NOF CORPORATION

Consolidated Financial Statements

For the years ended March 31, 2007 and 2008

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ERNST & YOUNG SHINNIHON

Report of Independent Auditors

The Board of Directors
NOF CORPORATION

We have audited the accompanying consolidated balance sheets of NOF CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2008, 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 NOF CORPORATION and consolidated subsidiaries at March 31, 2007 and 2008, 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 3.

Ernst & Young ShinNihon

June 17, 2008

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
ASSETS			
Current assets:			
Cash and time deposits (Note 4)	¥ 8,012	¥ 10,029	$ 100,104
Notes and accounts receivable	33,482	28,999	289,445
Allowance for doubtful accounts	(119)	(107)	(1,077)
	33,363	28,892	288,368
Inventories	24,614	29,267	292,116
Deferred tax assets (Note 11)	2,066	1,767	17,636
Other current assets (Note 5)	2,868	2,070	20,661
Total current assets	70,923	72,025	718,885
Property, plant and equipment (Note 6):			
Land	19,376	19,386	193,493
Buildings and structures	53,057	56,154	560,478
Machinery and equipment	83,901	86,967	868,019
Construction in progress	3,050	1,339	13,363
Others	12,585	13,261	132,354
Accumulated depreciation	(109,213)	(114,228)	(1,140,112)
Total property, plant and equipment	62,756	62,879	627,595
Investments and other assets:			
Investments in securities (Note 5)	47,687	31,165	311,059
Deferred tax assets (Note 11)	434	1,399	13,968
Intangible assets	3,338	3,019	30,131
Prepaid pension expenses (Note 12)	5,946	6,675	66,626
Other assets	3,537	1,611	16,075
Total investments and other assets	60,942	43,869	437,859
Total assets	¥ 194,621	¥ 178,773	$ 1,784,339

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 6)	¥ 9,646	¥ 13,772	$ 137,463
Current portion of long-term debt (Note 6)	5,824	976	9,744
Notes and accounts payable	25,199	24,816	247,689
Accrued expenses	6,284	5,589	55,781
Income taxes payable	2,463	1,472	14,691
Deposits payable	3,365	3,317	33,108
Other current liabilities (Note 11)	4,656	3,382	33,753
Total current liabilities	57,437	53,324	532,229
Long-term liabilities:			
Long-term debt (Note 6)	12,554	14,283	142,556
Deferred tax liabilities (Note 11)	17,549	11,175	111,539
Allowance for retirement benefits (Note 12)	3,687	3,611	36,039
Allowance for retirement benefits for directors	238	235	2,346
Allowance for retirement benefits for officers	130	82	820
Other long-term liabilities	1,021	543	5,423
Total long-term liabilities	35,179	29,929	298,723
Contingent liabilities and commitment (Note 15)			
Net assets:			
Shareholders' equity			
Common stock:			
Authorised: 783,828,000 shares at March 31, 2007 and 2008			
Issued: 203,682,752 shares and 201,682,752 shares at March 31, 2007 and 2008	17,742	17,742	177,084
Capital surplus	15,113	15,113	150,847
Retained earnings	49,204	52,189	520,904
Treasury stock, at cost	(1,177)	(1,600)	(15,975)
Total shareholders' equity	80,882	83,444	832,860
Valuation, translation adjustments and others			
Unrealized gain on other securities	17,453	8,258	82,419
Foreign currency translation adjustments	(221)	39	393
Total valuation, translation adjustments and others	17,232	8,297	82,812
Minority interests	3,891	3,779	37,715
Total net assets	102,005	95,520	953,387
Total liabilities and net assets	¥ 194,621	¥ 178,773	$ 1,784,339

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Income
For the years ended March 31, 2007 and 2008

	Millions of yen				Thousands of U.S. dollars (Note 3)	
	2007		2008		2008	
Net sales	¥	150,209	¥	159,046	$	1,587,439
Cost of sales (Notes 8 and 12)		110,309		120,846		1,206,166
Gross profit		39,900		38,200		381,273
Selling, general and administrative expenses (Notes 7, 8 and 12)		28,305		28,194		281,404
Operating income		11,595		10,006		99,869
Other income (expenses):						
Interest and dividend income		631		848		8,464
Interest expenses		(408)		(453)		(4,519)
Gain on sale of properties		570		56		563
Loss on disposal of properties		(136)		(127)		(1,267)
Loss on disposal of obsolete inventory items		(190)		(106)		(1,058)
Gain on sale of investments in securities		846		1,266		12,633
Impairment loss on investment securities		(35)		(1,234)		(12,314)
Equity in earnings (losses) of affiliates		(64)		130		1,294
Foreign exchange loss, net		(161)		(262)		(2,617)
Environmental expenditures		(30)		-		-
Expenditures for 70th anniversary		-		(174)		(1,736)
Business start-up expenses		-		(186)		(1,855)
China project expenses		(229)		(26)		(264)
Others, net		397		196		1,955
		1,191		(72)		(721)
Income before income taxes and minority interests in the earnings of consolidated subsidiaries		12,786		9,934		99,148
Income taxes (Note 11)						
Current		4,436		3,745		37,380
Deferred		853		(633)		(6,322)
		5,289		3,112		31,058
Minority interests in the earnings of consolidated subsidiaries		(270)		262		2,618
Net income	¥	7,227	¥	6,560	$	65,472

	yen		U.S. dollars (Note 3)
Per share:			
Net income - basic	35.5	32.8	0.32
Net income - diluted	35.5	32.7	0.32
Cash dividends applicable to the year	11.0	11.0	0.10
	(thousands)		
Weighted average number of shares	203,308	199,938	

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2007 and 2008

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
		Millions of yen									
Balance at March 31, 2006	208,483	¥ 17,742	¥ 15,696	¥ 46,138	¥ (372)	¥ 79,204	¥ 19,408	¥ (424)	¥ 18,984	¥ 3,652	¥ 101,840
Net income	-	-	-	7,227	-	7,227	-	-	-	-	7,227
Cash dividends	-	-	-	(2,053)	-	(2,053)	-	-	-	-	(2,053)
Bonuses to directors	-	-	-	(83)	-	(83)	-	-	-	-	(83)
Purchase of treasury stock	-	-	-	-	(3,889)	(3,889)	-	-	-	-	(3,889)
Sale of treasury stock	-	-	-	(36)	112	76	-	-	-	-	76
Retirement of treasury stock	(4,800)	-	(583)	(2,389)	2,972	-	-	-	-	-	-
Increase in consolidated subsidiaries	-	-	-	400	-	400	-	-	-	-	400
Net change in items other than shareholders' equity	-	-	-	-	-	-	(1,955)	203	(1,752)	239	(1,513)
Balance at March 31, 2007	203,683	¥ 17,742	¥ 15,113	¥ 49,204	¥ (1,177)	¥ 80,882	¥ 17,453	¥ (221)	¥ 17,232	¥ 3,891	¥ 102,005
Net income	-	-	-	6,560	-	6,560	-	-	-	-	6,560
Cash dividends	-	-	-	(2,406)	-	(2,406)	-	-	-	-	(2,406)
Bonuses to directors	-	-	-	(5)	-	(5)	-	-	-	-	(5)
Purchase of treasury stock	-	-	-	-	(1,583)	(1,583)	-	-	-	-	(1,583)
Sale of treasury stock	-	-	-	(22)	59	37	-	-	-	-	37
Retirement of treasury stock	(2,000)	-	-	(1,101)	1,101	-	-	-	-	-	-
Increase in consolidated subsidiaries	-	-	-	(41)	-	(41)	-	-	-	-	(41)
Net change in items other than shareholders' equity	-	-	-	-	-	-	(9,195)	260	(8,935)	(112)	(9,047)
Balance at March 31, 2008	201,683	¥ 17,742	¥ 15,113	¥ 52,189	¥ (1,600)	¥ 83,444	¥ 8,258	¥ 39	¥ 8,297	¥ 3,779	¥ 95,520

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Foreign currency translation adjustments	Total valuation and adjustments	Minority interest	Total net assets
		Thousands of U.S. dollars (Note 3)									
Balance at March 31, 2007	203,683	$ 177,084	$ 150,847	$ 491,100	$ (11,744)	$ 807,287	$ 174,198	$ (2,207)	$ 171,991	$ 38,831	$ 1,018,109
Net income for the year ended March 31, 2008	-	-	-	65,472	-	65,472	-	-	-	-	65,472
Cash dividends	-	-	-	(24,018)	-	(24,018)	-	-	-	-	(24,018)
Bonuses to directors	-	-	-	(50)	-	(50)	-	-	-	-	(50)
Purchase of treasury stock	-	-	-	-	(15,801)	(15,801)	-	-	-	-	(15,801)
Sale of treasury stock	-	-	-	(202)	580	378	-	-	-	-	378
Retirement of treasury stock	(2,000)	-	-	(10,990)	10,990	-	-	-	-	-	-
Increase in consolidated subsidiaries	-	-	-	(408)	-	(408)	-	-	-	-	(408)
Net change in items other than shareholders' equity	-	-	-	-	-	-	(91,779)	2,600	(89,179)	(1,116)	(90,295)
Balance at March 31, 2008	201,683	$ 177,084	$ 150,847	$ 520,904	$ (15,975)	$ 832,860	$ 82,419	$ 393	$ 82,812	$ 37,715	$ 953,387

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Cash flows from operating activities:			
Income before income taxes and minority interests in the earnings of consolidated subsidiaries	¥ 12,786	¥ 9,934	$ 99,148
Adjustments for:			
Depreciation	5,800	6,995	69,813
Net change in accrued pension and severance costs	(1,159)	(797)	(7,959)
Interest and dividends income	(630)	(848)	(8,464)
Interest expenses	408	453	4,519
Equity in (earnings) losses of affiliates	64	(130)	(1,294)
Gain on sale of properties	(570)	(56)	(563)
Impairment loss on investments in securities	35	1,234	12,314
Gain on sale of investments in securities, net	(846)	(1,266)	(12,633)
Increase (decrease) in notes and accounts receivable	(3,280)	4,498	44,891
Increase in inventories	(3,013)	(4,684)	(46,754)
Increase (decrease) in notes and accounts payable	2,525	(471)	(4,702)
Expenditures for 70th anniversary	-	174	1,736
Others, net	(1,145)	1,223	12,229
Sub total	10,975	16,259	162,281
Interest and dividends received	660	884	8,821
Interest paid	(426)	(456)	(4,452)
Income taxes paid	(4,608)	(4,725)	(47,157)
Expenditures for 70th anniversary	-	(168)	(1,680)
Net cash provided by operating activities	6,601	11,794	117,713
Cash flows from investing activities:			
Payments for additional acquisition of interest in subsidiary	-	(272)	(2,715)
Payments for purchase of investments in securities	(1,826)	(1,650)	(16,467)
Proceeds from sale of investments in securities	2,581	2,747	27,420
Payments for purchase of property, plant and equipment	(8,073)	(8,807)	(87,899)
Proceeds from sale of property, plant and equipment	1,031	668	6,663
Net increase in short-term loans receivable	7	11	108
Payments for long-term loans receivable	(270)	(3)	(34)
Proceeds from long-term loans receivable	20	19	192
Others, net	343	33	333
Net cash used in investing activities	(6,187)	(7,254)	(72,399)

Consolidated Statements of Cash Flows (Continued)
For the years ended March 31, 2007 and 2008

Cash flows from financing activities:			
Net increase in short-term bank loans	4,800	4,149	41,414
Borrowing of long-term debt	4,300	2,700	26,949
Repayments of long-term debt	(9,744)	(5,814)	(58,027)
Refund from reserve for sinking fund	4,845	-	-
Payments for purchase of treasury stock	(3,816)	(1,546)	(15,430)
Cash dividends paid	(2,054)	(2,399)	(23,945)
Cash dividends to minority shareholders	(101)	(84)	(842)
Net cash used in financing activities	(1,770)	(2,994)	(29,881)
Effect of exchange rate change on cash and cash equivalents	144	90	894
Net decrease in cash and cash equivalents	(1,212)	1,636	16,327
Cash and cash equivalents at beginning of year	8,628	7,719	77,047
Adjustments of new consolidated subsidiaries on cash and cash equivalents	303	599	5,977
Cash and cash equivalents at end of year (Note 4)	¥ 7,719	¥ 9,954	$ 99,351

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements
For the years ended March 31, 2007 and 2008

1. Basis of presenting the consolidated financial statements

NOF CORPORATION (the "Company") and its subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been prepared 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, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

2. Summary of significant accounting policies

(1) Scope of consolidation

The Company had 34 subsidiaries (majority-owned companies) as of March 31, 2008 (33 for 2007). The consolidated financial statements include the accounts of the Company and 24 of its subsidiaries for the year ended March 31, 2008 (23 for 2007).

The remaining 10 (10 for 2007) subsidiaries, whose combined assets, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from consolidation.

The accompanying consolidated financial statements include the accounts of the 24 majority owned subsidiaries listed below (the Company and these consolidated subsidiaries are together referred to as the "Group"):

Changshu NOF Chemical Co., Ltd., a non-consolidated subsidiary until the previous fiscal year, has been included as a consolidated subsidiary from the fiscal year ended March 31, 2008 due to an increase in materiality.

Name of subsidiaries	Percentage of voting rights owned by the Company
(Domestic subsidiaries)	%
Nippon Koki Co., Ltd.	95.0
Nichiyu Giken Kogyo Co., Ltd.	66.7
Nippon Dacro Shamrock Co., Ltd.	100.0
Hokkaido NOF Corporation	100.0
Nichiyu Trading Co., Ltd.	100.0
Japex Corporation	70.0
Showa Kinzoku Kogyo Co., Ltd.	96.7
Nichiyu Solution Inc.	100.0
Nippo Kogyo Co., Ltd.	93.1
Nichiyu Logistics Co., Ltd.	100.0
Cactus Co., Ltd.	66.7
Yuka Sangyo Co., Ltd.	100.0
Nichiyu Kogyo Co., Ltd.	100.0
Nikka Coating Co., Ltd.	100.0
(Foreign subsidiaries)	
Metal Coatings International Inc.	100.0
Michigan Metal Coatings Co.	100.0
Georgia Metal Coatings Co.	100.0
Dacral S.A.	100.0
Metal Coatings Brazil Ind. E. Com. Ltda.	90.0
Dacral Manufacturing NV	100.0
NOF Europe (Belgium) NV	100.0
P.T. NOF Mas Chemical Industries	89.6
Korea Shamrock Co., Ltd.	80.0
Changshu NOF Chemical Co., Ltd.	100.0

The Company and all of its consolidated subsidiaries use a fiscal year ended March 31, except for Nippon Dacro Shamrock Co., Ltd., Nikka Coating Co., Ltd. and foreign subsidiaries. Those subsidiaries use a fiscal year ended December 31. The accounts of those subsidiaries have been consolidated by using the result of operations and account balances for the fiscal year, and necessary adjustments have been made for any material transactions that occurred between the different fiscal year-ends.

(2) Consolidation and elimination

For the purposes of preparing the accompanying consolidated financial statements, any gains/losses in relation to inter-company transactions have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Applicable inter-company accounts have been eliminated. The cost of investments in the common stock of consolidated subsidiaries is offset by the underlying equity in the net assets of such subsidiaries. Assets and liabilities in the consolidated subsidiaries are revalued at fair market value when the majority interest in the subsidiaries is purchased.

The differences between the cost of an investment and the amount of underlying equity in the net assets of such subsidiaries are amortized on a straight-line basis over their estimated useful lives or over a period of 5 years.

(3) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(4) Accounting for investments in unconsolidated subsidiaries and affiliates

The equity method is applied to investments in 2 affiliates (3 for 2007) for the year ended March 31, 2008.

Company management decided to divest itself of all its shares in P.T. Sinar Oleochemical International which had been accounted for by the equity method. The Company has already withdrawn its director from the investee, and has no significant influence over the investee. Therefore, the investee is not accounted for by the equity method as of March 31, 2008.

The 2 affiliates (3 for 2007) accounted for by the equity method for the year ended March 31, 2008 are listed below:

Name of Affiliates	Percentage of voting rights owned by the Company
	%
Autoliv Nichiyu Co., Ltd.	40.0
Nissan Soap Co., Ltd.	32.8

(5) Financial instruments

(a) Securities

Available-for-sale securities for which market quotations are available are stated at the valued primarily at market based on an average of the market prices for a period of one month prior to the settling date. Net unrealized gains or losses on those securities are reported as a separate component of net assets at a net-of-tax amount.

Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities for which market quotations are unavailable are stated at cost, principally determined by the moving-average method.

(b) Hedge accounting

The Company has entered into forward foreign exchange contracts to reduce its exposure to the risk of fluctuation in foreign exchange rates related to its trade accounts receivables and payables, and the Company also has entered into interest rate swap contracts to reduce its exposure to the risk of fluctuation in interest rates related to long-term bank loans. It is the Company’s policy not to enter into any speculative derivatives transactions.

Gains or losses arising from changes in fair value of hedging instruments are deferred as assets or liabilities until the related gains or losses on the hedged items are recognized.

If forward foreign exchange contracts meet certain hedging criteria, however, the existing foreign currency receivables or payables are translated at their forward rates.

In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the liabilities for which the swap contracts were executed.

(6) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

(7) Inventories

Inventories are principally stated at the total-average method.

(8) Property, plant and equipment

Depreciation of property, plant and equipment (excluding buildings) is principally computed using the declining-balance method, based on the estimated useful lives of the assets. Depreciation of buildings (excluding attachments to buildings) is principally computed using the straight-line method, based on the estimated useful lives of the assets. The range of useful lives is principally from 7 to 50 years for buildings and structures and from 6 to 12 years for machinery, equipment, furniture and tools.

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2008, decreased by ¥124 million ($1,238 thousand), respectively, compared to the amounts that would have been reported if the previous methods had been applied.

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries started the depreciation for property, plant and equipment, which were acquired on or before March 31, 2007, and were already depreciated to 5% of the acquisition cost. The depreciation was calculated by straight-line method within next five years after these assets were depreciated to 5% of the acquisition cost. The depreciation was charged to depreciation expenses. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2008, decreased by ¥548 million ($5,476 thousand), compared to the amounts that would have been reported if the previous methods had been applied.

(9) Intangible assets

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight- line method over the useful life of the software, which is 5 years.

(10) Allowance for retirement benefits

The employees of the Company and certain consolidated subsidiaries are covered by a funded retirement plan. Benefits under this retirement plan are generally based on employees' average basic salary during the period and length of service.

Unrecognized actual differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise.
Past service liabilities are amortized on a straight-line basis over the period of 10 years.

(11) Allowance for retirement benefits for directors

Effective the year ended March 31, 2008, Nichiyu Trading Co., Ltd., Nichiyu Giken Kogyo Co., Ltd., Yuka Sangyo Co., Ltd., Showa Kinzoku Kogyo Co., Ltd., Nippo Kogyo Co., Ltd., Japex Corporation, Nichiyu Solution Inc., Nippon Dacro Shamrock Co., Ltd., Nichiyu Logistics Co., Ltd., Nippon Koki Co., Ltd. and Nichiyu Kogyo Co., Ltd. calculate the amount that would be required, based on the pertinent rules of these companies, if all directors are to retire at the balance sheet dates, and accounts for it as allowance for retirement benefits for directors, which was presented as accrued retirement benefits to directors and corporate auditors.

(12) Allowance for retirement benefits for officers

Effective the year ended March 31, 2008, the Company calculates the amount that would be required, based on the pertinent rules of the Company, if all officers are to retire at the balance sheet dates, and accounts for it as allowance for retirement benefits for officers, which was presented as accrued retirement benefits to directors and corporate auditors.

(13) Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, and leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(14) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(15) Consumption tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax paid is generally offset against the balance of consumption tax withheld, and the balance is shown in the accompanying consolidated balance sheets as "Other current liabilities".

(16) Per share information

Net income per share of common stock is based upon the weighted average number of shares outstanding during each fiscal period.

	yen		U.S. dollars (Note 3)
	2007	2008	2008
Per share:			
Net income - basic	¥ 35.5	¥ 32.8	$ 0.32
Net income - diluted	35.5	32.7	0.32
Cash dividends applicable to the year	11.0	11.0	0.10
Net assets	486.24	461.55	4.61

Basis for calculating net income per share:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Net income per share			
Net income	¥ 7,227	¥ 6,560	$ 65,472
Amount not available to shareholders			
Earnings appropriated for directors' bonuses	-	-	-
Net income related to common stock	7,227	6,560	65,472
Average number of shares outstanding (1,000 shares)	203,308	199,938	199,938
Net income per share (diluted)			
Net income adjustment	-	-	-
Stock options (1,000 shares)	195	62	62
Increase in number of shares (1,000 shares)	195	62	62
Shares not included in diluted net income per share calculation due to lack of dilution effect (1,000 shares)	-	-	-

(17) Reclassification of accounts

Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. United States dollar amounts

The Company maintains its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥100.19 = U.S.$1, the approximate rate of exchange prevailing on the latest balance sheet date of March 31, 2008. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at ¥100.19 = U.S.$1 or at any other rate.

4. Supplementary cash flow information

The relationship between cash and cash equivalents as of March 31, 2007 and 2008 and the accounts booked in the balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Cash and time deposits	¥ 8,012	¥ 10,029	$ 100,104
Time deposits with maturity periods exceeding three months	(293)	(75)	(753)
Cash and cash equivalents	¥ 7,719	¥ 9,954	$ 99,351

5. Marketable securities and investments in securities

(1) The book value and aggregate fair market value of the securities classified as held-to-maturity debt securities for which market quotations at March 31, 2007, and 2008 were as follows:

	Millions of yen		
	2007		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	¥ 5	¥ 5	¥ 0
Total	¥ 5	¥ 5	¥ 0

	Millions of yen		
	2008		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	¥ 5	¥ 5	¥ 0
Total	¥ 5	¥ 5	¥ 0

	Thousands of U.S. dollars (Note 3)		
	2008		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	$ 47	$ 47	$ 0
Total	$ 47	$ 47	$ 0

(2) The cost, book value and unrealized gains or losses on available-for-sale securities with fair value as of March 31, 2007 and 2008 were as follows:

	Millions of yen		
	2007		
Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Shares	¥ 12,124	¥ 41,813	¥ 29,689
Others	60	71	11
Sub total	12,184	41,884	29,700
Fair market value does not exceed acquisition cost			
Shares	¥ 900	¥ 793	¥ (107)
Sub total	900	793	(107)
Total	¥ 13,084	¥ 42,677	¥ 29,593

	Millions of yen		
	2008		
Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Shares	¥ 10,576	¥ 25,844	¥ 15,268
Others	22	26	4
Sub total	10,598	25,870	15,272
Fair market value does not exceed acquisition cost			
Shares	¥ 3,758	¥ 2,488	¥ (1,270)
Others	¥ 28	¥ 26	¥ (2)
Sub total	3,786	2,514	(1,272)
Total	¥ 14,384	¥ 28,384	¥ 14,000

Description	Thousands of U.S. dollars (Note 3) 2008 Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Shares	$ 105,560	$ 257,946	$ 152,386
Others	222	264	42
Sub total	105,782	258,210	152,428
Fair market value does not exceed acquisition cost			
Shares	$ 37,503	$ 24,830	$ (12,673)
Others	$ 280	$ 262	$ (19)
Sub total	37,783	25,092	(12,692)
Total	$ 143,565	$ 283,302	$ 139,736

(3) Available-for-sale securities sold during the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Proceeds from sale of available-for-sale securities	¥ 2,581	¥ 2,657	$ 26,517
Realized gain	854	1,268	12,658
Realized loss	8	2	24

(4) The book value of major securities without fair value as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Unlisted stocks	¥ 650	¥ 668	$ 6,666
Preferred fund certificates	1,000	-	-
Fund certificates	9	9	91

(5) Schedule for redemption of available-for-sale securities with maturity as of March 31, 2007 and 2008 were as follows:

	Millions of yen			
	2007			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Government and municipal bonds	¥ 3	¥ 0	¥ -	¥ -
	3	0	-	-

	Millions of yen			
	2008			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Government and municipal bonds	¥ 4	¥ 0	¥ -	¥ -
	4	0	-	-

	Thousands of U.S. dollars (Note 3)			
	2008			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Government and municipal bonds	$ 43	$ 4	$ -	$ -
	43	4	-	-

6. Short-term bank loans and long-term debt

Short-term bank loans outstanding are generally represented by notes payable issued by the Company to banks with a weighted average interest rate of 1.27% at March 31, 2007, and 1.52% at March 31, 2008.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Loans, principally from banks and insurance companies, due fiscal 2008 to 2023 with average interest rates of 1.48% at March 31, 2007, and 1.63% at March 31, 2008	¥ 18,378	¥ 15,259	$ 152,299
Less: Current maturities of:			
Long-term loans	5,824	976	9,743
	¥ 12,554	¥ 14,283	$ 142,556

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2010	¥ 5,553	$ 55,424
2011	1,439	14,360
2012	5,839	58,276
2013	976	9,744
2014 and thereafter	476	4,752
	¥ 14,283	$ 142,556

The Company's assets pledged as collateral for long-term loans from banks and other financial institutions (including current maturity) of ¥2,358 million at March 31, 2007, and ¥2,045 million (US$20,408 thousand) at March 31, 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Property, plant and equipment at book value	¥ 16,004	¥ 16,179	$ 161,480
	¥ 16,004	¥ 16,179	$ 161,480

7. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2007 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Delivery and storage charges	¥ 4,119	¥ 3,886	$ 38,784
Salaries and bonuses	8,401	8,368	83,519
Employee retirement benefit costs	495	395	3,941
Retirement benefit costs for directors	41	67	670
Retirement benefit costs for officers	49	41	413
Research and development costs	5,002	5,227	52,166
Amortization of goodwill	13	0	1

8. Research and development costs

Research and development costs for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Research and development costs	¥ 5,558	¥ 5,906	$ 58,951

9. Cash dividends

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2008 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 28, 2008.

The amount of cash dividends relating to the year ended March 31, 2008 that have been approved is shown below.

	Millions of yen	Thousands of U.S. dollars (Note 3)
Cash dividends of ¥6 ($0.06) per share	¥ 1,193	$ 11,903

10. Stock option

Stock Option Plan
The stock options outstanding as of March 31, 2008 are as follows:

Name		Stock Option 2002	Stock Option 2003
Position and number of grantee	Directors of the Company:	8	9
	Employees of the Company:	23	17
Number of options	Common stocks of the Company:	34,000	277,000
Date of grant		July 29, 2002	July 28, 2003
Vesting period		From July 29, 2002 to July 31, 2004	From July 28, 2003 to July 31, 2005

11. Income taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2007 and 2008 was 41.0%. At March 31, 2007 and 2008, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Deferred tax assets:			
Accrued bonus	¥ 1,095	¥ 1,065	$ 10,635
Allowance for retirement benefits	861	1,034	10,320
Unrealized earnings	235	323	3,220
Accrued enterprise tax	240	157	1,566

Allowances for retirement benefits for directors and for officers	150	156	1,561
Impairment loss on investment securities	13	849	8,472
Valuation difference	-	321	3,204
Others	1,529	905	9,031
	4,123	4,810	48,009
Valuation allowance	(966)	(646)	(6,451)
Total deferred tax assets	3,157	4,164	41,558
Deferred tax liabilities:			
Unrealized gain on other securities	(12,134)	(5,740)	(57,292)
Reserve for advanced depreciation of property plant and equipment	(3,065)	(2,895)	(28,894)
Prepaid pension expenses	-	(552)	(5,509)
Valuation differences	(2,012)	(2,010)	(20,063)
Gain on revaluation of assets trusted for retirement benefit	(838)	(838)	(8,366)
Others	(166)	(185)	(1,843)
Total deferred tax liabilities	(18,215)	(12,220)	(121,967)
Deferred income taxes, net	¥ (15,058)	¥ (8,056)	$ (80,409)

A reconciliation of the tax rate to the Company's effective tax rate for year ended March 31, 2008 is summarized as follows:

	2008
Statutory tax rate	41.0%
Non-deductible expenses	1.2
Tax credits	(6.2)
Valuation allowance	(3.2)
Inhabitants' per capita taxes	0.4
Other	(1.9)
Effective tax rate	31.3%

No reconciliation has been presented for the year ended March 31, 2007 as the difference between the statutory tax rate and the effective tax rate was less than 5%.

12. Allowance for retirement benefits

The Company has a pension plan (funded and non-contributory) to cover the employees (excluding directors and corporate auditors) of the Company. The benefits under this plan are determined generally by reference to the employees' average rate of pay, length of service and the conditions under which retirement occurs. The pension plan of the Company provides for a lump-sum payment or annuity payments for a 10-year period after retirement, if they retire with at least 20 years of participation in the plan and at the age of 50 or older. Employees retiring with less than 20 years of participation are entitled to a lump-sum payment.

The following tables show the funded and accrued status of the employee retirement benefits, and the amounts recognized in the consolidated balance sheet as of March 31, 2007 and 2008.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Projected benefit obligations	¥ (19,733)	¥ (19,126)	$ (190,900)
Plan assets	22,581	17,531	174,979
Unfunded projected benefit obligations	2,848	(1,595)	(15,921)
Unrecognized actuarial differences	(331)	4,881	48,721
Unrecognized prior service costs	(258)	(222)	(2,213)
Book value – net	2,259	3,064	30,587
Prepaid pension expenses	(5,946)	(6,675)	(66,626)
Accrued pension and severance costs	¥ (3,687)	¥ (3,611)	$ (36,039)

Net pension expenses related to retirement benefits for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Service costs *1	¥ 1,090	¥ 960	$ 9,578
Interest costs	365	356	3,556
Expected return on plan assets	(516)	(565)	(5,642)
Amortization of actual differences	197	284	2,837
Amortization of prior service costs	(36)	(36)	(358)
Net pension expenses	¥ 1,100	¥ 999	$ 9,971

Notes:

*1 The pension expenses of consolidated subsidiaries which applied the expediency method are included in "Service costs".

Assumptions used in the calculation of the above information were as follows:

	2007	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	3.5%
Method of attributing the projected benefits to periods of services	mainly point basis	mainly point basis
Amortization of unrecognized prior service costs	10 years	10 years
Amortization of unrecognized actuarial differences	10 years	10 years

13. Leases

The Group leases certain machinery and equipment, and other assets. Total lease payments under these leases were ¥229 million and ¥157 million (US$1,568 thousand) for the years ended March 31, 2007 and 2008, respectively.

Information relating to acquisition costs, accumulated depreciation and future minimum payments for assets held under finance leases which do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2008, is as follows:

	Millions of yen		
	2007		
	Furniture and fixtures	Others	Total
Acquisition costs	¥ 539	¥ 272	¥ 811
Accumulated depreciation	284	160	444
Net leased assets	¥ 255	¥ 112	¥ 367

	Millions of yen		
	2008		
	Furniture and fixtures	Others	Total
Acquisition costs	¥ 436	¥ 515	¥ 951
Accumulated depreciation	295	202	497
Net leased assets	¥ 141	¥ 313	¥ 454

	Thousands of U.S. dollars (Note 3)		
	2008		
	Furniture and fixtures	Others	Total
Acquisition costs	$ 4,355	$ 5,140	$ 9,495
Accumulated depreciation	2,949	2,021	4,970
Net leased assets	$ 1,406	$ 3,119	$ 4,525

Future minimum lease payments under finance leases as of March 31, 2007 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Due within one year	¥ 153	¥ 150	$ 1,500
Due over one year	214	303	3,025
Total	¥ 367	¥ 453	$ 4,525

The acquisition costs and future minimum lease payments under finance leases include the interest expense portion because the amount of accrued lease payments was immaterial to the balance of property, plant and equipment as of March 31, 2007 and 2008.

The depreciation expense, which is not reflected in the accompanying consolidated statement of income, computed using the straight-line method, would have been ¥229 million and ¥157 million (US$1,568 thousand) for the years ended March 31, 2007 and 2008, respectively.

Obligations under non-cancelable operating leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Due within one year	¥ 80	¥ 72	$ 720
Due after one year	389	304	3,029
Total	¥ 469	¥ 376	$ 3,749

14. Derivative financial instruments

The Group uses derivative financial instruments, which comprise principally forward exchange contracts and interest rate swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Group has established a control environment, which includes policies and procedures for the approval and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and interest rate swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest. However, the Group does not anticipate non-performance by any of these counterparties all of whom are domestic financial institutions with high credit ratings.

15. Contingent liabilities and commitment

(1) As of March 31, 2007 and 2008, the Group was contingently liable for guarantees of loans as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
As a guarantor of indebtedness of:			
Amagasaki Utility Services	¥ 324	¥ 302	$ 3,019
Others	6	6	51
	¥ 330	¥ 308	$ 3,070

(2) As of March 31, 2007 and 2008, the Company was contingently liable for the conditional assignment of ¥1,972 million at 2007 and ¥2,217 million (US$22,125

thousand) at 2008 of trade notes and accounts receivable with recourse obligation.

(3) As of March 31, 2007 and 2008, the Company had contingent liabilities for notes receivable endorsed in the aggregate amount of ¥175 million at 2007 and ¥168 million (US$1,677 thousand) at 2008.

(4) As of March 31, 2007 and 2008, the Company has unused commitment agreements amounting to ¥10,000 million at 2007 and ¥10,000 million (US$99,810 thousand) at 2008 with banks and other financial institutions.

16. Subsequent events

At a meeting of the Board of Directors of the Company held on May 27, 2008, the Company approved a purchase of up to 3,000,000 shares of treasury stock for an aggregate acquisition cost not exceeding ¥1,700 million ($16,968 thousand) during the period from May 28, 2008 through September 30, 2008.

Notes to Consolidated Financial Statements
For the years ended March 31, 2007 and 2008

17. Segment information

(1) Industry segments

As of March 31, 2007 and 2008, the Group operates principally in the following industry segments categorized based on similarity of products and markets.

(Millions of yen)

	2007						
	Oleo chem icals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	¥ 57,007	¥ 59,974	¥ 31,754	¥ 1,474	¥ 150,209	¥ -	¥ 150,209
Inter-segment	109	1,733	106	6,980	8,928	(8,928)	-
Total	57,116	61,707	31,860	8,454	159,137	(8,928)	150,209
Operating expenses	55,588	53,773	29,926	8,286	147,573	(8,959)	138,614
Operating income	¥ 1,528	¥ 7,934	¥ 1,934	¥ 168	¥ 11,564	¥ 31	¥ 11,595
Assets	¥ 47,548	¥ 52,376	¥ 47,569	¥ 2,861	¥ 150,354	¥ 44,267	¥ 194,621
Depreciation	1,758	2,539	1,389	114	5,800	-	5,800
Capital expenditure	¥ 1,746	¥ 5,909	¥ 1,419	¥ 123	¥ 9,197	¥ -	¥ 9,197

	2008						
	Oleo chem icals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	¥ 62,927	¥ 62,407	¥ 32,574	¥ 1,138	¥ 150,046	¥ -	¥ 159,046
Inter-segment	382	11,866	2,882	7,762	22,892	(22,892)	-
Total	63,309	74,273	35,456	8,900	181,938	(22,892)	159,046
Operating expenses	62,993	66,325	33,865	8,801	171,984	(22,944)	149,040
Operating income	¥ 316	¥ 7,948	¥ 1,591	¥ 99	¥ 9,954	¥ 52	¥ 10,006
Assets	¥ 49,364	¥ 53,403	¥ 51,991	¥ 2,938	¥ 157,696	¥ 21,077	¥ 178,773
Depreciation	2,034	3,129	1,712	120	6,995	-	6,995
Capital expenditure	2,197	2,721	1,354	52	6,324	-	6,324

(Thousands of U.S. dollars (Note 3)

	2008						
	Oleo chem icals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidatec
Sales							
Sales to customers	$ 628,074	$ 622,883	$ 325,118	$ 11,364	$ 1,587,439	$ -	$ 1,587,439
Inter-segment	3,814	118,434	28,770	77,473	228,491	(228,491)	-
Total	631,888	741,317	353,888	88,837	1,815,930	(228,491)	1,587,439
Operating expenses	628,738	661,987	338,007	87,849	1,716,581	(229,011)	1,487,570
Operating income	$ 3,150	$ 79,330	$ 15,881	$ 987	$ 99,349	$ 520	$ 99,869
Assets	$ 492,707	$ 533,021	$ 518,922	$ 29,320	$ 1,573,970	$ 210,369	$ 1,784,339
Depreciation	20,302	31,325	17,091	1,185	69,813	-	69,813
Capital expenditure	21,930	27,156	13,510	526	63,122	-	63,122

The Company's business are segmented into "Oleo chemicals & foods", "Chemicals", "Explosive & propulsion" and "Others" based on their similarity of the type of products and sales markets.
The main products or services of each segment are as follows.

1. Oleo chemicals & foods --- fatty acids, fatty acid derivatives, surfactants, edible oils, health-related products
2. Chemicals --- organic peroxides, polybutene, ethylene oxide and propylene oxide derivatives, functional polymers, materials for anti corrosion
3. Explosive & propulsion --- industrial explosives, rocket propellant, automotive safety devices, defense-related explosives
4. Others --- logistics, real estate services

The amounts of assets included in the column "Elimination/Corporate" are ¥45,597 million and ¥32,592 million (US$325,301 thousand) for the years ended March 31, 2007 and 2008, respectively, which includes surplus working funds (cash and securities), long-term investment funds (investment in securities), and deferred tax assets.

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating cost increased by ¥42 million ($428 thousand) in Oleo chemicals & foods, ¥58 million ($580 thousand) in Chemicals, ¥22 million ($227 thousand) in Explosive & propulsion, and ¥0 million ($3 thousand) in Others, compared to the amounts that would have been reported if the previous methods had been applied consistently, and operating income decreased by the same amounts for the year ended March 31, 2008.

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007, and were already depreciated to 5% of the acquisition cost. The depreciation was calculated by the straight-line method within next five years after these assets were depreciated 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result, operating cost increased by ¥153 million ($1,531 thousand) in Oleo chemicals & foods, ¥124 million ($1,239 thousand) in Chemicals, ¥270 million ($2,696 thousand) in Explosive & propulsion, and ¥1 million ($10 thousand) in Others, compared to the amounts that would have been reported if the previous methods had been applied, and operating income decreased by the same amounts for the year ended March 31, 2008.

(2) Geographic segments

Segment information classified by geographic area (inside and outside Japan) for the years ended March 31, 2007 and 2008 is as follows:

(Millions of yen)

	2007				
	Japan	Others (Note 1)	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥ 136,868	¥ 13,341	¥ 150,209	¥ -	¥ 150,209
Inter-segment	2,495	266	2,761	(2,761)	-
Total	139,363	13,607	152,970	(2,761)	150,209
Operating expenses	128,804	12,616	141,420	(2,806)	138,614
Operating income	¥ 10,559	¥ 991	¥ 11,550	¥ 45	¥ 11,595
Assets	¥ 143,634	¥ 9,580	¥ 153,214	¥ 41,407	¥ 194,621

	2008				
	Japan	Others (Note 1)	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥ 143,064	¥ 15,982	¥ 159,046	¥ -	¥ 159,046
Inter-segment	3,407	381	3,788	(3,788)	-
Total	146,471	16,363	162,834	(3,788)	159,046
Operating expenses	137,842	15,110	152,952	(3,912)	149,040
Operating income	¥ 8,629	¥ 1,253	¥ 9,882	¥ 124	¥ 10,006
Assets	¥ 139,918	¥ 12,922	¥ 152,840	¥ 25,933	¥ 178,773

(Thousands of U.S. dollars (Note 3)

	2008				
	Japan	Others	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	$ 1,427,931	$ 159,508	$ 1,587,439	$ -	$ 1,587,439
Inter-segment	34,006	3,803	37,809	(37,809)	-
Total	1,461,937	163,311	1,625,248	(37,809)	1,587,439
Operating expenses	1,375,815	150,805	1,526,620	(39,050)	1,487,570
Operating income	$ 86,122	$ 12,506	$ 98,628	$ 1,241	$ 99,869
Assets	$ 1,396,528	$ 128,971	$ 1,525,499	$ 258,840	$ 1,784,339

Others represents --- North America, Europe, and Asia

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating cost increased by ¥124 million ($1,238 thousand) and operating income decreased by the same amounts in Japan for the year ended March 31, 2008, compared to the amounts that would have been reported if the previous methods had been applied.

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007, and were already depreciated to 5% of the acquisition cost. The depreciation was calculated by the straight-line method within next five years after these assets were depreciated 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result, operating cost increased by ¥548 million ($5,476 thousand) and operating income decreased by the same amounts in Japan for the year ended March 31, 2008, compared to the amounts that would have been reported if the previous methods had been applied.

(3) Sales to foreign customers

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2008	2008
Overseas sales	¥ 24,817	¥ 29,962	$ 299,048
Consolidated sales	150,209	159,046	1,587,439
Ratio	16.52%	18.84%	

Overseas sales represents ··· North America, Europe and Asia