

## Summary of Financial Results for the Fiscal Year Ended March 31, 2008

Company name: EBARA-UDYLITE CO.,LTD. Listing: Tokyo Stock Exchange, First Section  
 Stock code: 4975 URL: <http://www.eu.ebara.com/>  
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 Scheduled date of Annual General Meeting of Shareholders: June 27, 2008  
 Scheduled date of filing Annual Securities Report: June 30, 2008  
 Scheduled date of payment of dividend: June 13, 2008

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)

#### (1) Consolidated results of operations

(Percentages shown for sales, operating income, ordinary income and net income represent year-over-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/08	10,244	5.9	687	(32.9)	627	(37.8)	291	(68.0)
FY3/07	9,677	13.2	1,023	(5.3)	1,008	(2.3)	911	53.7

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on sales
	Yen	Yen	%	%	%
FY3/08	90.79	89.85	5.5	6.2	6.7
FY3/07	288.40	281.48	18.9	10.9	10.6

Reference: Equity in earnings of affiliates (million yen) FY3/08: - FY3/07: -

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY3/08	10,851	5,319	48.7	1643.38
FY3/07	9,518	5,275	54.9	1637.98

Reference: Shareholders' equity (million yen): FY3/08: 5,289 FY3/07: 5,229

#### (3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/08	382	(1,251)	1,078	1,855
FY3/07	548	(971)	(279)	1,648

### 2. Dividends

(Record date)	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q	Interim	3Q	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/07	-	15.00	-	25.00	40.00	127	13.9	2.6
FY3/08	-	30.00	-	30.00	60.00	193	66.1	3.7
FY3/09 (forecasts)	-	30.00	-	30.00	60.00	-	30.5	-

Note: Composition of yearend dividend for FY3/07: Commemorative dividends 10.00 yen

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent changes from the same period of the previous fiscal year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,967	17.1	404	54.2	357	36.6	229	110.3	71.15
Full year	12,566	22.7	1,090	58.6	1,022	62.8	633	117.3	196.68

#### 4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

Newly added: 1 (EBARA-UDYLITE (KOREA) CO., LTD.) Excluded: 0

Note: Please refer to "Overview of Corporate Group" on page 9 for further information.

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Significant Accounting Policies in the Preparation of Consolidated Financial Statements" on page 19 for further information.

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at end of period (including treasury stock):

FY3/08: 3,218,500 shares FY3/07: 3,192,500 shares

2) Number of treasury stock at end of period:

FY3/08: 100 shares FY3/07: 100 shares

Note: Please refer to "Per Share Information" on page 41 for the number of shares used in calculating consolidated net income per share.

#### (For reference) Summary of Non-consolidated Financial Results

##### 1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(1) Non-consolidated results of operations

(Percentages shown for sales, operating income, ordinary income and net income represent year-over-year changes)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/08	9,708	2.5	671	(35.5)	608	(39.6)	266	(70.8)
FY3/07	9,468	13.6	1,042	(4.6)	1,007	0.1	910	61.4

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/08	82.95	82.10
FY3/07	288.17	281.25

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY3/08	10,623	5,206	49.0	1,617.60
FY3/07	9,364	5,193	55.5	1,626.86

Reference: Shareholders' equity (million yen): FY3/08: 5,206 FY3/07: 5,193

##### 2. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent changes from the same period of the previous fiscal year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,919	(1.8)	208	(46.3)	186	(48.8)	93	(49.0)	28.90
Full year	10,303	6.1	647	(3.7)	600	(1.3)	301	13.1	93.52

#### \* Cautionary statement with respect to forward-looking statements

For further details regarding above projections, please refer to page 4.

## 1. Business Results

### (1) Analysis of business results

The Japanese economy for the current fiscal year was expected at the beginning to continue moderate recovery supported by strong corporate performance, but the second half saw the turmoil in the financial market triggered by the US subprime mortgage crisis as well as the continued hike in the prices of crude oil and raw materials, putting our economy in a precarious position.

When we look at the economies around the world, China and the other emerging economies have maintained solid economic growth, while a trend of slowing growth was observed in the US economy.

While the domestic production volume of the automotive industry, which is one of the mainstay industries for the business of the Group (the Company and its consolidated subsidiaries), remained broadly unchanged, while its overseas production volume has steadily increased. The electronics industry, which has been driven by the solid demand of flat-panel TVs, cellular phones and new type home-use game consoles, has continued to show a strong performance.

In this environment, sales, operating income, ordinary income and net income on a consolidated basis amounted to 10,244 million yen (up 5.9% year over year), 687 million yen (down 32.9% year over year), 627 million yen (down 37.8% year over year) and 291 million yen (down 68.0% year over year), respectively.

The Company has established its overseas subsidiaries in Taiwan and South Korea, to which the existing business transactions between the Company and customers in the region have been transferred. Sale revenue generated in January, February and March of 2008 from the regions, or approximately 352 million yen, was accounted for as sales for the next fiscal year because the closing date of the subsidiaries is different from that of the Company, nevertheless the Group has achieved consolidated sales that exceeds that of the previous fiscal year. However, operating income and ordinary income have decreased due to the increase in selling, general and administrative expenses primarily caused by personnel increase as a result of establishing overseas subsidiaries and launching dry process machine business.

The Group has reported extraordinary gains of 13 million yen consisting mainly of gain on reversal of expenses for relocating the R&D Center and extraordinary losses of 67 million yen consisting mainly of loss on valuation of investment securities.

The segment performances by business type are described as follows.

#### a. Chemicals related material business

In the automotive industry, sales of chemicals for key applications have increased as sales of plastic plating chemicals remained strong in China market. In the PWB (printed-wiring board) industry as well, sales of plating chemicals applied to buildup PWBs for MPU (micro processing unit) package boards and mother boards grew significantly thanks to strong demands for cellular phones, personal computers, flat-panel TVs, digital cameras and home-use game consoles.

Consequently, sales and operating income of the segment amounted to 8,083 million yen (up 4.7% year over year) and 1,549 million yen (down 8.2% year over year), respectively.

#### b. Machine business

In the domestic market, we have successfully developed new customer bases by focusing our sales and marketing efforts on plating machines for automotive components and PWBs and effectively communicating our distinctive strength as a one-stop provider of machines and chemicals. We also focused our effort on increasing sales of plating machines in overseas market, but it did not contribute to the consolidated sales this fiscal year.

Consequently, segment sales increased to 2,168 million yen (up 9.8% year over year), while operating loss widened to 100 million yen (from 62 million yen for the previous fiscal year).

The segment performances by location are described as follows.

#### a. Japan

Sales of both chemicals and machines in Japan remains strong, resulting in sales of 9,029 million yen (up 16.9% year over year) and operating income of 1,370 million yen (up 2.0% year over year).

#### b. Asia

Sales and operating income from the Asian market decreased to 2,002 million yen (down 12.3% year over year) and 166 million yen (down 41.2% year over year), respectively due to the aforementioned accounting treatment as a result of establishing overseas subsidiaries in Taiwan and South Korea.

#### c. Other

Sales of an overseas subsidiary in Mexico that was established in the previous fiscal year amounted to 215 million yen, while operating loss was 26 million yen.

The prospect for the new fiscal year is described as follows.

The market prospect of the automotive industry shows that, while the domestic production volume will continue to maintain the current level, the strong growth trend will continue in China and the other emerging countries. In this environment, we will increase sales of the chemicals through implementing sales and marketing activities at home and abroad with careful attention to needs of each customer. The market prospect for the electronics industry, on the other hand, is somewhat uncertain due to the expected slowing down of the US economy. Given this situation, we will increase our market share by increasing sale of newly developed products.

Based on the above strategy, we have formulated the three-year medium-term business plan starting from the FY3/09 (the fiscal year ending in March 31, 2009) as shown in the following table. It is noted that sales of 400 million yen from dry process machine business are included in the consolidated sales for the first year of the plan.

(Consolidated)	FY3/09		FY3/10		FY3/11	
	Million yen	YoY (%)	Million yen	YoY (%)	Million yen	YoY (%)
Sales	12,566	122.7	14,601	116.2	16,345	111.9
Operating income	1,090	158.6	1,489	136.6	1,734	116.5
Ordinary income	1,022	162.8	1,442	141.1	1,673	116.0
Net income	633	217.3	880	139.0	1,045	118.8

(Cautionary statement with respect to performance forecast)

The descriptions on the performance of the next and future fiscal years contained in this report are based on our management's judgment that was made from information currently available for the Company and therefore involve inherent risks and uncertainties.

It should be noted that actual results may differ from the performance forecast described in this report due to a variety of factors.

## (2) Analysis of financial position

### a. Assets, liabilities and net assets

Total assets at the end of the current fiscal year increased by 1,333 million yen year over year to 10,851 million yen. Current assets increased by 628 million yen year over year to 6,540 million yen mainly due to a 415 million yen increase in cash and deposits and a 233 million yen increase in trade receivables, while fixed assets increased by 704 million yen year over year to 4,311 million yen, which can be explained mainly by an increase in lease assets with a resulting balance of 3,140 million yen in the property, plant and equipment section and a 384 million yen increase in investment securities with a resulting balance of 1,144 million yen in the investments and other assets section. The increase in investment securities was caused by acquisition of stock of our business partner.

Current liabilities increased by 241 million yen year over year to 3,653 million yen mainly due to a 158 million yen decrease in accrued income taxes, which was more than offset by a 395 million yen increase in borrowings and a 204 million yen increase in advances received on machine sales contract, while long-term liabilities increased by 1,048 million yen year over year to 1,878 million yen mainly due to an 847 million yen increase in long-term loans payable.

Net assets increased by 43 million yen year over year to 5,319 million yen, which was explained mainly by reporting of 291 million yen net income and a 96 million yen decrease in valuation difference of available-for-sale securities.

## b. Cash flows

Cash and cash equivalents for the current fiscal year increased by 206 million yen year over year (as contrasted with 695 million yen year-over-year decrease for the previous fiscal year) to 1,855 million yen (up 12.5% year over year) at the end of the current fiscal year. This net increase in cash and cash equivalents can be explained mainly by a 233 million yen increase in trade receivables, income taxes paid of 440 million yen, 474 million yen payment for acquisition of fixed assets, 629 million yen payment for acquisition of investment securities, 545 million yen repayment of long-term loans payable and cash dividends paid of 175 million yen, which were more than offset by reporting of 573 million yen income before income taxes and minority interests and 323 million yen depreciation expense, 203 million yen increase in advances received and 1,740 million yen proceeds from long-term loans payable.

The details of cash flows from each activity category and reasons for the increase or decrease are described as follows.

### (Cash flows from operating activities)

Net cash and cash equivalents provided by operating activities amounted to 382 million yen (down 30.4% year over year). This result can be explained mainly by a 233 million yen increase in trade receivables, income taxes paid of 440 million yen, which were more than offset by reporting of 573 million yen income before income taxes and minority interests and 323 million yen depreciation expense, and a 203 million yen increase in advances received.

### (Cash flows from investing activities)

Net cash and cash equivalents used in investing activities amounted to 1,251 million yen (up 28.8% year over year). This result can be explained mainly by 474 million yen payment for acquisition of property, plant and equipment and 629 million yen payment for acquisition of investment securities.

### (Cash flows from financing activities)

Net cash and cash equivalents provided by financing activities amounted to 1,078 million yen (as contrasted with 279 million yen net payment for the previous fiscal year). This result can be explained mainly by 1,740 million yen proceeds from and 545 million yen repayment of long-term loans payable.

### (Reference) Cash flow indicators

	FY3/05	FY3/06	FY3/07	FY3/08
Shareholders' equity ratio (%)	37.2	48.8	54.9	48.7
Shareholders' equity ratio based on market value (%)	-	205.9	107.0	59.3
Interest-bearing debt to cash flow ratio (%)	211.7	104.0	134.8	568.0
Interest coverage ratio (times)	22.5	43.4	42.1	9.5

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. All indices are calculated based on consolidated figures.

2. Market capitalization are calculated based on the number of shares outstanding (excluding treasury stock)

3. Cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows.

4. Interest-bearing debt includes all debt on the consolidated balance sheets that incur interest.

### **(3) Basic policy for profit distribution and dividends for the current and next fiscal years**

#### **a. Basic policy for profit distribution**

Our basic policy for profit distribution is to increase the dividend payout to the highest possible level while at the same time maintaining appropriate level of shareholders' equity ratio so that we can develop future business opportunities and ensure our financial strength. We will utilize equity capital more effectively to pursue future business activities and build a solid management foundation.

#### **b. Dividends for the current and next fiscal years**

The amount of cash dividends to be paid for the current fiscal year ended March 31, 2008 is 60 yen per share per annum (an increase of 20 yen per share over the previous fiscal year), consisting of interim dividends of 30 yen per share and year-end dividends of 30 yen per share.

The amount of cash dividends to be paid for the fiscal year ending March 31, 2009 is 60 yen per share per annum (same as the current fiscal year), consisting of interim dividends of 30 yen per share and year-end dividends of 30 yen per share.

### **(4) Business and other risks**

Listed below are the risk factors that may affect operating results and financial position as well as the stock price and other performance indices of the Group.

#### **1) Business trends in the industries that demand our products (i.e., automotive and electronics industries)**

As surface treatment chemical-related materials and machines that we produce are primarily used by manufacturers in the automotive and electronics industries, or more specifically, by the printed-wiring board (PWB) manufacturers, the market environment of these industries gives significant impact on our performance.

In the automotive industry, our chemical-related materials are used mainly in the plating process applied to a radiator grill (a plastic-made decorative component) at the car front and door handles (plastic-made). This simply means that the trends in automobile production volume will give significant impact on our business performance. Our machine business will also be affected significantly by the trends in capital investment made in the automotive industry.

In the PWB industry, our chemical-related materials are used mainly in the copper plating process through which the circuits are constructed, and most of the customers who purchase the PWBs belong to the electronics industry. Among others, the trends in production volume of cellular phones, game consoles and personal computers will give significant impact on our business performance. As is the case with the automotive industry, our machine business for the PWB industry will also be affected significantly by the trends in capital investment made in the industry.

#### **2) Fluctuation in price of raw materials**

As the raw materials used for the key products for our surface treatment chemical-related materials business include a variety of chemicals and precious metals, the Group's operating results are affected by fluctuation in price of the raw materials.

#### **3) Fluctuation in foreign exchange rates**

The Group has been broadly engaged in domestic and overseas business operations.

When transactions require settlement in a foreign currency, we make every effort to minimize the short-term impact on the business performance with forward exchange contracts or other arrangements appropriately made as needed. However, unexpectedly large fluctuations in foreign exchange rates could give a certain impact on the results of operations and financial position of the Group. Further, since the local currency denominated financial statements that are prepared by our overseas consolidated subsidiaries are translated into Japanese yen in the process of preparing the

Group's consolidated financial statements, it will be affected by the fluctuation of foreign currency rates at the time of the translation.

#### **4) Relationship with Ebara Corporation (regarding business details and the use of "Ebara" brand and its logo)**

Although Ebara Corporation was our parent company holding 55% of the voting stock until we became independent in September 2003 following an MBO, it does not hold any of our voting stock at present.

The Company gets involved in the business with Ebara Corporation through wholesale of copper plating chemicals for silicon wafers that are used in the semiconductor industry. More specifically, the above products are plating chemicals used for plating machines that Ebara Corporation manufactures and sells to its customers in the semiconductor industry.

We were granted a ten-year license for the use of "Ebara" brand starting from the time when we became independent from Ebara Corporation as the result of the MBO, and a three-year license for the prolonged use of its logo starting from the time when the stock holding ratio became less than 20%. Given that situation where Ebara Corporation no longer holds the voting stock of the Company at the moment, we need to change the logo by December 2008.

The change of the company logo, which is scheduled to be effective on October 1, 2008, is now under preparation, while the change of the Company name will be implemented with full evaluation and careful preparation.

#### **5) Business operations in China**

For the Group to achieve sustainable growth, we prioritize business expansion in China driven by our China subsidiary over the other objectives, and thus we are committed to further strengthening our distribution channels and enhance the local production capacity in China.

While China's economic growth rate has been extremely impressive so far, the country is facing a variety of problems caused by the strain of growth, including the coastal-inland income gap, shortage of energy and protection of intellectual property rights. There is also a concern over a possible economic slump after the Olympic Games.

Should the Chinese government fail to deal effectively with these problems, the influence may extend to the Group's business operations and performance in China.

#### **6) Concentration of sales on the chemical-related materials business**

The percentage of the sales amount from the chemical-related materials business out of the total sales of the Group is as high as 80% in the fiscal year under review. We expect that this level of percentage will continue for the foreseeable future. As we have successfully mitigated the risk of this nature by diversifying our customer base into multiple markets including automotive components, building materials, water faucet clasp, electronic components, it is expected that the risk of the current revenue structure giving a significant impact on the Group performance is low though not completely eliminated.

#### **7) Leaking and divulging of technical know-how**

Our proprietary technical information includes historical data on developing surface treatment chemicals, ingredients and composition of chemicals, historical data on developing machines, information on purchased products and materials, and technical data exchanged between our customers and the Company. We strictly prohibit our employees from taking out and/or duplicating any of the abovementioned technical information to prevent it from being divulged to third parties. However, should these pieces of information be divulged to third parties, it is considered to be possible for those who acquired the information to provide similar products and customer services, giving a certain degree of impact on our performance. It is also possible that retired employees may disregard the nondisclosure agreement and divulge part of the technical and other information, consequently affecting our performance.

## **8) Recruiting and developing of human resources**

As the industries for which we are serving (including the electronics industry as the most typical example) are characterized by sudden and drastic changes in the required technical level and customer needs, it is imperative for the Company to develop new technologies that match these requirements and to market these technologies as well as to improve existing products. Despite the enhanced awareness of the company brand, more aggressive recruitment activities, and more comprehensive education and training system that we are striving to achieve, failure to ensure sufficient pools of competent engineers as well as R&D staff may adversely affect our performance.

Although we also need to make even more efforts to ensure highly capable group of employees who are engaged in ever-increasing sales and administrative tasks including overseas business development and investor relations, failure to ensure and develop a sufficient number of qualified staff may adversely affect the future business development.

## **9) Legal regulations**

As we use certain chemicals as raw materials for surface treatment chemicals that are controlled under “Poisonous and Deleterious Substances Control Law” and “Narcotics and Psychotropics Control Law,” sales, manufacture, export, etc. of those chemicals are subject to regulations prescribed in these laws. The Company has established an internal control system to comply with the legal environment while meeting all the regulatory requirements such as obtaining licenses for selling, exporting and importing the chemicals that are controlled in accordance with the abovementioned laws. However, more stringent regulatory environment caused by amendment of the laws in the future may result in prohibition or restriction of use of certain chemical ingredients for our surface treatment chemicals, leading to impacting our performance until the alternative products can be developed.

## **10) Waste control**

Our Niigata Plant and R&D Center emit waste liquid and gas in the process of manufacturing and experiments, respectively. These waste materials require appropriate treatment to make them environmentally safe. The Company implements effective treatment of the liquid waste by using on-site effluent treatment facilities or outsourcing the process, depending on its contents. We also implement effective control of the waste gas, which goes through local ventilation installed in the manufacturing site and laboratory and is eventually processed with treatment equipment.

As a result of the above endeavor, we have never experienced any administrative directions so far. However, any future problems caused by our waste control system may give a significant impact on our performance.

## 2. Overview of Corporate Group

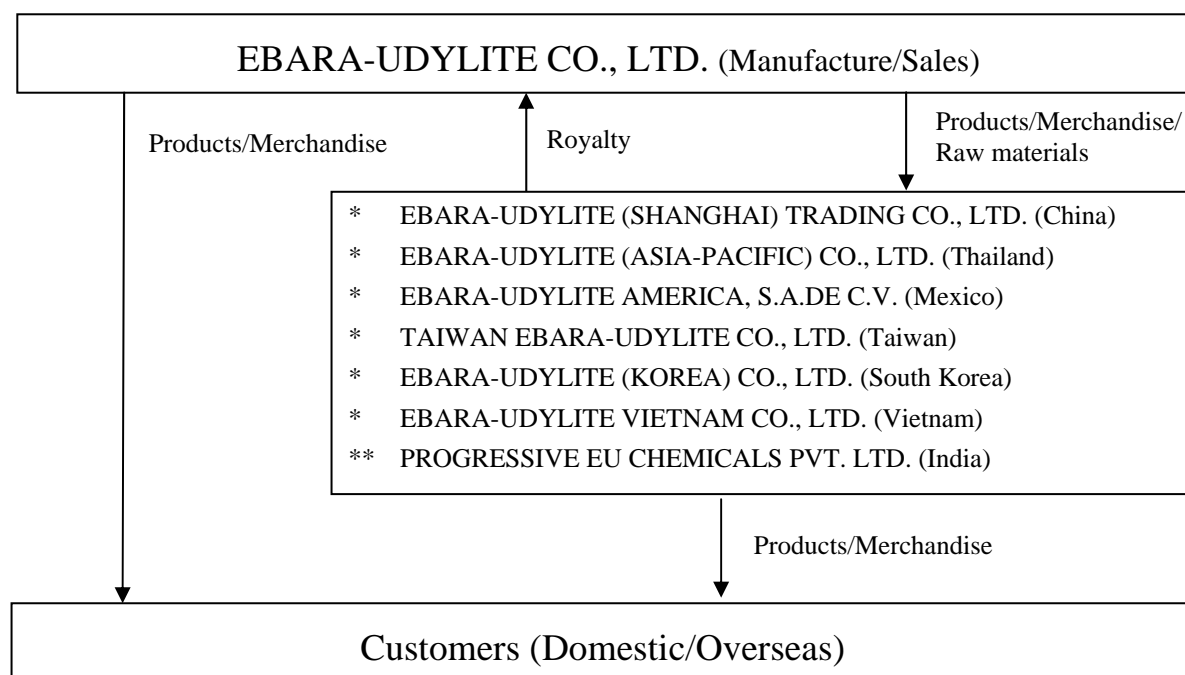
The Group consists of the Company, six subsidiaries and an affiliate, and is positioned in the market as a comprehensive manufacturer providing surface treatment solutions with surface treatment chemicals-related materials and surface treatment machines supplied to customers in automotive, housing, electronics and other industries.

The overview of the business and the positioning of the Company, the subsidiaries and the affiliate in the business are described as follows.

Segment	Main products	Major company
Surface treatment chemicals-related material business	Plating chemicals for printed-wiring boards Plating chemicals for electronic components Plating chemicals for semiconductors Plating chemicals for automotive components Plating chemicals for housing materials, etc. Chemicals for industrial use, plating chemicals for precious metals Non-ferrous metals, boilers, etc.	The Company * EBARA-UDYLITE (SHANGHAI) TRADING CO., LTD. * EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. * EBARA-UDYLITE AMERICA, S.A.DE C.V.
Surface treatment machine business	Plating machine for printed-wiring boards Plating machine for automotive components, etc. Backwash tubular pre-coated filter, plating solution controller, etc. Plasma surface treatment machine Sputtering equipment for coloring use	* TAIWAN EBARA-UDYLITE CO., LTD. * EBARA-UDYLITE (KOREA) CO., LTD. * EBARA-UDYLITE VIETNAM CO., LTD. ** PROGRESSIVE EU CHEMICALS PVT. LTD.

(Note) \*: consolidated subsidiary      \*\*: Equity-method affiliate

The following chart depicts in visual form the business relationships outlined in the table above.



(Note) \*: consolidated subsidiary      \*\*: Equity-method affiliate

### 3. Management Policy

#### (1) Basic policy for corporate management

Since its establishment, the Group has been providing our customers with surface treatment chemical-related materials and surface treatment machines with the underlying belief that aspirations for further development of new technology and market in tandem are the drivers for growth of the company.

For the Company to be broadly accepted by the society, make a contribution to development of the society, and to grow and evolve with the society through the business activities in the surface treatment industry, we are committed to managing the company with “strengthening corporate governance,” “ensuring strict compliance system,” “disclosing the business status,” “managing the risks,” and “reducing the environmental load” set as the business objectives.

Our vision and business development policy are presented as follows:

#### a. Our vision

- (a) We have been engaged in the business for long time as a wet plating process manufacturer with both proprietary chemicals and equipment technologies, and now we are committed to grow as a “comprehensive surface treatment manufacturer” with newly developed dry plating, coating and heat treatment process technologies to respond to diversifying needs of our customers and to provide them with the best available technology. We will then receive a fair share of our contribution to ensure sufficient amount of retained earnings, which will be used to distribute to our shareholders and employees and solidify our management foundation. We will also make contribution to “development of the industry” and “development of the society” through returning to “customers” a profit generated through our achievement of efficiency-driven cost reduction.
- (b) We will provide our own distinctive products acknowledged by the customers around the world under the banner of “Promoting creative and high-speed research and development.”
- (c) We will strive to preserve natural environment through providing “environmentally-friendly products” and “energy-efficient products.”

#### b. Business development policy

##### (a) New product development

- i) Products for the printed-wiring board (PWB) industry should satisfy ever-demanding customers who competes each other for developing PWBs to be used for more functional and higher performance digital home appliances such as cellular phones and digital cameras. In this environment we are required to develop new technology that enables PWBs to accommodate higher density mount and finer circuit widths. We are striving to strengthen our development capability by reinforcing our research and development organization that can effectively analyze the market research data to provide products to meet the needs of next generation customers on a timely basis and by gathering information through exchange between industry and academic. We will also explore the new solution approach by integrating the dry processing technology with the existing wet processing technology.
- ii) We have developed business with manufacturing customers in the automotive component and water faucet clasp industries through establishing and maintaining close relationship with their development organizations so that we can proactively respond to a variety of their environmental, functional, design-related and all the other needs to help them achieve the product development objectives.
- iii) While we continue pursuing our internal development of technologies, we will also aggressively explore the opportunities to exchange technologies with academics and to get involved in joint development programs with our customers in order to establish the globally competitive research and development structure.

**(b) Reinforcement of sales and customer service functions**

The Group has put sales and customer service functions in place to meet customer needs with the three branches and two sales district offices in the domestic market.

We have further developed global operations by establishing subsidiaries in China, Taiwan, South Korea, Thailand and Vietnam and joint ventures in Mexico and India.

We will continue cultivating the untapped overseas markets through establishing sales and customer service functions that meet overseas customer needs with increased number of overseas offices and subsidiaries.

**(c) Reinforcement of production function**

Since the production facilities for surface treatment chemicals was relocated from Fujisawa City of Kanagawa Prefecture to Joetsu City of Niigata Prefecture in April 2000, we have been improving production efficiency and reducing costs with newly introduced state-of-the-art production equipment. In overseas market, we have made local production arrangements in China and Thailand to reduce production costs. We will continue strengthening the production capability of the other subsidiaries and joint ventures to correspond to the sales growth.

**(d) Improvement of financial strength**

We will further improve our financial strength through ensuring efficient use of managerial resources, growth of sales, reduction and/or containment of production costs and SG&A expenses and solid control of cash flows, all of which are based on the principle of operations performed by a small number of talented people.

**(2) Target performance indicators**

The Group will continue exploring every opportunity to increase the shareholder value by setting ratios of operating income on sales and ordinary income on total assets as two critical performance indicators to enhance the enterprise value and trying to achieve 10% or more for both the indicators.

While we set the above target at the time of going public, the status of achievement at FY3/07 and FY3/08 are shown as follows.

	FY3/07	FY3/08
Operating income on sales (%)	10.6	6.7
Ordinary income on total assets (%)	10.9	6.2

**(3) Medium to long-term corporate strategy**

We have formulated the medium to long-term corporate strategy consisting of the following four components to win customer satisfaction and increase revenue, leading to increased shareholder value.

(a) Management strategy: Enhance capabilities of technology development and market development

(b) Sales strategy: Strengthen global network

(c) R&D strategy: Ensure a quick response to the next generation technology and maintain brand leader status in the market

(d) Market strategy: Expand business in China and other BRIC markets.

**(4) Issues to be addressed by the Company****(a) Sales and marketing**

New customers and markets should be developed through “strengthening global network” under the slogan of “Sell proactively.” The number of sales offices and sales staff should be increased to “improve sales and marketing capabilities.” Specifically, China and other Asian markets have priority to increase in sales offices to expand our overseas market share.

**(b) Research and development**

Because of the extremely aggressive pace of technology innovation in the PWB industry, which is one of the mainstay markets for our surface treatment chemicals, we should constantly monitor trends of the next generation technology to develop and deliver products that meet market demands.

For other mainstay customers in the automotive component and water faucet clasp industries, we should establish collaborative relationship with a leading manufacture in each industry to develop new products by capturing their needs at an earlier stage.

**(c) Sales and technical service structure in China**

We have recently received an increasing number of inquiries on our chemical-related materials from customers in China, where the demands for plastic plating for automotive and other components, as well as PWBs are expanding. Such a situation would require the Company to better respond to the request from local customers for more technical assistance including technical and after-sales services for new customers.

As it is highly likely that the number of customers will increase and the service area will expand at a rapid pace in China, strengthening sales structure and education system for local employees is imperative for us to help ensure localization of the operations.

**(d) Expansion of operations in overseas countries other than China**

While other emerging economies are expected to follow the path of phenomenal growth of China’s automotive industry, Southeast Asian countries, especially Thailand and Vietnam, are developing prominently as component supply bases in the meantime. It is, therefore, important for us to increase our sales effort in these areas.

**(e) Dry process technology**

Since its inception the Company has been developing and selling products primarily based on the wet process technology. However, our recent experience shows that customer needs are increasingly diversified and should be met by integrating our existing technology with technologies from different sources. To respond to such a trend, we have started producing and selling PWB cleaning equipment that features in-licensed plasma technology. Regarding coloring equipment that applies sputtering technology, we are reconsidering the possibility of changing its business model from the mere sales of machines to some types of processing service to avoid the risk of know-how leakage and to ensure sustainability of the business. From now on, strengthening sales structure for equipment sales and mastering dry process technology will become the two most important issues.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

Account	*	FY3/07 (As of Mar. 31, 2007)		FY3/08 (As of Mar. 31, 2008)		YoY change
		Amount	%	Amount	%	Amount
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposits		1,648,351		2,064,005		
2. Notes and accounts receivable -trade	*1	2,984,722		3,218,718		
3. Inventories		963,162		972,261		
4. Deferred tax assets -current		226,444		168,988		
5. Other current assets		95,888		126,188		
Allowance for doubtful accounts		(6,331)		(9,488)		
Total current assets		5,912,237	62.1	6,540,675	60.3	628,437
<b>II Fixed assets</b>						
<b>1. Property, plant and equipment</b>						
(1) Buildings and structures	*2	2,130,985		2,288,913		
Accumulated depreciation		445,959	1,685,025	528,628	1,760,284	
(2) Machinery, equipment and vehicles		1,068,694		1,128,173		
Accumulated depreciation		802,401	266,293	871,005	257,167	
(3) Tools, furniture and fixtures		840,251		927,611		
Accumulated depreciation		614,491	225,760	651,923	275,687	
(4) Land		-	672,824	-	672,824	
(5) Lease assets		-	-	175,337		
Accumulated depreciation		-	-	4,383	170,953	
(6) Construction in progress		-	5,658	-	4,055	
Total property, plant and equipment		2,855,562	30.0	3,140,972	29.0	285,410
<b>2. Intangible fixed assets</b>						
(1) Goodwill		17,604		14,083		
(2) Other intangible fixed assets		6,215		11,368		
Total intangible fixed assets		23,820	0.3	25,452	0.2	1,632
<b>3. Investments and other assets</b>						
(1) Investment securities	*3	329,949		714,121		
(2) Deferred tax assets -non-current		-		76,783		
(3) Other investments		421,019		378,027		
Allowance for doubtful accounts		(24,105)		(24,356)		
Total investments and other assets		726,862	7.6	1,144,575	10.5	417,712
Total fixed assets		3,606,245	37.9	4,311,000	39.7	704,755
Total assets		9,518,483	100.0	10,851,675	100.0	1,333,192

(Thousands of yen)

Account	*	FY3/07 (As of Mar. 31, 2007)		FY3/08 (As of Mar. 31, 2008)		YoY change
		Amount	%	Amount	%	Amount
<b>Liabilities</b>						
I Current liabilities						
1. Notes and accounts payable -trade	*1	1,971,647		1,888,102		
2. Short-term loans payable		140,000		187,008		
3. Current portion of long-term loans payable		300,000		648,000		
4. Lease obligations -current		-		5,570		
5. Accrued income taxes		189,262		30,766		
6. Reserve for bonuses		233,520		210,153		
7. Advances received		117,475		321,689		
8. Other current liabilities		460,806		362,473		
Total current liabilities		3,412,710	35.9	3,653,762	33.7	241,052
II Long-term liabilities						
1. Long-term loans payable		300,000		1,147,000		
2. Lease obligations -non-current		-		183,830		
3. Deferred tax liabilities		9,334		-		
4. Reserve for retirement benefits		411,156		439,042		
5. Other long-term liabilities		109,383		108,522		
Total long-term liabilities		829,874	8.7	1,878,395	17.3	1,048,520
Total liabilities		4,242,585	44.6	5,532,158	51.0	1,289,572
<b>Net assets</b>						
I Shareholders' equity						
1. Capital stock		900,812	9.5	910,562	8.4	9,750
2. Capital surplus		853,461	9.0	863,211	8.0	9,750
3. Retained earnings		3,462,811	36.3	3,577,730	32.9	114,918
4. Treasury stock		(592)	(0.0)	(592)	(0.0)	-
Total shareholders' equity		5,216,493	54.8	5,350,912	49.3	134,418
II Valuation and translation adjustments						
1. Valuation difference on available-for-sale securities		(6,565)	(0.1)	(103,337)	(1.0)	(96,772)
2. Foreign currency translation adjustments		19,144	0.2	41,473	0.4	22,329
Total valuation and translation adjustments		12,578	0.1	(61,863)	(0.6)	(74,442)
III Minority interests		46,825	0.5	30,468	0.3	(16,356)
Total net assets		5,275,897	55.4	5,319,517	49.0	43,619
Total liabilities and net assets		9,518,483	100.0	10,851,675	100.0	1,333,192

**(2) Consolidated Statements of Income**

(Thousands of yen)

Account	*	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)		FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)		YoY change Amount		
		Amount	%	Amount	%			
I Sales			9,677,490	100.0	10,244,860	100.0	567,369	
II Cost of sales			5,181,339	53.5	5,628,561	54.9	447,221	
Gross profit on sales			4,496,151	46.5	4,616,298	45.1	120,147	
III Selling, general and administrative expenses	*1							
1. Salaries and wages		1,025,907			1,161,201			
2. Bonuses		344,959			341,843			
3. Retirement benefit expenses		88,387			87,759			
4. Provision of reserve for directors' retirement benefits		4,541			-			
5. Depreciation expense		134,310			225,092			
6. Provision of allowance for doubtful accounts		25,088			10,458			
7. Other expenses		1,849,258	3,472,452	35.9	2,102,771	3,929,126	38.4	456,673
Operating income			1,023,698	10.6		687,172	6.7	(336,525)
IV Non-operating income								
1. Interest income		4,706			11,864			
2. Dividend income		-			7,267			
3. Foreign exchange gain		13,897			-			
4. Other non-operating income		6,015	24,619	0.2	7,103	26,235	0.2	1,616
V Non-operating expenses								
1. Interest expenses		13,062			39,642			
2. Stock listing expenses		17,821			-			
3. Expense related to the joint ventures		7,296			-			
4. Foreign exchange loss		-			43,354			
5. Other non-operating expenses		1,358	39,538	0.4	2,708	85,704	0.8	46,166
Ordinary income			1,008,779	10.4		627,703	6.1	(381,076)
VI Extraordinary gains								
1. Gain on sales of fixed assets	*2	823,253			200			
2. Gain on reversal of relocation expenses for R&D center		-			11,050			
3. Reversal of loss on after-care of products		-			2,699			
4. Settlement packages received		10,862	834,115	8.7	-	13,950	0.1	(820,164)
VII Extraordinary losses								
1. Loss on removal of fixed assets	*4	24,030			12,575			
2. Loss on sales of fixed assets	*3	108,213			275			
3. Loss on valuation of investment securities		-			53,241			
4. Loss on sales of investment securities		-			1,656			
5. Loss on after-care of products		56,962			-			
6. Relocation expenses for R&D center		107,787	296,992	3.1	-	67,749	0.6	(229,243)
Income before income taxes and minority interests			1,545,902	16.0		573,904	5.6	(971,997)
Income taxes -current		466,279			258,770			
Income taxes -deferred		168,304	634,583	6.6	37,715	296,485	2.9	(338,098)
Minority interests in loss			-			13,861	0.1	13,861
Net income			911,319	9.4		291,280	2.8	(620,038)

**(3) Consolidated Statements of Changes in Shareholders' Equity**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	878,875	831,524	2,694,337	(592)	4,404,144
Changes during the fiscal year					
New stock issue	21,937	21,937			43,875
Dividends from surplus (Note 1)			(122,844)		(122,844)
Bonuses to directors (Note 2)			(20,000)		(20,000)
Net income			911,319		911,319
Changes (net) in items other than shareholders' equity					
Total changes during the fiscal year	21,937	21,937	768,474	-	812,349
Balance as of March 31, 2007	900,812	853,461	3,462,811	(592)	5,216,493

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	12,341	2,676	15,017	-	4,419,162
Changes during the fiscal year					
New stock issue					43,875
Dividends from surplus (Note 1)					(122,844)
Bonuses to directors (Note 2)					(20,000)
Net income					911,319
Changes (net) in items other than shareholders' equity	(18,906)	16,467	(2,439)	46,825	44,386
Total changes during the fiscal year	(18,906)	16,467	(2,439)	46,825	856,735
Balance as of March 31, 2007	(6,565)	19,144	12,578	46,825	5,275,897

Notes: 1. Includes appropriation of earnings of minus 75,213 thousand yen resolved at the annual general meeting of shareholders on June 2006.

2. Appropriation of earnings resolved at the annual general meeting of shareholders on June 2006.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	900,812	853,461	3,462,811	(592)	5,216,493
Changes during the fiscal year					
New stock issue	9,750	9,750			19,500
Dividends from surplus			(176,362)		(176,362)
Net income			291,280		291,280
Changes (net) in items other than shareholders' equity					
Total changes during the fiscal year	9,750	9,750	114,918	-	134,418
Balance as of March 31, 2008	910,562	863,211	3,577,730	(592)	5,350,912

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	(6,565)	19,144	12,578	46,825	5,275,897
Changes during the fiscal year					
New stock issue					19,500
Dividends from surplus					(176,362)
Net income					291,280
Changes (net) in items other than shareholders' equity	(96,772)	22,329	(74,442)	(16,356)	(90,798)
Total changes during the fiscal year	(96,772)	22,329	(74,442)	(16,356)	43,619
Balance as of March 31, 2008	(103,337)	41,473	(61,863)	30,468	5,319,517

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

		FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	YoY change
Account	*	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>				
Income before income taxes and minority interests		1,545,902	573,904	
Depreciation expense		237,148	323,861	
Amortization of goodwill		-	3,520	
Increase (decrease) in allowance for doubtful accounts		25,088	3,362	
Increase (decrease) in reserve for bonuses		(24,811)	(23,367)	
Increase (decrease) in reserve for retirement benefits		42,778	27,848	
Increase (decrease) in reserve for directors' retirement benefits		(72,247)	-	
Interest and dividend income		(5,105)	(19,132)	
Foreign exchange loss (gain)		7,651	7,909	
Interest expenses		13,062	39,642	
Stock issue expenses		911	-	
Gain on sales of fixed assets		(823,253)	(200)	
Loss on removal of fixed assets		24,030	12,575	
Loss on sales of fixed assets		108,213	275	
Loss on sales of investment securities		-	1,656	
Loss on valuation of investment securities		-	53,241	
Decrease (increase) in trade receivables		(239,113)	(233,855)	
Increase (decrease) in advances received		(138,839)	203,871	
Decrease (increase) in inventories		231,465	(5,142)	
Increase (decrease) in trade payables		(31,623)	(30,031)	
Decrease (increase) in advance payments		-	(4,940)	
Directors' bonuses paid		(20,000)	-	
Other		289,770	(90,054)	
Subtotal		1,171,029	844,947	(326,081)
Interests and dividends received		5,106	17,758	
Interests paid		(13,042)	(40,042)	
Income taxes paid		(614,160)	(440,352)	
Net cash provided by operating activities		548,932	382,311	(166,621)
<b>II Cash flows from investing activities</b>				
Payment for acquisition of property, plant and equipment		(1,430,143)	(474,666)	
Proceeds from sales of property, plant and equipment		833,081	-	
Payment for acquisition of intangible fixed assets		(4,639)	(7,242)	
Payment for acquisition of investment securities		(296,943)	(629,009)	
Proceeds from sales of investment securities		-	26,775	
Payment for acquisition of newly consolidated subsidiaries		(2,788)	-	
Other		(69,858)	(167,162)	
Net cash used in investing activities		(971,291)	(1,251,307)	(280,015)
<b>III Cash flows from financing activities</b>				
Net increase (decrease) in short-term loans payable		100,000	47,680	
Increase in long-term loans payable		-	1,740,000	
Repayment of long-term loans payable		(300,000)	(545,000)	
Repayment of finance lease obligations	*2	-	(7,912)	
Proceeds from issuance of new stock		42,963	19,500	
Cash dividends paid		(122,311)	(175,826)	
Net cash provided by (used in) financing activities		(279,348)	1,078,440	1,357,788
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>		5,961	(2,615)	(8,576)
<b>V Increase (decrease) in cash and cash equivalents</b>		(695,746)	206,828	902,575
<b>VI Cash and cash equivalents at beginning of period</b>		2,344,097	1,648,351	(695,746)
<b>VII Cash and cash equivalents at end of period</b>	*1	1,648,351	1,855,179	206,828

**Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

Item	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
1. Scope of consolidation	<p>Number of consolidated subsidiaries: 4 Name of consolidated subsidiaries: EBARA-UDYLITE (SHANGHAI) TRADING CO., LTD. EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. EBARA-UDYLITE AMERICA, S.A. DE C.V. TAIWAN EBARA-UDYLITE CO., LTD.</p> <p>Effective from the current fiscal year, EBARA-UDYLITE AMERICA, S.A. DE C.V. is included in the consolidation through acquisition of its shares, and EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. and TAIWAN EBARA-UDYLITE CO., LTD. are included in the consolidation due to their establishment.</p>	<p>Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: EBARA-UDYLITE (SHANGHAI) TRADING CO., LTD. EBARA-UDYLITE (ASIA-PACIFIC) CO., LTD. EBARA-UDYLITE AMERICA, S.A. DE C.V. TAIWAN EBARA-UDYLITE CO., LTD. EBARA-UDYLITE (KOREA) CO., LTD. EBARA-UDYLITE VIETNAM CO., LTD.</p> <p>Effective from the current fiscal year, EBARA-UDYLITE (KOREA) CO., LTD. and EBARA-UDYLITE VIETNAM CO., LTD. are included in the consolidation due to their establishment.</p>
2. Application of equity method	<p>_____</p>	<p>Number of affiliate: 1 Name of affiliate: PROGRESSIVE EU CHEMICALS PVT. LTD.</p> <p>Effective from the current fiscal year, PROGRESSIVE EU CHEMICALS PVT. LTD. is included as the equity-method affiliate due to its establishment.</p>
3. Fiscal year of consolidated subsidiaries	<p>The fiscal years of consolidated subsidiaries end on December 31. The consolidated financial statements include the financial statements of consolidated subsidiaries as of December 31, and necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.</p>	<p>Same as on the left.</p>
4. Accounting standards (1) Valuation standards and methods for principal assets	<p>a. Marketable securities Available-for sale securities Securities with market quotations Stated at fair value on the balance sheet date. (Valuation difference is included directly in net assets. Cost of securities sold is determined by the moving-average method.) Securities without market quotations Stated at cost determined by the moving-average method.</p> <p>b. _____</p> <p>c. Inventories Chemicals, work-in-process chemicals, raw materials Stated at cost determined by the monthly-period-average method.</p>	<p>a. Marketable securities Available-for sale securities Securities with market quotations Same as on the left.</p> <p>Securities without market quotations Same as on the left.</p> <p>b. Derivatives Stated at fair value.</p> <p>c. Inventories Merchandise Stated at cost determined primarily by the specific identification method.</p>

Item	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
(2) Depreciation and amortization of principal assets	<p>Machines, work-in-process machines, merchandise Stated at cost determined by the specific identification method.</p> <p>Supplies Stated at cost determined by the first-in first-out method.</p> <p>a. Property, plant and equipment Depreciation of property, plant and equipment is calculated by the declining-balance method, except for buildings (excluding attached structures) acquired on or after April 1, 1998 on which depreciation is calculated by the straight-line method.</p> <p>Overseas consolidated subsidiaries compute depreciation using the straight-line method.</p> <p>Useful lives of principle assets are as follows: Buildings and structures: 3-50 years Machinery, equipment and vehicles: 4-7 years Tools, furniture and fixtures: 2-20 years</p>	<p>Chemicals, work-in-process chemicals, raw materials Stated at cost determined by the monthly-period-average method.</p> <p>Machines, work-in-process machines Stated at cost determined by the specific identification method.</p> <p>Supplies Stated at cost determined by the first-in first-out method.</p> <p>a. Property, plant and equipment Depreciation of property, plant and equipment is calculated by the declining-balance method, except for lease assets and buildings (excluding attached structures) acquired on or after April 1, 1998 on which depreciation is calculated by the straight-line method.</p> <p>Overseas consolidated subsidiaries compute depreciation using the straight-line method.</p> <p>Useful lives of principle assets are as follows: Buildings and structures: 3-50 years Machinery, equipment and vehicles: 4-7 years Tools, furniture and fixtures: 2-20 years Lease assets: 20 years</p> <p>(Change in accounting policy) Following tax law revisions, the Company depreciates property, plant and equipment acquired on or after April 1, 2007 in line with methods prescribed in the revised Corporate Tax Law. The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests by 16,817 thousand yen respectively. The effect of this change on segment operations is shown in the Segment Information section.</p> <p>(Additional information) The Company has adopted the revised Corporate Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporate Tax Law, is depreciated over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The difference is amortized by the straight-line method and is included in the depreciation expense. The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests by 4,187 thousand yen respectively. The effect of this change on segment operations is shown in the Segment Information section.</p>

Item	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
	<p>b. Intangible fixed assets Amortization of intangible fixed assets is calculated by the straight-line method. Software for internal use is amortized over an expected useful life of five years by the straight-line method.</p>	<p>b. Intangible fixed assets Same as on the left.</p>
(3) Accounting for significant deferred assets	<p>Stock issue expenses Stock issue expenses are changed to income as accrued.</p>	<p>Stock issue expenses Same as on the left.</p>
(4) Recognition of significant allowances	<p>a. Allowance for doubtful accounts Allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.</p> <p>b. Reserve for bonuses To provide for employee bonus obligation, an amount accrued for the current fiscal year among the estimated future obligations is designated in the reserve account.</p> <p>c. Reserve for retirement benefits To provide for employee retirement benefit allowance, an amount determined by the simple method on the basis of the projected benefit obligation (represents of liability the Company would be required to pay if all eligible employees retired on the balance sheet date) is designated in the reserve account.</p>	<p>a. Allowance for doubtful accounts Same as on the left.</p> <p>b. Reserve for bonuses Same as on the left.</p> <p>c. Reserve for retirement benefits Same as on the left.</p>
(5) Transaction of significant foreign currency-denominated assets and liabilities	<p>Foreign currency monetary assets and liabilities are translated into yen at the spot rate of exchange prevailing at the consolidated balance sheet date and the resulting translation gains or losses are included in the determination of net income for the period. Assets, liabilities, revenues and expenses of the overseas consolidated subsidiaries are translated into yen at the spot rates of exchange prevailing at the balance sheet dates. The resulting translation gains or losses are included in the net assets section of the consolidated balance sheet as foreign currency translation adjustments and minority interests.</p>	<p>Foreign currency monetary assets and liabilities are translated into yen at the spot rate of exchange prevailing at the consolidated balance sheet date and the resulting translation gains or losses are included in the determination of net income for the period. Assets and liabilities of the overseas consolidated subsidiaries are translated into yen at the spot rates of exchange prevailing at the balance sheet dates, while revenues and expenses are translated into yen by the annual average rates of exchange. The resulting translation gains or losses are included in the net assets section of the consolidated balance sheet as foreign currency translation adjustments and minority interests.</p>

Item	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
		<p>(Change in accounting policy)</p> <p>Effective from the current fiscal year, the basis of translating revenues and expenses of the overseas consolidated subsidiaries into yen has been changed from the spot rates of exchange prevailing at the balance sheet dates to the average rates of exchange prevailing during the current fiscal year.</p> <p>This change has been made for the purpose of translating foreign currency-denominated revenue and expense items that are recognized throughout the consolidated financial year to more accurately reflect the substance of actual transactions.</p> <p>The impact of the change on operating income, ordinary income and income before income taxes and minority interests is minimal.</p> <p>As the impact of the change on the segment information is also minimal, its description is omitted.</p>
(6) Accounting for leases	Finance leases other than those, which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases.	Same as on the left.
(7) Accounting for hedges	<p>a. Hedge accounting</p> <p>The Company applies the deferred hedge accounting method. With respect to foreign currency risk, a hedge is accounted by the short-cut method if the hedging relationship meets certain criteria.</p> <p>b. Hedging instrument and risk hedged</p> <p>Hedging instrument: Forward exchange contracts</p> <p>Risk hedged: Foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions</p> <p>c. Hedging policy</p> <p>The Company uses forward exchange contracts to reduce exposure to market risks from fluctuations in exchange rates on foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions.</p> <p>d. Evaluation method for effectiveness of hedging</p> <p>Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedging instrument and risk hedged. However, effectiveness of forward exchange contracts accounted by the short-cut method is not assessed.</p>	<p>a. Hedge accounting</p> <p>Same as on the left.</p> <p>b. Hedging instrument and risk hedged</p> <p>Hedging instrument: Same as on the left.</p> <p>Risk hedged: Same as on the left.</p> <p>c. Hedging policy</p> <p>Same as on the left.</p> <p>d. Evaluation method for effectiveness of hedging</p> <p>Same as on the left.</p>

Item	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
(8) Other significant accounting policies	Accounting for consumption taxes All amounts stated are exclusive of consumption taxes.	Accounting for consumption taxes Same as on the left.
5. Valuations on assets and liabilities of consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are evaluated by the full fair value method.	Same as on the left.
6. Amortization of goodwill (negative goodwill)	Goodwill is amortized by the straight-line method over a period of five years.	Same as on the left.
7. Scope of cash and cash equivalents on statements of cash flows	For the purpose of statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.	Same as on the left.

**Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>(Accounting standard for presentation of net assets on balance sheet)</p> <p>Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005).</p> <p>The amount equivalent to the total shareholders’ equity under the former accounting standard is 5,229,072 thousand yen.</p> <p>In accordance with the revised regulations of consolidated financial statements, the net assets section in the balance sheets conform to the revised standards.</p>	—————

**Reclassifications**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
—————	<p>(Consolidated statements of income)</p> <p>“Dividend income,” included in “Other non-operating income” in prior periods, has been reclassified and presented as a separate line item, given that it now represents more than 10/100 of total non-operating income.</p> <p>“Dividend income” in the previous fiscal year totaled 390 thousand yen.</p>

**Supplementary Information**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>(Reserve for directors’ retirement benefits)</p> <p>Although the Company had provided a reserve for directors’ retirement benefits as required in accordance with an internal rule, it was resolved that the Company should abolish the benefit program, associated with the overhaul of the directors’ remuneration structure, at the annual general meeting of shareholders on June 29, 2006. As a result, the Company drew down all directors’ retirement reserves, and booked as “Long-term accounts payable” at the “Other long-term liabilities.”</p> <p>At the end of the current fiscal year, accrued directors’ retirement benefits included in “Other long-term liabilities” totaled 76,788 thousand yen.</p>	—————

**Notes to Consolidated Financial Statements****Notes to Consolidated Balance Sheets**

(Thousands of yen)

FY3/07 (As of Mar. 31, 2007)	FY3/08 (As of Mar. 31, 2008)												
<p>*1. The settlement of trade notes maturing on the balance sheet date is accounted on the clearance date. As the balance sheet date was a bank holiday, the trade notes maturing on the balance sheet date, in the following amounts were included in notes and accounts receivable-trade at the end of the current fiscal year.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Trade notes receivable</td> <td style="text-align: right;">164,104</td> </tr> <tr> <td style="padding-left: 20px;">Trade notes payable</td> <td style="text-align: right;">80,937</td> </tr> </table>	Trade notes receivable	164,104	Trade notes payable	80,937	<p>*1. _____</p>								
Trade notes receivable	164,104												
Trade notes payable	80,937												
<p>*2. The amounts of assets presented in the consolidated balance sheet are net of the following amounts of advanced depreciation for the assets that were acquired in prior fiscal years with government subsidies.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings and structures</td> <td style="text-align: right;">197,624</td> </tr> <tr> <td style="padding-left: 20px;">Machinery, equipment and vehicles</td> <td style="text-align: right;">111,710</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">7,034</td> </tr> </table>	Buildings and structures	197,624	Machinery, equipment and vehicles	111,710	Tools, furniture and fixtures	7,034	<p>*2. The amounts of assets presented in the consolidated balance sheet are net of the following amounts of advanced depreciation for the assets that were acquired in prior fiscal years with government subsidies.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings and structures</td> <td style="text-align: right;">197,624</td> </tr> <tr> <td style="padding-left: 20px;">Machinery, equipment and vehicles</td> <td style="text-align: right;">111,380</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">7,034</td> </tr> </table>	Buildings and structures	197,624	Machinery, equipment and vehicles	111,380	Tools, furniture and fixtures	7,034
Buildings and structures	197,624												
Machinery, equipment and vehicles	111,710												
Tools, furniture and fixtures	7,034												
Buildings and structures	197,624												
Machinery, equipment and vehicles	111,380												
Tools, furniture and fixtures	7,034												
<p>*3. _____</p>	<p>*3. The following items are applicable to non-consolidated subsidiaries and affiliates</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Investment securities (equity)</td> <td style="text-align: right;">12,480</td> </tr> </table>	Investment securities (equity)	12,480										
Investment securities (equity)	12,480												

**Notes to Consolidated Statements of Income**

(Thousands of yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)														
<p>*1. R&amp;D cost included in general administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">406,957</td> </tr> </table>		406,957	<p>*1. R&amp;D cost included in general administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">470,471</td> </tr> </table>		470,471										
	406,957														
	470,471														
<p>*2. Breakdown of gain on sales of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Land</td> <td style="text-align: right;">823,253</td> </tr> </table>	Land	823,253	<p>*2. Breakdown of gain on sales of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Machinery, equipment and vehicles</td> <td style="text-align: right;">200</td> </tr> </table>	Machinery, equipment and vehicles	200										
Land	823,253														
Machinery, equipment and vehicles	200														
<p>*3. Breakdown of loss on sales of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings and structures</td> <td style="text-align: right;">108,213</td> </tr> </table>	Buildings and structures	108,213	<p>*3. Breakdown of loss on sales of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Machinery, equipment and vehicles</td> <td style="text-align: right;">80</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">195</td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">275</td> </tr> </table>	Machinery, equipment and vehicles	80	Tools, furniture and fixtures	195	Total	275						
Buildings and structures	108,213														
Machinery, equipment and vehicles	80														
Tools, furniture and fixtures	195														
Total	275														
<p>*4. Breakdown of loss on removal of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Machinery, equipment and vehicles</td> <td style="text-align: right;">22,949</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">1,081</td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">24,030</td> </tr> </table>	Machinery, equipment and vehicles	22,949	Tools, furniture and fixtures	1,081	Total	24,030	<p>*4. Breakdown of loss on removal of fixed assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings and structures</td> <td style="text-align: right;">6,798</td> </tr> <tr> <td style="padding-left: 20px;">Machinery, equipment and vehicles</td> <td style="text-align: right;">552</td> </tr> <tr> <td style="padding-left: 20px;">Tools, furniture and fixtures</td> <td style="text-align: right;">5,224</td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">12,575</td> </tr> </table>	Buildings and structures	6,798	Machinery, equipment and vehicles	552	Tools, furniture and fixtures	5,224	Total	12,575
Machinery, equipment and vehicles	22,949														
Tools, furniture and fixtures	1,081														
Total	24,030														
Buildings and structures	6,798														
Machinery, equipment and vehicles	552														
Tools, furniture and fixtures	5,224														
Total	12,575														

**Notes to Consolidated Statements of Changes in Shareholders' Equity**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

## 1. Type and number of outstanding shares and treasury stock

	Number of shares as of Mar. 31, 2006 (shares)	Increase during the fiscal year (shares)	Decrease during the fiscal year (shares)	Number of shares as of Mar. 31, 2007 (shares)
Outstanding shares				
Common stock (Note 1)	1,567,000	1,625,500	-	3,192,500
Total	1,567,000	1,625,500	-	3,192,500
Treasury stock				
Common stock (Note 2)	50	50	-	100
Total	50	50	-	100

Notes: 1. The increase in the number of outstanding shares of common stock (1,625,500 shares) is due to the stock split (1,567,000 shares) on April 1, 2006, and exercise of stock options (58,500 shares).

2. The increase in the number of treasury stock of common stock (50 shares) is due to the stock split on April 1, 2006.

## 2. Dividends

## (1) Dividend payment

Resolution	Type of share	Total amount of dividend (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on Jun. 29, 2006	Common stock	75,213	48	Mar. 31, 2006	Jun. 29, 2006
Board of Directors meeting on Nov. 10, 2006	Common stock	47,631	15	Sep. 30, 2006	Dec. 11, 2006

## (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (thousands of yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 25, 2007	Common stock	79,810	Retained earnings	25	Mar. 31, 2007	Jun. 29, 2007

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

## 1. Type and number of outstanding shares and treasury stock

	Number of shares as of Mar. 31, 2007 (shares)	Increase during the fiscal year (shares)	Decrease during the fiscal year (shares)	Number of shares as of Mar. 31, 2008 (shares)
Outstanding shares				
Common stock (Note)	3,192,500	26,000	-	3,218,500
Total	3,192,500	26,000	-	3,218,500
Treasury stock				
Common stock	100	-	-	100
Total	100	-	-	100

Note: The increase in the number of outstanding shares of common stock (26,000 shares) is due to the exercise of stock options.

## 2. Dividends

## (1) Dividend payment

Resolution	Type of share	Total amount of dividend (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 25, 2007	Common stock	79,810	25	Mar. 31, 2007	Jun. 29, 2007
Board of Directors meeting on Nov.9, 2007	Common stock	96,552	30	Sep. 30, 2007	Dec. 10, 2007

## (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (thousands of yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on May 23, 2008 (schedule)	Common stock	96,552	Retained earnings	30	Mar. 31, 2008	Jun. 13, 2008

## Notes to Consolidated Statements of Cash Flows

(Thousands of yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows:  (As of March 31, 2007) Cash and deposits <u>1,648,351</u> Cash and cash equivalents <u>1,648,351</u>	*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows:  (As of March 31, 2008) Cash and deposits 2,064,005 Time deposits with maturities longer than three months <u>(208,826)</u> Cash and cash equivalents 1,855,179
*2. _____	*2. Significant non-cash transactions Assets and liabilities applicable to the finance lease transaction as follows: Lease assets 175,337 Lease obligations 193,337

## Leases

(Thousands of yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
Finance lease transactions other than those in which the title of the leased property is transferred to the lessee	Finance lease transactions other than those in which the title of the leased property is transferred to the lessee
1. Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment loss equivalents and year-end balance equivalents of the leased property	1. Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment loss equivalents and year-end balance equivalents of the leased property
Tools, furniture and fixtures:	Tools, furniture and fixtures:
Acquisition cost equivalents 60,397	Acquisition cost equivalents 124,137
Accumulated depreciation equivalents 34,065	Accumulated depreciation equivalents 55,555
Year-end balance equivalents 26,331	Year-end balance equivalents 68,581
Software:	Software:
Acquisition cost equivalents 1,473	Acquisition cost equivalents 34,369
Accumulated depreciation equivalents 30	Accumulated depreciation equivalents 4,694
Year-end balance equivalents 1,442	Year-end balance equivalents 29,674
Total:	Total:
Acquisition cost equivalents 61,870	Acquisition cost equivalents 158,507
Accumulated depreciation equivalents 34,096	Accumulated depreciation equivalents 60,250
Year-end balance equivalents 27,774	Year-end balance equivalents 98,256
2. Year-end balance equivalents of outstanding lease commitments	2. Year-end balance equivalents of outstanding lease commitments
Within one year 15,178	Within one year 31,125
Over one year 13,103	Over one year 68,261
Total 28,281	Total 99,387
3. Lease payments, reversal from lease asset impairment, depreciation, interest equivalents, and impairment losses	3. Lease payments, reversal from lease asset impairment, depreciation, interest equivalents, and impairment losses
Lease payments 16,331	Lease payments 33,659
Depreciation equivalents 15,728	Depreciation equivalents 32,053
Interest equivalents 591	Interest equivalents 2,228
4. Calculating depreciation equivalents	4. Calculating depreciation equivalents
Depreciation equivalents are calculated based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.	Same as on the left.
5. Calculating interest equivalents	5. Calculating interest equivalents
Interest equivalents are defined as the difference between the total lease payments and acquisition cost equivalents and are allocated for each period using the simple-interest method.	Same as on the left.
(Impairment losses)	(Impairment losses)
There are no impairment losses on leased asset-impairment account.	Same as on the left.

**Marketable Securities**

FY3/07 (As of Mar. 31, 2007)

## 1. Available-for-sale securities with market quotations

(Thousands of yen)

	Type	Acquisition cost	Carrying value	Valuation gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Equities	10,344	31,120	20,775
	(2) Bonds			
	1) Government and municipal bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	10,344	31,120	20,775
Securities whose carrying value do not exceed their acquisition cost	(1) Equities	167,802	131,169	(36,632)
	(2) Bonds			
	1) Government and municipal bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	167,802	131,169	(36,632)
Total		178,147	162,289	(15,857)

## 2. Major marketable securities without market quotations

(Thousands of yen)

	FY3/07 (As of Mar. 31, 2007)
	Carrying value
Available-for-sale securities	
Unlisted stocks	167,659

FY3/08 (As of Mar. 31, 2008)

## 1. Available-for-sale securities with market quotations

(Thousands of yen)

	Type	Acquisition cost	Carrying value	Valuation gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Equities	102,418	125,215	22,796
	(2) Bonds			
	1) Government and municipal bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	102,418	125,215	22,796
Securities whose carrying value do not exceed their acquisition cost	(1) Equities	639,016	457,890	(181,126)
	(2) Bonds			
	1) Government and municipal bonds	-	-	-
	2) Corporate bonds	-	-	-
	3) Other bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	639,016	457,890	(181,126)
Total		741,435	583,105	(158,329)

Note: Impairment loss of 53,241 thousand yen (on available-for-sale securities with market quotations) is reported for the current fiscal year. Impairment loss is recognized for securities in the case where the fair value at the balance sheet date is at the level of 50% or less of the acquisition cost or the fair value has been at the level of more than 30% but not more than 50% of the acquisition cost for two years, and the amount of impairment loss is determined based on considerations of recoverability and other factors.

## 2. Available-for-sale securities sold during the current fiscal year (Apr. 1, 2007 – Mar. 31, 2008)

(Thousands of yen)

Sales amount	Aggregate gain	Aggregate loss
26,775	-	1,656

## 3. Major marketable securities without market quotations

(Thousands of yen)

	FY3/08 (As of Mar. 31, 2008)
	Carrying value
Available-for-sale securities	
Unlisted stocks	118,536

## Derivatives

### 1. Derivative transactions

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>(1) Transactions and the purposes The Company uses forward exchange contracts to reduce exposure to market risks from fluctuations in exchange rates on foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions. Derivative transactions are accounted by the hedge accounting method.</p> <p>a. Hedge accounting The Company applies the deferred hedge accounting method. With respect to foreign currency risk, a hedge is accounted by the short-cut method if the hedging relationship meets certain criteria.</p> <p>b. Hedging instrument and risk hedged Hedging instrument: Forward exchange contracts Risk hedged: Foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions</p> <p>c. Hedging policy The Company uses forward exchange contracts to reduce exposure to market risks from fluctuations in exchange rates on foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions</p> <p>d. Evaluation method for effectiveness of hedging Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedging instrument and risk hedged. However, effectiveness of forward exchange contracts accounted by the short-cut method is not assessed.</p>	<p>(1) Transactions and the purposes Same as on the left.</p> <p>a. Hedge accounting Same as on the left.</p> <p>b. Hedging instrument and risk hedged Hedging instrument: Same as on the left. Risk hedged: Same as on the left.</p> <p>c. Hedging policy Same as on the left.</p> <p>d. Evaluation method for effectiveness of hedging Same as on the left.</p>
<p>(2) Policy for derivatives The Company uses forward exchange contracts to reduce exposure to future risks from fluctuations in exchange rates. The Company does not hold or issue financial derivative instruments for trading purposes.</p>	<p>(2) Policy for derivatives Same as on the left.</p>
<p>(3) Transaction risks Forward exchange contracts carry risk arising from fluctuations in foreign exchange rates. The Company considers that there is no significant credit risk from counterparty's default. The Company's counterparties are major domestic banks with high credit ratings.</p>	<p>(3) Transaction risks Same as on the left.</p>
<p>(4) Risk management The execution and management of derivative transactions is carried out in accordance with in-house rules.</p>	<p>(4) Risk management Same as on the left.</p>

### 2. Information on market values

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)      FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

No reportable information for notional amount, fair value and valuation difference on derivatives since derivative transactions are accounted by the hedge accounting method.

**Retirement Benefits**

## 1. Retirement benefit plans

The Company has adopted defined benefit plans, i.e., lump-sum payment plan. Certain consolidated subsidiaries have adopted a defined-contribution retirement benefit plan.

## 2. Projected benefit obligation

(Thousands of yen)

	FY3/07 (As of Mar. 31, 2007)	FY3/08 (As of Mar. 31, 2008)
Projected benefit obligation	411,156	439,042
Reserve for retirement benefits	411,156	439,042

## 3. Retirement benefit expenses

(Thousands of yen)

	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
Service cost	102,683	109,472
Retirement benefit expenses	102,683	109,472

## 4. Calculation method of projected benefit obligation

FY3/07 (As of Mar. 31, 2007)	FY3/08 (As of Mar. 31, 2008)
The projected benefit obligation is calculated using the simple method (represents of liability the Company would be required to pay if all eligible employees retired on the balance sheet date). The amount of plan assets distributed to employees as a result of settlement of the tax-qualified pension plan is deducted from the amount of projected benefit obligation.	Same as on the left.

## Stock Options

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

### 1. Description, scale and changes in stock options

#### (1) Description of stock options

	Stock option (2004)
Classification and number of grantees	Company's directors: 3, Company's employees: 7
Number of stock options	Common stock: 121,200 shares
Grant date	June 21, 2004
Vesting condition	Of the persons granted the stock options must consistently work with the Company from the grant date (June 21, 2004) to the vesting date (June 30, 2006).
Requisite service period	Two years from July 1, 2004 to June 30, 2006
Exercise period	From July 1, 2006 to June 30, 2014 Of the persons granted the stock options must maintain the position of director or an employee of the Company at the time of exercise of the stock options.

#### (2) Scale and changes in stock options

The following statement includes stock options valid during the current fiscal year and is presented as the number of shares resulting from the exercise of the stock options.

##### 1) Number of stock options

	Stock option (2004)
Non-vested rights (shares)	
Balance as of March 31, 2006	121,200
Granted	-
Forfeited	-
Rights vested	121,200
Balance of non-vested rights	-
Vested rights (shares)	
Balance as of March 31, 2006	-
Rights vested	121,200
Rights exercised	58,500
Forfeited	-
Balance of unexercised rights	62,700

##### 2) Price information

	Stock option (2004)
Exercise price (yen)	750
Average stock price at the time of exercise (yen)	3,531
Fair value (as of the grant date) (yen)	-

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

## 1. Description, scale and changes in stock options

## (1) Description of stock options

	Stock option (2004)
Classification and number of grantees	Company's directors: 3, Company's employees: 7
Number of stock options	Common stock: 121,200 shares
Grant date	June 21, 2004
Vesting condition	Of the persons granted the stock options must consistently work with the Company from the grant date (June 21, 2004) to the vesting date (June 30, 2006).
Requisite service period	Two years from July 1, 2004 to June 30, 2006
Exercise period	From July 1, 2006 to June 30, 2014 Of the persons granted the stock options must maintain the position of director or an employee of the Company at the time of exercise of the stock options.

## (2) Scale and changes in stock options

The following statement includes stock options valid during the current fiscal year and is presented as the number of shares resulting from the exercise of the stock options.

## 1) Number of stock options

	Stock option (2004)
Non-vested rights (shares)	
Balance as of March 31, 2007	-
Granted	-
Forfeited	-
Rights vested	-
Balance of non-vested rights	-
Vested rights (shares)	
Balance as of March 31, 2007	62,700
Rights vested	-
Rights exercised	26,000
Forfeited	-
Balance of unexercised rights	36,700

## 2) Price information

	Stock option (2004)
Exercise price (yen)	750
Average stock price at the time of exercise (yen)	2,631
Fair value (as of the grant date) (yen)	-

**Deferred Tax Accounting**

(Thousands of yen)

FY3/07 (As of Mar. 31, 2007)	FY3/08 (As of Mar. 31, 2008)
1. Significant components of deferred tax assets and liabilities	1. Significant components of deferred tax assets and liabilities
Deferred tax assets	Deferred tax assets
Accrued enterprise tax denied 21,604	Accrued enterprise tax denied 2,726
Reserve for bonuses denied 95,019	Reserve for bonuses denied 85,511
Reserve for retirement benefits denied 167,299	Reserve for retirement benefits denied 179,068
Long-term accounts payable –other denied 44,508	Long-term accounts payable -other denied 41,415
Depreciation in excess of tax allowance 491	Depreciation in excess of tax allowance 10,081
Loss on valuation of investment securities denied 71,435	Loss on valuation of investment securities 93,099
Relocation expenses payable for R&D center denied 28,399	denied
Valuation difference on available-for-sale securities 4,504	Valuation difference on available-for-sale securities 70,895
Other 96,108	Consolidated intra-company profit elimination 50,087
	Other 68,731
Deferred tax assets -subtotal 529,367	Deferred tax assets -subtotal 601,616
Less valuation allowance (74,005)	Less valuation allowance (127,387)
Deferred tax assets –total 455,362	Deferred tax assets –total 474,228
Deferred tax liabilities	Deferred tax liabilities
Advanced depreciation of fixed assets 238,252	Advanced depreciation of fixed assets 228,456
Deferred tax liabilities –total 238,252	Deferred tax liabilities –total 228,456
Deferred tax assets -net 217,109	Deferred tax assets -net 245,772
Net deferred tax assets are included in the following consolidated balance sheet accounts	Net deferred tax assets are included in the following consolidated balance sheet accounts
Current assets – Deferred tax assets 226,444	Current assets – Deferred tax assets 168,988
Long-term liabilities – Deferred tax liabilities 9,334	Fixed assets – Deferred tax assets 76,783
2. Significant components of difference between statutory and effective tax rates	2. Significant components of difference between statutory and effective tax rates
Difference between statutory and effective tax rate after tax effect accounting not presented because the difference is less than 5% of statutory effective tax.	Statutory tax rate 40.69%
	(Adjusted)
	Permanent differences such as entertainment expenses 6.72
	Valuation allowance 9.10
	Special deduction on R&D expenses (3.70)
	Prior-year income taxes (2.80)
	Per capita residential tax 1.88
	Difference in tax rate of overseas subsidiaries (0.13)
	Other (0.10)
	Effective tax rate 51.66

## Segment Information

### a. Operating segment information

Operating segment information for the two most recent fiscal years is as follows.

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Thousands of yen)

	Chemicals-related material business	Machine business	Total	Elimination or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	7,716,978	1,960,512	9,677,490	-	9,677,490
(2) Inter-segment sales and transfers	-	14,830	14,830	(14,830)	-
Total	7,716,978	1,975,342	9,692,320	(14,830)	9,677,490
Operating expenses	6,028,848	2,037,543	8,066,392	587,399	8,653,792
Operating income (loss)	1,688,129	(62,201)	1,625,928	(602,230)	1,023,698
II. Assets, depreciation expense and capital expenditures					
Assets	6,791,847	1,053,874	7,845,721	1,672,761	9,518,483
Depreciation expense	204,514	9,916	214,431	22,717	237,148
Capital expenditures	1,369,110	78,467	1,447,577	6,401	1,453,978

Notes: 1. The Group's operations are classified into business segments mainly by product line and product characteristic in a comprehensive manner.

2. Main products in each business segment

(1) Chemicals-related material business: plastic plating chemicals for automotive components, plating chemicals for printed-wiring boards, plating chemicals for semiconductors, chemicals for industrial use, non-ferrous metals

(2) Machine business: plastic plating machines for automotive components, plating machines for printed-wiring boards

3. Unallocated operating expenses (595,544 thousand yen) included in "Elimination or corporate" consist primarily of expenses related to the administration divisions, including the Management Planning, General Affairs and Accounting Divisions.

4. Corporate assets (1,687,588 thousand yen) included in "Elimination or corporate" consist primarily of cash and deposits, investment securities, and assets of the administration divisions at the Company.

5. Depreciation expense and capital expenditures include long-term prepaid expenses and their amortization.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Thousands of yen)

	Chemicals-related material business	Machine business	Total	Elimination or corporate	Consolidated
<b>I. Sales and operating income (loss)</b>					
Sales					
(1) Sales to outside customers	8,083,096	2,161,764	10,244,860	-	10,244,860
(2) Inter-segment sales and transfers	-	7,224	7,224	(7,224)	-
Total	8,083,096	2,168,988	10,252,084	(7,224)	10,244,860
Operating expenses	6,533,802	2,269,664	8,803,467	754,220	9,557,687
Operating income (loss)	1,549,293	(100,675)	1,448,617	(761,445)	687,172
<b>II. Assets, depreciation expense and capital expenditures</b>					
Assets	7,258,511	931,429	8,189,941	2,661,734	10,851,675
Depreciation expense	260,378	40,711	301,090	22,770	323,861
Capital expenditures	567,879	46,848	614,727	11,425	626,152

Notes: 1. The Group's operations are classified into business segments mainly by product line and product characteristic in a comprehensive manner.

2. Main products in each business segment

(1) Chemicals-related material business: plastic plating chemicals for automotive components, plating chemicals for printed-wiring boards, plating chemicals for semiconductors, chemicals for industrial use, non-ferrous metals

(2) Machine business: plastic plating machines for automotive components, plating machines for printed-wiring boards

3. Unallocated operating expenses (767,357 thousand yen) included in "Elimination or corporate" consist primarily of expenses related to the administration divisions, including the President's Office, General Affairs and Accounting Divisions.

4. Corporate assets (2,615,679 thousand yen) included in "Elimination or corporate" consist primarily of cash and deposits, investment securities, and assets of the administration divisions at the Company.

5. Depreciation expense and capital expenditures include long-term prepaid expenses and their amortization.

6. Change in accounting policy (FY3/08)

As mentioned in the section on "Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. (2)," following tax law revisions, the Company depreciates property, plant and equipment acquired on or after April 1, 2007 in line with methods prescribed in the revised Corporate Tax Law. Compared with the previous method, this change increased depreciation of the "Chemicals-related material business" by 13,213 thousand yen, "Machine business" by 2,840 thousand yen and "Elimination or corporate" by 763 thousand yen. Operating expenses increased by 13,213 thousand yen in the "Chemicals-related material business," 2,840 thousand yen in the "Machine business" and 763 thousand yen in "Elimination or corporate", and operating income decreased by the same amount.

7. Additional information (FY3/08)

As mentioned in the section on "Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. (2)," following tax law revisions, the Company has adopted the revised Corporate Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporate Tax Law, is depreciated over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The difference is amortized by the straight-line method and is included in the depreciation expense. Compared with the previous method, this change increased depreciation expense of the "Chemicals-related material business" by 3,959 thousand yen, the "Machine business" by 154 thousand yen and "Elimination or corporate" by 73 thousand yen. Operating expenses increased by 3,959 thousand yen in the "Chemicals-related material business", 154 thousand yen in the "Machine business" and 73 thousand yen in "Elimination or corporate", and operating income decreased by the same amount.

## b. Geographical segment information

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Thousands of yen)

	Japan	Asia	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to outside customers	7,395,486	2,282,004	-	9,677,490	-	9,677,490
(2) Inter-segment sales and transfers	328,292	-	-	328,292	(328,292)	-
Total	7,723,779	2,282,004	-	10,005,783	(328,292)	9,677,490
Operating expenses	6,380,639	1,999,215	-	8,379,854	273,937	8,653,792
Operating income	1,343,139	282,788	-	1,625,928	(602,230)	1,023,698
II. Assets	5,732,598	2,440,864	135,806	8,309,269	1,209,213	9,518,483

Notes: 1. Countries and regions are classified by geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas

Asia: South Korea, Taiwan, China, Thailand

Other regions: Mexico

3. "Other regions" is included in geographical segments due to acquisition of consolidated subsidiary in Mexico in the current fiscal year.

4. Unallocated operating expenses (595,544 thousand yen) included in "Elimination or corporate" consist primarily of expenses related to the administration divisions, including the Management Planning, General Affairs and Accounting Divisions.

5. Corporate assets (1,687,588 thousand yen) included in "Elimination or corporate" consist primarily of cash and deposits, investment securities, and assets of the administration divisions at the Company.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Thousands of yen)

	Japan	Asia	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income (loss)						
Sales						
(1) Sales to outside customers	8,087,034	1,942,604	215,220	10,244,860	-	10,244,860
(2) Inter-segment sales and transfers	942,705	59,500	-	1,002,206	(1,002,206)	-
Total	9,029,740	2,002,105	215,220	11,247,066	(1,002,206)	10,244,860
Operating expenses	7,659,716	1,835,740	241,333	9,736,791	(179,103)	9,557,687
Operating income (loss)	1,370,023	166,364	(26,113)	1,510,275	(823,103)	687,172
II. Assets	6,837,542	2,255,515	147,379	9,240,437	1,611,238	10,851,675

Notes: 1. Countries and regions are classified by geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas

Asia: South Korea, Taiwan, China, Thailand, Vietnam

Other regions: Mexico

3. Unallocated operating expenses (767,357 thousand yen) included in “Elimination or corporate” consist primarily of expenses related to the administration divisions, including the President’ Office, General Affairs and Accounting Divisions.

4. Corporate assets (2,615,679 thousand yen) included in “Elimination or corporate” consist primarily of cash and deposits, investment securities, and assets of the administration divisions at the Company.

5. Change in accounting policy (FY3/08)

As mentioned in the section on “Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. (2),” following tax law revisions, the Company depreciates property, plant and equipment acquired on or after April 1, 2007 in line with methods prescribed in the revised Corporate Tax Law. Compared with the previous method, this change increased operating expenses in Japan by 16,054 thousand yen, “Elimination or corporate” by 763 thousand yen, and decreased operating income by the same amount.

6. Additional information (FY3/08)

As mentioned in the section on “Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. (2),” following tax law revisions, the Company has adopted the revised Corporate Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporate Tax Law, is depreciated over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The difference is amortized by the straight-line method and is included in the depreciation expense. Compared with the previous method, this change increased operating expenses in Japan by 4,113 thousand yen, “Elimination or corporate” by 73 thousand yen, and decreased operating income by the same amount.

## c. Overseas sales

Information on overseas sales for the two most recent fiscal years is as follows.

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Thousands of yen)

	Asia	Other regions	Total
I. Overseas sales	2,537,930	24,064	2,561,994
II. Consolidated sales	-	-	9,677,490
III. Share of overseas sales in consolidated sales (%)	26.2	0.3	26.5

Notes: 1. Countries and regions are classified by geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas

(1) Asia: South Korea, Taiwan, China, Thailand, Singapore, etc.

(2) Other regions: USA, Mexico

3. Overseas sales include sales of the Company and its consolidated subsidiary to customers in countries and areas outside Japan.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Thousands of yen)

	Asia	Other regions	Total
I. Overseas sales	2,070,559	220,839	2,291,399
II. Consolidated sales	-	-	10,244,860
III. Share of overseas sales in consolidated sales (%)	20.2	2.2	22.4

Notes: 1. Countries and regions are classified by geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas

(1) Asia: South Korea, Taiwan, China, Thailand, Singapore, etc.

(2) Other regions: USA, Mexico, Germany

3. Overseas sales include sales of the Company and its consolidated subsidiary to customers in countries and areas outside Japan.

**Related Party Transaction**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

Not applicable.

FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

Not applicable.

**Per Share Information**

(Yen)

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)		FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)	
Net assets per share	1,637.98	Net assets per share	1,643.38
Net income per share	288.40	Net income per share	90.79
Diluted net income per share	281.48	Diluted net income per share	89.85
The Company conducted a two-for-one stock split on April 1, 2006. Per share information calculated as if this split had occurred at the beginning of previous fiscal year is presented below.			
Net assets per share	1,403.73		
Net income per share	204.68		
Diluted net income per share	202.61		

Note: The following is a reconciliation of net income per share and diluted net income per share

(Thousands of yen)

	FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
Net income per share		
Net income	911,319	291,280
Net income not available to common shareholders	-	-
(Of which bonuses to directors in the appropriation of earnings)	(-)	(-)
Net income available to common stock	911,319	291,280
Average number of shares outstanding during the period	3,159 thousand shares	3,208 thousand shares
Diluted net income per share		
Adjusted net income	-	-
Increase in the number of common stock	77 thousand shares	33 thousand shares
(Of which stock acquisition rights)	(77 thousand shares)	(33 thousand shares)

**Material Subsequent Events**

FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)	FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)
<p>(Establishment of significant subsidiary) The Company has established a subsidiary in South Korea following the resolution approved at the Board of Directors on May 25, 2007.</p> <p>1. Purpose To reinforce sales efforts for the Company's products in South Korea.</p> <p>2. Summary of the subsidiary (1) Name: EBARA-UDYLITE (KOREA) CO., LTD. (2) Business: Manufacture and sale of surface treatment chemicals and machines (3) Established: June 21, 2007 (4) Capital: 1 billion won (138,440 thousand yen) (5) Equity ownership: Wholly owned by the Company</p> <p>(Significant loan) The Board of Directors approved the following significant loan on May 25, 2007.</p> <p>1. Use of funds Establishment of subsidiary in South Korea Acquisition of marketable securities Capital investments (mainly R&amp;D facilities)</p> <p>2. Name of lender Mizuho Bank , Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Yokohama, Ltd.</p> <p>3. Amount borrowed: 1,200,000 thousand yen</p> <p>4. Borrowing conditions Interest rate: 2.005% (fixed) Repayment method: equal monthly installments</p> <p>5. Borrowing date: June 7, 2007 6. Repayment deadline: May 31, 2012 7. Collateral: None</p>	<p style="text-align: center;">—————</p>

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*