

FIVE-YEAR SUMMARY

Riken Corporation and Consolidated Subsidiaries
Years ended March 31

CONSOLIDATED	2003	2004	2005	2006	2007
			Millions of yen		
Net sales	¥ 71,509	¥ 71,738	¥ 78,429	¥ 88,675	¥ 91,272
Operating income	5,951	6,091	6,842	7,857	7,554
Net income	4,409	3,877	4,998	5,659	5,443
Total assets	72,144	74,459	80,747	88,311	94,522
Net assets per share (yen)	269.53	297.07	337.98	393.83	431.48
Net income per share (yen)	42.08	37.07	47.86	53.55	51.65
Diluted net income per share (yen)	—	37.06	47.78	53.43	51.59
Capital ratio (%)	38.9	41.5	43.7	47.1	47.9
Net cash provided by operating activities	8,917	6,529	7,547	10,862	7,639
Net cash used in investing activities	(6,120)	(4,283)	(5,427)	(8,662)	(6,360)
Net cash used in financing activities	(3,002)	(2,071)	(2,959)	(2,134)	(509)
Cash and cash equivalents at end of year	6,724	6,520	5,578	6,090	7,097
Number of employees	3,736	3,699	3,723	3,880	4,085

NON-CONSOLIDATED	2003	2004	2005	2006	2007
			Millions of yen		
Net sales	¥ 62,909	¥ 63,263	¥ 68,483	¥ 76,316	¥ 77,892
Operating income	5,427	4,497	4,665	5,572	5,451
Net income	3,711	2,891	3,245	3,727	4,006
Capital	8,573	8,573	8,573	8,573	8,573
Common shares issued (shares)	106,484,667	106,484,667	106,484,667	106,484,667	106,484,667
Total assets	58,496	60,639	65,460	70,597	69,583
Net assets per share (yen)	219.78	240.12	264.13	292.47	308.72
Amount of dividend per share (yen)	8.50	8.50	10.00	12.00	12.00
Net income per share (yen)	35.38	27.59	31.00	35.14	38.01
Diluted net income per share (yen)	—	27.58	30.95	35.06	37.97
Capital ratio (%)	39.1	41.2	42.1	43.8	46.6
Number of employees	1,501	1,466	1,470	1,469	1,545

OPERATIONAL REVIEW AND ANALYSIS OF FINANCIAL POSITION

■ Significant Accounting Policies and Estimates

Consolidated financial statements of the Riken Group have been prepared in accordance with accounting principles generally accepted as fair and reasonable in Japan. When compiling these financial statements, estimates that may affect the values of assets and liabilities as of the closing day and the values of income and expenses for the year under review are mainly allowances for bad loans, bonuses, directors' bonuses, retirement benefits and directors' retirement benefits, and these are subject to continuous assessment.

Such estimates, judgment and assessment are made on the basis of factors that are deemed reasonable in light of past performance and conditions. However, since estimates inevitably involve uncertainties, actual values may differ from estimates.

■ Operational Review

During the year under review, we made significant efforts to increase group-wide profits in line with the main theme of our mid-term management plan "establish global operation and expand Group sales and earnings" while continuously enhancing our corporate value.

As a result, we attained consolidated net sales of ¥91,272 million, up 2.9% from the previous year, gross profit of ¥19,468 million, down 0.2% from the previous year, operating income of ¥7,554 million, down 3.9% from the previous year, ordinary income of ¥9,058 million down 5.1% from the previous year, net income before tax of ¥9,211 million, down 0.6% from the previous year and net income of ¥5,443 million, down 3.8% from the previous year.

Net sales increased by ¥2,597 million compared with the previous fiscal year, mainly because of increased sales of automotive parts.

In spite of our efforts to reduce procurement costs and rationalize manufacturing process in terms of cost of goods sold, both gross profit and operating income decreased compared with the previous year due to sluggish performance of some overseas subsidiaries coupled with falling average unit sales price and further price hikes of raw materials.

Non-operating income slipped to ¥2,305 million, down 10.3% from the previous year, mainly because income on equity-method investments fell ¥189 million from the previous year to ¥1,150 million due to sluggish performance of subsidiaries in Asia and other areas whose incomes are accounted for using the equity method of accounting.

Extraordinary income increased to ¥404 million, up 771.4% from the previous year, mainly due to gains on sales of investment securities, while extraordinary loss decreased 24.1% from the previous year to ¥251 million. As a result, net income fell 3.8% from the previous year to ¥5,443 million.

■ Financial Position

The Group's total assets as of the end of the fiscal year under review increased by ¥6,211 million compared with the end of the previous fiscal year to ¥94,522 million. This increase is

attributable mainly to a) increased sales credits, namely notes and accounts receivable, up by ¥1,995 million in response to increased sales, b) increased inventory assets, up ¥1,269 million, c) increased fixed assets due to a ¥1,419 million climb in tangible fixed assets stemming from capital investment and others, and d) an ¥806 million increase in investment securities, by equity-method investment profits.

Total liabilities as of the end of the fiscal year under review increased by ¥2,169 million compared with the end of the previous year to ¥47,127 million. This was mainly due to an increase in unsettled amount of notes and accounts payable by ¥1,815 million, and increased interest-bearing debts by ¥2,000 million due to increased capital investment and dividends paid, etc. Meanwhile, accrued retirement benefits decreased by ¥1,133 million as pension assets increased, and deferred income taxes fell by ¥1,186 million.

As a result, equity-to-total-assets ratio as of the end of this fiscal year was 47.9%, rising 0.9% from 47.1% as of the end of the previous fiscal year. Return on equity (ROE) of the current fiscal year was 12.5%, down 2.2% from 14.7% in the previous year reflecting decreased net income.

■ Cash Flows

● Overview

Free cash flow of the current fiscal year, calculated by subtracting "cash flow from investing activities" from "cash flow from operating activities," was ¥1,279 million. In financial activities, payment of dividends was ¥1,826 million and borrowings increased by ¥1,841 million. As a result, the balance of cash and cash equivalents at the end of the year under review increased by ¥1,007 million from the end of the previous year to ¥7,097 million.

● Comparison with the Previous Year

Cash flow from operating activities decreased by ¥3,223 million from the previous year to ¥7,639 million. Depreciation and amortization rose ¥532 million from the previous year. Increase in notes, accounts receivable and inventories was ¥2,678 million, up ¥850 million from the previous year (reduction in cash flow). Decrease in allowance for retirement benefits was ¥1,227 million, down ¥504 million from the previous year (reduction in cash flow). Increase in taxes paid was ¥4,461 million, up ¥2,370 million from the previous year (reduction in cash flow).

Cash flow from investing activities was ¥6,360 million, down ¥2,301 million from the previous year. The main factor behind this decrease was a ¥2,223 million reduction in the acquisition costs of tangible fixed assets, such as capital investment, from the previous year to ¥6,570.

Cash flow from financing activities totaled ¥509 million, down ¥1,624 million from the previous year. The main factor was a ¥3,390 million increase from the previous year in cash flow related to borrowings while dividends paid increased by ¥772 million from the previous year to ¥1,826 million.

CONSOLIDATED BALANCE SHEETS

Riken Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 7,097	¥ 6,090	\$ 60,144
Time deposits	96	112	814
Notes and accounts receivable	24,294	22,299	205,881
Less allowance for doubtful receivables	(34)	(29)	(288)
Inventories (Note 4)	11,420	10,150	96,780
Deferred tax assets (Notes 1(k) and 7)	1,242	1,289	10,525
Other current assets	594	724	5,034
Total current assets	44,712	40,637	378,915
Non-current assets:			
Property, plant and equipment, at cost (Notes 5 and 6):			
Land	3,411	3,337	28,907
Buildings	8,948	9,033	75,831
Machinery and equipment	18,446	17,238	156,322
Construction in progress	1,219	996	10,331
Property, plant and equipment, net	32,026	30,606	271,407
Investments in unconsolidated subsidiaries and affiliates	7,286	6,128	61,746
Investments in other securities (Notes 1(f) and 3)	3,382	3,733	28,661
Deferred tax assets (Notes 1(k) and 7)	4,838	4,908	41,000
Other non-current assets	2,276	2,296	19,288
Total non-current assets	49,810	47,673	422,119
Total assets	¥ 94,522	¥ 88,311	\$ 801,034

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

Riken Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable	¥ 17,541	¥ 15,726	\$ 148,653
Short-term debt (Note 6)	6,311	8,170	53,483
Current portion of long-term debt (Note 6)	1,174	1,526	9,949
Accrued income taxes (Note 7)	1,228	2,415	10,407
Accrued expenses and other current liabilities (Note 8)	7,650	7,023	64,831
Total current liabilities	33,906	34,863	287,339
Long-term liabilities:			
Long-term debt (Note 6)	9,773	5,575	82,822
Deferred tax liabilities (Notes 1(k) and 7)	24	18	203
Accrued retirement benefits (Notes 1(j) and 9)	3,018	4,151	25,576
Accrued retirement benefits to directors and statutory auditors (Notes 1(j) and 9)	362	280	3,068
Excess of net assets acquired over cost	2	4	17
Other long-term liabilities	39	66	331
Total long-term liabilities	13,220	10,095	112,034
Net assets (Note 10):			
Shareholders' equity:			
Common stock:			
Authorized - 196,525,000 shares			
Issued - 106,484,667 shares at March 31, 2007 and 2006	8,573	8,573	72,653
Capital surplus	6,604	6,613	55,966
Retained earnings	30,902	27,182	261,881
Less treasury stock, at cost	(872)	(369)	(7,390)
Total shareholders' equity	45,207	41,999	383,110
Valuation, translation adjustments and other:			
Unrealized holding gain on other securities (Notes 1(f) and 3)	334	467	2,831
Translation adjustments (Note 1(c))	(238)	(870)	(2,017)
Total valuation, translation adjustments and other	96	(402)	814
Subscription rights	10	-	85
Minority interests	2,081	1,755	17,636
Total net assets	47,395	43,352	401,653
Total liabilities and net assets	¥ 94,522	¥ 88,311	\$ 801,034

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Riken Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥ 91,272	¥ 88,675	\$ 773,492
Cost of sales	71,804	69,162	608,508
Gross profit	19,468	19,512	164,983
Selling, general and administrative expenses	11,914	11,654	100,966
Operating income	7,554	7,857	64,017
Other income (expenses):			
Interest and dividend income	202	151	1,712
Interest expense	(247)	(226)	(2,093)
Equity in earnings of investees	1,150	1,340	9,746
Loss on disposal of inventories	(179)	(162)	(1,517)
Gain on sales of investments in other securities	164	–	1,390
Gain on sales of fixed assets	25	38	212
Gain on reversal of allowance for doubtful receivables	19	7	161
Loss on disposal of fixed assets	(80)	(145)	(678)
Retirement benefits to directors and statutory auditors	(24)	(29)	(203)
Loss on impairment of assets	(126)	(148)	(1,068)
Other, net	753	580	6,381
Income before income taxes and minority interests	9,211	9,264	78,059
Income taxes (Notes 1(k) and 7):			
Current	3,179	3,439	26,941
Deferred	348	(238)	2,949
	3,528	3,201	29,898
Minority interests in earnings of consolidated subsidiaries	(239)	(404)	(2,025)
Net income (Note 16)	¥ 5,443	¥ 5,659	\$ 46,127

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Riken Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Balance as of March 31, 2005	Cash dividends paid	Bonuses to officers	Net income	Purchase of treasury stock	Gain on sales of treasury stock	Adjustments for inclusion in or exclusion from consolidation or equity method of accounting	Other adjustment	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2006
(Millions of yen)											
Common stock	¥ 8,573	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 8,573
Capital surplus	6,608	–	–	–	–	4	–	–	–	4	6,613
Retained earnings	22,611	(1,042)	(25)	5,659	–	–	(23)	3	–	4,571	27,182
Treasury stock	(853)	–	–	–	(58)	542	–	–	–	483	(369)
Total shareholders' equity	36,939	(1,042)	(25)	5,659	(58)	547	(23)	3	–	5,059	41,999
Unrealized gain (loss) on securities	260	–	–	–	–	–	–	–	206	206	467
Translation adjustments	(1,945)	–	–	–	–	–	–	–	1,075	1,075	(870)
Total valuation, translation adjustments and others	(1,684)	–	–	–	–	–	–	–	1,282	1,282	(402)
Minority interests	1,252	–	–	–	–	–	–	–	503	503	1,755
Total net assets	¥ 36,506	¥ (1,042)	¥ (25)	¥ 5,659	¥ (58)	¥ 547	¥ (23)	¥ 3	¥ 1,785	¥ 6,845	¥ 43,352

	Balance as of March 31, 2006	Cash dividends paid	Bonuses to officers	Net income	Purchase of treasury stock	Loss on sales of treasury stock	Adjustment for inclusion in consolidation or equity method of accounting	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2007
(Millions of yen)										
Common stock	¥ 8,573	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 8,573
Capital surplus	6,613	–	–	–	–	(8)	–	–	(8)	6,604
Retained earnings	27,182	(1,792)	(40)	5,443	–	(13)	121	–	3,719	30,902
Treasury stock	(369)	–	–	–	(670)	167	–	–	(502)	(872)
Total shareholders' equity	41,999	(1,792)	(40)	5,443	(670)	145	121	–	3,208	45,207
Unrealized gain (loss) on securities	467	–	–	–	–	–	–	(133)	(133)	334
Translation adjustments	(870)	–	–	–	–	–	–	631	631	(238)
Total valuation, translation adjustments and others	(402)	–	–	–	–	–	–	498	498	96
Subscription right	–	–	–	–	–	–	–	10	10	10
Minority interests	1,755	–	–	–	–	–	–	325	325	2,081
Total net assets	¥ 43,352	¥ (1,792)	¥ (40)	¥ 5,443	¥ (670)	¥ 145	¥ 121	¥ 834	¥ 4,042	¥ 47,395

	Balance as of March 31, 2006	Cash dividends paid	Bonuses to officers	Net income	Purchase of treasury stock	Loss on sales of treasury stock	Adjustment for inclusion in consolidation or equity method of accounting	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2007
(Thousands of U.S. dollars)										
Common stock	\$ 72,653	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 72,653
Capital surplus	56,042	–	–	–	–	(68)	–	–	(68)	55,966
Retained earnings	230,356	(15,186)	(339)	46,127	–	(110)	1,025	–	31,517	261,881
Treasury stock	(3,127)	–	–	–	(5,678)	1,415	–	–	(4,254)	(7,390)
Total shareholders' equity	355,924	(15,186)	(339)	46,127	(5,678)	1,229	1,025	–	27,186	383,110
Unrealized gain (loss) on securities	3,958	–	–	–	–	–	–	(1,127)	(1,127)	2,831
Translation adjustments	(7,373)	–	–	–	–	–	–	5,347	5,347	(2,017)
Total valuation, translation adjustments and others	(3,407)	–	–	–	–	–	–	4,220	4,220	814
Subscription right	–	–	–	–	–	–	–	85	85	85
Minority interests	14,873	–	–	–	–	–	–	2,754	2,754	17,636
Total net assets	\$ 367,390	\$ (15,186)	\$ (339)	\$ 46,127	\$ (5,678)	\$ 1,229	\$ 1,025	\$ 7,068	\$ 34,254	\$ 401,653

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Riken Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Operating activities			
Income before income taxes and minority interests	¥ 9,211	¥ 9,264	\$ 78,059
Depreciation and amortization	5,134	4,601	43,508
Loss on impairment of assets	126	148	1,068
Equity in earnings of investees	(1,150)	(1,340)	(9,746)
Reversal of accrued retirement benefits	(1,227)	(723)	(10,398)
(Reversal of) provision for allowance for doubtful receivables	(3)	0	(25)
Gain on sales of fixed assets	(25)	(38)	(212)
Loss on disposal of fixed assets	80	145	678
Increase in notes and accounts receivable	(1,498)	(1,154)	(12,695)
Increase in inventories	(1,179)	(673)	(9,992)
Increase in notes and accounts payable	1,723	1,358	14,602
Other, net	934	(979)	7,915
Subtotal	12,127	10,609	102,771
Interest received	202	152	1,712
Interest paid	(228)	(228)	(1,932)
Income taxes paid	(4,461)	(2,090)	(37,805)
Net cash provided by operating activities	7,639	8,442	64,737
Investing activities			
Increase in property, plant and equipment	(6,570)	(6,373)	(55,678)
Proceeds from sales of property, plant and equipment	55	406	466
Increase in investments in securities	(2)	(11)	(17)
Proceeds from sales of investments in securities	203	1	1,720
Other, net	(45)	(264)	(381)
Net cash used in investing activities	(6,360)	(6,241)	(53,898)
Financing activities			
Proceeds from short-term bank loans	6,959	5,311	58,975
Repayment of short-term bank loans	(8,880)	(5,664)	(75,254)
Proceeds from long-term bank loans	5,541	-	46,958
Repayment of long-term bank loans	(1,779)	(1,216)	(15,076)
Increase in treasury stock	(668)	(58)	(5,661)
Proceeds from sales of treasury stock	144	547	1,220
Cash dividends paid	(1,790)	(1,043)	(15,169)
Other, net	(36)	(10)	(305)
Net cash used in financing activities	(509)	(2,134)	(4,314)
Effect of exchange rate changes on cash and cash equivalents	132	379	1,119
Net increase in cash and cash equivalents	901	446	7,636
Cash and cash equivalents at beginning of year	6,090	5,578	51,610
Increase in cash and equivalents arising from inclusion in consolidation	105	66	890
Cash and cash equivalents at end of year (Note 1(e))	¥ 7,097	¥ 6,090	\$ 60,144

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Riken Corporation and Consolidated Subsidiaries
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

Riken Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

As permitted by the regulations under the Securities and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

The accompanying consolidated financial statements include the accounts of the Company and any significant subsidiaries and affiliates which it controls directly or indirectly. Subsidiaries and affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated.

The excess of cost over the underlying equity in net assets at the dates of acquisition of the major consolidated subsidiaries is charged to income over a five-year period by the straight-line method.

Investments in unconsolidated subsidiaries and affiliates, not accounted for by the equity method, are stated at cost or less.

(c) TRANSLATION OF FOREIGN CURRENCIES

Accounts of foreign consolidated subsidiaries are translated into yen as follows: all assets, liabilities, retained earnings at the end of the year and items, including net income, in the statement of income, at the rate of exchange in effect at the year end; capital stock, at historical rates, and dividends paid, at the rate of exchange in effect when paid.

The Company has presented translation adjustments as a component of net assets in consolidated subsidiaries (instead of as a component of assets or liabilities) in the accompanying consolidated financial statements.

(d) APPROPRIATION OF RETAINED EARNINGS

Cash dividends paid, transfers to the legal reserve and bonuses to directors and statutory auditors are recorded in the financial year in which the proposed appropriations of retained earnings are approved by the Board of Directors and/or shareholders.

(e) CASH EQUIVALENTS

The Company and its consolidated subsidiaries substantially consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(f) SECURITIES

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) INVENTORIES

Inventories are stated at cost determined principally by the moving average method.

(h) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Depreciation of buildings and of machinery and equipment is determined primarily by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

(i) LEASES

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(j) RETIREMENT BENEFITS

Accrued retirement benefits at March 31, 2007 and 2006 have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. Unrecognized actuarial gain and loss are amortized in the year following the year in which the gain or loss is

recognized by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

See Note 9 for the method of accounting for the corporate portion of the retirement benefit obligation under the Welfare Pension Fund Plan.

(k) INCOME TAXES

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(l) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income when incurred.

(m) ACCOUNTING STANDARD FOR PRESENTATION OF NET ASSETS IN THE BALANCE SHEET

Effective from the fiscal year ended March 31, 2007, the Company has adopted the Accounting Standard

for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005).

Stockholder' equity under the previous presentation method amounted to ¥45,303 million (\$383,924 thousand) as of March 31, 2007.

(n) RECLASSIFICATIONS

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation Guidance. The financial statements for the year ended March 31, 2006 have been reclassified to conform to the presentation of the financial statements for the year ended March 31, 2007.

Certain prior year amounts have also been reclassified to conform to the 2007 presentation. These changes had no impact on previously reported results of operations or net assets.

2. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥118 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2007.

The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. SECURITIES

(a) Information regarding marketable securities classified as other securities at March 31, 2007 is as follows:

	March 31, 2007					
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 243	¥ 726	¥ 483	\$ 2,059	\$ 6,153	\$ 4,093
Subtotal	243	726	483	2,059	6,153	4,093
Securities whose acquisition cost exceeds their carrying value:						
Stock	24	22	(1)	203	186	(8)
Subtotal	24	22	(1)	203	186	(8)
Total	¥ 267	¥ 749	¥ 481	\$ 2,263	\$ 6,347	\$ 4,076

(b) Sales of securities classified as other securities and the related aggregate gain and loss at March 31, 2007 were as follows:

	March 31, 2007					
	Sales	Aggregate gain	Aggregate loss	Sales	Aggregate gain	Aggregate loss
	(Millions of yen)			(Thousands of U.S. dollars)		
	¥ 203	¥ 164	¥ —	\$ 1,720	\$ 1,390	\$ —

(c) The carrying value and details of securities with no determinable fair value at March 31, 2007 are summarized as follows:

	Carrying value	
	(Millions of yen)	(Thousands of U.S. dollars)
Held-to-maturity debt securities:		
Other	¥ —	\$ —
Other securities:		
Unlisted securities (except for securities traded on the over-the-counter market)	2,629	22,280
Others	2	17

(d) Information regarding marketable securities classified as other securities at March 31, 2006 is as follows:

	March 31, 2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 282	¥ 1,097	¥ 814
Subtotal	282	1,097	814
Securities whose acquisition cost exceeds their carrying value:			
Stock	3	3	(0)
Subtotal	3	3	(0)
Total	¥ 286	¥ 1,100	¥ 814

(e) Sales of securities classified as held-to-maturity debt securities and the related aggregate cost, gain and loss at March 31, 2006 were and follows:

	March 31, 2006		
	Sales	Cost	Gain and loss
	(Millions of yen)		
	¥ 1	¥ 0	¥ —

(f) The carrying value and details of securities not carried at fair value at March 31, 2006 are summarized as follows:

	Carrying value	
	(Millions of yen)	
Held-to-maturity debt securities:		
Others		¥ —
Other securities:		
Unlisted securities (except for securities traded on the over-the-counter market)		2,629
Others		2

4. INVENTORIES

Inventories at March 31, 2007 and 2006 were as follows:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	¥ 3,040	¥ 2,922	\$ 25,763
Goods for resale	2,113	1,544	17,907
Work in process	4,408	4,064	37,356
Other	1,858	1,620	15,746
	¥ 11,420	¥ 10,150	\$ 96,780

5. DEPRECIATION

Depreciation of property, plant and equipment for the years ended March 31, 2007 and 2006 amounted to ¥5,012 million (\$4,475 thousand) and ¥4,448 million, respectively.

Accumulated depreciation of property, plant and equipment at March 31, 2007 and 2006 amounted to ¥68,854 million (\$583,508 thousand) and ¥65,442 million, respectively.

6. SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2007 and 2006, short-term debt and the current portion of long-term debt consisted of the following:

	March 31,		2007 (Thousands of U.S. dollars)
	2007 (Millions of yen)	2006	
Loans, principally from banks	¥ 6,311	¥ 8,170	\$ 53,483
Current portion of long-term debt	1,174	1,526	9,949
	¥ 7,486	¥ 9,697	\$ 63,441

The annual interest rates applicable to short-term debt outstanding at March 31, 2007 and 2006 ranged principally from 0.81 percent to 9.97 percent and from 0.54 percent to 6.20 percent,

respectively.

At March 31, 2007 and 2006, long-term debt consisted of the following:

	March 31,		2007 (Thousands of U.S. dollars)
	2007 (Millions of yen)	2006	
Secured loans from banks, insurance companies, due through 2011 at interest rates ranging from 4.40 percent to 9.97 percent	¥ 537	¥ 171	\$ 4,551
Unsecured loans from banks, insurance companies and others, due through 2018 at interest rates ranging from 0.23 percent to 6.00 percent	10,410	6,930	88,220
	10,948	7,101	92,780
Less current portion	(1,174)	(1,526)	(9,949)
	¥ 9,773	¥ 5,575	\$ 82,822

The maturities of long-term debt are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥1,174	\$ 9,949
2009	4,311	36,534
2010	394	3,339
2011 and thereafter	5,067	42,941
	¥ 10,948	\$ 92,780

The assets pledged as collateral for short-term debt of ¥273 million (\$2,314 thousand) and long-term debt of ¥485 million (\$4,110 thousand) at March 31, 2007 and 2006 were as follows:

	March 31,		2007 (Thousands of U.S. dollars)
	2007 (Millions of yen)	2006	
Property, plant and equipment, at net book value	¥ 1,532	¥ 2,140	\$ 12,983
Other	—	35	—
	¥ 1,532	¥ 2,176	\$ 12,983

7. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.5 percent for 2007 and 2006.

Income taxes of the overseas subsidiaries are

based generally on the tax rates applicable in their countries of incorporation.

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Current assets:			
Accrued bonuses	¥ 848	¥ 859	\$ 7,186
Accrued enterprise tax	95	162	805
Other, net	369	353	3,127
Valuation allowance	(71)	(86)	(602)
Total deferred tax assets (current)	¥ 1,242	¥ 1,289	\$ 10,525
Non-current assets:			
Accrued retirement benefits	¥ 6,219	¥ 6,618	\$ 52,703
Depreciation	128	59	1,085
Loss carryforward	5	—	42
Accrued retirement benefits to directors and statutory auditors	146	113	1,237
Other, net	313	333	2,653
Valuation allowance	(301)	(307)	(2,551)
Elimination of deferred tax liabilities (non-current)	(1,673)	(1,908)	(14,178)
Total deferred tax assets (non-current)	¥ 4,838	¥ 4,908	\$ 41,000
Deferred tax liabilities:			
Current liabilities	¥ —	¥ —	\$ —
Non-current liabilities:			
Gain on contribution of securities to retirement benefit trust	¥(1,512)	¥ (1,497)	\$ (12,814)
Depreciation	(54)	(60)	(458)
Other, net	(130)	(368)	(1,102)
Elimination to deferred tax assets (non-current)	1,673	1,908	14,178
Total deferred tax liabilities (non-current)	¥ (24)	¥ (18)	\$ (203)

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2007 and 2006 differ from the statutory tax rates for the following reasons:

	2007	2006
Statutory tax rates	40.5%	40.5%
Effect of:		
Expenses not deductible for income tax purposes	0.2	0.3
Dividend income deductible for income tax purposes	(1.1)	(0.4)
Per capita portion of inhabitants' taxes	0.3	0.3
Differences in tax rates applicable to overseas subsidiaries	(0.1)	(1.9)
Equity in earnings of investees	(5.1)	(5.9)
Dividends from consolidated foreign subsidiaries eliminated for consolidation purpose	1.8	—
Other, net	1.8	1.7
Effective tax rates	38.3%	34.6%

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At March 31, 2007 and 2006, accrued expenses and other current liabilities consisted of the following:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Accrued bonuses	¥2,096	¥ 2,109	\$ 17,763
Accrued bonuses to directors and statutory auditors	30	—	254
Other	5,523	4,914	46,805
	¥7,650	¥ 7,023	\$ 64,831

9. RETIREMENT BENEFIT PLANS

The Company has defined benefit plans, i.e., welfare pension fund plans (WFPF), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. In addition, domestic subsidiaries have primarily defined ben-

efit plans, funded non-contributory tax-qualified, and lump-sum payments. Certain overseas subsidiaries have defined benefit plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet at March 31, 2007 and 2006 for the Company's and the subsidiaries' defined benefit plans:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation	¥ (24,193)	¥ (23,709)	\$ (205,025)
Plan assets at fair value	28,807	28,893	244,127
Unfunded retirement benefit obligation	4,613	5,183	39,093
Unrecognized actuarial gain or loss	(7,481)	(9,154)	(63,398)
Unrecognized prior service cost	(150)	(180)	(1,271)
Accrued retirement benefits	¥ (3,018)	¥ (4,151)	\$ (25,576)

On February 1, 2005, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the obligation for benefits related to past employee services under the substitutional portion of the WFPF. The remaining corporate portion of the WFPF is transferred to a corporate defined benefit pension plan.

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,097	¥ 682	\$ 9,297
Interest cost	323	320	2,737
Amortization of actuarial gain or loss	(759)	75	(6,432)
Past service cost	(30)	(89)	(254)
Other	42	41	356
Total	¥ 674	¥1,029	\$ 5,712

The assumptions used in accounting for the above plans were as follows:

	March 31,	
	2007	2006
Discount rates	1.7%	1.7%
Expected rates of return on plan assets	0.0%	0.0%

10. SHAREHOLDERS' EQUITY

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital

reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2007 and 2006 amounted to ¥1,482 million (\$12,559 thousand) and ¥1,466 million, respectively.

12. CONTINGENT LIABILITIES

At March 31, 2007 and 2006, the Company and its consolidated subsidiaries had the following contingent liabilities:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
As endorser of trade notes discounted and endorsed	¥ 143	¥ 177	\$ 1,212
As guarantor of transferred accounts receivable	—	209	—
As guarantor of indebtedness of employees	117	126	992
	¥ 260	¥ 512	\$ 2,203

13. LEASES

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased properties at March 31, 2007 and 2006, which would have been

reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	March 31,		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs:			
Machinery and equipment	¥ 1,427	¥ 1,446	\$ 12,093
Other assets	74	61	627
	¥ 1,502	¥ 1,508	\$ 12,729
Accumulated depreciation:			
Machinery and equipment	¥ 1,019	¥ 972	\$ 8,636
Other assets	35	36	297
	¥ 1,054	¥ 1,010	\$ 8,932
Net book value:			
Machinery and equipment	¥407	¥ 472	\$ 3,449
Other assets	39	25	331
	¥ 447	¥ 498	\$ 3,788

Lease payments relating to finance leases accounted for as operating leases amounted to ¥184 million (\$1,559 thousand) and ¥216 million for the years ended March 31, 2007 and 2006, respectively which were almost equal to the depreciation expense of the leased assets com-

puted by the straight-line method over the lease terms,

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,

	(Millions of yen)	(Thousands of U.S. dollars)
2008	¥ 175	\$ 1,483
2009 and thereafter	¥ 272	2,305
Total	¥ 447	\$ 3,788

14. DERIVATIVES

The Company enters into foreign forward exchange contracts to reduce its exposure to adverse fluctuation in foreign exchange rates relating to receivables and payables denominated in foreign currencies. In addition, the Company enters into interest-rate swap agreements to

reduce its exposure to adverse fluctuation in interest rates relating to long-term debt.

Disclosure of fair value information for interest-related derivatives positions has been omitted since all derivatives were accounted for as hedges at March 31, 2007 and 2006.

15. Stock Option Plans

At March 31, 2007, the Company had the following stock option plans approved by the shareholders in accordance with the Law:

	2006 plan 3rd Subscription rights	2006 plan 2nd Subscription rights	2002 plan 1st Subscription rights	2001 plan Warrant
Date of approval by shareholders	June 29, 2006	June 29, 2006	June 27, 2002	June 28, 2001
Grant date	August 19, 2006	August 3, 2006	June 28, 2002	July 13, 2001
Grantees	8 director generals of subsidiary corporation	14 directors and 194 employees of the Company	13 directors and 168 employees of the Company	13 directors and 184 employees of the Company
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	12,000	279,000	461,000	1,970,000
Exercisable period	August 20, 2008 – August 19, 2011	August 4, 2008 – August 3, 2011	July 1, 2004 – June 30, 2007	July 1, 2003 – June 30, 2006
Non-vested (number of shares):				
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	12,000	279,000	–	–
Forfeited during the year	–	–	–	–
Vested during the year	–	–	–	–
Outstanding at the end of the year	12,000	279,000	–	–
Vested (number of shares):				
Outstanding at the beginning of the year	–	–	183,000	317,000
Vested during the year	–	–	–	–
Exercised during the year	–	–	105,000	265,000
Forfeited during the year	–	–	–	52,000
Outstanding at the end of the year	–	–	78,000	–
Exercise price (yen)	¥ 742	¥ 807	¥ 336	¥ 411
Exercise price (U.S. dollars)	\$ 6.29	\$ 6.84	\$ 2.85	\$ 3.48
Weighted-average market price (yen) at exercise	¥ –	¥ –	¥ 782	¥ 896
Weighted-average market price (U.S. dollars) at exercise	\$ –	\$ –	\$ 6.63	\$ 7.59
Fair value per option on grant date (yen)	¥ 164	¥ 104	–	–
Fair value per option on grant date (U.S. dollars)	\$ 1.39	\$ 0.88	–	–

The fair value of each stock option grant was estimated at the grant date using the Black-Scholes option pricing model. The fair value per option for options granted during the year ended March 31, 2007 was estimated based on the following assumptions:

	2006 plan 3rd Subscription right	2006 plan 2nd Subscription right
Volatility	27.12%	27.12%
Option term	3 years and 6 months	3 years and 6 months
Expected dividend (per stock)	¥ 11 (U.S.\$0.09)	¥ 11 (U.S.\$0.09)
Risk free interest rate	1.09%	1.10%

Volatility was determined based on the actual stock price over the past 3 years and 6 months.

The option term was estimated under the assumption that the options would be exercised in the middle of the exercisable period because of insufficient data.

Expected dividend (per stock) was based on the average dividend amount applicable to the immediate two fiscal years. Risk free interest rate

was based on government bonds whose term corresponded with the term of the above options.

Method of estimating exercised stock options

The Company estimated the number of exercised stock options based on the actual number of forfeitures, because it is difficult to estimate the forfeited number of stock options in the future.

16. AMOUNTS PER SHARE

The computation of basic net income per share is based on the weighted-average number of shares of common stock outstanding during each year. If applicable, diluted net income per share is computed based on the weighted-average number of shares of common stock outstanding each year after giving effect to the dilutive potential of the

shares of common stock to be issued pursuant to the stock option plan.

Cash dividends per share represent dividends declared as applicable to the year.

Net assets per share are based on the number of shares outstanding at the year end.

	2007	2005	2007
		(yen)	(U.S. dollars)
Net income:			
Basic	¥ 51.65	¥ 53.55	\$ 0.438
Diluted	51.59	53.43	0.437
Net assets	431.48	393.83	3.657
Cash dividends applicable to the year	12.00	12.00	0.102

17. SEGMENT INFORMATION

(a) Business segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

Year ended March 31, 2007					
	Automotive and machinery parts	Other	Total	Eliminations or corporate	Consolidated
	(Millions of yen)				
I. Sales:					
Sales to third parties	¥ 77,691	¥ 13,581	¥ 91,272	¥ —	¥ 91,272
Intersegment sales and transfers	0	1,018	1,018	(1,018)	—
Total	77,691	14,599	92,291	(1,018)	91,272
Operating expenses	72,250	12,411	84,662	(944)	83,718
Operating income	¥ 5,440	¥ 2,188	¥ 7,628	¥ (74)	¥ 7,554
II. Assets, depreciation expenses, capital expenditures:					
Assets	¥ 69,041	¥ 12,309	¥ 81,351	¥ 13,171	¥ 94,522
Depreciation expenses	¥ 4,651	¥ 297	¥ 4,949	¥ 167	¥ 5,116
Loss on impairment of assets	¥ 116	¥ 9	¥ 126	¥ —	¥ 126
Capital expenditures	¥ 5,735	¥ 450	¥ 6,185	¥ 242	¥ 6,428
Year ended March 31, 2007					
	Automotive and machinery parts	Other	Total	Eliminations or corporate	Consolidated
	(Thousands of U.S. dollars)				
I. Sales:					
Sales to third parties	\$ 658,398	\$ 115,093	\$ 773,492	\$ —	\$ 773,492
Intersegment sales and transfers	0	8,627	8,627	(8,627)	—
Total	658,398	123,720	782,127	(8,627)	773,492
Operating expenses	612,288	105,178	717,475	(8,000)	709,475
Operating income	\$ 46,102	\$ 18,542	\$ 64,644	\$ (627)	\$ 64,017
II. Assets, depreciation expenses, capital expenditures:					
Assets	\$ 585,093	\$ 104,314	\$ 689,415	\$ 111,619	\$ 801,034
Depreciation expenses	\$ 39,415	\$ 2,517	\$ 41,941	\$ 1,415	\$ 43,356
Loss on impairment of assets	\$ 983	\$ 76	\$ 1,068	\$ —	\$ 1,068
Capital expenditures	\$ 48,602	\$ 3,814	\$ 52,415	\$ 2,051	\$ 54,475

Year ended March 31, 2006

	Automotive and machinery parts	Other	Total	Eliminations or corporate	Consolidated
(Millions of yen)					
I. Sales:					
Sales to third parties	¥ 74,255	¥ 14,420	¥ 88,675	¥ —	¥ 88,675
Intersegment sales and transfers	27	1,084	1,111	(1,111)	—
Total	74,282	15,504	89,787	(1,111)	88,675
Operating expenses	68,026	13,782	81,808	(991)	80,817
Operating income	¥ 6,256	¥ 1,721	¥ 7,978	¥ (120)	¥ 7,857
II. Assets, depreciation expenses, capital expenditures:					
Assets	¥ 65,654	¥ 11,202	¥ 76,857	¥ 11,454	¥ 88,311
Depreciation expenses	¥ 4,148	¥ 242	¥ 4,391	¥ 189	¥ 4,580
Loss on impairment of assets	¥ 92	¥ 6	¥ 99	¥ 49	¥ 148
Capital expenditures	¥ 7,912	¥ 353	¥ 8,265	¥ 288	¥ 8,554

In prior years, the business segments were "Automobile," "Construction" and "Other." Business segment information based on the prior years' segmentation for the year ended March 31, 2006 is summarized as follows:

Year ended March 31, 2006

	Automobile	Construction	Other	Total	Eliminations or corporate	Consolidated
(Millions of yen)						
I. Sales:						
Sales to third parties	¥ 64,558	¥ 4,265	¥ 19,851	¥ 88,675	¥ —	¥ 88,675
Intersegment sales and transfers	27	0	1,084	1,111	(1,111)	—
Total	64,586	4,265	20,935	89,787	(1,111)	88,675
Operating expenses	60,439	3,870	17,499	81,808	(991)	80,817
Operating income	¥ 4,146	¥ 394	¥ 3,436	¥ 7,978	¥ (120)	¥ 7,857
II. Assets, depreciation expenses, capital expenditures:						
Assets	¥ 58,115	¥ 6,385	¥ 12,355	¥ 76,857	¥ 11,454	¥ 88,311
Depreciation expenses	¥ 3,649	¥ 229	¥ 511	¥ 4,391	¥ 189	¥ 4,580
Loss on impairment of assets	¥ 82	¥ 5	¥ 11	¥ 99	¥ 49	¥ 148
Capital expenditures	¥ 7,048	¥ 343	¥ 872	¥ 8,265	¥ 288	¥ 8,554

Year ended March 31, 2005

	Automobile	Construction	Other	Total	Eliminations or corporate	Consolidated
(Millions of yen)						
I. Sales:						
Sales to third parties	¥ 55,745	¥ 5,337	¥ 17,345	¥ 78,429	¥ —	¥ 78,429
Intersegment sales and transfers	—	—	—	—	(—)	—
Total	55,745	5,337	17,345	78,429	(—)	78,429
Operating expenses	51,710	4,913	14,962	71,586	(—)	71,586
Operating income	¥ 4,035	¥ 424	¥ 2,383	¥ 6,842	¥ (—)	¥ 6,842
II. Assets, depreciation expenses, capital expenditures:						
Assets	¥ 51,107	¥ 5,861	¥ 12,349	¥ 69,318	¥ 11,428	¥ 80,747
Depreciation expenses	¥ 3,380	¥ 217	¥ 516	¥ 4,115	¥ 58	¥ 4,173
Capital expenditures	¥ 5,127	¥ 158	¥ 411	¥ 5,697	¥ —	¥ 5,697

(b) Geographical segments

The geographical segment information for the Company and its subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

Year ended March 31, 2007					
	Japan	Other geographic areas	Total	Eliminations and corporate	Consolidated
(Millions of yen)					
Sales to third parties	¥ 74,123	¥ 17,149	¥ 91,272	¥ —	¥ 91,272
Interarea sales and transfers	8,645	941	9,586	(9,586)	—
Total	82,768	18,090	100,859	(9,586)	91,272
Operating expenses	75,711	17,468	93,179	(9,461)	83,718
Operating income	¥ 7,057	¥ 622	¥ 7,679	¥ (125)	¥ 7,554
Total assets	¥ 63,925	¥ 17,426	¥ 81,351	¥ 13,171	¥ 94,522

Year ended March 31, 2007					
	Japan	Other geographic areas	Total	Eliminations and corporate	Consolidated
(Thousands of U.S. dollars)					
Sales to third parties	\$ 628,161	\$ 145,331	\$ 773,492	\$ —	\$ 773,492
Interarea sales and transfers	73,263	7,975	81,237	(81,237)	—
Total	701,424	153,305	854,737	(81,237)	773,492
Operating expenses	641,619	148,034	789,653	(80,178)	709,475
Operating income	\$ 59,805	\$ 5,271	\$ 65,076	\$ (1,059)	\$ 64,017
Total assets	\$ 541,737	\$ 147,678	\$ 689,415	\$ 111,619	\$ 801,034

Year ended March 31, 2006					
	Japan	Other geographic areas	Total	Eliminations and corporate	Consolidated
(Millions of yen)					
Sales to third parties	¥ 72,005	¥ 16,669	¥ 88,675	¥ —	¥ 88,675
Interarea sales and transfers	7,685	512	8,198	(8,198)	—
Total	79,691	17,182	96,873	(8,198)	88,675
Operating expenses	72,721	16,244	88,965	(8,148)	80,817
Operating income	¥ 6,969	¥ 938	¥ 7,908	¥ (50)	¥ 7,857
Total assets	¥ 62,328	¥ 15,017	¥ 77,345	¥ 10,965	¥ 88,311

(c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the foreign subsidiaries, for the years ended March 31, 2007 and 2006 are summarized as follows:

Year ended March 31, 2007			
	Asia	Other	Total
(Millions of yen)			
Overseas sales	¥ 12,666	¥ 14,367	¥ 27,034
Consolidated net sales			¥ 91,272
Overseas sales as a percentage of consolidated net sales	13.9%	15.7%	29.6%

Year ended March 31, 2007			
	Asia	Other	Total
(Thousands of U.S. dollars)			
Overseas sales	\$ 107,339	\$ 121,754	\$ 229,102
Consolidated net sales			\$ 773,492
Overseas sales as a percentage of consolidated net sales	13.9%	15.7%	29.6%

Year ended March 31, 2006			
	Asia	Other	Total
(Millions of yen)			
Overseas sales	¥ 14,562	¥ 13,227	¥ 27,789
Consolidated net sales			¥ 88,675
Overseas sales as a percentage of consolidated net sales	16.4%	14.9%	31.3%

REPORT OF INDEPENDENT AUDITORS

The Board of Directors

Riken Corporation

We have audited the accompanying consolidated balance sheets of Riken Corporation and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Riken Corporation and consolidated subsidiaries at 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.

Supplemental Information

As described in Note 17(a), Riken Corporation and its consolidated subsidiaries changed their methods of business segments effective the year ended March 31, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinKiban

June 28, 2007