

ANNUAL REPORT 2007
DAIICHI JITSUGYO CO., LTD.



PROFILE OF OUR COMPANY

A technology trading company featuring integrated sales and technical services, DAIICHI JITSUGYO CO., LTD., (DJK) markets production plants, machinery, and automation systems to a wide array of industrial sectors. Among its broad range of sales rights, the Company includes the products of many leading domestic and overseas machinery manufacturers in its marketing lineup.

The DJK Group comprises DJK, 20 subsidiaries and 4 affiliates globally. The Group works together to achieve the most efficient networks possible for the procurement and sales of manufactured goods. The Group's subsidiaries manufacture some of the products marketed by the Group.

Key consolidated subsidiaries within the DJK Group network are DAIICHI MECHA-TECH CORPORATION, providing after sale technical services and parts and developing new equipment and systems; DAIICHI JITSUGYO (AMERICA), INC., a strategic global partner with eight bases in North, Central and South America; SHANGHAI YISHI TRADING CO., LTD., a sales company with principal operations in the region around China; DJTECH CO., LTD., which develops, designs, and manufactures solder print inspection equipment; and DAIICHI JITSUGYO VISWILL CO., LTD., which develops, designs, and manufactures visual inspection systems for pharmaceuticals and chip condensers.*

In the fiscal year under reviews, several companies have been newly included in the scope of consolidation. They are DAIICHI JITSUGYO ASIA PTE. LTD., the regional manager for Southeast Asia; DAIICHI JITSUGYO (THAILAND) CO., LTD., a Thailand sales subsidiary; DAI-ICHI JITSUGYO (MALAYSIA) SDN. BHD., a Malaysia sales subsidiary; and DAIICHI JITSUGYO (PHILIPPINES), INC., a sales subsidiary in the Philippines.

Through 59 years of professional experience in world-wide sales and services for machinery and equipment, the DJK Group is globally recognized as a technical solutions provider for industry based on leading-edge products and technologies.

* DAIICHI JITSUGYO TECHNOLOGY CO., LTD., changed its name to DJTECH CO., LTD., effective April 1, 2007.

DAIICHI JITSUGYO CO., LTD.

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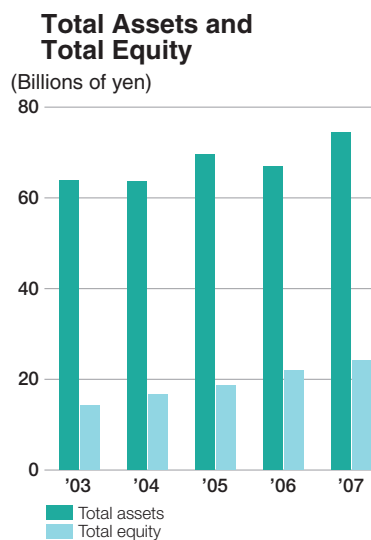
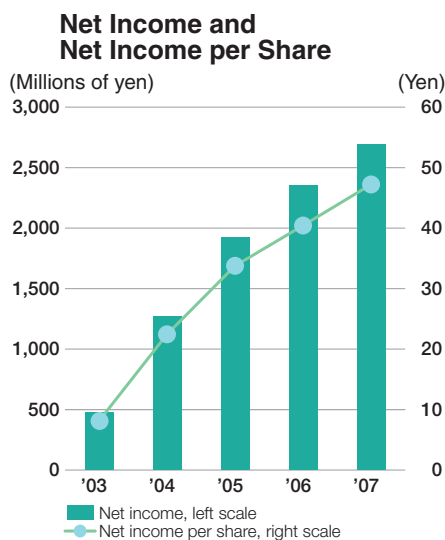
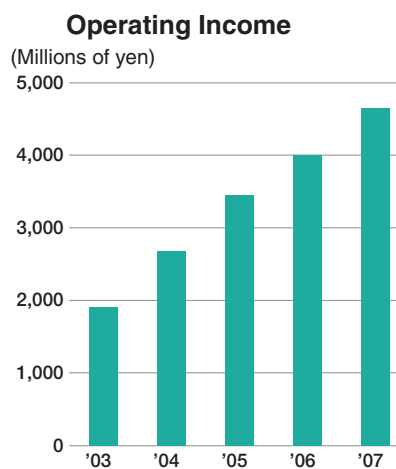
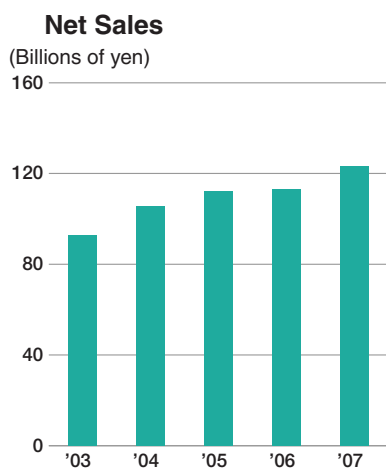
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CONSOLIDATED FINANCIAL HIGHLIGHTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
 Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. Dollars (*)
	2007	2006	2007
For the year:			
Net sales	¥123,336	¥112,861	\$1,044,778
Operating income	4,648	4,000	39,373
Net income	2,687	2,355	22,764
At the year-end:			
Total assets	¥74,267	¥66,875	\$629,115
Total equity	24,151	21,911	204,584
Per share of common stock (in yen and U.S. dollars):			
Net income	¥47.27	¥40.43	\$0.40
Cash dividends applicable to the year	13.00	11.00	0.11

(*) U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥118.05 to U.S.\$1.



TO OUR STAKEHOLDERS

In the fiscal year ended March 2007, supported by steady economic expansion worldwide, Japan's economy continued its mild recovery driven by private sector capital investment and an improvement in the labor environment. The sharp hike in the prices of crude oil and other raw materials, rising interest rates, and heightened regional political risk, however, have been cause for concern, resulting in continued uncertainty about the direction of Japan's economy.

Under these circumstances, the directors and employees of the DJK Group focused their energies on sales activities. As a result, consolidated orders climbed 24.4%, to ¥146.0 billion, while net sales rose 9.3%, to ¥123.3 billion. Profitability also improved, with ordinary income increasing ¥0.65 billion, to ¥4.8 billion and consolidated net income rising to ¥2.69 billion, increasing ¥0.33 billion from the previous fiscal year.

Despite the expected continuation of its mild economic recovery, the price hikes in crude oil and raw materials, rising interest rates, and heightened regional political risk are a concern for Japan's economy. Moreover, the uncertainty of the direction of the U.S. economy and intensifying competition between countries and companies make the future difficult to predict.

In response to these business conditions, the DJK Group has launched GET 2009, a new mid-term management plan, to insure its survival amid the increasingly severe global competition. The plan covers the three-year period from April 2007 to March 2010.

Guided by the corporate vision and basic strategies of GET 2009, we are steadily implementing the following specific plans.

- To respond to customer needs, promote the necessary localization of subsidiaries based on our regional head office companies in Southeast Asia, China, North, Central and South America, and Europe and strengthen the ties between our domestic and overseas networks to expand our business.
- Further encourage the partnerships among Group companies and aim for improvement in performance through collaboration and greater synergies.
- Record additional improvements in Group profitability through active investment of business resources to develop new businesses and obtain new sales agency rights.
- Achieve greater liquidity of assets, hedge collection risks on overseas receivables, and make effective use of the Group's capital on a global level to further strengthen DJK Group's financial structure.

Among our other globalization efforts, we ensure that our directors and employees comply with laws and regulations as well as social standards by requiring them to follow our DJK Business Practices Regulations in their business activities. We are also committed to fulfilling our responsibility as a corporate citizen by contributing to society as a whole.



Kunihiro Yano
President & CEO



President & CEO
Kunihiro Yano

MESSAGE FROM THE PRESIDENT



In the fiscal year ended March 2007, various factors contributed to record operating income and net income. Manufacturing subsidiaries added to the Group through acquisitions, effective sales conducted with service subsidiaries that offer everything from maintenance to proposing equipment layout, and our promotion of solution sales produced the following performance result.

Net sales	¥123.3 billion (up 9.3%)
Operating income	¥4.6 billion (up 16.2%)
Net income	¥2.7 billion (up 14.1%)

Organizationally, we further strengthened our overseas strategy, establishing a 4-axis worldwide network. Enabling us to respond to the needs of Japanese corporations in overseas markets, this overseas network was one of the factors of profit growth.

Old Three-Year Mid-Term Management Plan

The fiscal year ended March 31, 2007 was the final year of the mid-term management plan WIN 2006. Our performance record regarding the goals of the plan was as follows.

	Billions of yen		
	Target FY2007/3	Actual FY2007/3	Success Rate
Net sales	¥150.0	¥123.3	82.2%
Operating income	¥ 4.2	¥ 4.6	109.5%
Net income	¥ 2.3	¥ 2.7	117.4%
Shareholders' equity	¥ 19.0	¥ 23.9	125.8%
Return on equity	12.1%	11.7%	
Debt equity ratio	0.80times	0.19times	

Unfortunately we did not reach our sales target because major orders received by the Energy, Engineering, and other businesses were lower than expected. However, thanks to an increase in the relatively profitable small and

medium-sized orders, we did clear our profitability targets.

Our performance on our long-term targets was supported by our M&A record, the construction of the 4-axis global network, and our revisions of the business portfolio.

Our new mid-term management plan has been designed based on the results of WIN 2006, and will guide our efforts to achieve further development and growth.

New Three-Year Mid-Term Management Plan

Our corporate slogan for the new mid-term management plan is GET 2009, the short form of "Global Expansion for the Top 2009." It stands for decision to aim for the top of our industry in expanding globally, and for our commitment to work together as a Group in achieving goals and improving performance.

Our performance goals for the final year of the three-year plan have been set as follows.

	Billions of yen	
	Reference FY2007/3	Target FY2010/3
Net sales	¥123.3	¥170.0
Operating income	¥ 4.6	¥ 6.5
Net income	¥ 2.7	¥ 3.7
Shareholders' equity	¥ 23.9	¥ 28.5
Return on equity	11.7%	13.3%
Debt equity ratio	0.19times	0.41times

The new mid-term management plan, GET 2009, was built upon the sales proposal capabilities and strengthened corporate structure developed under the previous plan WIN 2006. The fundamental concept and underlying strategies are as follows.

1. Strengthening Business Earning Power
 - Accelerate overseas business development and reinforce consolidated business base.
 - Nurture and strengthen core business.
 - Appropriately allocate business resources.
2. Increasing Consolidated Corporate Value
 - Effectively use Group business resources and strengthen financial structure.
 - Create and efficiently use a global network.
 - Develop and effectively use human resources globally.
3. Establishing and Reinforcing a Good Management Structure
 - Build greater transparency in management and a feeling of Group unity.
 - Take corporate society responsibility (CSR) into consideration in managing business.

Of these three themes, we will be giving top priority to strengthening business earning power.

Strengthening Business Earning Power

- Accelerate overseas business development and reinforce consolidated business base.
 - Quickly establish a BRICs business base using our 4-axis global network.
 - Maximize synergies by aggressive implementation of Group strategies.
- Nurture and strengthen core business
 - Early development of businesses that are to be core businesses of Group.
 - Strengthen earning power through aggressive business development, including M&A.

The key to achieving our performance goals is clearly moving rapidly to develop overseas markets. For that purpose, we believe it is important to quickly build a business base in BRICs markets based on our 4-axis global network.

We are utilizing our 4-axis network to set up our BRICs business bases as follows.

To start with, in Brazil we already have a local subsidiary in Sao Paulo. DAIICHI JITSUGYO (AMERICA), INC., will be our base for our development of this market, which we have expanded to include Mexico.

For Russia, we plan to set up an office in Poland under the control of our European Business Operations Division. From that base, we will aim to enter the Russian market.

In India, we already have set up a Delhi office under the control of DAIICHI JITSUGYO ASIA PTE. LTD., our regional head office subsidiary in Singapore. DAIICHI JITSUGYO ASIA PTE. LTD., will also serve as a base to assist with the development of the Indian market.

Finally, for China, we converted our Hong Kong branch into a local subsidiary. In future, a local subsidiary in Hong

Kong or Shanghai will be made the regional head office company and be responsible for dealing with all of China.

Basic Concepts Behind Numerical Targets

Trends in Japan and Worldwide

- Stable growth by the automotive industry
- Continued economic growth in Japan
- Continued economic expansion in global economy
- Increased resource development because of high oil prices

Major Points of Emphasis in Businesses

Business Categories: Oil, chemicals, engineering; pulp & paper; electronics, information, visual consumer electronics and automobile-related

Regions

Asia: China, Korea, India, Vietnam

Europe: Hungary, Poland

Americas: Brazil, Mexico

Products: Oil & gas exploration and refining plants and chemical plants; paper and pulp-related plants (paper and pulp making); injection molding machines, peripheral equipment (automobiles, consumer electronics, mobile phones); surface mounting equipment and inspection equipment (LCD-related consumer electronics, mobile phones, personal computers)

In the planning of the three-year mid-term management plan, among the forecasts of trends for the automotive industry in Japan and the world, we considered that cars would adapt to alternate fuel sources, the introduction of a variety of control systems to increase safety, and the greater use of electronics in automobiles.

Our view of the global economy is for continued growth in short to medium term despite some emerging limitations to growth in the U.S. economy, with the euro-zone driving the world economy.

In Japan, we feel that capital investment in pulp and paper-related plants and in petrochemical and chemical plants will continue. There will be increased use of bioethanol and other alternate energy sources, but we expect oil prices to remain high, and go even higher in some areas. Consequently, natural resource exploration and development should continue.

Based on the above analysis, we will aim to reach our performance targets by focusing on the previously mentioned business categories, regions, and products.



Kunihiro Yano
President & CEO

FINANCIAL REVIEW

Overview

During the fiscal year ended March 31, 2007, supported by steady economic expansion worldwide, Japan's economy continued its mild recovery driven by private sector capital investment and an improvement in the labor environment. Although there has been economic improvement, the hikes in the prices of crude oil and other raw materials and greater regional political risk have had a significance influence on the world economy, leaving continued uncertainty about the direction of Japan's economy.

Under these circumstances, consolidated net sales climbed ¥10,475 million, or 9.3%, to ¥123,336 million. Looking at profitability, operating income rose ¥648 million, or 16.2%, to ¥4,648 million, while ordinary income increased ¥652 million, or 15.7%, to ¥4,798 million. Net income advanced ¥333 million, to ¥2,687 million.

Performance by Business Segment

Machinery-Related Business

Sales for energy development, oil and gas refining, and chemicals fields were low because of the lack of large orders for natural gas development exploration drilling services and related equipment and for plants and related equipment. On the other hand, sales of semiconductor testing equipment grew because of the strong automobile-equipment-related demand in Japan and overseas. Sales of plastics-related equipment were favorable because of the strong demand for compact plastic injection molding machines and film and sheet processing equipment for use in manufacturing automotive parts. Sales of pulp and paper-related and pharmaceutical-related both rose on the strength of firm sales of expanded pulp production facilities and paper-making machinery-related equipment and pharmaceutical filling and tablet/capsule inspection equipment. In total, net sales increased ¥10,608 million, or 10.0%, to ¥117,033 million. Operating income advanced ¥648 million, or 17.2%, to ¥4,411 million.

Material-Related Business

Net sales declined ¥232 million, or 4.0%, to ¥5,602 million. Operating income climbed ¥8 million, or 11.9%, ¥75 million.

Other

Net sales increased ¥99 million, or 16.5%, to ¥701 million, net operating income fell ¥8 million, or 4.5%, ¥162 million.

Financial Position

At March 31, 2007, total assets amounted to ¥74,267 million, increasing ¥7,392 million year on year. The increase

can be attributed to higher levels of cash and deposits, increases in notes and accounts receivables because of sales growth, and increases in pre-payments for plants made by customers upon signing contracts.

Total liabilities amounted to ¥50,116 million, rising ¥5,156 million from the previous fiscal year. The main factors were a decrease in loans because of repayment, an increase in notes and accounts payable similar to that of receivables, and increases in notes payable and pre-payments for plants made by customers upon signing contracts because of the last day of the fiscal year being a business holiday.

Total equity amounted to ¥24,151 million. Looking at a breakdown, retained earning totaled ¥12,752 million (¥10,489 million on a non-consolidated basis) and shareholders' capital was ¥21,511 million (¥19,247 million on a non-consolidated basis). The equity ratio was 32.2%.

Despite continued repayments of loans, the substantial increase in net cash provided by operating activities pushed up cash and cash equivalents by ¥1,731 million. In addition, the inclusion in consolidation of DAIICHI JITSUGYO ASIA PTE. LTD. and three other subsidiaries from ASEAN countries resulted in cash and cash equivalents increasing ¥485 million. Cash and cash equivalents, end of year for the period under review amounted to ¥7,759 million, increasing 2,217 million year on year.

Consolidated cash flows by activity for the fiscal year ended March 2007 were as follows:

Net cash provided by operating activities

Net cash provided by operating activities totaled ¥6,493 million, principally because such expenses as income taxes paid and increases advanced payments to suppliers were offset by revenues from income before income taxes and minority interests and an increase in advances from customers.

Net cash used in investing activities

Net cash used in investing activities totaled ¥656 million, mainly because of expenditures for investment in fixed bank deposits with terms of three months or greater and for the acquisition of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities totaled ¥4,235 million, primarily because of expenses for decrease in short-term bank loans and for the payment of dividends.

CONSOLIDATED FIVE-YEAR SUMMARY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen					Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2004	2003	2007
For the year:						
Net sales:	¥123,336	¥112,861	¥112,018	¥105,462	¥92,979	\$1,044,778
Machinery	117,033	106,425	103,955	97,342	82,838	991,384
Materials	5,602	5,834	7,411	7,318	8,816	47,457
Other	701	602	652	802	1,325	5,937
Gross profit	17,054	14,838	13,070	11,137	9,829	144,462
Operating income:	4,648	4,000	3,445	2,672	1,901	39,373
Machinery	4,411	3,764	3,197	2,516	1,729	37,367
Materials	75	67	67	36	47	637
Other	162	169	181	120	124	1,369
Net income	2,687	2,355	1,920	1,272	478	22,764
Overseas sales:	43,592	39,819	41,764	36,033	23,965	369,270
Asia	34,048	31,430	31,962	30,057	18,742	288,418
Europe	3,157	3,036	2,069	1,501	654	26,742
North and Central America	5,124	4,572	6,167	4,068	3,590	43,407
Other	1,263	781	1,568	406	979	10,703
Depreciation and amortization	366	378	395	423	1,003	3,103
Capital expenditures	574	238	179	256	890	4,860
At the year-end:						
Total assets	¥ 74,267	¥ 66,875	¥ 69,520	¥ 63,566	¥63,843	\$ 629,115
Working capital	15,002	12,276	10,443	9,151	7,419	127,083
Interest-bearing debt	4,550	8,235	15,903	13,837	10,622	38,547
Total equity	24,151	21,911	18,556	16,708	14,186	204,584
Per share of common stock (in yen and U.S. dollars):						
Net income	¥ 47.27	¥ 40.43	¥ 33.73	¥ 22.50	¥ 8.11	\$ 0.40
Cash dividends	13.0	11.0	9.0	9.0	6.0	0.11
Equity	420.00	384.33	328.20	302.77	261.60	3.56
Other statistics:						
Outstanding number of shares of common stock (thousand)	56,857	56,846	56,390	55,048	54,097	
Number of employees	892	760	651	577	553	
Key ratio (%):						
Gross profit margin	13.8	13.1	11.7	10.6	10.6	
Operating income margin	3.8	3.5	3.1	2.5	2.0	
Return on sales	2.2	2.1	1.7	1.2	0.5	
Return on assets	3.8	3.5	2.8	2.0	0.8	
Return on equity	11.7	11.6	10.9	8.2	3.3	
Assets turnover (times)	1.75	1.65	1.61	1.66	1.55	
Current ratio	131.4	129.1	121.4	120.5	115.5	
Equity ratio	32.2	32.8	26.7	26.3	22.2	
Debt to equity ratio (times)	0.19	0.38	0.86	0.83	0.75	

Notes: 1. U.S. dollar figures have been converted from Japanese yen, for convenience only, at the rate of ¥118.05 to U.S.\$1.
2. Minority interests in equity have been excluded from equity when key ratio is calculated.

CONSOLIDATED BALANCE SHEETS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 7,759	¥ 5,543	\$ 65,730
Time deposits	267		2,259
Receivables:			
Notes receivable	6,760	6,295	57,265
Accounts receivable	35,940	34,571	304,447
Unconsolidated subsidiaries and associated companies	40	107	340
Other	933	768	7,903
Allowance for doubtful receivables	(24)	(29)	(206)
Inventories (Note 4)	2,635	3,178	22,323
Deferred tax assets (Note 10)	529	470	4,484
Accounts prepaid	7,530	2,794	63,787
Other current assets	382	708	3,228
Total current assets	62,751	54,405	531,560
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	643	644	5,445
Buildings and structures	1,326	1,282	11,235
Machinery and equipment	475	197	4,029
Furniture and fixtures	479	406	4,055
Leased assets (Note 13)	2,260	2,533	19,146
Construction in progress		20	
Total	5,183	5,082	43,910
Accumulated depreciation	(3,108)	(3,009)	(26,330)
Net property, plant and equipment	2,075	2,073	17,580
INVESTMENT AND OTHER ASSETS:			
Investment securities (Note 3)	7,783	8,597	65,929
Investment in and advances to unconsolidated subsidiaries and associated companies	395	390	3,345
Goodwill	316	421	2,677
Deferred tax assets (Note 10)	85	124	721
Other assets	1,100	1,089	9,319
Allowance for doubtful accounts	(238)	(224)	(2,016)
Total investment securities and other assets	9,441	10,397	79,975
TOTAL	¥74,267	¥66,875	\$629,115

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 3,644	¥ 7,180	\$ 30,871
Current portion of long-term debt (Note 6)	150	149	1,268
Payables:			
Notes payable	7,560	7,284	64,044
Accounts payable	25,230	22,643	213,723
Unconsolidated subsidiaries and associated companies	229	219	1,939
Other	22	21	189
Income taxes payable	1,014	1,072	8,588
Accrued expenses	1,187	941	10,059
Advance received	8,518	2,450	72,159
Other current liabilities	195	170	1,637
Total current liabilities	47,749	42,129	404,477
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	756	906	6,408
Liability for retirement benefits (Note 7)	394	351	3,337
Deferred tax liabilities (Note 10)	1,215	1,573	10,294
Other long-term liabilities	2	1	15
Total long-term liabilities	2,367	2,831	20,054
MINORITY INTERESTS			
		4	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 8 and 16)			
Common stock,			
authorized, 160,000,000 shares;			
issued, 57,432,000 shares in 2007 and 2006	5,105	5,105	43,244
Capital surplus	3,792	3,792	32,125
Retained earnings	12,752	10,384	108,026
Unrealized gain on available-for-sale securities	2,335	2,822	19,782
Deferred gain on derivatives under hedge accounting	15		122
Foreign currency translation adjustments	20	(68)	169
Treasury stock-at cost,			
575,271 shares in 2007 and 586,201 shares in 2006	(139)	(124)	(1,179)
Total	23,880	21,911	202,289
Minority interests	271		2,295
Total equity	24,151	21,911	204,584
TOTAL	¥74,267	¥66,875	\$629,115

CONSOLIDATED STATEMENTS OF INCOME

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥123,336	¥112,861	\$1,044,778
COST OF SALES	106,282	98,023	900,316
Gross profit	17,054	14,838	144,462
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	12,406	10,838	105,089
Operating income	4,648	4,000	39,373
OTHER INCOME (EXPENSES):			
Interest and dividend income	157	160	1,327
Interest expense	(105)	(163)	(893)
Purchase discount	222	242	1,879
Gain on sales of investment securities	19	144	158
Impairment loss (Note 5)		(290)	
Other – net	(192)	(63)	(1,619)
Other income – net	101	30	852
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,749	4,030	40,225
INCOME TAXES (Note 10):			
Current	2,054	1,852	17,402
Deferred	(46)	(181)	(392)
Total income taxes	2,008	1,671	17,010
MINORITY INTERESTS IN NET INCOME	54	4	451
NET INCOME	¥ 2,687	¥ 2,355	\$ 22,764

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.q and 16)			
Basic net income	¥47.27	¥40.43	\$0.40
Diluted net income	47.10	40.20	0.40
Cash dividends applicable to the year	13.00	11.00	0.11

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2007 and 2006

	Thousands				Millions of yen							
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity	
BALANCE, APRIL 1, 2005	56,390	¥5,105	¥3,790	¥ 8,731	¥1,263		¥(149)	¥(184)	¥18,556		¥18,556	
Net income				2,355					2,355		2,355	
Cash dividends, ¥9.00 per share				(508)					(508)		(508)	
Bonuses to directors				(49)					(49)		(49)	
Adjustment of retained earning for newly consolidated subsidiaries				(145)					(145)		(145)	
Purchase of treasury stock	(54)							(27)	(27)		(27)	
Disposal of treasury stock	510		2					87	89		89	
Net increase in unrealized gain on available-for-sale securities					1,559				1,559		1,559	
Net change in foreign currency translation adjustments							81		81		81	
BALANCE, MARCH 31, 2006	56,846	5,105	3,792	10,384	2,822		(68)	(124)	¥21,911		¥21,911	
Reclassified balance as of March 31, 2006 (Note 2.h)										¥ 4	4	
Adjustment of retained earning for newly consolidated subsidiaries				364					364		364	
Adjustment of retained earning due to exclusion of a subsidiary from consolidation				5					5		5	
Net income				2,687					2,687		2,687	
Cash dividends, ¥11.00 per share				(625)					(625)		(625)	
Bonuses to directors				(63)					(63)		(63)	
Purchase of treasury stock	(41)							(24)	(24)		(24)	
Disposal of treasury stock	52		0					9	9		9	
Net change in the year					(487)	¥15	88		(384)	267	(117)	
BALANCE, MARCH 31, 2007	56,857	¥5,105	¥3,792	¥12,752	¥2,335	¥15	¥ 20	¥(139)	¥23,880	¥271	¥24,151	

	Thousands of U.S. Dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity	
BALANCE, MARCH 31, 2006	\$43,244	\$32,120	\$ 87,963	\$23,902		\$(577)	\$(1,045)	\$185,607		\$185,607	
Reclassified balance as of March 31, 2006 (Note 2.h)									\$ 36	36	
Adjustment of retained earning for newly consolidated subsidiaries			3,088					3,088		3,088	
Adjustment of retained earning due to exclusion of a subsidiary from consolidation			42					42		42	
Net income			22,764					22,764		22,764	
Cash dividends, \$0.09 per share			(5,297)					(5,297)		(5,297)	
Bonuses to directors			(534)					(534)		(534)	
Purchase of treasury stock							(202)	(202)		(202)	
Disposal of treasury stock		5					68	73		73	
Net change in the year				(4,120)	\$122	746		(3,252)	2,259	(993)	
BALANCE, MARCH 31, 2007	\$43,244	\$32,125	\$108,026	\$19,782	\$122	\$169	\$(1,179)	\$202,289	\$2,295	\$204,584	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,749	¥ 4,030	\$40,225
Adjustments for:			
Income taxes-paid	(2,170)	(1,751)	(18,384)
Depreciation and amortization	366	378	3,103
Impairment loss		290	
Amortization of goodwill	105	105	892
Changes in operating assets and liabilities:			
(Decrease) increase in notes and accounts receivable-trade	(1,566)	2,233	(13,265)
Increase in advance payments to suppliers	(4,660)	(1,229)	(39,476)
Decrease (increase) in inventories	674	(124)	5,707
Increase (decrease) in notes, acceptance and accounts payable-trade	2,725	(56)	23,086
Increase in advances from customers	6,036	423	51,131
Decrease in interest and dividends receivable	(3)	(32)	(26)
Decrease in interest payable	(10)	(15)	(82)
Other – net	247	(1,282)	2,091
Total adjustments	1,744	(1,060)	14,777
Net cash provided by operating activities	6,493	2,970	55,002
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	(385)	(97)	(3,262)
Proceeds from sales of property, plant and equipment	17	10	144
Acquisition of marketable and investment securities	(85)	(306)	(723)
Payment for purchase of consolidated subsidiaries, net of cash acquired	(13)	(1,043)	(106)
Proceeds from sales of marketable and investment securities	0	334	3
Increase in loans receivable	(40)	(93)	(340)
Collection of loans receivable	25	69	213
Other – net	(175)	(2)	(1,482)
Net cash used in investing activities	(656)	(1,128)	(5,553)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans-net	(3,445)	(7,614)	(29,180)
Repayment of long-term debt	(149)	(149)	(1,264)
Purchase of treasury stock	(25)	(27)	(212)
Disposal of treasury stock	9	90	73
Dividends paid	(625)	(507)	(5,293)
Net cash used in financing activities	(4,235)	(8,207)	(35,876)
FOREIGN CURRENCY TRANSLATIONS ADJUSTMENT ON CASH AND CASH EQUIVALENTS	129	113	1,094
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,731	(6,252)	14,667
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	485	327	4,110
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,543	11,468	46,953
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,759	¥ 5,543	\$65,730

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DAIICHI JITSUGYO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2007 include the account of the Company and its 9 significant (6 in 2006) subsidiaries (together, the "Group"). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

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

The excess of cost of the Company's investments in consolidated subsidiaries over its equity in the fair value of the net assets at the respective dates of acquisition ("Goodwill"), is being amortized on a straight-line basis over 5 years.

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

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Inventories

Inventories are principally stated at cost, as determined by the first-in, first-out method.

d. Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

- i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and
- ii) available-for-sale securities, which are not classified as either of aforementioned securities, are reported at the fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment

Property, plant and equipment, except for those acquired with a government subsidy, are stated at cost. Under certain conditions, such as acquisition of property, plant and equipment with a government subsidy, Japanese tax laws permit companies to defer the profit from such government subsidy by reducing the cost of assets acquired or by providing a special reserve in equity. The carrying amount of property, plant and equipment acquired with a government subsidy which has been reduced by a government subsidy as of March 31, 2007 was ¥64 million (\$546 thousand). Depreciation of property, plant and equipment of the Company and consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets. The range of useful lives is principally from 2 to 50 years for buildings, and from 2 to 17 years for machinery, equipment and vehicles.

f. Long-lived Assets

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

g. Retirement and Pension Plans

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors of the Company and certain domestic consolidated subsidiary are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

i. Research and Development Costs

Research and development costs are charged to income as incurred.

j. Leases

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

k. Bonuses to Directors and Corporate Auditors

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

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

The Company adopted the new accounting standard for bonuses to directors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥81 million (\$687 thousand).

l. Income Taxes

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

m. Appropriations of Retained Earnings

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

n. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows : a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purpose, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

q. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

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

r. New Accounting Pronouncements

Measurement of Inventories

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

Lease Accounting

On March 31, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

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

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

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

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

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

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

3. INVESTMENT SECURITIES

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

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current			
Marketable equity securities	¥6,833	¥7,656	\$57,884
Government and corporate bonds	14	13	116
Other	936	928	7,929
Total	¥7,783	¥8,597	\$65,929

Government and corporate bonds are a mortgage for guarantee of dealings.

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

March 31, 2007	Millions of yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,904	¥4,076	¥147	¥6,833
Held-to-Maturity	14	1		15

March 31, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,903	¥4,753		¥7,656
Held-to-Maturity	13			13

March 31, 2007	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	\$24,604	\$34,526	\$1,246	\$57,884
Held-to-Maturity	116	9		125

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

	Carrying amount		Thousands of U.S. Dollars
	Millions of yen	2006	
	2007		2007
Available-for-sale:			
Equity securities	¥936	¥928	\$7,929
Total	¥936	¥928	\$7,929

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥0 million (\$3 thousand) and ¥327 million, respectively. Gross realized gain on these sales, computed on the moving average cost basis, was ¥0 million (\$1 thousand) for the year ended March 31, 2007, and gross realized gain were ¥144 million for the year ended March 31, 2006.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2007 are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	
			2007
Held-to-maturity:			
Due after five years through ten years	¥15	¥15	\$127
Total	¥15	¥15	\$127

4. INVENTORIES

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

	Millions of yen		Thousands of
	2007	2006	U.S. Dollars
Merchandise	¥1,465	¥2,079	\$12,411
Finished products	8	12	70
Work in process	1,089	1,023	9,221
Raw materials and supplies	73	64	621
Total	¥2,635	¥3,178	\$22,323

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2006 and, as a result, recognized an impairment loss of ¥290 million as impairment loss for the idle land which the Group has in Tokyo due to a remarkable fall of the fair value and the carrying amount of that land was written down to the recoverable amount for the year ended March 31, 2006. The recoverable amount of that land was measured at its net clearance price by appraisal of real estate evaluation. No impairment loss was recognized in the year ended March 31, 2007.

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

Short-term bank loans at March 31, 2007 and 2006 consisted of notes to bank and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.18% to 6.51% and 0.59% to 6.10% at March 31, 2007 and 2006, respectively.

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

	Millions of yen		Thousands of
	2007	2006	U.S. Dollars
Loans from banks and other financial institutions, due serially to 2013 with interest rates ranging from 1.53% to 1.75% (2007) and from 1.53% to 1.75% (2006):			
Unsecured	¥906	¥1,055	\$7,676
Less current portion	(150)	(149)	(1,268)
Long-term debt, less current portion	¥756	¥ 906	\$6,408

Annual maturities of long-term debt as of March 31, 2007 were as follows:

Year ending March 31:	Millions of yen	Thousands of
		U.S. Dollars
2008	¥150	\$1,268
2009	150	1,273
2010	151	1,277
2011	151	1,282
2012	152	1,286
2013	152	1,290
Total	¥906	\$7,676

In order to procure operating fund efficiently and stably, loan commitment has been signed on July 25, 2005 with 5 banks. Unused credit balance as of March 31, 2007 is as follows:

	Millions of yen	Thousands of
		U.S. Dollars
Maximum amount of the loan commitment	¥13,000	\$110,123
Amount loaned	3,000	25,413
Unused credit balance	¥10,000	\$ 84,710

7. RETIREMENT AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. The Company might pay the premium severance on termination of employment.

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The liability for retirement benefits for directors and corporate auditors are ¥234 million (\$1,986 thousand) and ¥193 million at March 31, 2007 and 2006, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥(2,230)	¥(2,223)	\$(18,890)
Fair value of plan assets	1,771	1,713	14,998
Unrecognized actuarial gain	299	352	2,541
Net liability	¥ (160)	¥ (158)	\$ (1,351)

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

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥168	¥140	\$1,422
Interest cost	44	52	375
Expected return on plan assets	(43)	(34)	(363)
Recognized actuarial loss	39	48	330
Premium severance pay	29	41	247
Total	¥237	¥247	\$2,011

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

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
Recognition period of actuarial gain/loss	14 years	14 years

8. EQUITY

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

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

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

9. STOCK OPTIONS

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	236	1,660,000	2002.10.18	¥153	From July 1 2003
	Persons	Shares		(\$1.30)	To June 30 2010

2002
Stock Option
(Shares)

For the year ended March 31, 2006		
<u>Non-vested</u>		
March 31, 2005-Outstanding		
Granted		
Canceled		
Vested		
March 31, 2006-Outstanding		
<u>Vested</u>		
March 31, 2005-Outstanding		664,000
Vested		
Exercised		361,000
Canceled		
March 31, 2006-Outstanding		303,000
For the year ended March 31, 2007		
<u>Non-vested</u>		
March 31, 2006-Outstanding		
Granted		
Canceled		
Vested		
March 31, 2007-Outstanding		
<u>Vested</u>		
March 31, 2006-Outstanding		303,000
Vested		
Exercised		50,000
Canceled		
March 31, 2007-Outstanding		253,000
Exercise price		¥153
		(\$1.30)
Average stock price at exercise		¥611
		(\$5.18)

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful receivables	¥ 83	¥ 78	\$ 704
Allowance for bonus payable	261	248	2,214
Pension and severance costs	171	148	1,447
Goodwill	86	129	729
Impairment loss	118	118	999
Tax loss carry forwards	1	44	12
Other	449	386	3,800
Less valuation allowance	(134)	(167)	(1,134)
Total	¥ 1,035	¥ 984	\$ 8,771
Deferred tax liabilities:			
Deferred gain on sales of property	¥ (27)	¥ (29)	\$ (233)
Unrealized gain on available- for-sale securities	(1,601)	(1,934)	(13,560)
Other	(8)		(67)
Total	¥(1,636)	¥(1,963)	\$(13,860)
Net deferred tax liabilities	¥ (601)	¥ (979)	\$ (5,089)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	3.7	4.5
Exclusion from charges against revenue	(1.3)	(0.7)
Lower income tax rates applicable to income in certain foreign countries	(1.4)	(1.1)
Overseas income deductible for enterprise tax	(0.6)	(1.1)
Less valuation allowance	(1.3)	(2.3)
Other-net	2.5	1.5
Actual effective tax rate	42.3%	41.5%

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2007 and 2006 principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Salaries and fee	¥4,516	¥4,079	\$38,253
Retirement benefit cost	232	240	1,969
Depreciation and amortization	92	77	776
Amortization of Goodwill	105	105	892
Research and development costs	122	51	1,036
Rental expense	1,043	940	8,837

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥122 million (\$1,036 thousand) for the year ended March 31, 2007.

13. LEASES

(1) As Lessee

The Group rents computer equipment and other assets by lease.

Total lease payments under finance for the years ended March 31, 2007 and 2006 were ¥76 million (\$643 thousand) and ¥65 million, respectively.

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

	Millions of yen					
	2007			2006		
	Furniture and Fixtures	Others	Total	Furniture and Fixtures	Others	Total
Acquisition cost	¥189	¥151	¥340	¥226	¥125	¥351
Accumulated depreciation	103	63	166	134	55	189
Net leased property	¥ 86	¥ 88	¥174	¥ 92	¥ 70	¥162

	Thousands of U.S. Dollars		
	2007		
	Furniture and Fixtures	Others	Total
Acquisition cost	\$1,603	\$1,277	\$2,880
Accumulated depreciation	870	533	1,403
Net leased property	\$ 733	\$ 744	\$1,477

Obligations under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 74	¥ 59	\$ 627
Due after one year	103	104	871
Total	¥177	¥163	\$1,498

Depreciation expense, interest expense and other information under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥76	¥64	\$643
Interest expense	1	1	9
Total	¥77	¥65	\$652

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

(2) As Lessor

The Group leases machinery, equipment and other assets.

Total lease receipts under finance for the years ended March 31, 2007 and 2006 were ¥285 million (\$2,414 thousand) and ¥388 million, respectively.

Information of leased property such as acquisition cost and accumulated depreciation for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen					
	2007			2006		
	Machinery and Equipment	Others	Total	Machinery and Equipment	Others	Total
Acquisition cost	¥1,973	¥106	¥2,079	¥2,159	¥107	¥2,266
Accumulated depreciation	1,689	68	1,757	1,681	96	1,777
Net leased property	¥ 284	¥ 38	¥ 322	¥ 478	¥ 11	¥ 489

	Thousands of U.S. Dollars		
	2007		
	Machinery and Equipment	Others	Total
Acquisition cost	\$16,716	\$895	\$17,611
Accumulated depreciation	14,308	579	14,887
Net leased property	\$ 2,408	\$316	\$ 2,724

Obligations under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥173	¥204	\$1,464
Due after one year	209	277	1,772
Total	¥382	¥481	\$3,236

Depreciation expense, interest received under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥185	¥239	\$1,570
Interest received	16	27	138
Lease received	¥285	¥388	\$2,414

Depreciation expense is computed by the straight-line method.

Interest received is computed by the interest method, and total interest during the lease period is amount in which acquisition cost is deducted from total lease receipts.

14. DERIVATIVES

The Group enters into derivative contracts, including foreign exchange forward contracts, and interest swap contracts to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading purposes. Derivatives are subject to market risk and credit risk. Market risk is the exposures created by potential fluctuations in market conditions, including in changes in interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

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

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

All derivatives are qualified for hedge accounting and the market value information is omitted.

15. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. Dollars
Trade notes discounted	¥34	\$288
Guarantees and similar items of bank loans	24	206

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
For the year ended March 31, 2007	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥2,687	56,846	¥47.27	\$0.40
Effect of Dilutive Securities				
Warrants		209		
Diluted EPS				
Net income for computation	¥2,687	57,055	¥47.10	\$0.40
For the year ended March 31, 2006				
Basic EPS				
Net income available to common shareholders	¥2,291	56,681	¥40.43	
Effect of Dilutive Securities				
Warrants		323		
Diluted EPS				
Net income for computation	¥2,291	57,004	¥40.20	

17. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2007 were approved at the shareholders meeting of the Company and certain domestic consolidated subsidiary held on June 2007:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13 (\$0.11) per share	¥739	\$6,261

18. SEGMENT INFORMATION

The Company operates in the following industries:

Machinery: Various machinery, equipment and parts; their repair and maintenance; and overhauling.

Materials: Various pipe materials, metallic materials and plastic materials; and chemical products.

Other: Various machinery and real estate leasing; real estate agency; insurance agency; and others.

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2007 and 2006, is as follows:

(1) Industry Segments

a. Sales and Operating Income

Millions of yen					
2007					
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥117,033	¥5,602	¥701		¥123,336
Inter-segment sales					
Total sales	117,033	5,602	701		123,336
Operating expenses	112,622	5,527	539		118,688
Operating income	¥ 4,411	¥ 75	¥162		¥ 4,648

b. Total Assets, Depreciation and Capital Expenditures

Millions of yen					
2007					
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Total assets	¥60,758	¥2,644	¥723	¥10,142	¥74,267
Depreciation	105	1	242	18	366
Capital expenditures	218	2	345	9	574

a. Sales and Operating Income

Thousands of U.S. Dollars					
2007					
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Sales to customers	\$991,384	\$47,457	\$5,937		\$1,044,778
Inter-segment sales					
Total sales	991,384	47,457	5,937		1,044,778
Operating expenses	954,017	46,820	4,568		1,005,405
Operating income	\$ 37,367	\$ 637	\$1,369		\$ 39,373

b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars					
2007					
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Total assets	\$514,683	\$22,395	\$6,122	\$85,915	\$629,115
Depreciation	886	10	2,053	154	3,103
Capital expenditures	1,847	13	2,921	79	4,860

a. Sales and Operating Income

Millions of yen					
2006					
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥106,425	¥5,834	¥602		¥112,861
Inter-segment sales					
Total sales	106,425	5,834	602		112,861
Operating expenses	102,661	5,767	433		108,861
Operating income	¥ 3,764	¥ 67	¥169		¥ 4,000

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

Millions of yen					
2006					
	Machinery	Materials	Other	Eliminations/ Corporate	Consolidated
Total assets	¥54,625	¥2,174	¥675	¥9,401	¥66,875
Depreciation	73	1	286	18	378
Impairment loss				290	290
Capital expenditures	90		139	9	238

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the year ended March 31, 2007 is summarized as follows:

Millions of yen					
2007					
	Japan	Asia	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥106,835	¥10,461	¥6,040		¥123,336
Interarea transfer	5,196	1,038	1,063	¥(7,297)	
Total sales	112,031	11,499	7,103	(7,297)	123,336
Operating expenses	108,143	10,924	6,799	(7,178)	118,688
Operating income	¥ 3,888	¥ 575	¥ 304	(119)	¥ 4,648
Total assets	¥ 57,446	¥ 4,564	¥2,115	¥10,142	¥ 74,267

Thousands of U.S. Dollars					
2007					
	Japan	Asia	Other	Eliminations/ Corporate	Consolidated
Sales to customers	\$905,002	\$88,615	\$51,161		\$1,044,778
Interarea transfer	44,012	8,798	9,006	\$(61,816)	
Total sales	949,014	97,413	60,167	(61,816)	1,044,778
Operating expenses	916,075	92,541	57,594	(60,805)	1,005,405
Operating income	\$ 32,939	\$ 4,872	\$ 2,573	(1,011)	\$ 39,373
Total assets	\$486,627	\$38,659	\$17,914	\$ 85,915	\$ 629,115

Information about geographical segments is omitted because composition proportions of Japan both in the total sales of all segments and in the total assets of those exceed 90% at March 31, 2006.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 amounted to ¥43,592 million (\$369,270 thousand) and ¥39,819 million, respectively.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Daiichi Jitsugyo Co., Ltd.:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiichi Jitsugyo Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 27, 2007

NON-CONSOLIDATED BALANCE SHEETS

DAIICHI JITSUGYO CO., LTD.
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 5,729	¥ 4,236	\$ 48,528
Receivables:			
Notes receivable	6,471	6,037	54,812
Accounts receivable	32,460	32,993	274,969
Subsidiaries and associated companies	2,281	549	19,323
Other	862	731	7,302
Allowance for doubtful receivable	(2)	(10)	(20)
Inventories (Note 4)	855	1,667	7,240
Deferred tax assets (Note 9)	279	282	2,360
Accounts prepaid	7,557	2,808	64,014
Other current assets	323	655	2,747
Total current assets	56,815	49,948	481,275
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	643	644	5,445
Buildings and structures	1,167	1,179	9,888
Machinery and equipment	213	104	1,800
Furniture and fixtures	291	289	2,464
Leased assets (Note 11)	2,285	2,592	19,357
Total	4,599	4,808	38,954
Accumulated depreciation	(2,773)	(2,885)	(23,488)
Net property, plant and equipment	1,826	1,923	15,466
INVESTMENT AND OTHER ASSETS:			
Investment securities (Note 3)	7,779	8,593	65,894
Investment in and advances to subsidiaries and associated companies	2,721	2,637	23,046
Long-term loans	232	388	1,970
Other assets	931	948	7,893
Allowance for doubtful accounts	(202)	(188)	(1,713)
Total investment and other assets	11,461	12,378	97,090
TOTAL	¥70,102	¥64,249	\$593,831

See notes to non-consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 3,420	¥ 6,420	\$ 28,971
Current portion of long-term debt (Note 6)	150	149	1,268
Payables:			
Notes payable	7,179	6,767	60,815
Accounts payable	23,891	21,774	202,379
Subsidiaries and associated companies	1,545	1,685	13,087
Other	19	18	160
Income taxes payable	790	932	6,690
Accrued expenses	798	660	6,761
Advance received	8,272	2,264	70,076
Other current liabilities	165	157	1,399
Total current liabilities	46,229	40,826	391,606
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	756	906	6,408
Liability for retirement benefits (Note 7)	307	286	2,603
Deferred tax liabilities (Note 9)	1,213	1,571	10,278
Other long-term liabilities	3	1	15
Total long-term liabilities	2,279	2,764	19,304
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 12)			
EQUITY (Notes 8 and 13)			
Common stock,			
authorized, 160,000,000 shares;			
issued, 57,432,000 shares in 2007 and 2006	5,105	5,105	43,244
Capital surplus			
Additional paid-in capital	3,786	3,786	32,073
Other capital surplus	6	6	52
Retained earnings			
Legal reserve	971	971	8,225
Unappropriated	9,518	8,096	80,623
Unrealized gain on available-for-sale securities	2,332	2,819	19,761
Deferred gain on derivatives under hedge accounting	15		122
Treasury stock- at cost,			
575,271 shares in 2007 and 586,201 shares in 2006	(139)	(124)	(1,179)
Total equity	21,594	20,659	182,921
TOTAL	¥70,102	¥64,249	\$593,831

NON-CONSOLIDATED STATEMENTS OF INCOME

DAIICHI JITSUGYO CO., LTD.
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥114,035	¥108,082	\$965,992
COST OF SALES	102,872	97,212	871,433
Gross profit	11,163	10,870	94,559
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	7,775	7,766	65,858
Operating income	3,388	3,104	28,701
OTHER INCOME (EXPENSES):			
Interest and dividend income	221	204	1,869
Interest expense	(90)	(124)	(758)
Purchase discount	219	240	1,855
Gain on sales of investment securities	0	144	1
Impairment loss (Note 5)		(290)	
Other – net	(59)	(42)	(499)
Other income – net	291	132	2,468
INCOME BEFORE INCOME TAXES	3,679	3,236	31,169
INCOME TAXES (Note 9):			
Current	1,609	1,565	13,630
Deferred	(32)	(141)	(265)
Total income taxes	1,577	1,424	13,365
NET INCOME	¥ 2,102	¥ 1,812	\$ 17,804
		Yen	U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.o and 13)			
Basic net income	¥36.97	¥30.99	\$0.31
Diluted net income	36.84	30.82	0.31
Cash dividends applicable to the year	13.00	11.00	0.11

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

DAIICHI JITSUGYO CO., LTD.
Years ended March 31, 2007 and 2006

	Thousands		Millions of yen								
	Outstanding number of shares of common stock	Common stock	Capital Surplus			Retained Earnings			Deferred gain on derivatives under hedge accounting	Treasury stock	Total equity
			Additional paid-in capital	Other capital surplus	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities				
BALANCE, APRIL 1, 2005	56,390	¥5,105	¥3,786	¥4	¥971	¥6,832	¥1,263		¥(184)	¥17,777	
Net income						1,812				1,812	
Cash dividends, ¥9.00 per share						(508)				(508)	
Bonuses to directors						(40)				(40)	
Purchase of treasury stock	(54)								(27)	(27)	
Disposal of treasury stock	510			2					87	89	
Net increase in unrealized gain on available-for-sale securities							1,556			1,556	
BALANCE, MARCH 31, 2006	56,846	5,105	3,786	6	971	8,096	2,819		(124)	¥20,659	
Reclassified balance as of March 31, 2006 (Note2.h)											
Net income						2,102				2,102	
Cash dividends, ¥11.00 per share						(625)				(625)	
Bonuses to directors						(55)				(55)	
Purchase of treasury stock	(41)								(24)	(24)	
Disposal of treasury stock	52			0					9	9	
Net change in the year							(487)	¥15		(472)	
BALANCE, MARCH 31, 2007	56,857	¥5,105	¥3,786	¥6	¥971	¥9,518	¥2,332	¥15	¥(139)	¥21,594	

	Thousands of U.S. Dollars (Note 1)									
	Common stock	Additional paid-in capital	Other capital surplus	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Treasury stock	Total equity	
BALANCE, MARCH 31, 2006	\$43,244	\$32,073	\$47	\$8,225	\$68,582	\$23,876		\$(1,045)	\$175,002	
Reclassified balance as of March 31, 2006 (Note2.h)										
Net income					17,804					17,804
Cash dividends, \$0.09 per share					(5,297)					(5,297)
Bonuses to directors					(466)					(466)
Purchase of treasury stock								(202)		(202)
Disposal of treasury stock				5				68		73
Net change in the year						(4,115)	\$122			(3,993)
BALANCE, MARCH 31, 2007	\$43,244	\$32,073	\$52	\$8,225	\$80,623	\$19,761	\$122	\$(1,179)	\$182,921	

See notes to non-consolidated financial statements

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DAIICHI JITSUGYO CO., LTD.
Years ended March 31, 2007 and 2006

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by DAIICHI JITSUGYO CO., LTD. (the “Company”) in accordance with the provisions set forth in the Corporate Law of Japan or the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Non-Consolidation

The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Inventories

Inventories are stated at cost, as determined by the first-in, first-out method.

d. Investment Securities

Investment securities are classified and accounted for, depending on management’s intent, as follows:

- i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost,
- ii) investment securities in subsidiaries and associated companies, are reported at cost, and
- iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at the fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment

Property, plant and equipment, except for those acquired with a government subsidy, are stated at cost. Under certain conditions, such as acquisition of property, plant and equipment with a government subsidy, Japanese tax laws permit companies to defer the profit from such government subsidy by reducing the cost of assets acquired or by providing a special reserve in equity. The carrying amount of property, plant and equipment acquired with a government subsidy which has been reduced by a government subsidy as of March 31, 2007 was ¥64 million (\$546 thousand). Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets. Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets. The range of useful lives is principally from 3 to 50 years for buildings, and from 6 to 15 years for machinery, equipment and vehicles.

f. Long-lived Assets

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

g. Retirement and Pension Plans

The Company has non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits.

The Company accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors of the Company are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. Presentation of Equity

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

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

i. Leases

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

j. Bonuses to Directors and Corporate Auditors

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

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

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes for the year ended March 31, 2007 by ¥70 million (\$593 thousand).

k. Income Taxes

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

l. Appropriation of Retained Earnings

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

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

n. Derivatives and Hedging Activities

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows : a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purpose, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

o. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

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

p. New Accounting Pronouncements

Measurement of Inventories

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

Lease Accounting

On March 31, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

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

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

3. INVESTMENT SECURITIES

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

	Millions of yen		Thousands of
	2007	2006	U.S. Dollars
Non-current			2007
Marketable equity securities	¥6,832	¥7,655	\$57,875
Government and corporate bonds	14	13	116
Other	933	925	7,903
Total	¥7,779	¥8,593	\$65,894

Government and corporate bonds are a mortgage for guarantee of dealings.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of merchandise.

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of the year ended March 31, 2006 and, as a result, recognized an impairment loss of ¥290 million as impairment loss for the idle land which the Company has in Tokyo due to a remarkable fall of the fair value and the carrying amount of that land was written down to the recoverable amount for the year ended March 31, 2006. The recoverable amount of that land was measured at its net clearance price by appraisal of real estate evaluation. No impairment loss was recognized in the year ended March 31, 2007.

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

Short-term bank loans at March 31, 2007 and 2006 consisted of notes to bank and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.18% to 1.375% and 0.59% to 1.375% at March 31, 2007 and 2006, respectively.

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

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks and other financial institutions, due serially to 2013 with interest rates ranging from 1.53% to 1.75% (2007) and from 1.53% to 1.75% (2006):			
Unsecured	¥906	¥1,055	\$7,676
Less current portion	(150)	(149)	(1,268)
Long-term debt, less current portion	¥756	¥ 906	\$6,408

Annual maturities of long-term debt as of March 31, 2007 were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2008	¥150	\$1,268
2009	150	1,273
2010	151	1,277
2011	151	1,282
2012	152	1,286
2013	152	1,290
Total	¥906	\$7,676

In order to procure operating fund efficiently and stably, loan commitment has been signed on July 25, 2005 with 5 banks. Unused credit balance as of March 31, 2007 is as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	¥13,000	\$110,123
Amount loaned	3,000	25,413
Unused credit balance	¥10,000	\$ 84,710

7. RETIREMENT AND PENSION PLANS

The Company has severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of annuity payments from a trustee. The Company might pay the premium severance on termination of employment.

The Company has contributory funded defined benefit pension plans for employees which cover their benefits.

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The liability for retirement benefits for directors and corporate auditors are ¥222 million (\$1,880 thousand) and ¥184 million at March 31, 2007 and 2006, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

8. EQUITY

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

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

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

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

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

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful receivables	¥ 75	¥ 71	\$ 632
Allowance for bonus payable	194	187	1,648
Pension and severance costs	125	116	1,059
Impairment loss	118	118	999
Other	323	330	2,733
Less valuation allowance	(132)	(149)	(1,116)
Total	¥ 703	¥ 673	\$ 5,955
Deferred tax liabilities:			
Deferred gain on sales of property	¥ (27)	¥ (29)	\$ (233)
Unrealized gain on available- for-sale securities	(1,600)	(1,933)	(13,558)
Other	(10)		(82)
Total	¥(1,637)	¥(1,962)	\$ (13,873)
Net deferred tax liabilities	¥ (934)	¥(1,289)	\$ (7,918)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	2.9	3.9
Exclusion from charges against revenue	(1.2)	(0.9)
Per capita basis corporate inhabitant tax	0.5	0.5
Overseas income deductible for enterprise tax	(0.8)	(1.3)
Less valuation allowance		0.2
Other-net	0.8	0.9
Actual effective tax rate	42.9%	44.0%

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2007 and 2006 principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Salaries and fee	¥2,768	¥2,881	\$ 23,448
Retirement benefit cost	170	197	1,439
Depreciation and amortization	48	51	402
Rental expense	693	709	5,869

11. LEASES

(1) As Lessee

The Company rents computer equipment and other assets by lease.

Total lease payments under finance for the years ended March 31, 2007 and 2006 were ¥63 million (\$534 thousand) and ¥56 million, respectively.

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

	Millions of yen					
	2007			2006		
	Furniture and Fixtures	Others	Total	Furniture and Fixtures	Others	Total
Acquisition cost	¥150	¥131	¥281	¥192	¥105	¥297
Accumulated depreciation	86	50	136	119	44	163
Net leased property	¥ 64	¥ 81	¥145	¥ 73	¥ 61	¥134

	Thousands of U.S. Dollars		
	2007		
	Furniture and Fixtures	Others	Total
Acquisition cost	\$1,270	\$1,110	\$2,380
Accumulated depreciation	730	421	1,151
Net leased property	\$ 540	\$ 689	\$1,229

Obligations under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 63	¥ 48	\$ 533
Due after one year	83	86	700
Total	¥146	¥134	\$1,233

Depreciation expense, interest expense and other information under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥62	¥56	\$528
Interest expense	1	1	6
Total	¥63	¥57	\$534
Lease payments	¥63	¥56	\$534

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

(2) As Lessor

The Company leases machinery, equipment and other assets.

Total lease receipts under finance for the years ended March 31, 2007 and 2006 were ¥285 million (\$2,414 thousand) and ¥388 million, respectively.

Information of leased property such as acquisition cost and accumulated depreciation for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen					
	2007			2006		
	Machinery and Equipment	Others	Total	Machinery and Equipment	Others	Total
Acquisition cost	¥1,998	¥ 106	¥2,104	¥2,100	¥ 107	¥2,207
Accumulated depreciation	1,712	69	1,781	1,701	97	1,798
Net leased property	¥ 286	¥ 37	¥ 323	¥ 399	¥ 10	¥ 409

	Thousands of U.S. Dollars		
	2007		
	Machinery and Equipment	Others	Total
Acquisition cost	\$16,928	\$ 894	\$17,822
Accumulated depreciation	14,504	578	15,082
Net leased property	\$ 2,424	\$ 316	\$ 2,740

Obligations under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥173	¥204	\$1,464
Due after one year	209	277	1,772
Total	¥382	¥481	\$3,236

Depreciation expense, interest received under finance leases:

	Millions of yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥188	¥242	\$1,592
Interest received	16	27	138
Lease received	¥285	¥388	\$2,414

Depreciation expense is computed by the straight-line method.

Interest received is computed by the interest method, and total interest during the lease period is amount in which acquisition cost is deducted from total lease receipts.

12. CONTINGENT LIABILITIES

At March 31, 2007, the Company had the following contingent liabilities:

	Millions of yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 34	\$ 288
Guarantees and similar items of bank loans, including those relating to subsidiaries and associated companies in the amount of ¥276 million (\$2,339 thousand)	276	2,339

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2007 and 2006 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
For the year ended March 31,2007	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥2,102	56,846	¥36.97	\$0.31
Effect of Dilutive Securities				
Warrants		209		
Diluted EPS				
Net income for computation	¥2,102	57,055	¥36.84	\$0.31
For the year ended March 31,2006				
Basic EPS				
Net income available to common shareholders	¥1,756	56,681	¥30.99	
Effect of Dilutive Securities				
Warrants		323		
Diluted EPS				
Net income for computation	¥1,756	57,004	¥30.82	

14. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2007 were approved at the shareholders meeting held on June 27, 2007:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13 (\$0.11) per share	¥739	\$6,261

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Daiichi Jitsugyo Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Daiichi Jitsugyo Co., Ltd. as of March 31, 2007 and 2006, and the related non-consolidated statements of income and changes in equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Daiichi Jitsugyo Co., Ltd. as of March 31, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 27, 2007

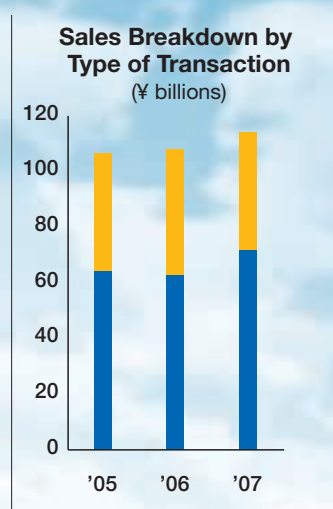
REVIEW OF OPERATIONS (NON-CONSOLIDATED BASIS)

Overview

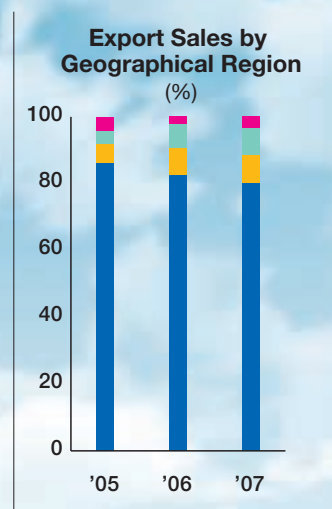
In the fiscal year under review, Japan's economy again achieved a mild recovery underpinned by increased exports and growth in personal consumption and private sector capital investment, the principal drivers of domestic demand. Japan's economic recovery was bolstered by steady global economic expansion, particularly in the United States and China. Although there has been economic improvement, the hikes in the prices of crude oil and other raw materials and greater regional political risk have had a significance influence on the world economy, leaving continued uncertainty about the direction of Japan's economy.

Looking at DJK's performance by major business sector, energy-related orders increased 67.9%, to ¥22.1 billion, supported by large orders for an oil refinery plant and related equipment by a major petrochemical company, while sales declined 20.2%, to ¥11.3 billion because of a lack of major orders for drilling services and related equipment for natural gas exploration. Engineering-related orders jumped 32.3%, to ¥13.8 billion, but sales decreased 20.6%, to ¥11.1 billion because of low recording of sales related to current orders for a plant and equipment from a major engineering company. Electronics-related orders edged up 2.6%, to ¥39.4 billion, supported by strong domestic and overseas demand for on-board components for vehicles, while sales rose 5.9%, to ¥38.5 billion. Plastics-related orders advanced 18.8%, to ¥20.1 billion, and sales also rose 10.3%, to ¥18.3 billion. Automobile-related orders gained 5.6%, to ¥14.7 billion based on favorable orders from the automobile-related industry, while sales jumped 31.7%, to ¥15.0 billion.

Looking at import and export, although exports to China were weak during the fiscal year, exports to Korea and Singapore of IT- and digital-related equipment and injection molding machine-related equipment grew. However, the large drop in imports of natural gas exploration drilling services and related equipment resulted in total imports and exports declining to ¥42.1 billion, contributing 36.9% of net sales. This performance represents a ¥3.1 billion fall from the ¥45.2 billion recorded in the previous fiscal year, and a 4.9 percentage point decrease in the imports and exports to net sales ratio.



Legend: Import and export (Yellow), Domestic (Blue)



Legend: Other (Pink), Americas (Light Green), Europe (Yellow), Asia (Blue)

Sales Breakdown by Type of Transaction

	Millions of yen		
	2005	2006	2007
Import and export	¥ 42,216	¥ 45,167	¥ 42,083
Domestic	64,156	62,915	71,952
Total	¥106,372	¥108,082	¥114,035

Export Sales by Geographical Region

	Percentage of total		
	2005	2006	2007
Asia	86.2%	82.6%	80.1%
Europe	5.6	7.9	8.4
Americas	3.9	7.3	8.1
Other	4.3	2.2	3.4
Total	100.0%	100.0%	100.0%

Energy

Machinery and Equipment for the Energy, Petroleum, and Petrochemical Industries

	Millions of yen		
	2005	2006	2007
Orders Received	¥10,447	¥13,154	¥22,084
Net Sales	¥ 7,857	¥14,140	¥11,282
% of total sales	7.4%	13.1%	9.9%

Operating environment and results

DJK is known in the energy industry as a highly reputable, specialist supplier of machinery. Against the backdrop of its rich experience and solid technology accumulated over the years, the Company has actively addressed new themes in its business and achieved results in the energy conservation, alternative energy, new energy, and environmental protection fields. Its business departments provide detailed services for customers in the fields of engineering, construction, and maintenance as well as consulting services for soil remediation in the way only DJK can. For example, the energy development department can provide environmental assessments for development projects, physical exploration equipment and analysis software for exploration on land or at sea, and marine drilling rigs and mine drilling equipment. On the other hand, the production and refining department can supply petroleum, gas, and geothermal production field systems,



Petrochemical plant



Ethylene center compressor station



Power plant for Independent Power Producer

wind and solar electric power generation systems, petroleum refining plants, and petrochemical plants.

During the fiscal year under review, large orders for exploration drilling services and related equipment and for a plant for a major petrochemical company supported a 67.9% increase in orders to ¥22.1 billion. Sales decreased 20.2%, to ¥11.3 billion.

Outlook

We anticipate that the oil and gas exploration industry will continue to increase their capital investment, and are placing special emphasis on winning orders from a major natural gas development project. Among other fields of emphasis, we are focusing on environmental-related areas, such as soil remediation equipment for factories using chemical and other soil contaminant products, deodorizers and waste effluent processing equipment, air pollution prevention equipment, and ESCO (Energy Service Company) business.



Offshore rig (Japan Drilling Co., Ltd.)



ESCO business

Engineering

Machinery and Equipment for the Plant Engineering and Construction Industries

	Millions of yen		
	2005	2006	2007
Orders Received	¥15,816	¥10,455	¥13,835
Net Sales	¥13,229	¥13,922	¥11,055
% of total sales	12.4%	12.9%	9.7%

Operating environment and results

Integration, combination, and systematization of basic engineering processes are the foundations of today's advanced technologies. Our mission as a technology-oriented trading firm in the engineering industry is to be a leader in supplying our customers with the latest and most advanced machinery and technology.

As our source of business is large orders received via engineering companies for equipment to be used in domestic and overseas petroleum refining and chemical plants in Japan and overseas, performance fluctuates widely in response to regional economic conditions.

In the fiscal year in review, because of a major order for an overseas plant that came through a domestic engineering company, engineering orders surged 32.3%, to ¥13.8 billion because of the lack of large orders for overseas plant and equipment made through major engineering companies. However, sales dropped 20.6%, to ¥11.1 billion because of low sales for plant and equipment booked on an existing contract for a major engineering company.



Petroleum refinery plant



Refinery plant

Outlook

Valued as a clean energy source, global demand for natural gas is high around the world. As a result, capital investment in natural gas processing facilities is robust, particularly in the Middle East, and we expect orders for equipment to be firm. Our main areas of emphasis in recent years have been co-generation equipment in the energy field and large compressor process pumps in the gas and petrochemical fields.



Plant control system



Electronics

Machinery and Equipment for the Industries of Electronics, IT, Electric Machinery, Precision Machinery, Optical and Audio Equipment, and Musical Instruments

	Millions of yen		
	2005	2006	2007
Orders Received	¥35,860	¥38,465	¥39,449
Net Sales	¥38,603	¥36,323	¥38,460
% of total sales	36.3%	33.6%	33.7%

Operating environment and results

The infrastructure of our society is made up of a range of basic industrial technologies, among which electronics play an essential role. To support the increasing use of electronics in those technologies, we market a wide range of electronic machinery and equipment, including factory automation systems and computers and peripheral equipment. To support progress in leading-edge industrial electronics, we also provide the industry with semiconductor manufacturing-related equipment, including PCB (printed circuit board), SMT (surface mounting technology), COB (chip on board), and IC packaging equipment.



SMT Line



Die bonder



Modular Chip Mounter

In the fiscal year under review, demand was weak for IT and digital devices from China, but domestic and overseas demand for onboard components for vehicles was firm. As a result, electronics orders increased 2.6%, to ¥39.4 billion, while sales also rose, gaining 5.9%, to ¥38.5 billion.

Outlook

Overseas, we expect growth in large-scale capital investment in line with the continued shifting of production bases for LCD TVs and mobile phones and other IT and telecommunications equipment to the People's Republic of China.



Modular Placement Machine/BM123

Plastics

Machinery and Equipment for the Plastic, Rubber, Ceramics, Glass, and Fiber Industries

	Millions of yen		
	2005	2006	2007
Orders Received	¥19,540	¥16,898	¥20,078
Net Sales	¥18,886	¥16,583	¥18,283
% of total sales	17.8%	15.3%	16.0%

Operating environment and results

Development of an exciting range of new materials, such as fine ceramics and high-grade and fiber-reinforced plastics, is continuing at an accelerated rate, driven by high demand from global markets. Since these materials have special, unique properties, they are being utilized in a growing range of manufactured products, from sports goods to integrated circuits, due to their exceptional features.

Compared with the materials, however, there is significant room for improvement of the structural processing of these materials by machines. DJK is doing its part to support the development of new technologies and processing methods through the provision of information. The Company expects that these efforts will lead to substantial market development.

During the fiscal year under review, demand was favorable for compact plastic injection molding machines for manu-



Thermo forming machine

facturing automotive components and peripheral equipment and film and sheet processing equipment for manufacturing lightweight containers for food products. Therefore, plastics orders increased 18.8%, to ¥20.1 billion, and sales also expanded, rising 10.3%, to ¥18.3 billion.

Outlook

We expect that in the domestic market, there will be a continued recovery in capital investment by the IT-related industries, particularly in the ceramic, glass, and other information and communication network-related industries. In recent years, we have been concentrating especially on the expanding market of China. Our fields of emphasis are automobile-related industries in northern China around Dalian and Tianjin, where we are seeking to expand our sales coverage.



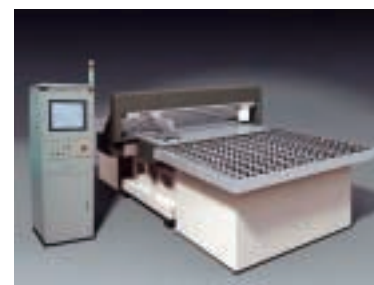
Injection molding machine



Electric injection molding machine



Laser/Tampon Printing Combination



Flat glass stress analyzer

Pulp & Paper

Machinery and Equipment for the Pulp and Paper and Related Industries

	Millions of yen		
	2005	2006	2007
Orders Received	¥ 4,790	¥ 4,438	¥13,471
Net Sales	¥ 2,977	¥ 4,313	¥ 5,020
% of total sales	2.8%	4.0%	4.4%

Operating environment and results

In our pulp and paper operations, we carry a wide range of equipment for wood and pulp processing, chemical recovery, paper manufacturing, coating, and finishing processes. In addition, we provide customized automated systems that utilize the latest computer technology to coordinate various types of machinery involved in the paper production process. Among printing equipment, we offer a range of machinery used in high-quality printing processes, such as screen, anastatic, and gravure printing.

During the fiscal year under review, there were orders from a major pulp and paper company for expanded pulp production facilities and paper-making machinery-related equipment that contributed to a 203.6% leap in orders, to ¥13.5 billion. Sales also rose, climbing 16.4%, to ¥5.0 billion.



Pulp plant



Evaporator

Outlook

Paper recycling pulp manufacturing equipment, energy conservation equipment, and environmental systems are the areas with the best potential for growth. Pulp and paper manufacturers continue to meet their current needs in the market by improving quality and processing capabilities. We will continue to concentrate on expanding sales of non-chlorine-processing plants for bleaching paper and of equipment for improving the efficiency of chemical pulp plants, such as pumps, agitators, and others.



MC pump



Paper Machine

Automobile

Machinery and Equipment for the Automobile, Steel, Metal, Shipbuilding, and Heavy Machinery Industries

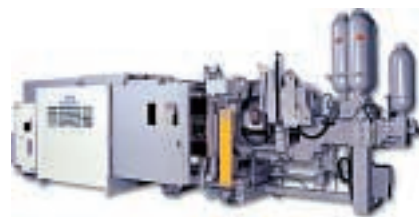
	Millions of yen		
	2005	2006	2007
Orders Received	¥10,122	¥13,891	¥14,664
Net Sales	¥12,845	¥11,409	¥15,027
% of total sales	12.1%	10.6%	13.2%

Operating environment and results

Japanese and other leading auto manufacturers around the world are starting to shift toward fuel-efficient hybrid cars. This condition is expected to persist in the near future. As an end result, all automobile manufacturers are trying to achieve an early introduction of hybrid cars, and are working intensively on its development and production.

Automobile manufacturers also continue to develop lighter cars in a bid to improve fuel efficiency. This policy has produced a rapid shift to plastic components in the automobile industry. Manufacturing processes for metal components are also being revised to reduce costs.

During the fiscal year under review, orders climbed 5.6%, to ¥14.7 billion based on favorable orders from the automobile-related industry, while sales rose 31.7%, to ¥15.0 billion.



Die-casting machine

Outlook

In automobile-related industries, there is hope that the introduction of new models by automobile manufacturers will stimulate capital investment to retool production lines as well as factory restructuring programs. Our fields of emphasis in the automobile industry in recent years have been automobile assembly and component processing, where we are targeting sales of rationalization equipment. We also are focusing on environment-related equipment, promoting sales of recycling equipment from parts from end-of-life cars, such as waste plastic pulverizers. In addition, we are establishing an overseas sales network around such bases as the United States, eastern Europe, India, and Tianjin in China.



Water jet pump



Electric injection molding machine

Pharmaceuticals

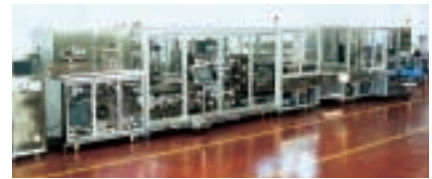
Machinery and Equipment for the Pharmaceutical, Food, Cosmetics, and Oils & Fats

	Millions of yen		
	2005	2006	2007
Orders Received	¥ 3,189	¥ 6,466	¥ 4,663
Net Sales	¥ 3,546	¥ 3,939	¥ 6,921
% of total sales	3.3%	3.6%	6.1%

Operating environment and results

There has been a recent wave of mergers and acquisitions (M&A) in the global pharmaceuticals industry that has also directly affected the Japanese market. This is a natural trend given the high costs of new drug development and rising competition. Japanese pharmaceutical companies are steadily investing in new facilities to meet Good Manufacturing Practice (GMP) standards that are equivalent to those in Europe and the United States. As part of this process, pharmaceutical tablet/capsule inspection equipment handled by DJK is in high demand.

In the fiscal year under review, pharmaceutical orders fell 27.9%, to ¥4.7 billion because of a drop off in orders for pharmaceutical filling systems. Sales, however, surged 75.7%, to ¥6.9 billion because of the booking of sales of pharmaceutical filling and tablet/capsule inspection systems from existing orders.



Automatic Blister Packing Machine

Outlook

In recent years, our fields of emphasis have been the pharmaceutical, food product, and cosmetic industries. We are concentrating on marketing a variety of pharmaceutical inspection systems, filling and packaging systems, and distribution systems. One of our specialty products is a screening machine for life science industry that we are marketing to major pharmaceutical companies and research institutes.



Tablets video inspecting system



Powder filling system

Others

Machinery and Equipment for Other industries

	Millions of yen		
	2005	2006	2007
Orders Received	¥ 8,588	¥ 7,511	¥ 7,429
Net Sales	¥ 8,429	¥ 7,453	¥ 7,989
% of total sales	7.9%	6.9%	7.0%

Operating environment and results

The majority of business in the others categories comes from national and local governing agencies, centered on the Ministry of Construction and the construction bureaus of regional government entities. The main types of merchandise being sold in these transactions are carbon fiber sheet used as reinforcing material to increase earthquake resistance, health promenades, and Ground Support Equipment (G.S.E.) for airports.

As a general supplier of G.S.E. and airport facility-related equipment, DJK provides support for the air transport industry, handling a full range of equipment and boasting a strong delivery record with airlines and domestic and overseas airports. DJK is a supplier of a wide-range of equipment in this field, deicers, towing

tractors, air stand units, sweeper cars for snow removal, various types of aerial support materials, and water hydrant materials. DJK has established its own service group for this industry and is providing enhanced after sales care using staff with specialized technical capabilities.

During the fiscal year under review, orders in the others category decreased 1.1%, to ¥7.4 billion, while sales rose 7.2%, to ¥8.0 billion.

Outlook

Under this category, we import a deicer for airplanes manufactured by Denmark's G. Vestergaard A/S, and have supplied a total of more than 100 units to almost all of Japan's scheduled airlines. The deicer is highly regarded by airlines around the world as well as those in Japan as contributing to safe operations.



Deicer

COMMITMENT TO THE ENVIRONMENT

Recognizing that conducting environmentally conscious business activities is one of its social obligations, DJK has established the following environmental policy, which is being pursued by all employees and directors companywide.



DJK acquired ISO 14001 certification on January 24, 2004, and revised it on January 23, 2007.

Environmental Policy

As a company conducting international trade as well as sales in Japan of energy-, semiconductor-, plastic-injection molding-, and pulp-and-paper-related machinery and equipment, Medical equipment and engineering materials and aerospace-related devices, we will carry out environmental management of our business based on the following policies.

1. We will be constantly aware of the environmental issues regarding our merchandise and service activities, and will take steps to prevent environmental pollution. In addition, we will pursue constant improvement in our environmental management activities.
2. To comply with environmentally related laws, regulations, and accords regarding our merchandise and service activities, we will establish and follow our own voluntary standards.

3. Among the environmental issues regarding our merchandise and service activities, we will make the following issues special priority themes.

- (1) Reducing amounts of energy and resources used through greater operating efficiency
- (2) Handling and promotion of environmentally friendly merchandise
- (3) Promoting understanding of the importance of environmental issues inside and outside the Company

To achieve these environmental policies, we will establish environmental targets and goals. Working together, all employees and directors in all sections of the company will pursue environmental management.

April 1, 2006

THE DJK NETWORK



London Branch



Seoul Office



DAIICHI JITSUGYO ASIA
PTE. LTD.

OVERSEAS NETWORKS



- Headquarters
- Sales Office



Ho Chi Minh Office



DAI-ICHI JITSUGYO
(MALAYSIA) SDN.
BHD.

OVERSEAS OFFICES

London Branch

Elsinore House, 77 Fulham Palace Road, London W6 8JA, United Kingdom
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Phone: +49-6196-998-7740
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Phone: +420-233-320-090
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Budapest Office

East-West Business Center, Rákóczi út 1-3 1088
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Fax: +36-1-266-1886

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8F, Textile Center, 944-31, Daechi 3 dong,
Kangnam-ku, Seoul, Korea 135-713
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Fax: +82-2-528-1403

OVERSEAS SUBSIDIARIES

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Fax: +65-6337-6761

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Fax: +62-21-390-4961

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Street, District 1, Ho Chi Minh City, Vietnam
Phone: +84-8952-6900
Fax: +84-8952-6877

Hanoi Office

Unit 410-A 4th floor V-Tower 649 Kim Ma Street,
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Phone: +84-4-7665-990
Fax: +84-4-7665-992

Delhi Office

Level 15, Eros Corporate Towers, Nehru Place,
New Delhi-110019, India
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Fax: +91-11-4223-5319

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Suite 21B, Box No.80, 21st Floor, UBN Tower,
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Phone: +60-3-2070-6913
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DAIICHI JITSUGYO (THAILAND) CO., LTD.

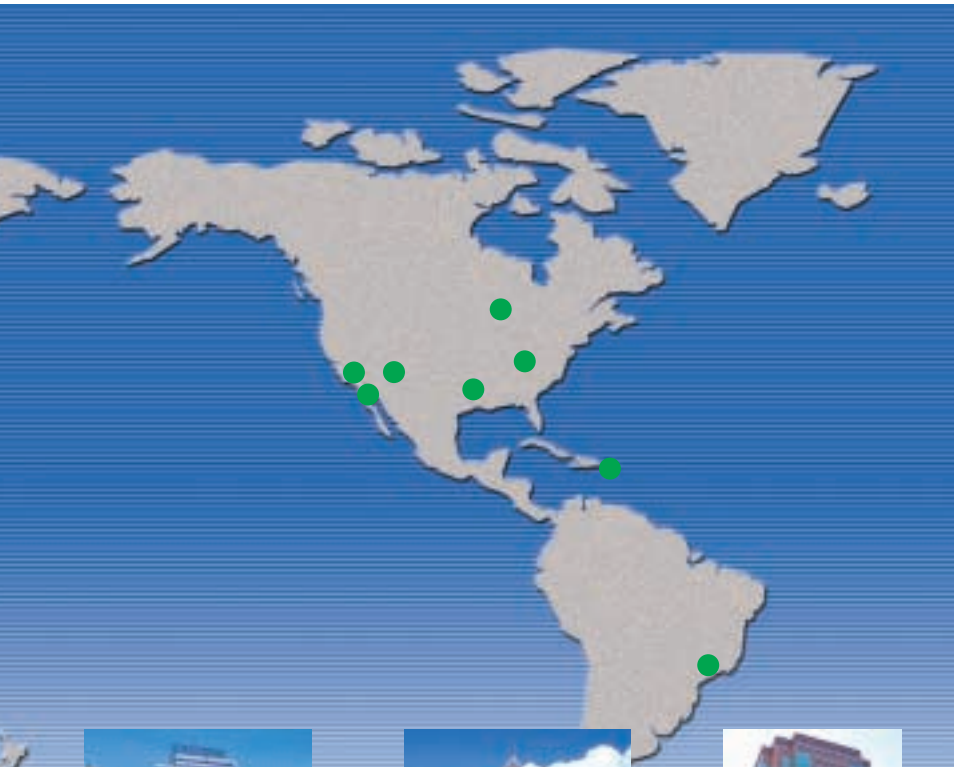
Consolidated subsidiary
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SHANGHAI YISHI TRADING CO., LTD.

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Phone: +86-21-6237-5800
Fax: +86-21-6237-5288



DAIICHI JITSUGYO (THAILAND) CO., LTD.



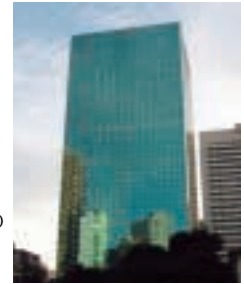
DAIICHI JITSUGYO (PHILIPPINES), INC.



SHANGHAI YISHI TRADING CO., LTD.



DAIICHI JITSUGYO (AMERICA), INC.



DAIICHI JITSUGYO DO BRASIL COMERCIO DE MAQUINAS LTDA.



DAIICHI JITSUGYO (HONG KONG) LIMITED



DJK (TAIWAN) CORP.

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Fax: +86-411-8763-1082

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Fax: +1-713-682-1782

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Fax: +1-619-710-2569

Knoxville Office

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Fax: +1-865-983-8678

Phoenix Office

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Fax: +1-480-516-0722

DAIICHI JITSUGYO PUERTO RICO, INC.

106 Gautier Benitez Avenue, Caguas, Puerto Rico 00725
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Fax: +1-787-746-5396

DJK GLOBAL MEXICO, S.A. DE C.V.

Bldv. Bellas Artes 17686-114 Fracc. Garita de Otay C.P. 22645, Tijuana, B.C. Mexico
Phone: +52-664-647-8471
Fax: +52-664-647-8473

DAIICHI JITSUGYO DO BRASIL COMERCIO DE MAQUINAS LTDA.

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Fax: +55-11-2246-2798

THE DJK NETWORK



HEADQUARTERS

Kowa Nibancho Bldg. 11-19 Nibancho, Chiyoda-ku, Tokyo
102-0084, Japan
Phone: (03) 5214-8500
(information desk)
Fax: (03) 5214-8501

DOMESTIC SIGNIFICANT SUBSIDIARIES

DAIICHI MECHA-TECH CORPORATION

Consolidated subsidiary
Headquarters: 8-6 Ryoke 5-chome, Kawaguchi Saitama 332-0004, Japan
Phone: (048) 222-1692
Fax: (048) 222-1630
Technical development and services related to equipment handled by DJK

DJTECH CO., LTD.

Consolidated subsidiary
Headquarters: Asahidai 15 Moroyama Town, Iruma-gun, Saitama 350-0444, Japan
Phone: (049) 295-4975
Fax: (049) 295-4972
Development, designing, manufacturing, and sales of PCB-mounting inspection device, handlers for semiconductor post-process, and image-processing application systems.

DAIICHI JITSUGYO VISWILL CO., LTD.

Consolidated subsidiary
12-43 Honamicho, Suita, Osaka 564-0042, Japan
Phone: (06) 6378-6115
Fax: (06) 6378-6117
Development, designing, manufacturing, sales and maintenance of Visual Inspection Systems for pharmaceuticals and chip condensers.

AFFILIATES

SULZER DAIICHI K.K.

A joint venture with Sulzer Pumps (Switzerland)
TSI Hakozaki Bldg, 20-5, Nihonbashi Hakozaki-cho Chuo-ku, Tokyo 103-0015, Japan
Phone: (03) 3664-5721
Fax: (03) 3664-5737
Sales and services of pumps for paper, pulp plants and other equipment

NATCO JAPAN CO., LTD.

A joint venture with National Tank Company of the U.S.A. and MODEC, INC
Kowa Nibancho Bldg. 11-19 Nibancho, Chiyoda-ku, Tokyo 102-0084, Japan
Phone: (03) 3288-1901
Fax: (03) 3288-1904
Design, manufacture and sales of equipment for petroleum manufacturing plants

(As of April 1, 2007)

BOARD OF DIRECTORS

President & CEO

Kunihiro Yano*

Senior Managing Director & CFO

Masanobu Shimoda*

Corporate Planning & Strategy Div.

Managing Directors

Yoshiharu Nakagawa

Akira Umemoto

Administration Div.

Tatsuo Umemura

Nagoya Business Div.

Directors

Megumu Kawahara

Daiichi Jitsugyo Asia Pte. Ltd.

Yukio Konishi

Daiichi Jitsugyo (America), Inc.

Michiaki Sugiura

Aviation & Industrial Machinery Business Div.

Koji Yamagata

PFSC Business Operations Div.

Takanori Ogura

Shanghai Yishi Trading Co., Ltd.

Yoshihide Yamanaka

Osaka Plant Machinery Business Div.

Toru Takata

Plant & Energy Business Div.

Tohru Tsuda

Finance & Accounting Div.

Hajime Kimoto

PFSC Business Operations Div.

Standing Statutory Auditor

Takafumi Shinmoto

Statutory Auditors

Hirozumi Tanaka

Yoshisuke Kondo

Tsuyoshi Terui

* Representative Director

(As of June 27, 2007)

CORPORATE DATA

Established

August 1948

Paid-in Capital

¥5,105 million

Common Stock

Authorized: 160,000,000 shares

Issued: 57,432,000 shares

Number of shareholders: 8,464

Stock Exchange Listing

Tokyo Stock Exchange (1st Section)

Transfer Agent and Registrar

Tokyo Securities Transfer Agent Co., Ltd.

Major Shareholders

	% of total
Goldman Sachs International	5.01
Mizuho Corporate Bank, Ltd.	4.56
Sumitomo Mitsui Banking Corporation	4.55
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.55
NIPPON KOA Insurance Co., Ltd.	4.41
Resona Bank, Limited.	2.94

Number of Employees

432 (Non-consolidated)

892 (Consolidated)

(As of March 31, 2007)



Headquarters :

Kowa Nibancho Bldg. 11-19, Nibancho, Chiyoda-ku, Tokyo 102-0084, Japan

Phone : (03)5214-8500 Fax : (03)5214-8501

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