
Trusco Nakayama Corporation

*Financial Statements for the Years
Ended March 31, 2008 and 2007, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trusco Nakayama Corporation:

We have audited the accompanying balance sheets of Trusco Nakayama Corporation as of March 31, 2008 and 2007, and the related statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trusco Nakayama Corporation as of March 31, 2008 and 2007, and the results of its operations and its 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.

June 13, 2008

Trusco Nakayama Corporation

Balance Sheets March 31, 2008 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008		2008	2007	2008
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 13,035	¥ 13,207	\$ 130,346	Accounts payable - trade (Note 9)	¥ 11,063	¥ 11,483	\$ 110,629
Short-term investments (Note 4)	10	10	100	Other payables	2,129	2,573	21,287
Accounts receivable - trade (Note 9)	18,320	20,290	183,203	Income taxes payable	2,227	1,838	22,274
Inventories (Note 5)	16,779	16,548	167,789	Accrued expenses	886	1,025	8,860
Deferred tax assets (Note 8)	782	734	7,817	Other current liabilities	37	62	375
Other current assets	262	232	2,623				
Allowance for doubtful accounts	(2)	(2)	(16)	Total current liabilities	16,342	16,981	163,425
Total current assets	49,186	51,019	491,862				
PROPERTY, PLANT AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Land (Note 6)	15,438	13,389	154,381	Retirement allowances for directors and corporate auditors	166	303	1,663
Buildings and structures	20,672	18,798	206,721	Deposit received for guarantees	1,138	1,002	11,381
Machinery and equipment	3,949	4,322	39,488	Deferred tax liabilities (Note 8)		26	
Construction in progress	4,079	1,707	40,792	Total long-term liabilities	1,304	1,331	13,044
Total	44,138	38,216	441,382				
Accumulated depreciation	(11,279)	(10,719)	(112,795)	EQUITY (Notes 7 and 10):			
Net property, plant and equipment	32,859	27,497	328,587	Common stock - authorized, 57,190,000 shares; issued, 33,004,372 shares in 2008 and 2007	5,022	5,022	50,224
INVESTMENTS AND OTHER ASSETS:				Capital surplus:			
Investments in affiliated companies (Note 9)	99	99	986	Additional paid-in capital	4,710	4,710	47,099
Investment securities (Note 3)	1,142	1,597	11,424	Other capital surplus	2	3	22
Long-term receivables	3	4	26	Retained earnings:			
Long-term deposit	500	500	5,000	Legal reserve	1,256	1,256	12,556
Software	3,486	3,455	34,859	Unappropriated	60,687	56,643	606,868
Security deposits	302	303	3,019	Land revaluation difference (Note 6)	(1,431)	(1,003)	(14,311)
Deferred tax assets (Note 8)	53		535	Unrealized gain on available-for-sale securities	119	325	1,188
Deferred tax assets on land revaluation difference (Note 6)	251	680	2,509	Treasury stock - at cost 21,149 shares in 2008 and 18,970 shares in 2007	(43)	(38)	(433)
Other	118	108	1,182	Total equity	70,322	66,918	703,213
Allowance for doubtful accounts	(31)	(32)	(307)				
Total investments and other assets	5,923	6,714	59,233				
TOTAL	¥ 87,968	¥ 85,230	\$ 879,682	TOTAL	¥ 87,968	¥ 85,230	\$ 879,682

See notes to financial statements.

Trusco Nakayama Corporation

Statements of Income Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES (Note 9)	¥ 134,430	¥ 134,057	\$ 1,344,303
COST OF GOODS SOLD (Note 9)	106,978	107,508	1,069,785
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,331	17,965	183,313
OPERATING INCOME	9,121	8,584	91,205
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 9)	48	36	476
Purchase discounts	1,476	1,551	14,760
Sales discounts	(1,410)	(1,353)	(14,100)
Gain on sales of property, plant and equipment	3	2	33
Loss on sales and disposals of property, plant and equipment	(110)	(720)	(1,103)
Loss on devaluation of investment securities		(70)	
Other income - net	106	175	1,064
Total other income (expenses)	113	(379)	1,130
INCOME BEFORE INCOME TAXES	9,234	8,205	92,335
INCOME TAXES (Note 8):			
Current	3,958	3,566	39,578
Deferred	12	21	119
Total	3,970	3,587	39,697
NET INCOME	¥ 5,264	¥ 4,618	\$ 52,638
	Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.1):			
Net income	¥159.59	¥140.01	\$1.60
Cash dividends applicable to the year	40.00	35.00	0.40

See notes to financial statements.

Trusco Nakayama Corporation

**Statements of Changes in Equity
Years Ended March 31, 2008 and 2007**

	Thousands Outstanding	Millions of Yen								
		Common Stock	Capital Surplus		Retained Earnings		Land Revaluation Difference	Unrealized Gain on Available-for- Sale Securities	Treasury Stock	Total Equity
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, APRIL 1, 2006	32,987	¥ 5,022	¥ 4,710	¥ 2	¥ 1,256	¥ 53,290	¥ (1,003)	¥ 407	¥ (35)	¥ 63,649
Net income						4,618				4,618
Cash dividends, ¥37.0 per share						(1,221)				(1,221)
Bonuses to directors and corporate auditors						(44)				(44)
Net increase of treasury stock	(1)								(3)	(3)
Gain on sales of treasury stock				1						1
Net change in the year								(82)		(82)
BALANCE, MARCH 31, 2007	32,986	5,022	4,710	3	1,256	56,643	(1,003)	325	(38)	66,918
Net income						5,264				5,264
Cash dividends, ¥37.0 per share						(1,220)				(1,220)
Net increase of treasury stock	(3)								(5)	(5)
Gain on sales of treasury stock				(1)						(1)
Net change in the year							(428)	(206)		(634)
BALANCE, MARCH 31, 2008	<u>32,983</u>	<u>¥ 5,022</u>	<u>¥ 4,710</u>	<u>¥ 2</u>	<u>¥ 1,256</u>	<u>¥ 60,687</u>	<u>¥ (1,431)</u>	<u>¥ 119</u>	<u>¥ (43)</u>	<u>¥ 70,322</u>

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus		Retained Earnings		Land Revaluation Difference	Unrealized Gain on Available-for- Sale Securities	Treasury Stock	Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2007	\$ 50,224	\$ 47,099	\$ 28	\$ 12,556	\$ 566,434	\$ (10,025)	\$ 3,248	\$ (385)	\$ 669,179
Net income					52,638				52,638
Cash dividends, \$0.37 per share					(12,204)				(12,204)
Net increase of treasury stock								(48)	(48)
Gain on sales of treasury stock			(6)						(6)
Net change in the year						(4,286)	(2,060)		(6,346)
BALANCE, MARCH 31, 2008	<u>\$ 50,224</u>	<u>\$ 47,099</u>	<u>\$ 22</u>	<u>\$ 12,556</u>	<u>\$ 606,868</u>	<u>\$ (14,311)</u>	<u>\$ 1,188</u>	<u>\$ (433)</u>	<u>\$ 703,213</u>

See notes to financial statements.

Trusco Nakayama Corporation

Statements of Cash Flows Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2008</u>	<u>2007</u>	<u>2008</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 9,234	¥ 8,205	\$ 92,335
Adjustments for:			
Depreciation and amortization	2,294	1,739	22,942
Decrease in retirement allowances for directors and corporate auditors	(136)	(1)	(1,362)
Increase (decrease) in allowance for doubtful accounts	1	(11)	8
Interest and dividend income	(48)	(36)	(476)
Gain on sales of property, plant and equipment	(3)	(2)	(33)
Loss on sales and disposals of property, plant and equipment	83	631	828
Loss on devaluation of investment securities		70	
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	1,969	(1,260)	19,683
Increase in inventories	(231)	(2,483)	(2,309)
Decrease in notes and accounts payable	(420)	(1,303)	(4,197)
Other - net	117	846	1,175
Interest and dividends received	43	36	431
Income taxes paid	<u>(3,574)</u>	<u>(3,803)</u>	<u>(35,739)</u>
Net cash provided by operating activities	<u>9,329</u>	<u>2,628</u>	<u>93,286</u>
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(6,836)	(3,733)	(68,359)
Proceeds from sales of property, plants and equipment	11	11	108
Purchases of intangible assets	(1,525)	(1,377)	(15,245)
Purchases of investment securities	(100)	(451)	(1,005)
Proceeds from redemption of investment securities	200		2,000
Other - net	<u>(27)</u>	<u>198</u>	<u>(266)</u>
Net cash used in investing activities	<u>(8,277)</u>	<u>(5,352)</u>	<u>(82,767)</u>
FINANCING ACTIVITIES:			
Resales of treasury stocks	4	5	42
Repurchases of treasury stocks	(9)	(8)	(96)
Dividends paid	<u>(1,219)</u>	<u>(1,220)</u>	<u>(12,191)</u>
Net cash used in financing activities	<u>(1,224)</u>	<u>(1,223)</u>	<u>(12,245)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(172)	(3,947)	(1,726)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,207</u>	<u>17,154</u>	<u>132,072</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 13,035</u>	<u>¥ 13,207</u>	<u>\$ 130,346</u>

See notes to financial statements.

Trusco Nakayama Corporation

Notes to Financial Statements Years Ended March 31, 2008 and 2007

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by Trusco Nakayama Corporation (the "Company") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, 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.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100 to \$1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations 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. Non-Consolidation* - The Company has no subsidiaries. Investments in two affiliated companies (20% - 50% ownership) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying financial statements would not be material.
- 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 that mature within three months of the date of acquisition.
- c. Inventories* - Inventories are stated at cost determined by the average method.
- d. Marketable and Investment Securities* - Marketable and investment securities are classified and accounted for, based on management's intent, as available-for-sale securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

- e. Property, Plant and Equipment* - Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 10 to 50 years for buildings and structures and from 3 to 12 years for machinery and equipment.

- f. Long-lived Assets* - The Company 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. Allowance for Doubtful Accounts* - The allowance for doubtful accounts is stated in amounts considered to be appropriated based on the company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- h. Retirement Allowances for Directors and Corporate Auditors* - Effective March 31, 2004, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors by resolution of the Board of Directors on March 28, 2004. Retirement allowances for all directors and corporate auditors are recorded to state the liability at the amount that would be required if all present directors and corporate auditors had retired at March 31, 2004.
- i. Presentation of Equity* - On December 9, 2005, the Accounting Standards Board of Japan ("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 stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in statements of changes in equity.
- j. Leases* - Under Japanese accounting standards for leases, finance leases that are deemed 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. Since the amount of such finance leases are not material, "as if capitalized" information is not disclosed. Other leases are accounted for as operating leases.
- k. Income Taxes* - The provision for income taxes is computed based on the pretax income included in the 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.
- l. 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, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Company has no dilutive securities.

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

m. New Accounting Pronouncements

Measurement of Inventories - Under generally accepted accounting principles in Japan, 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.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of
	<u>2008</u>	<u>2007</u>	<u>U.S. Dollars</u>
Non-current:			
Equity securities	¥ 642	¥ 931	\$ 6,419
Government and corporate bonds	404	545	4,039
Trust fund investments and other	<u>96</u>	<u>121</u>	<u>966</u>
Total	<u>¥ 1,142</u>	<u>¥ 1,597</u>	<u>\$ 11,424</u>

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	<u>2008</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale:				
Equity securities	¥ 359	¥ 302	¥ 30	¥ 631
Government and corporate bonds	500		96	404
Trust fund investments and other	<u>40</u>	<u>23</u>	<u>—</u>	<u>63</u>
Total	<u>¥ 899</u>	<u>¥ 325</u>	<u>¥ 126</u>	<u>¥ 1,098</u>
	Millions of Yen			
	<u>2007</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale:				
Equity securities	¥ 338	¥ 551	¥ 0	¥ 889
Government and corporate bonds	600		55	545
Trust fund investments and other	<u>40</u>	<u>48</u>	<u>—</u>	<u>88</u>
Total	<u>¥ 978</u>	<u>¥ 599</u>	<u>¥ 55</u>	<u>¥ 1,522</u>

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$ 3,590	\$ 3,013	\$ 296	\$ 6,307
Government and corporate bonds	5,000		961	4,039
Trust fund investments and other	<u>395</u>	<u>237</u>		<u>632</u>
Total	<u>\$ 8,985</u>	<u>\$ 3,250</u>	<u>\$ 1,257</u>	<u>\$ 10,978</u>

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
Available-for-sale:			
Equity securities	¥ 11	¥ 42	\$ 112
Trust fund investment and other	<u>33</u>	<u>33</u>	<u>334</u>
Total	<u>¥ 44</u>	<u>¥ 75</u>	<u>\$ 446</u>

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2008 and 2007 were as follows:

	Government and Corporate Bonds		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
Due after one year through five years		¥ 100	
Due after ten years	<u>¥ 404</u>	<u>445</u>	<u>\$ 4,039</u>
Total	<u>¥ 404</u>	<u>¥ 545</u>	<u>\$ 4,039</u>

4. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2008</u>	<u>2007</u>	<u>2008</u>
	Time deposits other than cash equivalents	¥10	¥10

5. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of
	<u>2008</u>	<u>2007</u>	<u>U.S. Dollars</u>
Merchandise	¥16,779	¥16,548	\$167,789

6. LAND REVALUATION

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company selected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation difference represents the net unrealized devaluation of land values and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be added to the land revaluation difference account and related deferred tax assets. When a revalued piece of land is sold off or an impairment loss is recognized, the related land revaluation difference is directly reversed to retained earnings.

As at March 31, 2008, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥2,149 million (\$21,486 thousand).

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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 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.

8. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of
	<u>2008</u>	<u>2007</u>	<u>U.S. Dollars</u>
Deferred tax assets - current assets:			
Enterprise taxes	¥ 173	¥ 139	\$ 1,727
Accrued employees' bonuses	306	299	3,060
Other payable	189	185	1,888
Other	114	111	1,142
Total	<u>782</u>	<u>734</u>	<u>7,817</u>
Net deferred tax assets - current	<u>¥ 782</u>	<u>¥ 734</u>	<u>\$ 7,817</u>

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>
Deferred tax assets - non-current assets:			
Retirement allowances for directors and corporate auditors	¥ 67	¥ 122	\$ 672
Other	92	97	920
Total	<u>¥ 159</u>	<u>¥ 219</u>	<u>\$ 1,592</u>
Deferred tax liabilities - non-current liabilities:			
Tax purpose reserves regulated by Japanese tax law	¥ 25	¥ 25	\$ 252
Net unrealized gain on available-for-sale securities	81	220	805
Total	<u>106</u>	<u>245</u>	<u>1,057</u>
Net deferred tax assets (liabilities) - non-current	<u>¥ 53</u>	<u>¥ (26)</u>	<u>\$ 535</u>

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2008 and 2007 and the actual effective tax rates reflected in the statements of income is as follows:

	<u>2008</u>	<u>2007</u>
Normal effective statutory tax rate	40.4%	40.4%
Inhabitant tax (per capital levy)	1.1	1.1
Permanently non-deductible expenses	1.5	1.9
Tax credit	(0.1)	(0.1)
Other - net	<u>0.1</u>	<u>0.4</u>
Actual effective tax rate	<u>43.0%</u>	<u>43.7%</u>

9. RELATED PARTY TRANSACTIONS

The Company owned the following affiliated companies as of March 31, 2008 and 2007:

	<u>Percentage of Ownership</u>	
	<u>2008</u>	<u>2007</u>
Toyo Steel Corporation	28.0%	28.0%
Union Steel Corporation	29.3%	29.3%

Transactions of the Company with the affiliated companies for the years ended March 31, 2008 and 2007 were immaterial.

The balances due to or from the affiliated companies at March 31, 2008 and 2007 were also immaterial.

10. SUBSEQUENT EVENT

Appropriations of Retained Earnings - The following appropriations of retained earnings at March 31, 2008 was resolved at the meeting of Board of Directors held on May 8, 2008:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cash dividends ¥20.5 (\$0.21) per share	¥676	\$6,762

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