rule No. 13 published by the First Section of the Council of Corporate Accounting on June 17, 1993, and revised on March 30, 2007) and “Guideline to apply accounting rules for lease transactions: Guideline to apply corporate accounting rule No.16 published by Accounting Practice Committee of The Japanese Institute of Certified Public Accountants on January 18, 1994, and revised on March 30, 2007) to the quarterly financial statements for the fiscal year starting on April 1, 2008.

In accordance with the above changes in the law, we undertook the accounting procedure for standard transactions by applying the above accounting standards beginning in the first quarter of the current consolidated fiscal year.

With respect to the depreciation method for the lease assets involved in the ownership non-transfer finance lease, we used a straight-line method that specifies the lease period as the service life and sets the residual value at zero. Neither profit nor loss was affected by this decision. We processed the ownership non-transfer finance lease that we started before March 31, 2008 using the method applied to the standard lease transaction.

(4) Additional information

Because the ordinary general meeting held in June 2008 resolved to discontinue paying retirement benefits to directors, we eliminated the entire allowance for retirement benefits for directors beginning with the quarterly financial statements of the current fiscal year, and the unpaid amount was transferred to other sections of the fixed assets of the balance sheet.

5. Quarterly consolidated financial statements
 (1) Quarterly consolidated balance sheet

(Unit: million yen)

Condensed consolidated balance sheet for the preceding fiscal year (March 31, 2008)

	End of the first quarter of the current fiscal year (June 30, 2008)	Condensed consolidated balance sheet for the preceding fiscal year (March 31, 2008)
Assets		
Current assets		
Cash and deposits	1,719	767
Notes and accounts receivable	67,635	91,585
Merchandise	17,544	17,830
Work-in-process	18	9
Accrued revenue	3,156	4,757
Others	1,168	1,116
Allowance for doubtful accounts	-152	-197
Total current assets	91,091	115,869
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,953	6,950
Accumulated depreciation	-3,335	-3,280
Land and structures (Net value)	3,618	3,670
Land	9,094	9,094
Others	1,929	1,927
Accumulated depreciation	-1,435	-1,396
Other tangible assets (Net value)	494	531
Total tangible fixed assets	13,206	13,295
Intangible fixed assets		
Software	1,318	1,436
Others	429	427
Total intangible fixed assets	1,748	1,863
Investments and other assets		
Investments in securities	2,588	2,632
Other assets	3,306	3,298
Allowance for doubtful debts	-638	-624
Total investments and other assets	5,256	5,305
Total fixed assets	20,211	20,464
Total assets	111,302	136,334

(Unit: million yen)

	End of the first quarter of the current fiscal year (June 30, 2008)	Condensed consolidated balance sheet for the preceding fiscal year (March 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable	61,149	81,883
Short-term loans payable	-	1,700
Long-term loans payable within one year	542	1,257
Accrued income taxes	206	1,654
Allowance	593	1,253
Other current liabilities	3,073	3,180
Total current liabilities	65,565	90,930
Fixed liabilities		
Bonds with subscription right to shares	1,037	1,039
Long-term debts	4,121	3,501
Allowances	724	1,000
Other fixed liabilities	1,744	1,426
Total fixed liabilities	7,627	6,967
Total liabilities	73,193	97,897
Net assets		
Shareholders' equity		
Capital	11,301	11,300
Capital surplus	11,481	11,480
Retained earnings	15,362	15,695
Treasury stocks	-68	-67
Total shareholders' equity	38,076	38,408
Valuation and translation adjustments		
Valuation differential amounts of other securities	34	27
Deferred hedge gain	-1	-
Total valuation and translation adjustments	33	27
Total Net Assets	38,109	38,436
Total Liabilities and Net Assets	111,302	136,334

(2) Quarterly Income Statement
(Consolidated income statements for the first quarter)

(Unit: million yen)

Accumulated income statement for the first quarter of the current fiscal year(April 1, 2008 – June 30, 2008)	
Net sales	86,104
Cost of sales	79,418
Gross profit	6,686
Selling, general and administrative expenses	6,180
Operating income	505
Nonoperating income	
Interest income	1
Dividend income	7
Sales support	11
Others	32
Total nonoperating income	53
Nonoperating expenses	
Interest expenses	29
Investment loss on equity method	24
Survey and consulting expenses	56
Others	43
Total nonoperating expenses	153
Ordinary income	405
Extraordinary income	
Variable income on equity method	0
Total extraordinary income	0
Extraordinary loss	
Total extraordinary loss	-
Quarterly income before income taxes	405
Corporate tax, resident tax, and business tax	241
Adjustment of corporate tax, and others	16
Total corporate tax and others	258
Quarterly next income	147

(3) Consolidated Cash Flow Statements

(Unit: million yen)

Accumulated income statement for the first quarter of the current fiscal year (April 1, 2008 – June 30, 2008)	
Cash Flow from Operating Activities:	
Quarterly income before adjustment of corporate tax, and others	405
Depreciation	245
Decrease in accrued bonus	-568
Decrease in allowance for directors' bonuses	-92
Decrease in allowance for directors' retirement benefits	-292
Increase in allowance for retirement benefits	16
Decrease in allowance for doubtful accounts	-32
Decrease in interest and dividend income	-9
Interest expenses	29
Investment gain on equity method	24
Increase in notes and accounts receivable	23,750
Increase in accrued income	1,601
Increase in inventories	277
Decrease in notes and accounts payable	-20,737
Increase in other accounts payable	278
Others	51
Subtotal	4,947
Interest and dividends received	32
Interest paid	-28
Corporate taxes paid	-1,669
Net cash provided by operating activities	3,281
Cash Flow from Investment Activities	
Expenditure for acquisition of tangible fixed assets	-23
Gain on sale of tangible fixed assets	1
Expenditure for acquisition of investment securities	-0
Gain on sales of investment securities	2
Others	-32
Net cash used in investment activities	-52
Cash Flow from Financing Activities	
Net decrease in short-term loans	-1,700
Proceeds from issuance of long-term debts	700
Payment of long-term debts	-795
Expenditure for acquisition of treasury stocks	-1
Dividend paid	-481
Net cash used in financing activities	-2,277
Net Increase in Cash and Cash Equivalents	952
Cash and Cash Equivalents at Beginning of Quarter	767
Cash and Cash Equivalents at End of Quarter	1,719

- (4) Notes on the going concern assumption
None

(5) Segment information

a. Segment information by business

The business segment information on the Company and its subsidiaries for the first quarter (April 1, 2008 – June 30, 2008)

	Wholesales distribution of Information Equipment (million yen)	Support Services (million yen)	System Integration (million yen)	Total (million yen)	Elimination and Corporate (million yen)	Consolidated Total (million yen)
Sales						
(1) Sales to outside customers	84,557	150	1,395	86,104	-	86,104
(2) Intersegment sales	41	615	116	772	-772	-
Total sales	84,598	765	1,512	86,877	-772	86,104
Operating income (or operating loss)	560	-31	-31	498	7	505

(Note) 1. Business is segmented in terms of such similarities as kind of customer, sales method, profitability, growth, and business risk. Each segment has the following business contents.

Segment	Major business content
Wholesale Distribution of Information Equipment	Wholesale of PCs to secondary wholesalers, sale of PCs to corporate customers and relevant services
Support Services	Support for PC sellers including repair and support for PC users including instruction on PC operation, and relevant services
System Integration	System development, installation and setting, network construction, and relevant services

b. Segment information by location

Consolidated period for the first quarter of the current fiscal year
(April 1, 2008 – June 30, 2008)

There are no specific items because the Company has neither an overseas subsidiary nor an overseas office.

c. Overseas sales

Consolidated period for the first quarter of the current fiscal year
(April 1, 2008 – June 30, 2008)

There are no specific items because the Company has no overseas sales.

- (6) Note in the case that the shareholders' equity value changes greatly
None

(Reference)

Financial statements for the first quarter of the previous fiscal year

(1) (Summary) Consolidated Income Statement for the First Quarter of the Current Fiscal Year (April 1, 2007 – June 30, 2007)

Item	First quarter of the preceding year (First quarter of the fiscal year ended March 2008)
	Value (million of yen)
Sales	80,480
Cost of sales	74,715
Gross income	5,764
Sales, General and Administrative Expenses	5,821
Operating income	-56
Nonoperating income	44
Nonoperating expense	105
Ordinary income	-116
Income before adjustment of income tax	-116
Tax expense	45
Net profit for the quarter	-162

(2) (Summary) Consolidated Cash Flow Statements for the First Quarter of the Current Fiscal Year (April 1, 2007 – June 30, 2007)

	Consolidated statement for the first quarter of the current fiscal year (April 1, 2007 – June 30, 2007)
Division	Value (million of yen)
Flow from Operating Activities	-116
1. Net income before income tax adjustment	244
2. Depreciation	25,901
3. Increase in notes and accounts receivable	1,835
4. Increase in accrued income	1,851
5. Increase in inventories	-22,288
6. Decrease in notes and accounts payable	-209
7. Others	
Subtotal	7,218
8. Corporate taxes paid	-1,162
9. Others	-0
Net cash provided by operating activities	6,056
II Cash Flow from Investment Activities	-52
1. Expenditure for acquisition of investment securities	-36
2. Decrease in tangible fixed assets	-70
3. Decrease in intangible fixed assets	-34
4. Decrease in guarantee money paid	13
5. Others	
Net cash used in investment activities	-180
III Cash Flows from Financing Activities	
1. Decrease in loans payable	-120
2. Dividends paid	-288
3. Others	-1
Net cash used in financing activities	-409
IV Net Increase in Cash and Cash Equivalent	5,465
V Cash and Cash Equivalent at Beginning of Year	4,253
VI Cash and Cash Equivalent at End of Quarter	9,719

(3) Segment information
a. Segment information by business

The business segment information of the Company and its subsidiaries for the first quarter (April 1, 2007 – June 30, 2007)

	Wholesale Distribution of Information Equipment (million yen)	Support Services (million yen)	System Integration (million yen)	Total (million yen) (million yen)	Elimination and Corporate (million yen)	Consolidated Total (million yen)
I. Net sales and operating income						
Net sales						
(1) Sales to outside customers	78,770	168	1,540	80,480	-	80,480
(2) Intersegment sales	44	629	196	870	-870	-
Total sales	78,815	798	1,736	81,350	-870	80,480
Operating expenses	78,862	831	1,728	81,422	-886	80,536
Operating income (or operating loss)	-47	-33	8	-72	15	-56

(Note) 1. Business is segmented in terms of such similarities as kind of customer, sales method, profitability, growth, and business risk. Each segment has the following business contents.

Segment	Major business contents
Wholesale distribution of Information Equipment	Wholesale distribution of PCs to secondary wholesalers, Sale of PCs to corporate customers and relevant services
Support Services	Support for PC sellers including repair and support for PC users including instruction on PC operation, and relevant services
System Integration	System development, installation and setting, network construction, and relevant services

b. Segment information by location
Consolidated period for the first quarter of the current fiscal year
(April 1, 2007 – June 30, 2007)

There are no specific items because the Company has neither an overseas subsidiary nor an overseas office.

c. Overseas sales
Consolidated period for the first quarter of the current fiscal year
(April 1, 2007 – June 30, 2007)

There are no specific items because the Company has no overseas sales.