FP CORPORATION and Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2007 and 2006, and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FP CORPORATION:

We have audited the accompanying consolidated balance sheets of FP CORPORATION (the "Company") and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to 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 FP CORPORATION and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2007

Consolidated Balance Sheets
FP CORPORATION and Subsidiaries
March 31, 2007 and 2006

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,523	¥ 8,422	$ 72,198
Short-term investments (Note 5)		6	
Receivables:			
Trade notes	12,486	11,519	105,769
Trade accounts	16,322	16,350	138,263
Associated companies	539	578	4,566
Other	2,632	2,849	22,295
Allowance for doubtful accounts	(158)	(209)	(1,338)
Inventories (Note 6)	12,469	12,261	105,625
Prepaid expenses and other current assets (Note 14)	1,071	963	9,073
Total Current Assets	53,884	52,739	456,451
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land (Note 9)	20,432	19,775	173,079
Buildings and structures (Note 9)	51,318	46,561	434,714
Machinery and equipment	15,268	14,691	129,335
Tools, furniture and fixtures	11,548	10,487	97,823
Construction in progress	691	45	5,853
Total	99,257	91,559	840,804
Accumulated depreciation	(48,036)	(46,032)	(406,912)
Net Property, Plant and Equipment	51,221	45,527	433,892
INVESTRMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	3,848	4,123	32,596
Investments in and advances to associated companies	228	103	1,931
Long-term loans	3,413	4,558	28,912
Goodwill	19	34	161
Deferred tax assets (Note 14)	397	152	3,363
Other assets	3,636	4,560	30,801
Allowance for doubtful accounts	(413)	(384)	(3,499)
Total Investments and Other Assets	11,128	13,146	94,265
TOTAL	¥ 116,233	¥ 111,412	$ 984,608

See notes to consolidated financial statements.

FP CORPORATION and Subsidiaries
March 31, 2007 and 2006

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 8)	¥ 13,650	¥ 9,050	$ 115,629
Current portion of long-term debt (Note 8)	7,213	13,536	61,101
Payables:			
Trade notes		2,366	
Trade accounts	18,955	16,287	160,568
Associated companies	12	4	101
Other (Note 9)	5,925	3,928	50,191
Accrued income taxes	2,309	1,797	19,560
Accrued expenses	1,891	1,663	16,019
Other current liabilities	171	146	1,448
Total Current Liabilities	50,126	48,777	424,617
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	12,550	11,396	106,311
Liability for employees' retirement benefits (Note 10)	1,199	1,119	10,157
Retirement allowances for directors and corporate auditors (Note 11)	666	294	5,642
Other long-term liabilities (Note 9)	826	1,388	6,996
Total Long-Term Liabilities	15,241	14,197	129,106
MINORITY INTERESTS		54	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8,15, 16 and 17)			
EQUITY (Notes 12 and 18):			
Common stock,			
Authorized — 60,000,000 shares in 2007 and 29,700,600 shares in 2006			
Issued — 22,142,106 shares in 2007 and 2006	13,151	13,151	111,402
Capital surplus	15,488	15,488	131,199
Retained earnings	22,359	19,041	189,403
Net unrealized gain on available-for-sale securities	823	1,016	6,971
Treasury stock — at cost 328,631 shares in 2007 and 143,000 shares in 2006	(1,004)	(312)	(8,505)
Total	50,817	48,384	430,470
Minority interests	49		415
Total Equity	50,866	48,384	430,885
TOTAL	¥ 116,233	¥ 111,412	$ 984,608

See notes to consolidated financial statements.

Consolidated Statements of Income

FP CORPORATION and Subsidiaries

Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥ 124,233	¥ 126,816	$ 1,052,376
COST OF SALES (Note 13)	91,061	94,842	771,376
Gross Profit	33,172	31,974	281,000
SELLING , GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	25,544	25,867	216,383
Operating Income	7,628	6,107	64,617
OTHER INCOME (EXPENSES):			
Interest and dividend income	169	201	1,432
Interest expense	(286)	(259)	(2,423)
Loss on valuation of investment of securities		(5)	
Loss on valuation of inventories	(491)	(534)	(4,159)
Other — net	697	672	5,904
Other Income — net	89	75	754
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,717	6,182	65,371
INCOME TAXES (Note 14):			
Current	3,419	2,469	28,962
Deferred	(227)	16	(1,923)
Total	3,192	2,485	27,039
MINORITY INTERESTS IN NET INCOME	10	11	85
NET INCOME	¥ 4,515	¥ 3,686	$ 38,247

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥ 206.27	¥ 165.16	$ 1.75
Cash dividends	57.00	45.00	0.48

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity
FP CORPORATION and Subsidiaries
Years ended March 31, 2007 and 2006

	Shares / Millions of Yen								
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on available-for-sale securities	Treasury stock	Total	Minority interests	Total equity
BALANCE AT APRIL 1, 2005	22,142,106	¥ 13,151	¥ 15,488	¥ 16,410	¥ 604	¥ (857)	¥ 44,796	¥	¥ 44,796
Net income				3,686			3,686		3,686
Cash dividends, ¥45.00 per share				(812)			(812)		(812)
Bonuses to directors and corporate auditors				(47)			(47)		(47)
Increase in treasury stock						(16)	(16)		(16)
Disposal of treasury stock				(196)		561	365		365
Net increase in unrealized gain on available-for-sale securities					412		412		412
BALANCE AT MARCH 31, 2006	22,142,106	¥ 13,151	¥ 15,488	¥ 19,041	¥ 1,016	¥ (312)	¥ 48,384	¥	¥ 48,384
Reclassified balance as of March 31, 2006 (Note 2.q)								54	54
Cash dividends, ¥52.00 per share				(1,139)			(1,139)		(1,139)
Bonuses to directors and corporate auditors				(58)			(58)		(58)
Net income				4,515			4,515		4,515
Increase in treasury stock						(692)	(692)		(692)
Net change in the year					(193)		(193)	(5)	(198)
BALANCE AT MARCH 31, 2007	22,142,106	¥ 13,151	¥ 15,488	¥ 22,359	¥ 823	¥ (1,004)	¥ 50,817	¥ 49	¥ 50,866

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on available-for-sale securities	Treasury stock	Total	Minority interests	Total equity
BALANCE AT MARCH 31, 2006	$ 111,402	$ 131,199	$ 161,296	$ 8,606	$ (2,643)	$ 409,860	$	$ 409,860
Reclassified balance as of March 31,2006 (Note 2.q)							457	457
Cash dividends, $0.44 per share			(9,649)			(9,649)		(9,649)
Bonuses to directors and corporate auditors			(491)			(491)		(491)
Net income			38,247			38,247		38,247
Increase in treasury stock					(5,862)	(5,862)		(5,862)
Net change in the year				(1,635)		(1,635)	(42)	(1,677)
BALANCE AT MARCH 31, 2007	$ 111,402	$ 131,199	$ 189,403	$ 6,971	$ (8,505)	$ 430,470	$ 415	$ 430,885

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
FP CORPORATION and Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,717	¥ 6,182	$ 65,371
Adjustments for:			
Income taxes - paid	(2,916)	(1,384)	(24,701)
Depreciation and amortization	4,196	3,965	35,544
Provision for allowance for doubtful accounts	(22)	(178)	(186)
Loss on disposal of property, plant and equipment	339	76	2,872
Provision for retirement benefits	80	121	678
Retirement allowances for directors and corporate auditors	372	(23)	3,151
Bonuses to directors and corporate auditors	(58)	(47)	(491)
Changes in operating assets and liabilities, net of effects:			
Increase in trade receivables	(1,178)	(443)	(9,979)
Increase(decrease) in inventories	(208)	4,331	(1,762)
Increase(decrease) in trade payables	310	(1,792)	2,626
Other — net	(218)	707	(1,848)
Total adjustments	697	5,333	5,904
Net cash provided by operating activities	8,414	11,515	71,275
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(6,956)	(1,905)	(58,924)
Proceeds from sales of investment securities	19	694	161
Purchases of investment securities	(80)	(112)	(678)
Increase in short-term loans — net	510	(100)	4,320
Payments for long-term loans	(780)	(225)	(6,607)
Proceeds from collection of long-term loans	2,161	782	18,306
Increase in other assets	(367)	(162)	(3,109)
Net cash used in investing activities	(5,493)	(1,028)	(46,531)
FINANCING ACTIVITIES:			
Increase(decrease) in short-term bank loans — net	4,600	(5,200)	38,967
Proceeds from long-term debt	9,600	6,915	81,321
Repayments of long-term debt	(14,769)	(7,766)	(125,108)
Purchase of treasury stock	(692)	(4)	(5,862)
Dividends paid	(1,139)	(806)	(9,648)
Repayments of obligations under reorganization proceeding of subsidiaries	(405)	(1,560)	(3,431)
Other — net	(15)	362	(127)
Net cash used in financing activities	(2,820)	(8,059)	(23,888)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	0	0	0
NET INCREASE IN CASH AND CASH EQUIVALENTS	101	2,428	856
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,422	5,994	71,342
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,523	¥ 8,422	$ 72,198

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of FP Corporation (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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 consolidated financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥118.05 to $1, the rate of exchange at March 31, 2007. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements as of March 31, 2007 and 2006 include the accounts of the Company and all subsidiaries, 29 in 2007 and 30 in 2006 (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the associated companies are stated at cost. If the equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.

The significant excess of the Company's investments in consolidated subsidiaries over its equity in the net assets at the respective dates of acquisition is being amortized over a period five years. The insignificant excess of cost over net assets of subsidiaries acquired is charged to income when incurred.

Negative goodwill is reported in the balance sheet as other long-term liabilities and is amortized using the straight-line method over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(c) Investment Securities

Investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

(d) Inventories

Merchandise, finished products, semi-finished products, raw materials and work in process are stated at cost determined by the monthly average-method. Real estate for sale and paintings and antiques are stated at cost determined by the specific identification method, and supplies are stated at cost determined by the last purchased cost method.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation is computed substantially by the declining-balance method over the estimated useful lives of the assets.

Additionally, equipment of certain consolidated subsidiaries is depreciated by the straight-line method.

The range of useful lives are mainly as follows:

Buildings and structures ·········· 15 to 35 years

Machinery and equipment ······· 4 to 8 years

(f) Long-Lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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 would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(g) Other Assets

Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over five years.

(h) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(i) Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees which cover approximately 50%, respectively, of their benefits. Most of the other consolidated subsidiaries have defined contribution annuity plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

(j) Retirement Allowances for Directors and Corporate Auditors

Retirement allowance for directors and corporate auditors of the Company and certain subsidiaries are also provided under the internal guidelines.

(k) Research and Development Costs

Research and development costs are charged to income as incurred.

(l) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(m) Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "*Accounting Treatment for Bonuses to Directors and Corporate Auditors*", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors beginning the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥72 million ($ 610 thousand).

(n) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(o) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon shareholders' approval.

(p) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The average number of common shares used in the computation was 21,889,331 shares for the year ended March 31, 2007 and 21,966,942 shares for the year ended March 31, 2006, respectively.

Diluted net income per share was not presented because there was no dilution for the years ended March 31, 2007 and 2006.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(q) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include minority interests and any deferred gains or losses on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standards.

(r) New Accounting Pronouncements

Measurement of Inventories

Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires all finance lease transactions to be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. BUSINESS COMBINATION

Year ended March 31, 2007

On March 1, 2007, the Company merged with its wholly owned subsidiary, Fukuyama Techno Mold Co., Ltd. (FTM), which engages in manufacturing the machines and the mold tools to produce plastic containers for foodservice packaging.

This combination was made for following aims,

- to improve the managerial system to use the human resources and other business resources flexibly and effectively
- to promote rationalization and efficiency of the Group
- to reinforce the market competitiveness for lasting growth and expansion

As a result of this combination, FTM was dissolved and its business operations have been absorbed into the Company.

Related to the merger and absorption, the Company did not issue any new shares or increase in capital, nor make any payments as delivered money, because it was made with wholly owned subsidiary.

The above merger was eliminated as internal transaction between the companies under common control. And therefore the accounting treatment had no effect on the consolidated financial statements.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current:			
Marketable equity securities	¥ 2,935	¥ 3,273	$ 24,862
Non-marketable equity securities	849	850	7,192
Trust fund investment and other	64		542
Total	¥ 3,848	¥ 4,123	$ 32,596

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,533	¥ 1,408	¥ (6)	¥ 2,935
Trust fund investments	61	3		64

	Millions of Yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,549	¥ 1,732	¥ (8)	¥ 3,273

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 12,986	$ 11,927	$ (51)	$ 24,862
Trust fund investments	517	25		542

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale:			
Equity securities	¥ 849	¥ 850	$ 7,192
Total	¥ 849	¥ 850	$ 7,192

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥ 19 million ($ 161 thousand) and ¥ 780 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥ 5 million ($ 42 thousand) and ¥ 0 million ($0 thousand), respectively, for the year ended March 31, 2007 and ¥ 111 million and ¥ 19 million, respectively, for the year ended March 31, 2006.

5. SHORT-TERM INVESTMENTS

Short-term investments consisted of time deposits which mature over three months.

6. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise	¥ 543	¥ 536	$ 4,600
Real estate for sale	52	53	440
Finished products	9,093	8,867	77,027
Semi-finished products and work in process	428	492	3,625
Raw materials	1,044	980	8,844
Supplies	386	348	3,270
Paintings and antiques	923	985	7,819
Total	¥ 12,469	¥ 12,261	$ 105,625

7. PROPERTY, PLANT AND EQUIPMENT

Depreciation expense for the years ended March 31, 2007 and 2006 were ¥4,196 million ($35,544 thousand) and ¥3,965 million, respectively.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2007 and 2006 bore interest at annual rates of 0.55 % to 0.91 % and 0.213 % to 0.35 %, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured loans from banks and other financial institutions due serially to 2013 with interest rates ranging from 0.39 % to 1.59 % (2007) and from 0.39% to 2.375% (2006)	¥ 19,763	¥ 24,932	$ 167,412
Total	19,763	24,932	167,412
Less-current portion	7,213	13,536	61,101
Long-term debt, less current portion	¥ 12,550	¥ 11,396	$ 106,311

The aggregate annual maturities of long-term debt as of March 31, 2007 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 7,213	$ 61,101
2009	6,313	53,477
2010	5,341	45,244
2011	702	5,947
2012	178	1,508
2013	16	135
Total	¥ 19,763	$ 167,412

The Company and certain subsidiaries entered into credit agreements with several Japanese banks under which the banks committed a maximum of ¥ 34,200 million ($ 289,708 thousand) and ¥ 35,330 million to the Company and certain subsidiaries in the form of cash borrowings at March 31, 2007 and 2006 respectively. The unused lines of credit under these agreement amounted ¥ 21,050 million ($ 178,314 thousand) and ¥ 26,580 million at March 31, 2007 and 2006, respectively.

9. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for payables of ¥7 million at March 31, 2006 and other long-term liabilities of ¥14 million at March 31, 2006 was as follows:

	Millions of Yen
	2006
Land	¥ 1,591
Buildings and structures-net of accumulated depreciation	1,469
Total	¥ 3,060

In addition, there were no assets pledged at March 31, 2007.

10. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.
Most of the other subsidiaries entered into the Smaller Enterprise Retirement Allowance Mutual Aid Corporation which is a defined contribution pension plan.

The liability for employees' retirement benefits as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 2,222	¥ 1,949	$ 18,823
Fair value of plan assets	(966)	(844)	(8,183)
Unrecognized actuarial loss	(57)	14	(483)
Net liability	¥ 1,199	¥ 1,119	$ 10,157

The components of net periodic benefit costs for the years ended March 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 274	¥ 287	$ 2,321
Interest cost	29	28	246
Expected return on plan assets	(9)	(8)	(76)
Amortization of actuarial loss	35	57	296
Net periodic benefit costs	¥ 329	¥ 364	$ 2,787

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	2.0 %	2.0 %
Expected rate of return on plan assets	1.5 %	1.5 %
Recognition period of actuarial gain / loss	5 years	5 years

11. RETIREMENT ALLOWANCES FOR DIRECTORS AND CORPORATE AUDITORS

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code").
The Company and certain subsidiaries recorded a liability for their unfunded retirement allowances plan covering all of its directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended March 31, 2007 and 2006 were ¥ 70 million ($ 593 thousand) and ¥ 58 million, respectively.

In addition, the Company and certain consolidated subsidiaries changed the internal guidelines of retirement benefits for directors and corporate auditors.
With this change, the Group recorded retirement allowances for directors and corporate auditors which should have done in the past.
This effect, ¥325 million ($2,753 thousand), was included in other expenses in the 2007 consolidated statement of income.

12. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to operating expenses, were ¥895million ($7,582 thousand) and ¥751 million for the years ended March 31, 2007 and 2006, respectively.

14. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.4% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred Tax Assets:			
Tax loss carry forwards	¥ 23	¥ 155	$ 195
Accrued enterprise tax	181	142	1,533
Accrued expenses	504	446	4,269
Inventories-intercompany profits	35	54	296
Allowance for doubtful accounts	179	166	1,516
Accrued pension and severance costs	467	431	3,956
Retirement allowances for directors and corporate auditors	268	118	2,270
Allowance for loss on investments	114	113	966
Other	317	285	2,686
Less valuation allowance	(353)	(398)	(2,990)
Total	1,735	1,512	14,697
Deferred Tax Liabilities:			
Allowance for doubtful accounts-intercompany balances	(6)	(12)	(51)
Unrealized gain on available-for-sale securities	(569)	(699)	(4,820)
Other	(3)	(3)	(25)
Total	(578)	(714)	(4,896)
Net deferred tax assets	¥ 1,157	¥ 798	$ 9,801

A reconciliation schedule for the years ended March 31, 2007 and 2006 was omitted, because the difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting was less than 5 percent of the normal effective statutory tax rate. This treatment is permitted by the Japanese accounting regulations.

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥23 million ($195 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥	$
2009		
2010	0	0
2011		
2012	2	17
2013	17	144
2014	4	34
Total	¥ 23	$ 195

15. LEASES

(a) As lessee

The Group leases certain machinery, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2007 and 2006 were ¥ 4,778 million ($ 40,474 thousand) and ¥ 4,952 million, respectively, including ¥ 3,453 million ($ 29,250 thousand) and ¥ 3,400 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen		
2007	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	¥ 15,485	¥ 4,451	¥ 19,936
Accumulated depreciation	7,981	2,016	9,997
Net leased property	¥ 7,504	¥ 2,435	¥ 9,939
2006			
Acquisition cost	¥ 14,965	¥ 4,118	¥ 19,083
Accumulated depreciation	8,136	1,822	9,958
Net leased property	¥ 6,829	¥ 2,296	¥ 9,125

	Thousands of U.S. Dollars		
2007	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	$ 131,173	$ 37,704	$ 168,877
Accumulated depreciation	67,607	17,077	84,684
Net leased property	$ 63,566	$ 20,627	$ 84,193

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due with one year	¥ 3,067	¥ 2,864	$ 25,980
Due after one year	7,072	6,489	59,907
Total	¥ 10,139	¥ 9,353	$ 85,887

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥ 3,258	¥ 3,178	$ 27,598
Interest expense	167	182	1,415
Total	¥ 3,425	¥ 3,360	$ 29,013

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

(b) As lessor

The Group subleases certain machinery, computer equipment, vehicle and other assets.

Total lease payments under finance leases for the years ended March 31, 2007 and 2006 were ¥173 million ($1,465 thousand) and ¥194 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, receivables on finance leases, depreciation expense, and interest income of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen		
2007	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	¥ 876	¥ 56	¥ 932
Accumulated depreciation	464	25	489
Net leased property	¥ 412	¥ 31	¥ 443
2006			
Acquisition cost	¥ 1,137	¥ 57	¥ 1,194
Accumulated depreciation	700	21	721
Net leased property	¥ 437	¥ 36	¥ 473

	Thousands of U.S. Dollars		
2007	Machinery and equipment	Tools, furniture and fixtures	Total
Acquisition cost	$ 7,421	$ 474	$ 7,895
Accumulated depreciation	3,931	211	4,142
Net leased property	$ 3,490	$ 263	$ 3,753

Receivables on finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 182	¥ 140	$ 1,542
Due after one year	285	354	2,414
Total	¥ 467	¥ 494	$ 3,956

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥ 153	¥ 167	$ 1,296
Interest expense	26	30	220
Total	¥ 179	¥ 197	$ 1,516

Depreciation expense and interest expense, which were not reflected in the accompanying statements of income, were computed by the straight-line method and the interest method, respectively.

16. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group does not hold or issue derivatives for trading purposes.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Group had the following derivatives contracts outstanding at March 31, 2007:

	Millions of Yen		
	2007		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:			
Selling U.S. Dollars	¥ 17	¥ 17	¥ (0)

	Thousands of U.S. Dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Gain
Foreign currency forward contracts:			
Selling U.S. Dollars	$ 144	$ 144	$ (0)

The contract amounts of derivatives in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.
The fair value of derivatives in the above table was determined from the amounts which the banks offered.

17. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liability.

	Millions of Yen	Thousands of U.S. Dollars
Repurchase of notes receivable	¥ 336	$ 2,846

18. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the board of directors held on May 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥29.00 ($0.25) per share	¥ 633	$ 5,362

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