

Consolidated Financial Statements

**Meisei Industrial Co., Ltd.
and Consolidated Subsidiaries**

*Years ended March 31, 2007 and 2006
with Report of Independent Auditors*

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2007 and 2006

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Consolidated Financial Statements

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Meisei Industrial Co., Ltd. and Consolidated Subsidiaries
Financial Highlights

(Millions of yen, except for per share amounts)

	2007	2006	2005	2004	2003
For the Year:					
Net sales	¥48,692	¥45,536	¥38,970	¥38,671	¥40,083
Operating income	4,648	4,962	3,324	3,004	2,632
Net income (loss)	3,947	(4,682)	2,602	2,381	104
Per Share (yen):					
Net income (loss) – basic	59.61	(71.92)	43.29	39.61	1.64
Net income – diluted	–	–	43.15	–	–
Cash dividends	3.00	–	–	2.50	–
At the Year End:					
Total assets	53,796	52,596	62,147	60,766	65,363
Common stock	6,889	6,889	6,089	5,889	5,889
Net assets	21,124	16,230	18,682	15,770	13,136
Net assets per share (yen)	307.34	244.95	306.83	263.17	219.19
General:					
Number of subsidiaries	10	9	10	12	14
Number of employees	623	623	596	642	889

(Thousands of U.S. dollars, except for per share amounts)

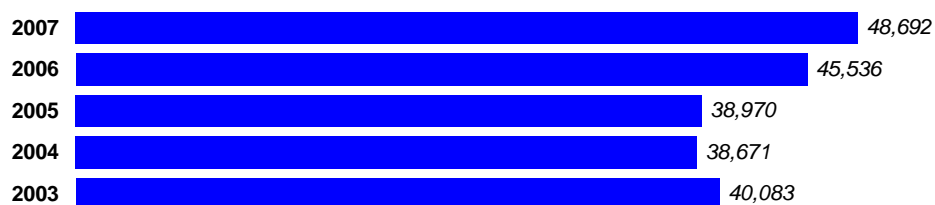
	2007	2006	2005	2004	2003
For the Year:					
Net sales	\$412,465	\$385,739	\$330,113	\$327,582	\$339,541
Operating income	39,370	42,029	28,159	25,446	22,294
Net income (loss)	33,434	(39,660)	22,043	20,167	881
Per Share (dollars):					
Net income (loss) – basic	0.50	(0.61)	0.37	0.34	0.01
Net income – diluted	–	–	0.37	–	–
Cash dividends	0.03	–	–	0.02	–
At the Year End:					
Total assets	455,706	445,543	526,450	514,750	553,688
Common stock	58,359	58,359	51,583	49,888	49,888
Net assets	178,941	137,484	158,253	133,583	111,283
Net assets per share (dollars)	2.60	2.07	2.60	2.23	1.86

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Financial Highlights

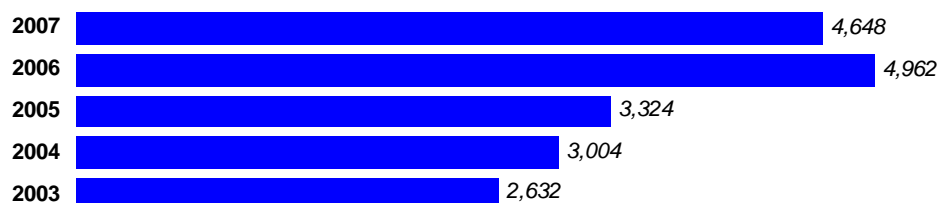
Net Sales

Millions of yen



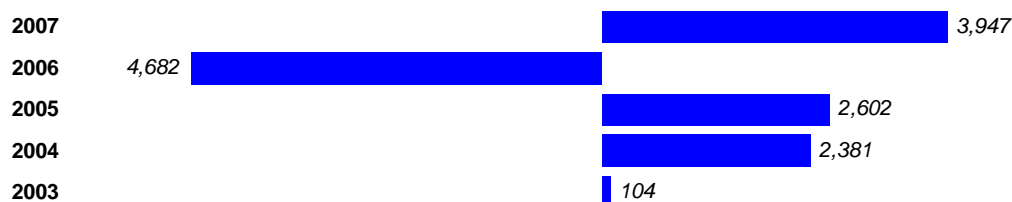
Operating Income

Millions of yen



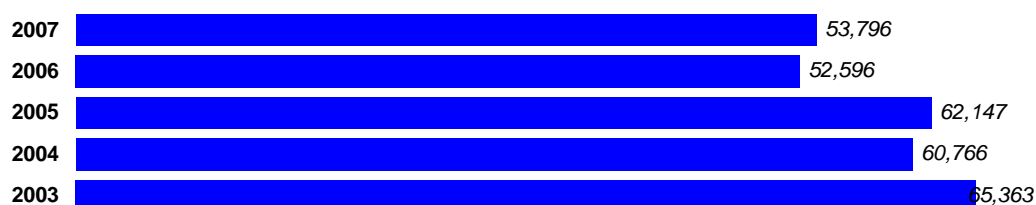
Net Income (Loss)

Millions of yen



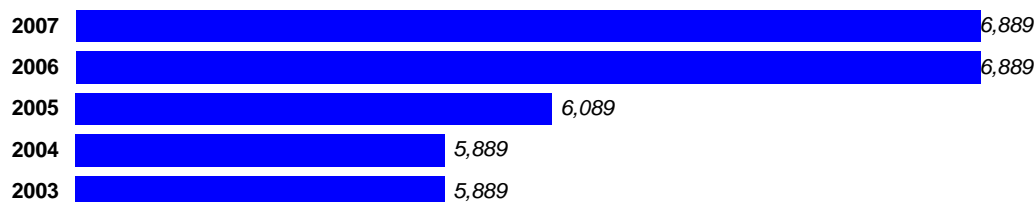
Total Assets

Millions of yen



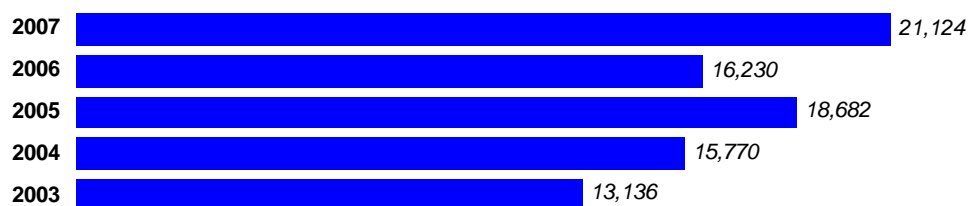
Common Stock

Millions of yen



Net Assets

Millions of yen



Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2007	2006	2007
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and time deposits <i>(Note 18)</i>	¥ 8,237	¥ 9,175	\$ 69,778
Notes and accounts receivable:			
Notes <i>(Note 4)</i>	3,041	1,030	25,757
Accounts	13,964	14,064	118,290
	17,005	15,094	144,047
Inventories <i>(Note 6)</i>	4,313	4,936	36,537
Deferred income taxes <i>(Note 10)</i>	982	1,091	8,317
Other current assets	485	715	4,113
Allowance for doubtful receivables	(82)	(56)	(698)
Total current assets	30,940	30,955	262,094
Property, plant and equipment:			
Land	13,089	13,094	110,877
Buildings and structures	7,100	7,053	60,146
Machinery, equipment and construction in progress	5,388	5,031	45,640
	25,577	25,178	216,663
Accumulated depreciation	(9,153)	(8,916)	(77,532)
Property, plant and equipment, net	16,424	16,262	139,131
Investments and other assets:			
Investments in securities <i>(Note 5)</i>	4,361	3,545	36,940
Investments in partnerships	11	11	90
Deferred income taxes <i>(Note 10)</i>	1,141	1,102	9,669
Other assets	1,086	850	9,198
Allowance for doubtful receivables	(167)	(129)	(1,416)
Total investments and other assets	6,432	5,379	54,481
Total assets	¥ 53,796	¥ 52,596	\$ 455,706

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 3,280	¥ 2,953	\$ 27,785
Current portion of long-term debt (Note 7)	2,590	3,751	21,942
Notes and accounts payable:			
Notes (Note 4)	3,406	3,923	28,850
Accounts	5,664	5,440	47,977
	9,070	9,363	76,827
Advances received on uncompleted contracts	1,605	2,085	13,599
Income taxes payable (Note 10)	242	253	2,046
Accrued employees' bonuses	378	399	3,204
Allowance for losses on construction contracts (Note 1.(k))	34	-	285
Allowance for bonuses to directors (Note 3.(b))	19	-	157
Other current liabilities	1,167	923	9,896
Total current liabilities	18,385	19,727	155,741
Long-term liabilities:			
Long-term debt (Note 7)	9,060	10,200	76,747
Accrued retirement benefits for employees (Note 13)	1,104	1,102	9,355
Accrued retirement benefits for directors and corporate auditors	214	125	1,810
Deferred income taxes (Note 10)	3,712	4,217	31,440
Other long-term liabilities	197	276	1,672
Total long-term liabilities	14,287	15,920	121,024
Contingent liabilities (Note 12)			
Net assets			
Shareholders' equity (Note 11):			
Common stock:			
Authorized - 190,000,000 shares			
Issued - 66,386,718 shares at March 31, 2007 and 2006	6,889	6,889	58,359
Capital surplus	1,000	1,000	8,474
Retained earnings	10,571	6,257	89,542
Treasury stock, at cost	(73)	(57)	(618)
Total shareholders' equity	18,387	14,089	155,757
Valuation and translation adjustments:			
Net unrealized holding gain on securities	928	1,108	7,864
Deferred loss on hedges	(27)	-	(226)
Surplus arising from land revaluation (Note 14)	767	767	6,498
Translation adjustments	290	266	2,451
Total valuation and translation adjustments	1,958	2,141	16,587
Minority interests	779	719	6,597
Total net assets	21,124	16,949	178,941
Total liabilities and net assets	¥ 53,796	¥ 52,596	\$ 455,706

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations

	Years ended March 31,		
	2007	2006	2007
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Net sales (Notes 15 and 19)	¥ 48,692	¥ 45,536	\$ 412,465
Cost of sales (Note 9)	39,726	36,304	336,517
Gross profit	8,966	9,232	75,948
Selling, general and administrative expenses (Note 9)	4,318	4,270	36,578
Operating income (Note 19)	4,648	4,962	39,370
Other income (expenses):			
Interest and dividend income	50	41	423
Foreign exchange gain	20	36	170
Interest expense	(300)	(345)	(2,543)
Reversal of allowance for doubtful accounts	–	98	–
Loss on impairment of fixed assets (Note 1.(n))	(5)	(14,216)	(44)
Other, net	(23)	(15)	(190)
	(258)	(14,401)	(2,184)
Income (loss) before income taxes and minority interests	4,390	(9,439)	37,186
Income taxes (Note 10):			
Current	303	274	2,565
Deferred	73	(5,082)	618
	376	(4,808)	3,183
Income (loss) before minority interests	4,014	(4,631)	34,003
Minority interests in earnings of consolidated subsidiaries	(67)	(51)	(569)
Net income (loss) (Note 17)	¥ 3,947	¥ (4,682)	\$ 33,434

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2007 and 2006

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred loss on hedges	Surplus arising from land revaluation	Translation adjustments	Minority interests	Total net assets
<i>Millions of yen</i>											
Balance at March 31, 2005	61,017,592	¥ 6,089	¥ 3,634	¥ 7,454	¥ (35)	¥ 440	¥ -	¥ 837	¥ 263	¥ 679	¥ 19,361
Net loss for the year	-	-	-	(4,682)	-	-	-	-	-	-	(4,682)
Bonuses to directors	-	-	-	(8)	-	-	-	-	-	-	(8)
Issuance of new shares of common stock	5,369,126	800	800	-	-	-	-	-	-	-	1,600
Transfer to retained earnings from capital surplus	-	-	(3,434)	3,434	-	-	-	-	-	-	-
Surplus arising from land revaluation	-	-	-	-	-	-	-	(70)	-	-	(70)
Increase in retained earnings resulting from exclusion of subsidiaries from consolidation	-	-	-	59	-	-	-	-	-	-	59
Increase in treasury stock	-	-	-	-	(22)	-	-	-	-	-	(22)
Other changes	-	-	-	-	-	668	-	-	3	40	711
Balance at March 31, 2006	66,386,718	6,889	1,000	6,257	(57)	1,108	-	767	266	719	16,949
Net income for the year	-	-	-	3,947	-	-	-	-	-	-	3,947
Bonuses to directors	-	-	-	(9)	-	-	-	-	-	-	(9)
Increase in retained earnings due to decrease in deferred tax liabilities	-	-	-	376	-	-	-	-	-	-	376
Increase in treasury stock	-	-	0	-	(16)	-	-	-	-	-	(16)
Other changes	-	-	-	-	-	(180)	(27)	-	24	60	(123)
Balance at March 31, 2007	66,386,718	¥ 6,889	¥ 1,000	¥ 10,571	¥ (73)	¥ 928	¥ (27)	¥ 767	¥ 290	¥ 779	¥ 21,124

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred loss on hedges	Surplus arising from land revaluation	Translation adjustments	Minority interests	Total net assets
<i>Thousands of U.S. dollars (Note 2)</i>										
Balance at March 31, 2006	\$ 58,359	\$ 8,473	\$ 52,999	\$ (480)	\$ 9,384	\$ -	\$ 6,498	\$ 2,249	\$ 6,089	\$ 143,571
Net income for the year	-	-	33,434	-	-	-	-	-	-	33,434
Bonuses to directors	-	-	(74)	-	-	-	-	-	-	(74)
Increase in retained earnings due to decrease in deferred tax liabilities	-	-	3,183	-	-	-	-	-	-	3,183
Increase in treasury stock	-	1	-	(138)	-	-	-	-	-	(137)
Other changes	-	-	-	-	(1,520)	(226)	-	202	508	(1,036)
Balance at March 31, 2007	\$ 58,359	\$ 8,474	\$ 89,542	\$ (618)	\$ 7,864	\$ (226)	\$ 6,498	\$ 2,451	\$ 6,597	\$ 178,941

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows

	Years ended March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 4,390	¥ (9,439)	\$ 37,186
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	343	400	2,905
Increase in allowance for losses on construction contracts	34	–	285
Increase (decrease) in accrued retirement benefits	91	(2)	774
Increase (decrease) in allowance for doubtful receivables	65	(118)	549
Interest and dividend income	(50)	(41)	(423)
Interest expense	300	345	2,543
Foreign exchange loss	0	4	1
Loss on impairment of fixed assets	5	14,216	44
Changes in operating assets and liabilities:			
Notes and trade accounts receivable	(1,911)	(2,298)	(16,187)
Inventories	623	(978)	5,276
Notes and trade accounts payable	(533)	2,367	(4,515)
Advances received on uncompleted contracts	(480)	(986)	(4,067)
Other, net	692	449	5,862
Subtotal	3,569	3,919	30,233
Interest and dividends received	48	40	405
Interest paid	(315)	(323)	(2,671)
Income taxes paid	(314)	(161)	(2,660)
Net cash provided by operating activities	2,988	3,475	25,307
Cash flows from investing activities:			
Increase in time deposits, net	(300)	(100)	(2,542)
Increase in investments in securities	(338)	(529)	(2,866)
Proceeds from sales of investments in securities and subsidiaries	331	20	2,800
Purchases of property, plant and equipment	(526)	(295)	(4,454)
Proceeds from sales of property, plant and equipment	–	18	–
Other, net	114	62	970
Net cash used in investing activities	(719)	(824)	(6,092)
Cash flows from financing activities:			
Increase in short-term bank loans, net	327	533	2,772
Proceeds from long-term debt	300	4,600	2,541
Repayment of long-term debt	(2,301)	(6,612)	(19,494)
Repayment of bonds	(300)	(200)	(2,541)
Cash dividends paid to shareholders of minority interests of consolidated subsidiaries	(5)	(5)	(42)
Other, net	(120)	(117)	(1,013)
Net cash used in financing activities	(2,099)	(1,801)	(17,777)
Effect of exchange rate changes on cash and cash equivalents	11	18	93
Increase in cash and cash equivalents	181	868	1,531
Cash and cash equivalents at beginning of year	9,058	8,199	76,734
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1,209)	(9)	(10,246)
Cash and cash equivalents at end of year (Note 18)	¥ 8,030	¥ 9,058	\$ 68,019

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2007

1. Summary of Significant Accounting Policies

(a) Basis of Preparation of Consolidated Financial Statements

Meisei Industrial Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Its overseas subsidiaries maintain their accounts in conformity with the requirements of their respective countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 10 and 9 majority-owned subsidiaries (collectively, the "Companies") for the years ended March 31, 2007 and 2006, respectively. All significant intercompany items have been eliminated in consolidation.

All assets and liabilities of the subsidiaries are revalued on acquisition and the excess of cost over the underlying net assets at the dates of acquisition is amortized over a period of five years on a straight-line basis.

The overseas consolidated subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these overseas subsidiaries and the year end of the Company.

(c) Revenue Recognition and Construction Contracts

Revenues from, and the related costs of, the construction contracts of the Company and its domestic subsidiaries are recorded by the completed-contract method; however, if the construction work takes longer than one year and the contract amount exceeds ¥500 million, the percentage-of-completion method is applied. Revenues from, and the related costs of, the construction contracts of the overseas consolidated subsidiaries are recognized by the percentage-of-completion method.

During the construction period, accumulated costs on uncompleted contracts are included in inventories. These costs are not offset against advances received on uncompleted contracts, but are included in current liabilities.

(d) Foreign Currency Translation

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets excluding minority interests are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of net income but are reported as translation adjustments and minority interests in separate components of net assets in the accompanying consolidated balance sheets at March 31, 2007 and 2006.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and the resulting gain or loss is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates in effect at the respective transaction dates.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

1. Summary of Significant Accounting Policies (continued)

(f) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities, or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is charged or credited to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost.

If the fair value of other securities has declined significantly and the impairment in value is not deemed temporary, these securities are written down to fair value and the resulting loss is charged to income as incurred.

(g) Inventories

Construction projects in progress are stated at cost determined by the specific identification method.

Materials and supplies are stated at cost determined by the moving average method.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost. For the Company and its domestic consolidated subsidiaries, depreciation is computed at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998 to which the straight-line method is applied.

The estimated useful lives are as follows:

Buildings and structures	4 to 50 years (principally 31 years)
Machinery and equipment	5 to 15 years (principally 7 years)

At the overseas consolidated subsidiaries, assets are depreciated at rates based on their respective estimated useful lives by the straight-line method.

(i) Leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(j) Allowance for Doubtful Receivables

The allowance for doubtful receivables has been provided based on the Company's and its consolidated subsidiaries' historical experience with respect to write-offs and on an estimate of the amount of specific uncollectible accounts.

(k) Allowance for Losses on Construction Contracts

Effective the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries have recorded allowance for losses on construction contracts. Allowance for losses on construction contracts is provided based on an estimate of the losses expected to be incurred subsequent to the balance sheet date since its materiality has increased and as the amount of the related costs could be reasonably estimated based on historical data.

As a result of this change, income before income taxes and minority interests decreased by ¥34 million (\$285 thousand) for the year ended March 31, 2007 from the amount which would have been recorded under the method applied in the previous year.

(l) Retirement Benefits

The Company and its domestic consolidated subsidiaries have non-contributory defined-benefit pension plans and retirement allowances plans. The overseas consolidated subsidiaries also have retirement benefit plans.

The employees' retirement benefit plans provide for a lump-sum payment to employees' upon retirement determined by reference to their current rate of pay, length of service and the conditions under which termination occurs.

To provide for the payment of retirement benefits and pension plan payments to their employees, the Company and certain consolidated subsidiaries record a reserve equivalent to the amount recognized as required at the end of the year based on the estimated retirement benefit obligation and the fair value of the pension plan assets at the fiscal year end.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

1. Summary of Significant Accounting Policies (continued)

(l) Retirement Benefits (continued)

In addition, directors and corporate auditors of the Company and certain domestic consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowances plans. The provision for directors and corporate auditors' retirement allowances has been made at an estimated amount.

(m) Accrued Employees' Bonuses

The Company and its domestic consolidated subsidiaries provide for accrued employees' bonuses at an estimate of the amounts to be paid.

(n) Accounting Standard for Impairment of Fixed Assets

Effective the year ended March 31, 2006, the Company and its domestic consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, and (2) the present value of future cash flows arising from ongoing utilization of the asset and from its disposal after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets.

As a result of the adoption of this accounting standard, a loss on impairment of land and buildings in the aggregate amount of ¥14,216 million was recognized and loss before income taxes and minority interests increased by the same amount for the year ended March 31, 2006 from the amount which would have been recorded under the previous method.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥118.05 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2007. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Changes in Accounting Policy

(a) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005).

Under this accounting standard, certain items which were previously presented as assets or liabilities are now presented as components of net assets. Such items include minority interests and deferred gain or loss on derivative instruments.

(b) Accounting Standard for Directors' Bonuses

Effective the year ended March 31, 2007, certain domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (Accounting Standards Board of Japan (ASBJ) Statement No. 4 issued on November 29, 2005) and, as a result, have charged bonuses to directors to income as incurred. Up to the year ended March 31, 2006, such bonuses were accounted for as decreases in unappropriated retained earnings through the appropriation of retained earnings with respect to a given financial period made by resolution of the shareholders.

As a result of the adoption of this accounting standard, these domestic consolidated subsidiaries recorded an allowance for bonuses to directors of ¥19 million (\$157 thousand) at March 31, 2007 which is included in accrued expenses, and operating income and income before income taxes and minority interests decreased by the same amount for the year then ended from the amounts which would have been recorded under the method applied in the previous year.

4. Notes Receivable and Notes Payable

The balance sheet date of the year ended March 31, 2007 fell on a bank holiday. Consequently, notes receivable, trade of ¥97 million (\$819 thousand) and notes payable, trade of ¥484 million (\$4,103 thousand) with a maturity date of March 31, 2007 were included in the respective balances and were settled on the next business day.

5. Investments in Securities

Marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2007 and 2006 are summarized as follows:

Marketable held-to-maturity debt securities

	2006		
	Carrying value	Estimated fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 10	¥ 10	¥ 0
Total	¥ 10	¥ 10	¥ 0

At March 31, 2007, the Company had no held-to-maturity debt securities.

Marketable other securities

	2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 708	¥ 2,260	¥ 1,552
Other	73	108	35
Subtotal	781	2,368	1,587
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	197	175	(22)
Other	294	292	(2)
Subtotal	491	467	(24)
Total	¥ 1,272	¥ 2,835	¥ 1,563

	2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 796	¥ 2,629	¥ 1,833
Other	53	91	38
Subtotal	849	2,720	1,871
Securities whose acquisition cost exceeds their carrying value:			
Other	430	415	(15)
Subtotal	430	415	(15)
Total	¥ 1,279	¥ 3,135	¥ 1,856

	2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 5,995	\$ 19,143	\$ 13,148
Other	624	915	291
Subtotal	6,619	20,058	13,439
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	1,664	1,483	(181)
Other	2,491	2,472	(19)
Subtotal	4,155	3,955	(200)
Total	\$ 10,774	\$ 24,013	\$ 13,239

The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2007 and 2006 are summarized as follows:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Proceeds from sales	¥ 331	¥ 20	\$ 2,800
Gross realized gain	0	-	4
Gross realized loss	0	0	3

A breakdown of other securities whose market value was not determinable at March 31, 2007 and 2006 is summarized as follows:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Free financial fund	¥ -	¥ 43	\$ -
Unlisted equity securities	380	410	3,227
	¥ 380	¥ 453	\$ 3,227

The redemption schedule for debt securities classified as other securities at March 31, 2007 is summarized as follows:

	Thousands of U.S. dollars	
	Millions of yen	Other
Due one year or less	¥ -	\$ -
Due after one year but within five years	84	715
Due after five years but within ten years	109	919

6. Inventories

Inventories at March 31, 2007 and 2006 were as follows:

	2007	2006	2007
		(Millions of yen)	
Construction projects in progress	¥ 3,973	¥ 4,631	\$ 33,657
Materials and supplies	340	305	2,880
	¥ 4,313	¥ 4,936	\$ 36,537

7. Short-Term Bank Loans and Long-Term Debt

Average interest rates on short-term bank loans outstanding at March 31, 2007 and 2006 were 1.24% and 0.88%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	2007		2006		2007	
	(Millions of yen)				(Thousands of U.S. dollars)	
0.67% bonds due August 2010	¥	900	¥	1,100	\$	7,624
1.22% bonds due September 2006		-		100		-
0.68% bonds due September 2007		200		200		1,694
Loans from banks payable in yen, at rates ranging from 0.98% to 3.25%, due through March 2011		10,550		12,551		89,371
		11,650		13,951		98,689
Less current portion		(2,590)		(3,751)		(21,942)
	¥	9,060	¥	10,200	\$	76,747

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 2,590	\$ 21,942
2009	5,190	43,964
2010	2,170	18,382
2011	1,700	14,401
	¥ 11,650	\$ 98,689

At March 31, 2007, the Company had unused line-of-credit commitments for short-term financing arrangements totaling ¥4,000 million (\$33,884 thousand).

Assets pledged as collateral for short-term bank loans of ¥1,250 million (\$10,589 thousand) and long-term debt of ¥10,924 million (\$92,540 thousand), including the current portion thereof, and for guarantees (such as guarantees for bonds) at March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥ 100	\$ 847
Buildings and structures	66	565
Land	976	8,266
Investments in securities	825	6,987
Property, plant and equipment, at net book value, in the form of fixed mortgages	11,883	100,659
	¥ 13,850	\$ 117,324

8. Leases

The following *pro forma* amounts represent the acquisition costs (including the interest portion thereon), accumulated depreciation and net book value of the leased assets as of March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2007		
	Acquisition costs	Accumulated depreciation	Net book value
	(Millions of yen)		
Machinery and vehicles	¥ 7	¥ 5	¥ 2
Tools, furniture and fixtures	81	52	29
	¥ 88	¥ 57	¥ 31

	2006		
	Acquisition costs	Accumulated depreciation	Net book value
	(Millions of yen)		
Machinery and vehicles	¥ 7	¥ 4	¥ 3
Tools, furniture and fixtures	176	134	42
	¥ 183	¥ 138	¥ 45

	2007		
	Acquisition costs	Accumulated depreciation	Net book value
	(Thousands of U.S. dollars)		
Machinery and vehicles	\$ 61	\$ 44	\$ 17
Tools, furniture and fixtures	685	443	242
	\$ 746	\$ 487	\$ 259

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements are summarized as follows:

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments	¥ 19	¥ 26	\$ 161
Depreciation equivalents	19	26	161

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 13	\$ 106
2009 and thereafter	18	153
	¥ 31	\$ 259

9. Research and Development Expenses

Research and development expenses, which were included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2007 and 2006, amounted to ¥126 million (\$1,064 thousand) and ¥128 million, respectively.

10. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rate in Japan for the year ended March 31, 2007 was, in the aggregate, approximately 40.6%.

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2007 is presented as follows:

	2007
Statutory tax rate	40.6 %
Effect of:	
Expenses not deductible from taxable income	1.3
Per capita portion of inhabitants' taxes	1.2
Valuation allowance	(40.2)
Other	5.7
Effective tax rate	<u>8.6 %</u>

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2006 has been omitted as a consolidated net loss was recorded.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. Significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2007 and 2006 are summarized as follows:

	2007	2006	2007
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Tax loss carryforwards	¥ 2,989	¥ 4,687	\$ 25,316
Allowance for doubtful receivables	53	46	454
Accrued bonuses	153	151	1,301
Retirement allowances for employees	446	422	3,780
Retirement allowances for directors	87	51	735
Loss on liquidation of subsidiaries	4,140	-	35,070
Other	522	876	4,421
Gross deferred tax assets	8,390	6,233	71,077
Less valuation allowance	(5,642)	(3,293)	(47,794)
Total deferred tax assets	<u>2,748</u>	<u>2,940</u>	<u>23,283</u>
Deferred tax liabilities:			
Difference on revaluation of land	(3,060)	(3,448)	(25,924)
Surplus arising from land revaluation	(642)	(642)	(5,438)
Deferred capital gains on property	-	(125)	-
Net unrealized holding gain on securities	(635)	(749)	(5,375)
Total deferred tax liabilities	<u>(4,337)</u>	<u>(4,964)</u>	<u>(36,737)</u>
Net deferred tax liabilities	<u>¥(1,589)</u>	<u>¥(2,024)</u>	<u>\$ (13,454)</u>

11. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2007 and 2006 was nil.

Under the Law, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in treasury stock during the year ended March 31, 2007 are summarized as follows:

	Number of shares			
	2007			
	March 31, 2006	Increase	Decrease	March 31, 2007
Treasury stock	162,971	27,806	954	189,823

12. Contingent Liabilities

At March 31, 2007, the Company and its consolidated subsidiaries were contingently liable for guarantees to PT. TERAS TEKNIK PERDANA in the aggregate amount of ¥123 million (\$1,044 thousand).

13. Accrued Retirement Benefits

The following table sets forth the funded and accrued status, and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the Company's and its consolidated subsidiaries' retirement benefit plans:

	2007 <i>(Millions of yen)</i>	2006	2007 <i>(Thousands of U.S. dollars)</i>
Retirement benefit obligation at end of year	¥(2,572)	¥(2,754)	\$ (21,787)
Fair value of plan assets at end of year	1,338	1,477	11,337
Unfunded retirement benefit obligation	(1,234)	(1,277)	(10,450)
Unrecognized actuarial loss	56	89	472
Unrecognized prior service cost	74	86	623
Accrued retirement benefits	¥(1,104)	¥(1,102)	\$ (9,355)

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	2007 <i>(Millions of yen)</i>	2006	2007 <i>(Thousands of U.S. dollars)</i>
Service cost	¥ 201	¥ 206	\$ 1,702
Interest cost	42	42	356
Expected return on plan assets	(27)	(24)	(233)
Amortization of actuarial loss	21	34	179
Amortization of prior service cost	12	12	104
Total retirement benefit expenses	¥ 249	¥ 270	\$ 2,108

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%

14. Land Revaluation

Effective March 31, 2002, the Company revalued its land held for business use in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As a result, the Company recognized a gain on land revaluation and recorded deferred income tax liabilities related to this gain. The resulting gain, net of the relevant tax effect, has been accounted for under net assets as surplus arising from land revaluation. The method followed for this land revaluation was determined in accordance with the "Land Valuation Tax Law" as stipulated in the "Enforcement Act Concerning Land Revaluation" and other regulations. The fair value of the revalued land at March 31, 2007 was less than its corresponding carrying value by ¥871 million (\$7,376 thousand).

15. Sales Calculated by the Percentage-of-Completion Method

Estimated earnings recognized with respect to construction contracts accounted for by the percentage-of-completion method for the years ended March 31, 2007 and 2006 were as follows:

	2007 <i>(Millions of yen)</i>	2006	2007 <i>(Thousands of U.S. dollars)</i>
Estimated earnings	¥ 9,798	¥ 10,154	\$ 83,003

16. Derivative Financial Instruments

Derivative financial instruments are utilized by the Company and its consolidated subsidiaries principally to reduce the risk arising from fluctuation in interest rates and foreign exchange rates. The Companies have established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivatives. The Companies do not hold or issue derivatives for speculative trading purposes.

The Companies are exposed to certain market risk arising from their open forward foreign exchange contracts and swap positions. The Companies are also exposed to the risk of credit loss in the event of non-performance by the counterparties to their foreign currency and interest-rate swap contracts; however, nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings, is not anticipated.

Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.

At March 31, 2007, the Companies had no open derivatives positions which are required to be disclosed.

17. Amounts per Share

	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Basic net income (loss):	¥ 59.61	¥ (71.92)	\$0.50
Net assets	307.34	244.95	2.60

Diluted net income (loss) per share has not been disclosed because no potentially dilutive securities were outstanding at March 31, 2007 and 2006.

Basic net income (loss) per share has been computed based on the net income (loss) attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. The amounts per share of net assets have been computed based on the net assets available for distribution to the shareholders of common stock and the number of shares of common stock outstanding at the year end.

The financial data utilized in the computation of net income (loss) per share for the years ended March 31, 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Information on net income – basic:			
Net income (loss)	¥ 3,947	¥ (4,682)	\$ 33,434
Deductions from net income (loss):			
Bonuses to directors and corporate auditors	–	(9)	–
Adjusted net income (loss) allocated to common stock	<u>¥ 3,947</u>	<u>¥ (4,691)</u>	<u>\$ 33,434</u>
Weighted-average number of shares of common stock outstanding during the year	66,210 thousand shares	65,222 thousand shares	66,210 thousand shares

18. Supplemental Information on Statements of Cash Flows

- (a) Reconciliation of cash and cash equivalents to cash and time deposits

A reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets as of and for the years ended March 31, 2007 and 2006 is presented as follows:

	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 8,237	¥ 9,175	\$ 69,778
Other current assets (securities)	–	52	–
Time deposits with original maturities in excess of three months	(207)	(159)	(1,759)
Investments with original maturities in excess of three months	–	(10)	–
Cash and cash equivalents	<u>¥ 8,030</u>	<u>¥ 9,058</u>	<u>\$ 68,019</u>

- (b) Noncash financing activities for the years ended March 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>	<u>2007</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Conversion of bonds with stock acquisition rights to common stock and additional paid-in capital	¥ –	¥ 1,600	\$ –

19. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the construction of integrated thermal insulation systems in engineering projects for industrial plants ("construction"), and in the design, engineering and construction of industrial boilers ("manufacturing machinery and fixtures") as well as other businesses in Japan and overseas.

Business Segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is outlined as follows:

	Year ended March 31, 2007					
	Construction	Manufacturing machinery and fixtures	Other	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>					
I. Sales to third parties	¥ 40,605	¥ 7,958	¥ 129	¥ 48,692	¥ -	¥ 48,692
Intergroup sales and transfers	79	67	274	420	(420)	-
Net sales	40,684	8,025	403	49,112	(420)	48,692
Operating expenses	36,126	8,075	252	44,453	(409)	44,044
Operating income (loss)	¥ 4,558	¥ (50)	¥ 151	¥ 4,659	¥ (11)	¥ 4,648
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥ 39,136	¥ 6,188	¥ -	¥ 45,324	¥ 8,472	¥ 53,796
Depreciation	254	11	78	343	-	343
Loss on impairment of fixed assets	-	5	-	5	-	5
Capital expenditures	488	3	-	491	-	491

	Year ended March 31, 2006					
	Construction	Manufacturing machinery and fixtures	Other	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>					
I. Sales to third parties	¥ 38,453	¥ 6,967	¥ 116	¥ 45,536	¥ -	¥ 45,536
Intergroup sales and transfers	47	877	300	1,224	(1,224)	-
Net sales	38,500	7,844	416	46,760	(1,224)	45,536
Operating expenses	33,861	7,687	254	41,802	(1,228)	40,574
Operating income	¥ 4,639	¥ 157	¥ 162	¥ 4,958	¥ 4	¥ 4,962
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥ 28,639	¥ 5,286	¥ 10,858	¥ 44,783	¥ 7,813	¥ 52,596
Depreciation	280	12	108	400	-	400
Loss on impairment of fixed assets	-	4,815	9,401	14,216	-	14,216
Capital expenditures	198	3	6	207	-	207

	Year ended March 31, 2007					
	Construction	Manufacturing machinery and fixtures	Other	Total	Eliminations/ corporate assets	Consolidated
	<i>(Thousands of U.S. dollars)</i>					
I. Sales to third parties	\$ 343,967	\$ 67,409	\$ 1,089	\$ 412,465	\$ -	\$ 412,465
Intergroup sales and transfers	665	570	2,322	3,557	(3,557)	-
Net sales	344,632	67,979	3,411	416,022	(3,557)	412,465
Operating expenses	306,019	68,406	2,134	376,559	(3,464)	373,095
Operating income (loss)	\$ 38,613	\$ (427)	\$ 1,277	\$ 39,463	\$ (93)	\$ 39,370
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	\$ 331,524	\$ 52,415	\$ -	\$ 383,939	\$ 71,767	\$ 455,706
Depreciation	2,150	92	663	2,905	-	2,905
Loss on impairment of fixed assets	-	44	-	44	-	44
Capital expenditures	4,132	25	-	4,157	-	4,157

19. Segment Information (continued)

Business Segments (continued)

As described in Note 3.(b), effective the year ended March 31, 2007, certain domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005). As a result of the adoption of this accounting standard, operating expenses in the construction segment increased by ¥19 million (\$157 thousand), and operating income for this segment decreased by the same amount for the year ended March 31, 2007 compared with the amounts which would have been recorded under the method applied in the previous year.

As described in Note 1.(k), effective the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries have recorded allowance for losses on construction contracts. As a result of this change, operating expenses in the construction segment increased by ¥34 million (\$285 thousand) and operating income in this segment decreased by the same amount for the year ended March 31, 2007 compared with the amounts which would have been recorded under the method applied in the previous year.

Geographical Segments

The geographical segment information of the Company and consolidated subsidiaries for the years ended March 31, 2007 and 2006 is outlined as follows:

	Year ended March 31, 2007				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income (loss)					
Sales to third parties	¥ 47,583	¥ 1,109	¥ 48,692	¥ –	¥ 48,692
Intergroup sales and transfers	53	–	53	(53)	–
Net sales	47,636	1,109	48,745	(53)	48,692
Operating expenses	43,201	1,155	44,356	(312)	44,044
Operating income (loss)	¥ 4,435	¥ (46)	¥ 4,389	¥ 259	¥ 4,648
II. Total assets	¥ 44,522	¥ 663	¥ 45,185	¥ 8,611	¥ 53,796

	Year ended March 31, 2006				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income (loss)					
Sales to third parties	¥ 43,720	¥ 1,816	¥ 45,536	¥ –	¥ 45,536
Intergroup sales and transfers	40	43	83	(83)	–
Net sales	43,760	1,859	45,619	(83)	45,536
Operating expenses	38,900	2,181	41,081	(507)	40,574
Operating income (loss)	¥ 4,860	¥ (322)	¥ 4,538	¥ 424	¥ 4,962
II. Total assets	¥ 42,987	¥ 751	¥ 43,738	¥ 8,858	¥ 52,596

	Year ended March 31, 2007				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
I. Sales and operating income (loss)					
Sales to third parties	\$ 403,070	\$ 9,395	\$ 412,465	\$ –	\$ 412,465
Intergroup sales and transfers	456	–	456	(456)	–
Net sales	403,526	9,395	412,921	(456)	412,465
Operating expenses	365,957	9,786	375,743	(2,648)	373,095
Operating income (loss)	\$ 37,569	\$ (391)	\$ 37,178	\$ 2,192	\$ 39,370
II. Total assets	\$ 377,149	\$ 5,616	\$ 382,765	\$ 72,941	\$ 455,706

As described in Note 3.(b), effective the year ended March 31, 2007, certain domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005). As a result of the adoption of this accounting standard, operating expenses in the Japan segment increased by ¥19 million (\$157 thousand) and operating income in this segment decreased by the same amount for the year ended March 31, 2007 compared with the amounts which would have been recorded under the method applied in the previous year.

As described in Note 1.(k), effective the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries have recorded allowance for losses on construction contracts. As a result of this change, operating expenses in the Japan segment increased by ¥34 million (\$285 thousand) and operating income in this segment decreased by the same amount for the year ended March 31, 2007 compared with the amounts which would have been recorded under the method applied in the previous year.

19. Segment Information (continued)

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the overseas subsidiaries, for the years ended March 31, 2007 and 2006 are summarized as follows:

	Year ended March 31, 2007				
	Asia	Africa	Europe	Other	Total
	<i>(Millions of yen)</i>				
Overseas sales	¥ 2,031	¥ 2,424	¥ 562	¥ 8	¥ 5,025
Overseas sales as a percentage of consolidated net sales	4.2%	5.0%	1.2%	0.0%	10.3%

	Year ended March 31, 2006			
	Asia	Africa	Other	Total
	<i>(Millions of yen)</i>			
Overseas sales	¥ 3,651	¥ 3,468	¥ 48	¥ 7,167
Overseas sales as a percentage of consolidated net sales	8.0%	7.6%	0.1%	15.7%

	Year ended March 31, 2007				
	Asia	Africa	Europe	Other	Total
	<i>(Thousands of U.S. dollars)</i>				
Overseas sales	\$ 17,209	\$ 20,530	\$ 4,762	\$ 67	\$ 42,568

20. Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a shareholders' meeting held on June 28, 2007:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Cash dividends (¥3 = U.S.\$0.03 per share)	¥ 199	\$ 1,682

Report of Independent Auditors

The Board of Directors
Meisei Industrial Co., Ltd.

We have audited the accompanying consolidated balance sheets of Meisei Industrial Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meisei Industrial Co., Ltd. and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 1.(n), effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young Shin Nihon

June 28, 2007