Financial Statements

2008

INABATA & CO., LTD.

KPMG

Independent Auditors' Report

To the Board of Directors of Inabata & Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Inabata & Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the years ended March 31, 2008 and 2007, and the consolidated statements of cash flows for the years ended March 31, 2008 and 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inabata & Co., Ltd. and consolidated subsidiaries as of 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 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 27, 2008

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 11)	¥ 6,716	¥ 6,981	$ 67,033
Receivables:			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	4,289	4,047	42,809
Sumitomo Chemical Company, Limited	1,967	1,514	19,633
Other	148,764	136,346	1,484,818
Other	3,884	6,594	38,766
Allowance for doubtful receivables	(1,315)	(326)	(13,125)
	157,589	148,175	1,572,901
Inventories	31,419	29,459	313,594
Deferred tax assets (Note 6)	1,227	664	12,247
Other	4,977	4,241	49,675
Total current assets	201,928	189,520	2,015,450
Investments and long-term receivables:			
Investment securities (Notes 4 and 7):			
Unconsolidated subsidiaries and affiliates	6,554	6,524	65,416
Other	51,027	65,520	509,302
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	15	982	150
Other	2,787	2,152	27,817
Other	7,470	5,849	74,558
Allowance for doubtful receivables	(3,789)	(2,908)	(37,818)
	64,064	78,119	639,425
Property and equipment (Note 7):			
Land	2,267	2,464	22,627
Buildings and structures	13,234	13,583	132,089
Machinery and equipment	19,563	18,677	195,259
Leased assets (Note 12)	9,485	11,832	94,670
Construction in progress	163	108	1,627
	44,712	46,664	446,272
Less accumulated depreciation	(29,931)	(30,049)	(298,742)
	14,781	16,615	147,530
Other assets			
Deferred tax assets (Note 6)	182	115	1,817
Intangible assets	3,682	3,440	36,750
	3,864	3,555	38,567
	¥ 284,637	¥ 287,809	$ 2,840,972

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Note 9)	¥ 67,469	¥ 55,507	$ 673,411
Payables:			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	303	3,554	3,024
Sumitomo Chemical Company, Limited	8,838	10,725	88,212
Other	92,736	86,891	925,601
Accrued employees' bonuses	977	937	9,751
Other	1,343	2,138	13,406
	104,197	104,245	1,039,994
Income taxes and enterprise tax payable	3,404	497	33,975
Accrued expenses	2,129	1,396	21,250
Other current liabilities	2,467	3,549	24,623
Total current liabilities	179,666	165,194	1,793,253
Long-term liabilities:			
Long-term debt (Note 9)	10,547	15,644	105,270
Severance and retirement benefits (Note 10)	559	1,162	5,579
Directors' retirement benefits	19	20	190
Deferred tax liabilities (Note 6)	13,296	19,576	132,708
Other non-current liabilities	2,386	2,321	23,815
	26,807	38,723	267,562
Contingent liabilities (Note 16)			
Net assets (Note 3 and 14):			
Shareholders' equity			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 65,159,227 shares in 2008 and 64,883,307 shares in 2007	9,364	9,262	93,462
Capital surplus	7,709	7,607	76,944
Retained earnings	37,587	35,001	375,157
Treasury stock, at cost:			
70,139 shares in 2008 and 69,923 shares in 2007	(52)	(51)	(519)
Total shareholders' equity	54,608	51,819	545,044
Valuation and translation adjustments			
Net unrealized holding gains on securities	21,383	29,882	213,424
Net unrealized holding gains on derivatives	(89)	6	(888)
Foreign currency translation adjustments	1,223	1,024	12,207
Total valuation and translation adjustments	22,517	30,912	224,743
Stock acquisition rights	58	62	579
Minority interests	981	1,099	9,791
Total net assets	78,164	83,892	780,157
	¥ 284,637	¥ 287,809	$ 2,840,972

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Revenues:			
Net sales	¥ 500,019	¥ 466,096	$ 4,990,708
Cost and expenses:			
Cost of sales	467,954	435,171	4,670,666
Selling, general and administrative expenses	24,406	23,319	243,597
Operating income	7,659	7,606	76,445
Other income (expenses):			
Interest and dividend income	1,590	1,395	15,870
Interest expense	(2,090)	(2,024)	(20,860)
Gain on sale of investment securities	889	132	8,873
Write-down of golf club memberships	—	(122)	—
Gain on sale of property and equipment	265	914	2,645
Reversal of allowance for doubtful accounts	—	298	—
Gain on compensation received for damages	—	264	—
Gain on sale of investment in subsidiaries	231	—	2,306
Depreciation of leased assets	(338)	(350)	(3,374)
Loss on fire	(114)	—	(1,138)
Provision for allowance for doubtful accounts	(2,035)	(395)	(20,311)
Loss from discontinued operation	—	(314)	—
Equity in losses of unconsolidated subsidiaries and affiliates	(304)	(486)	(3,034)
Gain (loss) on foreign exchange	270	(22)	2,695
Loss on impairment of fixed assets (Note 8)	(154)	—	(1,537)
Other, net	671	571	6,696
	(1,119)	(139)	(11,169)
Income before income taxes	6,540	7,467	65,276
Provision for income taxes (Note 6)			
Current	3,930	1,686	39,225
Deferred	(456)	1,111	(4,551)
	3,474	2,797	34,674
Minority interests	(143)	(99)	(1,427)
Net income	¥ 2,923	¥ 4,571	$ 29,175

Amounts per share:	Yen		U.S. dollars (Note 1)
Net income per share - basic	¥ 44.98	¥ 72.76	$ 0.45
Net income per share - diluted	—	72.19	—
Cash dividends per share applicable to the year	10.00	12.00	0.10

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2008

	Thousands	Millions of yen									
	Number of shares of common stock	Shareholders' equity				Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments			
Balance at March 31, 2007	64,883	¥ 9,262	¥ 7,607	¥ 35,001	¥ (51)	¥ 29,882	¥ 6	¥ 1,024	¥ 62	¥ 1,099	¥ 83,892
Net income	-	-	-	2,923	-	-	-	-	-	-	2,923
Exercise of stock acquisition rights	276	102	102	-	-	-	-	-	(4)	-	200
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	199	-	-	199
Net unrealized losses on available-for-sale securities	-	-	-	-	-	(8,499)	-	-	-	-	(8,499)
Treasury stock, net	-	-	0	-	(1)	-	-	-	-	-	(1)
Net unrealized holding gains on derivatives	-	-	-	-	-	-	(95)	-	-	-	(95)
Effect of decrease in number of affiliates	-	-	-	0	-	-	-	-	-	-	0
Accumulation for actuarial difference in UK subsidiaries	-	-	-	377	-	-	-	-	-	-	377
Increase in minority interests	-	-	-	-	-	-	-	-	-	(118)	(118)
Cash dividends paid - ¥11 per share	-	-	-	(714)	-	-	-	-	-	-	(714)
Balance at March 31, 2008	65,159	¥ 9,364	¥ 7,709	¥ 37,587	¥ (52)	¥ 21,383	¥ (89)	¥ 1,223	¥ 58	¥ 981	¥ 78,164

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments			
Balance at March 31, 2007	$ 92,444	$ 75,926	$ 349,346	$ (518)	$ 298,253	$ 60	$ 10,221	$ 619	$ 10,969	$ 837,320
Net income	-	-	29,175	-	-	-	-	-	-	29,175
Exercise of stock acquisition rights	1,018	1,018	-	-	-	-	-	(40)	-	1,996
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	1,986	-	-	1,986
Net unrealized losses on available-for-sale securities	-	-	-	-	(84,829)	-	-	-	-	(84,829)
Treasury stock, net	-	0	-	(1)	-	-	-	-	-	(1)
Net unrealized holding gains on derivatives	-	-	-	-	-	(948)	-	-	-	(948)
Effect of decrease in number of affiliates	-	-	4	-	-	-	-	-	-	4
Accumulation for actuarial difference in UK subsidiaries	-	-	3,758	-	-	-	-	-	-	3,758
Increase in minority interests	-	-	-	-	-	-	-	-	(1,178)	(1,178)
Cash dividends paid - $0.110 per share	-	-	(7,126)	-	-	-	-	-	-	(7,126)
Balance at March 31, 2008	$ 93,462	$ 76,944	$ 375,157	$ (519)	$ 213,424	$ (888)	$ 12,207	$ 579	$ 9,791	$ 780,157

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2007

	Thousands	Millions of yen									
	Number of shares of common stock	Shareholders' equity				Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Net unrealized holding gains on derivatives	Foreign currency translation adjustments			
Shareholders' equity at March 31, 2006, as previously reported	62,623	¥ 8,293	¥ 6,638	¥ 30,703	¥ (51)	¥ 33,147	¥ -	¥ (272)	¥ -	¥ -	¥ 78,458
Reclassification due to adoption of new accounting standard for presentation of net assets in the balance sheet at April 1, 2006	-	-	-	-	-	-	-	-	100	887	987
Net assets at April 1, 2006	62,623	8,293	6,638	30,703	(51)	33,147	-	(272)	100	887	79,445
Net income	-	-	-	4,571	-	-	-	-	-	-	4,571
Exercise of stock acquisition rights	2,260	969	969	-	-	-	-	-	(38)	-	1,900
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	-	1,296	-	-	1,296
Net unrealized losses on available-for-sale securities	-	-	-	-	-	(3,265)	-	-	-	-	(3,265)
Treasury stock, net	-	-	-	-	0	-	-	-	-	-	0
Net unrealized holding gains on derivatives	-	-	-	-	-	-	6	-	-	-	6
Effect of increase in number of subsidiaries	-	-	-	(38)	-	-	-	-	-	-	(38)
Effect of increase in number of affiliates	-	-	-	134	-	-	-	-	-	-	134
Effect of decrease in number of affiliates	-	-	-	(21)	-	-	-	-	-	-	(21)
Merger of subsidiaries	-	-	-	3	-	-	-	-	-	-	3
Accumulation for actuarial difference in UK subsidiaries	-	-	-	241	-	-	-	-	-	-	241
Increase in minority interests	-	-	-	-	-	-	-	-	-	212	212
Cash dividends paid - ¥9 per share	-	-	-	(563)	-	-	-	-	-	-	(563)
Bonuses to directors	-	-	-	(29)	-	-	-	-	-	-	(29)
Balance at March 31, 2007	64,883	¥ 9,262	¥ 7,607	¥ 35,001	¥ (51)	¥ 29,882	¥ 6	¥ 1,024	¥ 62	¥ 1,099	¥ 83,892

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes	¥ 6,540	¥ 7,467	$ 65,276
Adjustments to reconcile net income before income taxes to cash provided by operating activities:			
Depreciation and amortization	3,867	4,360	38,597
Depreciation of leased assets	338	350	3,374
Allowance for doubtful accounts	1,707	348	17,038
Interest and dividend income	(1,590)	(1,395)	(15,870)
Interest expense	2,090	2,024	20,860
Equity in losses of unconsolidated subsidiaries and affiliates, less dividends	304	486	3,034
Gain on sale of property and equipment	(265)	(914)	(2,645)
Write-down of golf club memberships	—	122	—
Loss on impairment of fixed assets	154	—	1,537
Gain on sale of investment securities	(889)	(132)	(8,873)
Gain on sale of investment in subsidiaries	(231)	—	(2,306)
Loss on fire	114	—	1,138
Loss from discontinued operation	—	314	—
Increase in receivables	(15,039)	(14,146)	(150,105)
Increase in inventories	(2,415)	(3,223)	(24,104)
Increase in other current assets	(2,346)	(500)	(23,416)
Decrease in security deposit	—	2,130	—
Increase in payables	698	16,766	6,967
Increase (decrease) in other current liabilities	85	(1,501)	848
Gain on compensation received for damages	—	(264)	—
Other - net	316	27	3,154
	(6,562)	12,319	(65,496)
Interest and dividends received	1,657	1,414	16,539
Interest paid	(2,065)	(2,030)	(20,611)
Gain on compensation received for damages	—	264	—
Gain on insurance claims	221	—	2,206
Income taxes paid	(1,245)	(13,118)	(12,426)
Refund of corporate tax	3,737	—	37,299
Net cash used in operating activities	(4,257)	(1,151)	(42,489)
Cash flows from investing activities:			
Payments for time deposit	(22)	(197)	(220)
Proceeds from time deposit	630	1,072	6,288
Acquisitions of property and equipment	(2,540)	(1,459)	(25,352)
Proceeds from sale of property and equipment	908	1,964	9,063
Acquisitions of intangible assets	(923)	(666)	(9,212)
Payments for purchase of investment securities	(2,194)	(4,499)	(21,898)
Proceeds from sale of investment securities	2,314	195	23,096
Proceeds from repayment of investment securities	642	—	6,408
Net decrease in short-term loans receivable	355	396	3,543
Long-term loans receivable advanced	(1,102)	(670)	(10,999)
Proceeds from collection of long-term loans receivable	575	64	5,739
Payments for acquisition of shares of newly consolidated subsidiaries (Note 11)	(129)	—	(1,288)
Payments for sales of shares of consolidated subsidiaries (Note 11)	(127)	—	(1,268)
Proceeds from acquisition of shares of newly consolidated subsidiaries (Note 11)	—	214	—
Payments for acquisitions of business	(160)	—	(1,597)
Other - net	414	453	4,132
Net cash used in investing activities	(1,359)	(3,133)	(13,565)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2008 and 2007

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2008		2007		2008	
Cash flows from financing activities:						
Net increase in short-term loans payable	¥	7,860	¥	617		78,451
Proceeds from long-term debt		3,418		5,276		34,115
Repayment of long-term debt		(4,847)		(2,962)		(48,378)
Proceeds from issuance of stock		204		1,900		2,036
Dividends paid		(714)		(563)		(7,126)
Dividends paid to minority interests		(9)		(11)		(90)
Other - net		(5)		121		(50)
Net cash provided by financing activities		5,907		4,378		58,958
Effects of foreign exchange rates on cash and cash equivalents		68		390		679
Net increase in cash and cash equivalents		359		484		3,583
Cash and cash equivalents at beginning of year		6,312		5,730		63,000
Cash and cash equivalents of newly consolidated subsidiarie:		—		76		—
Increase in cash and cash equivalents due to merger of consolidated subsidiaries		—		22		—
Cash and cash equivalents at end of year (Note 11)	¥	6,671	¥	6,312	$	66,583
Noncash financing activities:						
Conversion of long-term loans receivable to convertible bonds	¥	—	¥	969	$	—

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of INABATA & CO., LTD. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars was included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 49 (50 in 2007) significant domestic and foreign subsidiaries (together the " Companies"), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 7 (17 in 2007) affiliates accounted for by the equity method. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the portion of a subsidiary's assets and liabilities attributable to the shares acquired by the Company are evaluated at the fair value as of the date when the shares were acquired. The value of a subsidiary's assets and liabilities attributable to the stock held by minority shareholders of the subsidiary are determined using the financial statements of the subsidiary. The difference between the cost of the Company's investment in a subsidiary or affiliate over the equity in the net assets at the date of acquisition is, with minor exceptions, amortized on the straight-line basis over a period of five years.

All consolidated subsidiaries have fiscal years ending on December 31. Significant transactions taking place between December 31, the fiscal year end of all consolidated subsidiaries, and March 31, the fiscal year end of the Company, are reflected in the consolidated financial statements.

(b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(c) Allowance for doubtful receivables

An allowance for doubtful receivables is provided to cover possible losses on collection.

With respect to normal trade accounts receivable, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount has been individually estimated.

The allowance with respect to doubtful receivables of overseas consolidated subsidiaries is determined by estimates of management.

(d) Securities

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with available fair market values are stated at the average fair market value for the last month of the year. Non-equity available-for-sale securities with available fair market values are stated at fair market value on the last day of the year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivatives are generally stated at market value.

If a derivative financial instrument is used as a hedge and meets certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

(f) Inventories

The Company's inventories, other than real estate held for sale, are stated at the lower of cost or market and determined by the first-in first-out (FIFO) method. Real estate held for sale is stated at cost and determined by the specific identification method.

Most subsidiaries' inventories are stated at the lower of cost or market and are determined by the FIFO method or the moving average method.

(g) Property and equipment

Property and equipment are carried at cost, and most are depreciated by the declining balance method (straight-line method for certain subsidiaries) over the estimated useful life of the asset. However, buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Effective from the fiscal year beginning April 1, 2007, the Company and its domestic subsidiaries changed their method of accounting for depreciation of property and equipment acquired on or after April 1, 2007 in accordance with the revised Corporate Tax Law of Japan.

The effect on net income of the adoption of the new accounting standard was immaterial.

As for property and equipment acquired before April 1, 2007, the Company and its domestic subsidiaries applied the pre-revised depreciation method during the fiscal year beginning April 1, 2007. Property and equipment for which the allowable limit on the depreciation amount has been reached are to be depreciated evenly over five years beginning from the following fiscal year.

The effect on net income of the adoption of the pre-revised depreciation method was immaterial.

(h) Impairment of fixed assets

The Companies have adopted "Accounting for Impairment of Fixed Assets" and "Guidance for Accounting Standard for Impairment of Fixed Assets." The Companies review long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which would be the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(i) Accounting for leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

(j) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(k) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Financial statements of overseas subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which were translated at historical exchange rates. The resulting translation adjustments were separately presented in the consolidated financial statements as foreign currency translation adjustments and in minority interests.

(l) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are mainly recognized in expenses using the straight-line method within the average of the estimated remaining service years commencing with the following period.

Directors, corporate auditors and executive officers of the certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed to the balance sheet date.

Through the year ended March 31, 2008, a provision for retirement allowances for these officers of the Company's subsidiaries had been made at an estimated amount based on the Company's internal rules for retirement allowances.

(m) Accrued employees' bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(n) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2007 have been made to conform to the 2008 presentation.

(o) Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share of common stock is calculated assuming the conversion of all dilutive convertible bonds at the beginning of the year or later date of issuance.

No diluted net income per share of common stock is presented since the full dilution of common stock equivalents has no dilutive effect for the year ended March 31, 2008.

3. Changes in accounting policy

(a) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ NO. 5, December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (ASBJ Guidance No. 8 December 9, 2005), collectively called, "the New Accounting Standards."

The consolidated balance sheet as of March 31, 2007, prepared in accordance with the New Accounting Standards, comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006, prepared pursuant to the previous presentation rules, comprises the assets, liabilities, minority interests and shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared with March 31, 2006. The net assets section includes net unrealized holding gains on derivatives. Under the previous presentation rules, unrealized holding gains on derivatives were included in the assets or liabilities section without considering the related income tax effects. Stock acquisition rights and minority interests are included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present stock acquisition rights and minority interests in the liabilities section and between the non-current liabilities and the shareholders' equity sections.

The adoption of the New Accounting Standards had no impact on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, shareholders' equity amounting to ¥82,725 million would have been presented.

(b) Accounting standard for bonuses to directors

Directors bonuses had been formerly accounted for as a decrease in retained earnings. Effective from the fiscal year ended March 31, 2007, the Company adopted a new accounting standard, "Accounting Standards for Bonuses to Directors'"(ASBJ No. 4, November 29, 2005). Under this new standard, bonuses to directors are accounted for as an expense in the period during which the payments occur. The adoption of this new accounting standard has had an immaterial effect on net income.

4. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2008 and 2007.

(1) Trading securities:
At March 31, 2008 and 2007, there were no trading securities with fair market values.

(2) Available-for-sale securities as of March 31, 2008 and 2007:
Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Equity securities:			
Acquisition costs	¥ 6,780	¥ 8,719	$ 67,671
Book values	41,913	58,237	418,335
Differences	¥ 35,133	¥ 49,518	$ 350,664

Securities with book values not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Equity securities:			
Acquisition costs	¥ 2,681	¥ 85	$ 26,759
Book values	2,156	67	21,519
Differences	¥ (525)	¥ (18)	$ (5,240)

(b) The following table summarizes information on available-for-sale securities sold in the year ended March 31, 2008:

	Millions of yen	Thousands of U.S. dollars
Total sales of available-for-sale securities	¥ 1,686	$ 16,828
Amount of related gains	889	8,873
Amount of related losses	-	-

(c) The following table summarizes book values of securities with no available fair values as of March 31, 2008 and 2007:

	Book value					
	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Subsidiaries and affiliates	¥	6,554	¥	6,524	$	65,416
Available-for-sale securities						
Non-quoted equity securities	¥	5,846	¥	6,186	$	58,349
Non-quoted convertible bonds	¥	1,069	¥	969	$	10,670
Other	¥	43	¥	-	$	429

(d) Available-for-sale securities with maturities as follows:

	March 31, 2008					
	Millions of yen					
	Within one year	Over one year but within five years		Over five years but within ten years		Over ten years
Available-for-sale securities						
Bonds	-	¥	100	¥	969	-
Total	-	¥	100	¥	969	-
	Thousands of U.S.dollars					
Available-for-sale securities						
Bonds	-	$	998	$	9,672	-
Total	-	$	998	$	9,672	-

5. Derivative financial instruments and hedging transactions

The Companies enter into forward foreign exchange contracts, interest rate swap transactions, and currency swap transactions to control risks related to foreign currencies and interest rates. Forward foreign exchange contracts are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies. Interest rate swap transactions are used to convert variable rates to fixed rates with respect to borrowings. The Companies use derivative transactions in connection with managing their market risk and not for speculation or dealing purposes.

The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into by the finance and accounting divisions in accordance with risk management policies and rules approved by the Board of Directors, which receives periodic reports on the results of derivative transactions.

The following summarizes hedging derivative financial instruments used by the Companies and the corresponding items hedged for which hedge accounting is applied:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Future transactions denominated in foreign currencies
	Foreign currency monetary assets and liabilities

With regard to forward foreign exchange contracts, the Companies do not evaluate the hedge effectiveness if the denominated currency, the notional amount of the contract and the contract period are the same as the foreign currency receivable hedged.

The following table summarizes market value information as of March 31, 2008 and 2007 for derivative transactions for which hedge accounting had not been applied:

(a) Currency related

	Millions of yen						Thousands of U.S. dollars
	2008			2007			2008
	Contracted amount	Current market amount	Recognized gains (losses)	Contracted amount	Current market amount	Recognized gains (losses)	Recognized gains (losses)
Forward foreign exchange contracts:							
Sell:							
U.S. dollars	¥ 541	¥ 544	¥ (3)	¥ -	¥ -	¥ -	$ (30)
Japanese yen	¥ 309	¥ 304	¥ 5	¥ -	¥ -	¥ -	$ 50
			¥ 2			¥ -	$ 20

The market value amounts are based on the year-end forward rates. Forward currency exchange contracts for which the forward rates were used to translate year-end receivables and payables denominated in foreign currencies were excluded from the above schedule.

(b) Interest related

	Millions of yen						Thousands of U.S. dollars
	2008			2007			2008
	Principal amount of contract	Amount of principal due over one year	Recognized gains (losses)	Principal amount of contract	Amount of principal due over one year	Recognized gains (losses)	Recognized gains (losses)
Interest rate swaps:							
Receive variable rate							
and pay fixed rate	¥ 500	¥ -	¥ 0	¥ 500	¥ 500	¥ (2)	$ 0

The gains and losses were estimated by the counterparty financial institutions.

6. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 40.5% for the years ended March 31, 2008 and 2007, respectively.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2008	2007
Statutory tax rate	40.5%	40.5%
Equity in losses of unconsolidated subsidiaries and affiliates	2.0	1.1
Non-deductible expenses	4.6	2.0
Dividend income, not taxable	(5.8)	(1.9)
Tax loss carryforwards of consolidated subsidiaries	18.7	0.1
Foreign subsidiaries' tax rate	(9.6)	(5.8)
Elimination of dividend income	6.5	-
Effects on sales of the affiliates stocks	(1.0)	-
Refundable corporation tax	(2.4)	-
Other	(0.4)	1.5
Effective tax rate	53.1%	37.5%

Significant components of the Companies' deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Excess bad debt expense	¥ 1,695	¥ 586	$ 16,918
Loss carryforwards	1,635	1,033	16,319
Severance and retirement benefits	277	550	2,765
Directors' retirement benefits	234	200	2,336
Unrealized profit on inventories	162	160	1,617
Unrealized profit on property and equipment	162	148	1,617
Depreciation	669	561	6,677
Write-down of golf club memberships	164	166	1,637
Write-down of investment securities	898	1,128	8,963
Write-down of inventories	232	109	2,316
Excess bonuses accrued	361	349	3,603
Loss on liquidation of enterprises	-	191	-
Enterprise tax payable	210	-	2,096
Other	889	625	8,872
Total deferred tax assets	7,588	5,806	75,736
Valuation allowance	(5,211)	(3,620)	(52,011)
Net deferred tax assets	2,377	2,186	23,725
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(876)	(876)	(8,743)
Net unrealized holding gains on securities	(13,317)	(19,672)	(132,917)
Enterprise taxes receivable	-	(263)	-
Other	(71)	(172)	(709)
Total deferred tax liabilities	(14,264)	(20,983)	(142,369)
Net deferred tax liabilities	¥ (11,887)	¥ (18,797)	$ (118,644)

7. Pledged assets

(a) At March 31, 2008 and 2007, the following assets were pledged as security for trading transactions:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Investment securities	¥	5,425	¥	7,855	$	54,147

(b) At March 31, 2008 and 2007, the following assets were pledged as collateral for long-term debt of ¥10 million:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Property and equipment, less accumulated depreciation	¥	-	¥	199	$	-

8. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2008 consisted of the following.

Use	Type of asset	Location	Millions of yen		Thousands of U.S. dollars	
Real estate for lease	Land	Hasuda, Saitama	¥	100	$	998
Real estate for lease	Land	Yamatokoriyama, Nara	¥	54	$	539
	Total		¥	154	$	1,537

The Company and its subsidiaries grouped their assets principally by each industry segment. Lease assets and idle assets are grouped independently. The Companies reduced the book value of the asset groups in the above tables to the recoverable amounts and recognized impairment losses of 154 million ($1,537 thousand) due to a significant decrease in real estate values.

The recoverable amounts were determined using estimated future cash flows discounted by a rate of 4.63%.

9. Short-term loans and long-term debt

Short-term loans at March 31, 2008 and 2007 consisted of bank loans bearing interest at average annual rates of 2.87% and 3.18%, respectively. Long-term loans due within one year at March 31, 2008 and 2007 consisted of bank loans bearing interest at average annual rates of 1.59% and 1.83%, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured loans from banks and insurance companies due through 2014 with interest principally at 0.79% - 6.25%	¥ 18,797	¥ 20,349	$ 187,614
Secured loans from banks due through 2008 with interest principally at 2.50%	-	10	-
Less amounts due within one year	(8,250)	(4,715)	(82,344)
	¥ 10,547	¥ 15,644	$ 105,270

The aggregate annual maturities of long-term debt at March 31, 2008 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 2,920	$ 29,145
2011	806	8,045
2012	2,588	25,831
2013 and later	4,233	42,249
	¥ 10,547	$ 105,270

The Company has a commitment line provided by Goldman Sachs Asset Management. The commitment line amount was ¥ 2,900 million ($ 28,945 thousand) and the corresponding loan was ¥ 2,900 million ($28,945 thousand) as of March 31, 2008.

10. Employees' severance and pension benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Projected benefit obligation	¥	13,003	¥	13,486		129,783
Fair value of pension assets		(14,193)		(15,862)		(141,661)
Unrecognized prior service cost		29		(324)		289
Unrecognized actuarial differences		(796)		1,640		(7,945)
Prepaid expense for pension assets		2,516		2,222		25,113
Liability for severance and retirement benefits	¥	(*)559	¥	(*)1,162	$	5,579

(*) Including ¥121 million ($1,208 thousand) in 2008 and ¥112 million in 2007 for operating officers.

Included in the consolidated statements of income for the years ended March 31, 2008 and 2007 were severance and retirement benefit expenses comprising the following:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Service costs – benefits earned during the year	¥	(*1) 522	¥	(*1)614	$	5,210
Interest cost on projected benefit obligation		422		389		4,212
Expected return on plan assets		(614)		(462)		(6,128)
Amortization of actuarial differences		(122)		(130)		(1,218)
Amortization of prior service cost		6		18		60
Other (*2)		88		49		878
Severance and retirement benefit expense	¥	302	¥	478	$	3,014

(*1) Including ¥32 million ($319 thousand) in 2008 and ¥34 million in 2007 for operating officers

(*2) Including payment to the defined contribution pension plan in the amount of ¥51 million ($509 thousand) in 2008 and ¥19 million in 2007 and payment to the mutual aid pension plan in the amount of ¥36 million ($359 thousand) in 2008 and ¥29 million in 2007.

The discount rate used by the Company at March 31, 2008 and 2007 was 1.6%. The rate of expected return on plan assets used by the Company at March 31, 2008 and 2007 was 3.0% and 1.0%, respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years beginning with the following term at March 31, 2008 and 2007. Prior service costs are recognized in the income statement using the straight-line method over 14 years at March 31, 2008.

11. Cash and cash equivalents

(a) The reconciliations of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and cash equivalents in balance sheets	¥ 6,716	¥ 6,981	$ 67,033
Time deposits maturing after three months	(45)	(669)	(450)
Cash and cash equivalents in statements of cash flow	¥ 6,671	¥ 6,312	$ 66,583

(b) Assets and liabilities of newly consolidated subsidiaries by acquisition of shares

Assets and liabilities of newly consolidated subsidiaries by acquisition of shares at the inception of their consolidation, related acquisition cost and payments for (proceeds from) acquisition of shares were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets	¥ 366	¥ 2,432	$ 3,653
Fixed assets	161	27	1,607
Goodwill	45	(134)	449
Current liabilities	(273)	(2,009)	(2,725)
Minority interests	-	(134)	-
Foreign currency translation adjustments	-	10	-
Acquisition cost of shares at the inception of their consolidation	(146)	(178)	(1,457)
Acquisition cost of shares during the year	153	14	1,527
Cash and cash equivalents of the acquired companies	(24)	(228)	(239)
Payments for (proceeds from) acquisition of shares of newly consolidated subsidiaries	¥ 129	¥ (214)	$ 1,288

(c) Assets and liabilities of the subsidiaries excluded from the scope of consolidation

Assets and liabilities of the subsidiaries at the time they were excluded from the scope of consolidation, the related sale price of shares and payments for the sale of shares were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets	¥ 1,729	¥ -	$ 17,257
Fixed assets	484	-	4,831
Current liabilities	(777)	-	(7,755)
Long-term liabilities	(119)	-	(1,188)
Gain on sale of shares of the subsidiaries	17	-	170
Sale price of sale of the shares for the year	1,334	-	13,315
Receivables from sales of the shares	(1,334)	-	(13,315)
Cash and cash equivalents of the company excluded from the scope of consolidation	127	-	1,268
Payments for sale of shares of the subsidiaries excluded from the scope of consolidation	¥ 127	¥ -	$ 1,268

12. Finance leases

Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of and for the years ended March 31, 2008 and 2007, was as follows:

(a) As lessee

(1) Acquisition cost, accumulated depreciation and book value of leased properties, excluding interest:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Machinery and equipment:			
Acquisition cost	¥ 66	¥ 17	$ 659
Accumulated depreciation	(44)	(8)	(439)
Book value	¥ 22	¥ 9	$ 220
Other tangible assets:			
Acquisition cost	¥ 51	¥ 7	$ 509
Accumulated depreciation	(11)	(4)	(110)
Book value	¥ 40	¥ 3	$ 399
Intangible assets:			
Acquisition cost	¥ 71	¥ 65	$ 709
Accumulated depreciation	(43)	(52)	(430)
Book value	¥ 28	¥ 13	$ 279

(2) Future minimum lease payments, excluding interest

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥ 49	¥ 63	$ 489
Due over one year	84	96	838
Total	¥ 133	¥ 159	$ 1,327

(3) Lease payments, depreciation and interest expense

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Lease payments	¥	20	¥	22	$	200
Depreciation		19		21		190
Interest expense		1		1		10

(b) As lessor

(1) Acquisition cost, accumulated depreciation and book value of leased properties:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Machinery and equipment:						
Acquisition cost	¥	9,485	¥	11,832	$	94,670
Accumulated depreciation		(8,162)		(9,105)		(81,465)
Book value	¥	1,323	¥	2,727	$	13,205
Intangible assets:						
Acquisition cost	¥	3,634	¥	4,347	$	36,271
Accumulated depreciation		(2,737)		(2,674)		(27,318)
Book value	¥	897	¥	1,673	$	8,953

(2) Future minimum lease receipts, excluding interest

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Due within one year	¥	1,287	¥	1,926	$	12,845
Due over one year		1,384		3,067		13,814
Total	¥	2,671	¥	4,993	$	26,659

(3) Lease receipts, depreciation and interest income

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
Lease receipts	¥	1,874	¥	2,669	$	18,704
Depreciation		1,865		1,702		18,615
Interest income		161		281		1,607

13. Segment information

(a) The Companies operate principally in the following six industry segments:

Information Technology:	Semiconductor manufacturing equipment
	Electronic materials, including parts
	Dyes for printing
	Raw materials for copying
Housing and Construction:	Lumber
	Composite materials
	Wooden building materials
	Residential housing equipment
Chemicals:	Pharmaceutical and agricultural chemicals and bulk raw materials
	Raw materials for insecticides
	Raw materials for toiletries
	Raw materials for plastic resin
	Dyestuffs
Plastics:	General purpose plastics
	Engineering plastics
Foodstuffs:	Raw and processed agricultural products
	Raw and processed marine products
	Raw and processed livestock products
Other:	Leasing

Operating results, total assets, depreciation and amortization and capital expenditure by industry segment for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of yen							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥186,867	¥ 23,886	¥ 75,014	¥186,106	¥ 24,390	¥ 3,756	¥ -	¥ 500,019
Operating expenses	183,584	23,745	74,067	182,923	24,674	3,367	-	492,360
Operating income	¥ 3,283	¥ 141	¥ 947	¥ 3,183	¥ (284)	¥ 389	¥ -	¥ 7,659
Total assets	¥ 91,006	¥ 9,251	¥ 34,483	¥ 86,009	¥ 10,804	5,812	¥ 47,272	284,637
Depreciation and amortization	299	4	291	980	48	2,245	-	3,867
Loss on impairment of fixed assets	-	-	-	-	-	154	-	154
Capital expenditure	602	1	506	1,239	82	1,033	-	3,463

Year ended March 31, 2007	Millions of yen							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥163,188	¥ 25,065	¥ 72,535	¥171,901	¥ 28,580	¥ 4,827	¥ -	¥ 466,096
Operating expenses	159,887	24,984	71,876	168,994	28,250	4,499	-	458,490
Operating income	¥ 3,301	¥ 81	¥ 659	¥ 2,907	¥ 330	¥ 328	¥ -	¥ 7,606
Total assets	¥ 72,341	¥ 11,210	¥ 34,536	¥ 77,991	¥ 11,494	8,695	¥ 71,542	287,809
Depreciation and amortization	551	24	402	1,026	78	2,279	-	4,360
Capital expenditure	386	44	216	690	148	641	-	2,125

Year ended March 31, 2008	Thousands of U.S. dollars							
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Other	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	$1,865,126	$ 238,407	$ 748,717	$1,857,531	$243,437	$ 37,490	$ -	$ 4,990,708
Operating expenses	1,832,359	237,000	739,265	1,825,761	246,272	33,606	-	4,914,263
Operating income	$ 32,767	$ 1,407	$ 9,452	$ 31,770	$ (2,835)	$ 3,884	$ -	$ 76,445
Total assets	$ 908,334	$ 92,335	$ 344,176	$ 858,459	$ 107,835	$ 58,009	$471,824	$ 2,840,972
Depreciation and amortization	2,984	40	2,904	9,781	479	22,409	-	38,597
Impairment loss on long-lived assets	-	-	-	-	-	1,537	-	1,537
Capital expenditure	6,009	10	5,050	12,367	818	10,310	-	34,564

Corporate assets included above in the elimination and corporate columns in the amounts of ¥47,272 million ($471,824 thousand) and ¥71,542 million for the years ended March 31, 2008 and 2007, respectively, consisted mainly of cash and cash equivalents, marketable securities, investment securities and assets of administrative divisions.

For the years ended March 31, 2008 and 2007, depreciation of leased assets in the amount of ¥338 million ($3,374 thousand) and ¥350 million, respectively were included in assets in the "Other" segment.

For the year ended March 31, 2008, impairment loss on land in the amount of ¥154 million ($1,537 thousand) was included in assets in the "Other" segment.

(b) Principal countries and areas for each segment are as follows:

Southeast Asia:	Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam
Northeast Asia:	China, Taiwan
North America:	United States of America
Europe:	Britain, France, Belgium

Operating results and total assets by geographic area for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of yen						
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	¥314,947	¥ 76,775	¥ 77,288	¥ 18,475	¥ 12,534	¥ -	¥ 500,019
Inter-areas	42,646	2,225	160	3,040	1,097	(49,168)	-
Total	357,593	79,000	77,448	21,515	13,631	(49,168)	500,019
Operating expenses	353,452	76,919	75,809	21,470	13,877	(49,167)	492,360
Operating income	¥ 4,141	¥ 2,081	¥ 1,639	¥ 45	¥ (246)	¥ (1)	¥ 7,659
Total assets	¥144,623	¥ 31,740	¥ 43,320	¥ 7,935	¥ 9,747	¥ 47,272	¥284,637

Year ended March 31, 2007	Millions of yen						
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	¥295,130	¥ 64,531	¥ 66,259	¥ 24,298	¥ 15,878	¥ -	¥ 466,096
Inter-areas	40,595	2,037	88	2,558	887	(46,165)	-
Total	335,725	66,568	66,347	26,856	16,765	(46,165)	466,096
Operating expenses	331,724	65,227	64,806	26,337	16,539	(46,143)	458,490
Operating income	¥ 4,001	¥ 1,341	¥ 1,541	¥ 519	¥ 226	¥ (22)	¥ 7,606
Total assets	¥135,288	¥ 29,066	¥ 31,395	¥ 9,763	¥ 10,755	¥ 71,542	¥287,809

Year ended March 31, 2008	Thousands of U.S. dollars						
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	$ 3,143,498	$ 766,294	$ 771,414	$ 184,400	$ 125,102	-	$4,990,708
Inter-areas	425,651	22,208	1,597	30,342	10,950	(490,748)	-
Total	3,569,149	788,502	773,011	214,742	136,052	(490,748)	4,990,708
Operating expenses	3,527,818	767,731	756,652	214,293	138,507	(490,738)	4,914,263
Operating income	$ 41,331	$ 20,771	$ 16,359	$ 449	$ (2,455)	$ (10)	$ 76,445
Total assets	$1,443,487	$ 316,798	$ 432 378	$ 79,200	$ 97,285	$ 471,824	$ 2,840,972

Corporate assets included above in the elimination and corporate columns in the amounts of ¥47,272 million ($471,824 thousand) and ¥71,542 million for the years ended March 31, 2008 and 2007, respectively, mainly comprised cash and cash equivalents, marketable securities, investment securities and assets of administrative divisions.

For the years ended March 31, 2008 and 2007, depreciation of leased machinery and equipment in the amount of ¥338 million ($3,374 thousand) and ¥350million, respectively were included in assets in the "Japan" segment.

(c) Overseas trading transactions

Principal countries and areas in each segment were as follows:

Southeast Asia:	Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam
Northeast Asia:	China, Taiwan
North America:	United States of America
Europe:	Britain, France, Belgium

Overseas trading transactions for the years ended March 31, 2008 and 2007 were ¥ 234,578 million ($2,341,331 thousand) and ¥210,375 million, respectively. For the years ended March 31, 2008 and 2007, overseas trading transactions were ¥82,308 million ($821,519 thousand) and ¥70,007 million respectively in the Southeast Asia region, ¥119,436 million ($1,192,095 thousand) and ¥99,816 million respectively in the Northeast Asia region, ¥19,827 million ($197,894 thousand) and ¥25,694 million respectively in the North America region, and, ¥13,007 million ($129,823 thousand) and ¥14,858 million respectively in the Europe region.

14. Net assets

As described in Note 3(a), net assets comprises four subsections, which are the shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, stock acquisition rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

15. Related party transactions

The Company is an affiliate of Sumitomo Chemical Company, Limited which owned 21.3% and 21.4% of the Company's voting shares at March 31, 2008 and 2007, respectively. Significant transactions with related parties for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales:			
Unconsolidated subsidiaries and affiliates	¥ 22,323	¥ 13,453	$ 222,807
Purchases:			
Sumitomo Chemical Company, Limited	30,776	33,233	307,176
Pledge of investment securities:			
Sumitomo Chemical Company, Limited	3,482	7,093	34,754
Return of security deposit:			
Sumitomo Chemical Company, Limited	–	2,132	–

16. Contingent liabilities

At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As endorsers of notes discounted or endorsed	¥ 87	$ 868
As guarantors of indebtedness of		
unconsolidated subsidiaries and affiliates	3,870	38,627
Others	777	7,755
	4,647	46,382
	¥ 4,734	$ 47,250

17. Subsequent events

Cash dividends

At the meeting of the Board of Directors of the Company held on May 12, 2008, an appropriation of non-consolidated retained earnings for the year ended March 31, 2008 was duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥5.00 ($0.050) per share	¥ 325	$ 3,244

INABATA & CO., LTD.
Osaka Head Office 1-15-14, Minamisemba, Chuo-ku, Osaka 542-8558, Japan TEL +81-6-6267-6051 FAX +81-6-6267-6042
Tokyo Head Office 2-8-2, Nihonbashihoncho, Chuo-ku, Tokyo 103-8448, Japan TEL +81-3-3639-6415 FAX +81-3-3639-6410