

Consolidated Financial Statements

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

*Years ended March 31, 2008 and 2007
with Report of Independent Auditors*

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Contents

Consolidated Financial Statements

Financial Highlights	1
Consolidated Balance Sheets	3
Consolidated Statements of Income	5
Consolidated Statements of Changes in Net Assets	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Report of Independent Auditors	19

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

(Millions of yen, except for per share amounts)

	2008	2007	2006	2005	2004
For the Year:					
Net sales	¥48,335	¥48,692	¥45,536	¥38,970	¥38,671
Operating income	6,021	4,648	4,962	3,324	3,004
Net income (loss)	4,248	3,947	(4,682)	2,602	2,381
Per Share (yen):					
Net income (loss) – basic	64.87	59.61	(71.92)	43.29	39.61
Net income – diluted	–	–	–	43.15	–
Cash dividends	6.00	3.00	–	–	2.50
At the Year End:					
Total assets	50,439	53,796	52,596	62,147	60,766
Common stock	6,889	6,889	6,889	6,089	5,889
Net assets	23,772	21,124	16,230	18,682	15,770
Net assets per share (yen)	361.08	307.34	244.95	306.83	263.17
General:					
Number of subsidiaries	10	10	9	10	12
Number of employees	616	623	623	596	642

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

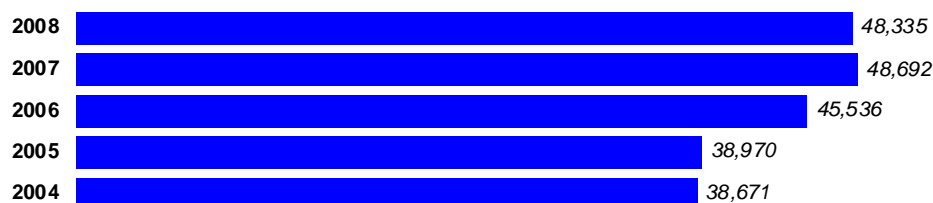
	2008	2007	2006	2005	2004
For the Year:					
Net sales	\$482,434	\$485,997	\$454,496	\$388,961	\$385,977
Operating income	60,096	46,392	49,526	33,177	29,983
Net income (loss)	42,399	39,395	(46,731)	25,971	23,765
Per Share (dollars):					
Net income (loss) – basic	0.65	0.59	(0.72)	0.43	0.40
Net income – diluted	–	–	–	0.43	–
Cash dividends	0.06	0.03	–	–	0.02
At the Year End:					
Total assets	503,433	536,940	524,963	620,291	606,507
Common stock	68,759	68,759	68,759	60,775	58,778
Net assets	237,269	210,839	161,992	186,466	157,401
Net assets per share (dollars)	3.60	3.07	2.44	3.06	2.63

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Financial Highlights

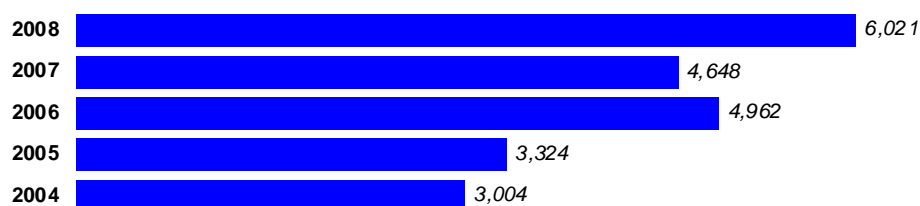
Net Sales

Millions of yen



Operating Income

Millions of yen



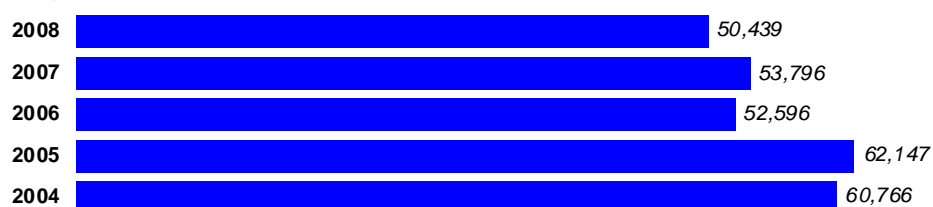
Net Income (Loss)

Millions of yen



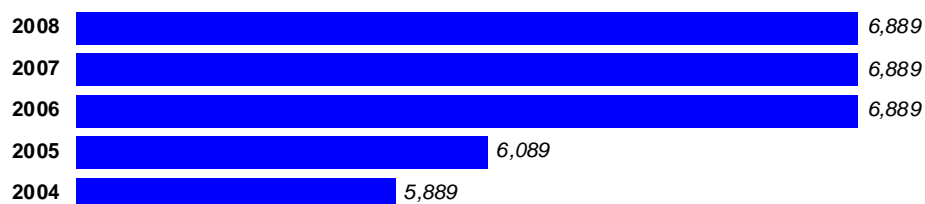
Total Assets

Millions of yen



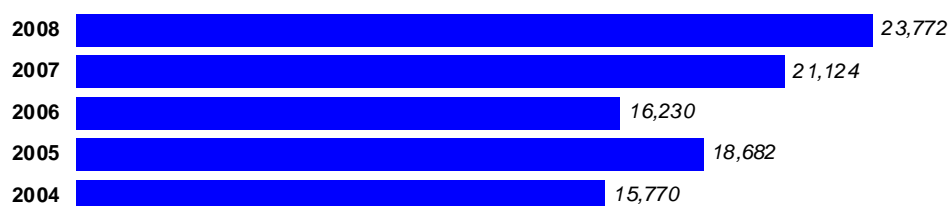
Common Stock

Millions of yen



Net Assets

Millions of yen



Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2008	2007	2008
	<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 17)</i>	¥ 7,930	¥ 8,237	\$ 79,150
Notes and accounts receivable:			
Notes	2,546	3,041	25,412
Accounts	13,673	13,964	136,470
	16,219	17,005	161,882
Inventories <i>(Note 5)</i>	4,099	4,313	40,912
Deferred income taxes <i>(Note 10)</i>	945	982	9,432
Other current assets	448	485	4,472
Allowance for doubtful receivables	(101)	(82)	(1,008)
Total current assets	29,540	30,940	294,840
Property, plant and equipment:			
Land	13,388	13,089	133,626
Buildings and structures	7,437	7,100	74,229
Machinery, equipment and construction in progress	4,947	5,388	49,376
	25,772	25,577	257,231
Accumulated depreciation	(8,901)	(9,153)	(88,841)
Property, plant and equipment, net	16,871	16,424	168,390
Investments and other assets:			
Investments in securities <i>(Note 4)</i>	2,338	4,361	23,335
Investments in partnerships	10	11	100
Deferred income taxes <i>(Note 10)</i>	616	1,141	6,148
Other assets	1,259	1,086	12,566
Allowance for doubtful receivables	(195)	(167)	(1,946)
Total investments and other assets	4,028	6,432	40,203
Total assets	¥ 50,439	¥ 53,796	\$ 503,433

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and net assets			
Current liabilities:			
Short-term bank loans <i>(Note 7)</i>	¥ 680	¥ 3,280	\$ 6,787
Current portion of long-term debt <i>(Note 7)</i>	6,400	2,590	63,879
Notes and accounts payable:			
Notes	3,060	3,406	30,542
Accounts	4,583	5,664	45,743
	<u>7,643</u>	<u>9,070</u>	<u>76,285</u>
Advances received on uncompleted contracts	1,087	1,605	10,849
Income taxes payable <i>(Note 10)</i>	205	242	2,046
Accrued employees' bonuses	413	378	4,122
Allowance for losses on construction contracts	38	34	379
Allowance for bonuses to directors and corporate auditors <i>(Note 3(c))</i>	75	19	749
Other current liabilities	1,252	1,167	12,496
Total current liabilities	<u>17,793</u>	<u>18,385</u>	<u>177,592</u>
Long-term liabilities:			
Long-term debt <i>(Note 7)</i>	3,605	9,060	35,982
Accrued retirement benefits for employees <i>(Note 13)</i>	1,046	1,104	10,440
Accrued retirement benefits for directors and corporate auditors	223	214	2,226
Deferred income taxes <i>(Note 10)</i>	3,703	3,712	36,960
Other long-term liabilities	297	197	2,964
Total long-term liabilities	<u>8,874</u>	<u>14,287</u>	<u>88,572</u>
Contingent liabilities <i>(Note 6)</i>			
Net assets			
Shareholders' equity <i>(Note 11)</i> :			
Common stock:			
Authorized— 190,000,000 shares			
Issued — 66,386,718 shares at March 31, 2008 and 2007	6,889	6,889	68,759
Capital surplus	1,000	1,000	9,981
Retained earnings	14,422	10,571	143,947
Treasury stock, at cost	(890)	(73)	(8,883)
Total shareholders' equity	<u>21,421</u>	<u>18,387</u>	<u>213,804</u>
Valuation and translation adjustments:			
Net unrealized holding gain on securities	482	928	4,811
Deferred loss on hedges	—	(27)	—
Surplus arising from land revaluation <i>(Note 12)</i>	767	767	7,656
Translation adjustments	295	290	2,944
Total valuation and translation adjustments	<u>1,544</u>	<u>1,958</u>	<u>15,411</u>
Minority interests	807	779	8,054
Total net assets	<u>23,772</u>	<u>21,124</u>	<u>237,269</u>
Total liabilities and net assets	<u>¥ 50,439</u>	<u>¥ 53,796</u>	<u>\$ 503,433</u>

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31,		
	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Net sales <i>(Notes 3(a), 14 and 18)</i>	¥ 48,335	¥ 48,692	\$ 482,434
Cost of sales <i>(Notes 3(a) and 8)</i>	38,132	39,726	380,597
Gross profit	10,203	8,966	101,837
Selling, general and administrative expenses <i>(Note 8)</i>	4,182	4,318	41,741
Operating income <i>(Note 18)</i>	6,021	4,648	60,096
Other income (expenses):			
Interest and dividend income	73	50	729
Rental income on real estate <i>(Notes 3(a) and 18)</i>	200	–	1,996
Foreign exchange (loss) gain	(197)	20	(1,966)
Interest expense	(274)	(300)	(2,735)
Cost of rent on real estate <i>(Notes 3(a) and 18)</i>	(111)	–	(1,108)
Loss on devaluation of financial instruments	(101)	–	(1,008)
Loss on devaluation of securities	(111)	–	(1,108)
Loss on impairment of fixed assets	–	(5)	–
Other, net	(20)	(23)	(200)
	(541)	(258)	(5,400)
Income before income taxes and minority interests	5,480	4,390	54,696
Income taxes <i>(Note 10)</i> :			
Current	355	303	3,543
Deferred	841	73	8,394
	1,196	376	11,937
Income before minority interests	4,284	4,014	42,759
Minority interests in earnings of consolidated subsidiaries	(36)	(67)	(360)
Net income <i>(Note 16)</i>	¥ 4,248	¥ 3,947	\$ 42,399

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, 2008 and 2007

	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, 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
Cash dividends	-	-	-	(397)	-	-	-	-	-	-	(397)
Net income for the year	-	-	-	4,248	-	-	-	-	-	-	4,248
Increase in treasury stock	-	-	0	-	(817)	-	-	-	-	-	(817)
Other changes	-	-	-	-	-	(446)	27	-	5	28	(386)
Balance at March 31, 2008	66,386,718	¥ 6,889	¥ 1,000	¥ 14,422	¥ (890)	¥ 482	¥ -	¥ 767	¥ 295	¥ 807	¥ 23,772
<i>Thousands of U.S. dollars (Note 2)</i>											
		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 adjustment s	Minority interests	Total net assets
Balance at March 31, 2007		\$ 68,759	\$ 9,981	\$ 105,510	\$ (729)	\$ 9,262	\$ (269)	\$ 7,656	\$ 2,894	\$ 7,775	\$ 210,839
Cash dividends		-	-	(3,962)	-	-	-	-	-	-	(3,962)
Net income for the year		-	-	42,399	-	-	-	-	-	-	42,399
Increase in treasury stock		-	0	-	(8,154)	-	-	-	-	-	(8,154)
Other changes		-	-	-	-	(4,451)	269	-	50	279	(3,853)
Balance at March 31, 2008		\$ 68,759	\$ 9,981	\$ 143,947	\$ (8,883)	\$ 4,811	\$ -	\$ 7,656	\$ 2,944	\$ 8,054	\$ 237,269

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31,		
	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 5,480	¥ 4,390	\$ 54,696
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	374	343	3,733
Increase in allowance for losses on construction contracts	4	34	40
(Decrease) increase in accrued retirement benefits	(49)	91	(489)
Increase in allowance for doubtful receivables	47	65	469
Interest and dividend income	(73)	(50)	(729)
Interest expense	274	300	2,735
Foreign exchange (gain) loss	(6)	0	(60)
Loss on impairment of fixed assets	-	5	-
Loss on devaluation of financial instruments	101	-	1,008
Loss on devaluation of securities	111	-	1,108
Changes in operating assets and liabilities:			
Notes and accounts receivable	786	(1,911)	7,845
Inventories	213	623	2,126
Notes and accounts payable	(886)	(533)	(8,843)
Advances received on uncompleted contracts	(518)	(480)	(5,170)
Other, net	(427)	692	(4,262)
Subtotal	5,431	3,569	54,207
Interest and dividends received	67	48	669
Interest paid	(279)	(315)	(2,785)
Income taxes paid	(394)	(314)	(3,933)
Net cash provided by operating activities	4,825	2,988	48,158
Cash flows from investing activities:			
Increase in time deposits, net	(101)	(300)	(1,008)
Increase in investments in securities	(106)	(338)	(1,058)
Proceeds from sales of investments in securities	20	331	200
Purchases of property, plant and equipment	(561)	(526)	(5,599)
Proceeds from distribution of residual property of investments	1,145	28	11,428
Other, net	(69)	114	(689)
Net cash provided by (used in) investing activities	328	(719)	3,274
Cash flows from financing activities			
(Decrease) increase in short-term bank loans, net	(2,600)	327	(25,951)
Proceeds from long-term debt	1,150	300	11,478
Repayment of long-term debt	(2,395)	(2,301)	(23,905)
Repayment of bonds	(400)	(300)	(3,992)
Cash dividends paid to shareholders of minority interests of consolidated subsidiaries	(8)	(5)	(80)
Increase in treasury stock	(817)	-	(8,155)
Cash dividends paid	(395)	-	(3,942)
Other, net	(115)	(120)	(1,147)
Net cash used in financing activities	(5,580)	(2,099)	(55,694)
Effect of exchange rate changes on cash and cash equivalents	19	11	190
(Decrease) increase in cash and cash equivalents	(408)	181	(4,072)
Cash and cash equivalents at beginning of year	8,030	9,058	80,147
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(1,209)	-
Cash and cash equivalents at end of year (Note 17)	¥ 7,622	¥ 8,030	\$ 76,075

See accompanying notes to consolidated financial statements.

Meisei Industrial Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2008 and 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 and records 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 Financial Instruments and Exchange Act 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.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 10 majority-owned subsidiaries (collectively, the "Companies") for the years ended March 31, 2008 and 2007, respectively. All significant intercompany transactions and accounts have been eliminated in consolidation.

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) 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.

(d) 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 (\$4,991 thousand), 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 which are included in current liabilities.

(e) Foreign Currency Translation

The financial statements of the overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date of the respective overseas consolidated subsidiaries 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, 2008 and 2007.

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese 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.

(f) 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.

1. Summary of Significant Accounting Policies (continued)

(g) 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 declines 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.

(h) 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.

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.

(i) 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)

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law.

In addition, effective the year ended March 31, 2008, depreciation expense for property, plant and equipment acquired before April 1, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years. This change was made based on an amendment to the Corporation Tax Law.

The effects of the changes outlined above on operating income, income before income taxes and minority interests were immaterial for the year ended March 31, 2008.

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

(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) Leases

Non-cancelable 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.

1. Summary of Significant Accounting Policies (continued)

(l) 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.

Effective the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries record allowance for losses on construction contracts since its materiality increased and as the amount of the related costs could be reasonably estimated based on historical data.

(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) Allowance for Bonuses to Directors and Corporate Auditors

The Company and its domestic consolidated subsidiaries provide for allowance for bonuses to directors and corporate auditors at an estimate of the amounts to be paid.

2. U.S. Dollar Amounts

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at $\text{¥}100.19 = \text{U.S.}\1.00 , the approximate rate of exchange in effect on March 31, 2008. This translation should not be construed as a representation that Japanese 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) Rental Income and Cost of Rent on Real Estate

Up to the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries presented rental income on real estate and its related cost as components of net sales and cost of sales, respectively. Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have reclassified such income and cost as components of other income and expenses. This change was made to present the operating results of the Company and its domestic consolidated subsidiaries more accurately considering business transactions resulting from a transfer of assets within the Company's group.

As a result of this change, net sales decreased by $\text{¥}200$ million ($\text{\$}1,966$ thousand) and cost of sales decreased by $\text{¥}111$ million ($\text{\$}1,108$ thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year; however, the change had no effect on income before income taxes and minority interests for the year ended March 31, 2008. The impact on segment information is disclosed in Note 18.

(b) 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 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).

(c) Accounting Standard for Directors' Bonuses

Effective the year ended March 31, 2007, certain domestic consolidated subsidiaries adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005) and, as a result, 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 $\text{¥}19$ million 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 corresponding amounts which would have been recorded under the method applied in the previous year.

4. Investments in Securities

Marketable securities classified as trading securities, held-to-maturity debt securities and other securities at March 31, 2008 and 2007 are summarized as follows:

Trading securities and Marketable held-to-maturity debt securities

The Company and its domestic consolidated subsidiaries had no trading securities and held-to-maturity debt securities at March 31, 2008 and 2007.

Marketable other securities

	2008		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 668	¥ 1,478	¥ 810
Other	53	63	10
Subtotal	721	1,541	820
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	132	125	(7)
Other	293	291	(2)
Subtotal	425	416	(9)
Total	¥ 1,146	¥ 1,957	¥ 811

	2007		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
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

	2008		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 6,667	\$ 14,752	\$ 8,085
Other	529	629	100
Subtotal	7,196	15,381	8,185
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	1,318	1,248	(70)
Other	2,924	2,904	(20)
Subtotal	4,242	4,152	(90)
Total	\$ 11,438	\$ 19,533	\$ 8,095

The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales	¥ 20	¥ 331	\$ 200
Gross realized gain	0	0	1
Gross realized loss	-	0	-

A breakdown of other securities whose market value was not determinable at March 31, 2008 and 2007 is summarized as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted equity securities	¥ 381	¥ 380	\$ 3,802

The redemption schedule for debt securities classified as other securities at March 31, 2008 is summarized as follows:

	2008	
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	Other	Other
Due in one year or less	¥ -	\$ -
Due after one year but within five years	92	918
Due after five years but within ten years	100	998

5. Inventories

Inventories at March 31, 2008 and 2007 were as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Construction projects in progress	¥ 3,556	¥ 3,973	\$ 35,492
Materials and supplies	543	340	5,420
	¥ 4,099	¥ 4,313	\$ 40,912

6. Contingent Liabilities

At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable for guarantees to PT. TERAS TEKNIK PERDANA in the aggregate amount of ¥230 million (\$2,296 thousand).

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

Average interest rates on short-term bank loans outstanding at March 31, 2008 and 2007 were 1.48% and 1.24%, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	2008		2007		2008	
	(Millions of yen)		(Millions of yen)		(Thousands of U.S. dollars)	
0.67% bonds due August 2010	¥	700	¥	900	\$	6,987
0.68% bonds due September 2007		-		200		-
Loans from banks payable in yen, at rates ranging from 1.19% to 3.25%, due through March 2011		9,305		10,550		92,874
		10,005		11,650		99,861
Less current portion		(6,400)		(2,590)		(63,879)
	¥	3,605	¥	9,060	\$	35,982

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 6,400	\$ 63,879
2010	2,980	29,744
2011	625	6,238
	¥ 10,005	\$ 99,861

At March 31, 2008, the Company had unused line-of-credit commitments for short-term financing arrangements totaling ¥4,000 million (\$39,924 thousand).

Assets pledged as collateral for short-term bank loans of ¥200 million (\$1,996 thousand) and long-term debt of ¥9,350 million (\$93,323 thousand), including the current portion thereof, and for guarantees (such as guarantees for bonds) at March 31, 2008 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥ 100	\$ 998
Property, plant and equipment, at net book value, in the form of fixed mortgages	11,885	118,625
	¥ 11,985	\$ 119,623

8. 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, 2008 and 2007 amounted to ¥128 million (\$1,278 thousand) and ¥126 million, respectively.

9. 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, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2008		
	Acquisition costs	Accumulated depreciation	Net book value
	(Millions of yen)		
Machinery and vehicles	¥ 7	¥ 6	¥ 1
Tools, furniture and fixtures	44	29	15
	¥ 51	¥ 35	¥ 16

	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

	2008		
	Acquisition costs	Accumulated depreciation	Net book value
	(Thousands of U.S. dollars)		
Machinery and vehicles	\$ 70	\$ 60	\$ 10
Tools, furniture and fixtures	439	289	150
	\$ 509	\$ 349	\$ 160

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

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Lease payments	¥ 15	¥ 19	\$ 150
Depreciation equivalents	15	19	150

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 8	\$ 80
2010 and thereafter	8	80
	¥ 16	\$ 160

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 years ended March 31, 2008 and 2007 was, in the aggregate, approximately 40.6%.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2008 and 2007 are presented as follows:

	2008	2007
Statutory tax rate	40.6 %	40.6 %
Effect of:		
Expenses not deductible from taxable income	1.1	1.3
Per capita portion of inhabitants' taxes	1.0	1.2
Valuation allowance	(24.3)	(40.2)
Other	3.4	5.7
Effective tax rates	<u>21.8%</u>	<u>8.6 %</u>

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, 2008 and 2007 are summarized as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Tax loss carryforwards	¥ 4,884	¥ 2,989	\$ 48,747
Allowance for doubtful receivables	76	53	759
Accrued bonuses	168	153	1,677
Accrued retirement benefits for employees	423	446	4,222
Accrued retirement benefits for directors and corporate auditors	90	87	898
Loss on liquidation of subsidiaries	-	4,140	-
Other	576	522	5,748
Gross deferred tax assets	6,217	8,390	62,051
Less valuation allowance	(4,328)	(5,642)	(43,198)
Total deferred tax assets	1,889	2,748	18,853
Deferred tax liabilities:			
Difference on revaluation of land	(3,060)	(3,060)	(30,542)
Surplus arising from land revaluation	(642)	(642)	(6,408)
Net unrealized holding gain on securities	(329)	(635)	(3,283)
Total deferred tax liabilities	(4,031)	(4,337)	(40,233)
Net deferred tax liabilities	<u>¥(2,142)</u>	<u>¥(1,589)</u>	<u>\$ (21,380)</u>

11. Shareholders' Equity

The Corporation Law of Japan (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, 2008 and 2007 amounted to ¥65 million (\$649 thousand) and ¥26 million, respectively.

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common 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 years ended March 31, 2008 and 2007 are summarized as follows:

	Number of shares			
	2008			
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock	189,823	2,596,849	1,996	2,784,676

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

12. 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 values of the revalued land at March 31, 2008 and 2007 were less than its corresponding carrying value by ¥898 million (\$8,963 thousand) and ¥870 million, respectively.

13. Accrued Retirement Benefits for Employees

The following table sets forth the funded and accrued status, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Company's and its consolidated subsidiaries' retirement benefit plans:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Retirement benefit obligation at end of year	¥(2,434)	¥(2,572)	\$ (24,294)
Fair value of plan assets at end of year	1,095	1,338	10,929
Unfunded retirement benefit obligation	(1,339)	(1,234)	(13,365)
Unrecognized actuarial loss	188	56	1,877
Unrecognized prior service cost	105	74	1,048
Accrued retirement benefits for employees	¥(1,046)	¥(1,104)	\$ (10,440)

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 137	¥ 201	\$ 1,367
Interest cost	40	42	399
Expected return on plan assets	(24)	(27)	(240)
Amortization of actuarial loss	20	21	200
Amortization of prior service cost	17	12	170
Total retirement benefit expenses	¥ 190	¥ 249	\$ 1,896

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%

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

Estimated sales recognized with respect to construction contracts accounted for by the percentage-of-completion method for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Estimated sales	¥ 8,553	¥ 9,798	\$ 85,368

15. 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 Company also utilized compound financial instruments that contain embedded derivatives (e.g., exchangeable bonds) with creditworthiness to hedge financial risks. Compound financial instruments are utilized by the Company principally in order to manage surplus funds. 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. Compound financial instruments are exposed to the risk of a decrease in value of the underlying principal due to fluctuation in stock and foreign exchange markets.

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.

The notional amounts and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at March 31, 2008 were as follows:

	2008		
	Notional amounts	Estimated fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Currency option transactions:			
Sell foreign currencies	¥ 847	¥ 74	¥ 4
Buy foreign currencies	2,673	(207)	(117)
Total	¥ 3,520	¥ (133)	¥ (113)

	2008		
	Notional amounts	Estimated fair value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Currency option transactions:			
Sell foreign currencies	\$ 8,454	\$ 739	\$ 40
Buy foreign currencies	26,679	(2,066)	(1,168)
Total	\$ 35,133	\$ (1,327)	\$ (1,128)

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

16. Amounts per Share

	2008	2007	2008
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Basic net income	¥ 64.87	¥ 59.61	\$ 0.65
Net assets	361.08	307.34	3.60

Diluted net income per share has not been disclosed because no potentially dilutive securities were outstanding at March 31, 2008 and 2007.

Basic net income per share has been computed based on the net income 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 number of shares of common stock outstanding at the year end.

The financial data utilized in the computation of net income per share for the years ended March 31, 2008 and 2007 is summarized as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Information on net income – basic:			
Net income	¥ 4,248	¥ 3,947	\$ 42,399
Deductions from net income	–	–	–
Adjusted net income allocated to common stock	<u>¥ 4,248</u>	<u>¥ 3,947</u>	<u>\$ 42,399</u>
Weighted-average number of shares of common stock outstanding during the year	65,495 thousand shares	66,210 thousand shares	65,495 thousand shares

	2008	2007	2008
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Cash dividends applicable to the year	¥ 6.00	¥ 3.00	\$ 0.06

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

17. Supplemental Information on Statements of Cash Flows

A reconciliation between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and time deposits in the accompanying consolidated balance sheets as of March 31, 2008 and 2007 is presented as follows:

	2008	2007	2008
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 7,930	¥ 8,237	\$ 79,150
Time deposits with original maturities in excess of three months	(308)	(207)	(3,075)
Cash and cash equivalents	<u>¥ 7,622</u>	<u>¥ 8,030</u>	<u>\$ 76,075</u>

18. 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") in Japan and overseas.

Business Segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 is outlined as follows:

	Year ended March 31, 2008				
	Construction	Manufacturing machinery and fixtures	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income:					
Sales to third parties	¥ 43,390	¥ 4,945	¥ 48,335	¥ –	¥ 48,335
Intergroup sales and transfers	50	51	101	(101)	–
Net sales	43,440	4,996	48,436	(101)	48,335
Operating expenses	37,761	4,685	42,446	(132)	42,314
Operating income	¥ 5,679	¥ 311	¥ 5,990	¥ 31	¥ 6,021
II. Total assets, depreciation and capital expenditures:					
Total assets	¥ 38,275	¥ 4,314	¥ 42,589	¥ 7,850	¥ 50,439
Depreciation and amortization	359	15	374	–	374
Capital expenditures	880	–	880	–	880

	Year ended March 31, 2007					
	Construction	Manufacturing machinery and fixtures	Other	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>					
I. Sales and operating income:						
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 and amortization	254	11	78	343	–	343
Loss on impairment of fixed assets	–	5	–	5	–	5
Capital expenditures	488	3	–	491	–	491

	Year ended March 31, 2008				
	Construction	Manufacturing machinery and fixtures	Total	Eliminations/ corporate assets	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
I. Sales and operating income:					
Sales to third parties	\$ 433,077	\$ 49,357	\$ 482,434	\$ –	\$ 482,434
Intergroup sales and transfers	499	509	1,008	(1,008)	–
Net sales	433,576	49,866	483,442	(1,008)	482,434
Operating expenses	376,894	46,761	423,655	(1,317)	422,338
Operating income	\$ 56,682	\$ 3,105	\$ 59,787	\$ 309	\$ 60,096
II. Total assets, depreciation and capital expenditures:					
Total assets	\$ 382,024	\$ 43,058	\$ 425,082	\$ 78,351	\$ 503,433
Depreciation and amortization	3,583	150	3,733	–	3,733
Capital expenditures	8,783	–	8,783	–	8,783

As described in Note 3(a), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries reclassified rental income on real estate and its related cost. As a result of this change, the "Other" segment has been omitted from business segment information for the year ended March 31, 2008.

18. Segment Information (continued)

As described in Note 3(c), effective the year ended March 31, 2007, certain domestic consolidated subsidiaries 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, and operating income for this segment decreased by the same amount for the year ended March 31, 2007 compared with the corresponding amounts which would have been recorded under the method applied in the previous year.

As described in Note 1(l), effective the year ended March 31, 2007, the Company and certain domestic consolidated subsidiaries record allowance for losses on construction contracts. As a result of this change, operating expenses in the construction segment increased by ¥34 million and operating income in this segment decreased by the same amount for the year ended March 31, 2007 compared with the corresponding 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, 2008 and 2007 is outlined as follows:

	Year ended March 31, 2008				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Millions of yen)</i>				
I. Sales and operating income:					
Sales to third parties	¥ 46,758	¥ 1,577	¥ 48,335	¥ –	¥ 48,335
Intergroup sales and transfers	116	11	127	(127)	–
Net sales	46,874	1,588	48,462	(127)	48,335
Operating expenses	41,106	1,514	42,620	(306)	42,314
Operating income	¥ 5,768	¥ 74	¥ 5,842	¥ 179	¥ 6,021
II. Total assets	¥ 41,690	¥ 693	¥ 42,383	¥ 8,056	¥ 50,439

	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, 2008				
	Japan	Asia and Africa	Total	Eliminations/ corporate assets	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
I. Sales and operating income:					
Sales to third parties	\$ 466,694	\$ 15,740	\$ 482,434	\$ –	\$ 482,434
Intergroup sales and transfers	1,157	110	1,267	(1,267)	–
Net sales	467,851	15,850	483,701	(1,267)	482,434
Operating expenses	410,280	15,112	425,392	(3,054)	422,338
Operating income	\$ 57,571	\$ 738	\$ 58,309	\$ 1,787	\$ 60,096
II. Total assets	\$ 416,109	\$ 6,917	\$ 423,026	\$ 80,407	\$ 503,433

As described in Note 3(c), effective the year ended March 31, 2007, certain domestic consolidated subsidiaries 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 and operating income in this segment decreased by the same amount for the year ended March 31, 2007 compared with the corresponding amounts which would have been recorded under the method applied in the previous year.

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

18. 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, 2008 and 2007 are summarized as follows:

	Year ended March 31, 2008			
	Asia	Africa	Other	Total
	<i>(Millions of yen)</i>			
Overseas sales	¥ 1,495	¥ 1,967	¥389	¥ 3,851
Overseas sales as a percentage of consolidated net sales	3.1%	4.1%	0.8%	8.0%

	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, 2008			
	Asia	Africa	Other	Total
	<i>(Thousands of U.S. dollars)</i>			
Overseas sales	\$14,922	\$19,633	\$3,882	\$38,437

19. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was approved at a shareholders' meeting held on June 27, 2008:

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Cash dividends (¥3.00 = U.S.\$0.03 per share)	¥ 191	\$ 1,906

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, 2008 and 2007, and the related consolidated statements of income, 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, 2008 and 2007, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 27, 2008