Notes to Consolidated Financial Statements

TOA CORPORATION and its consolidated subsidiaries

(1) Summary of Significant Accounting Policies

(a) Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements have been prepared from the accounts maintained by TOA CORPORATION (the "Company") and its consolidated subsidiaries (the "Companies") in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements, as required by the Securities and Exchange Law of Japan, have been reclassified and rearranged for the convenience of readers outside Japan.

(b) Basis of consolidation:

The Company had 17 and 20 majority-owned subsidiaries as of March 31, 2007, and 2006, respectively.

The consolidated financial statements for the years ended March 31, 2007 and 2006 include the accounts of the Company 11 and 12 of its majority owned subsidiaries.

The consolidated subsidiaries for 2007 included TOA Real Estate Co., Ltd., TOA Tekko Co., Ltd., TOA Kikai Kogyo Co., Ltd., Tagawa Real Estate Co., Ltd., Shinko Corporation, TOA Builtec Co., Ltd., TOA Concrete Co., Ltd., TOA Agency Co., Ltd., TOA Agency Nishinihon Co., Ltd., TOA Kaiun Sangyo Co., Ltd., and Tsurumi Rinko Co., Ltd.

TOA Doboku Co., Ltd. has become exempt from the accounting for consolidation due to the sales of share.

Other subsidiaries were not consolidated as they were not significant in terms of total assets, net sales, retained earnings or net income.

The assets and liabilities of consolidated subsidiaries are incorporated into the consolidated financial statements at fair value at the time of acquisition, and the differences between the cost of investments in consolidated subsidiaries and the equity in their net assets at date of acquisition are amortized over a period of five years.

Investments in other affiliates, not significant in amount, are carried at cost. The Company has written down an permanent impairment in the value of its investment.

All significant inter-company accounts and transactions have been eliminated in consolidation.

(c) Foreign currency translation:

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included net profit or loss for the period.

(d) Cash and cash equivalents:

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to withdrawn on demand and short-term investment with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

(e) Financial instruments:

(I) Derivatives

With changes in fair value included in net profit or loss for the period in which they arise, derivatives are stated at fair value, except for derivatives that are designated as "hedging instruments" (see (III) Hedge Accounting, specified below).

(II) Securities

Securities held by the Companies under the present standard are classified into three categories;

Held-to-maturity debt securities that the Companies have intent to hold to maturity are stated at cost after accounting for premium or discount on acquisition which are amortized over the period to maturity.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the Net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving average cost method. Other than temporary declines in the value of other securities are reflected in current income.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary. Those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(III) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable as well as bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation and adverse fluctuation in foreign exchange rates. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards.

The amounts received or paid for such interest swap arrangements are charged or credited to income as incurred.

(f) Inventories:

Cost on contracts in progress and real estate for sale are stated at specific cost for each contract. Materials and supplies are stated at moving average cost.

(g) Research and development expenses:

Research and development expenses are charged to income as incurred. Research and development charged to income in each of two years ended March 31, 2007 and 2006 were ¥1,149 million (US$9,737 thousand) and ¥1,640 million, respectively.

(h) Allowance for doubtful accounts:

Allowance for general receivables are established in amounts considered to be appropriate based upon credit loss experience. For specific receivables such as doubtful accounts, established allowances are considered to be uncollectible based upon an evaluation of possibility of collection in each outstanding receivable.

(i) Reserve for loss on development business:

Reserve for loss on development business is provided for the amount sufficient to cover possible loss on development business, including housing development business by evaluating individual business condition.

(j) Reserve for loss on guarantees:

Reserve for loss on guarantees is provided for the amount sufficient to cover possible loss on guarantees by evaluating individual warrantee's financial positions.

(k) Reserve for loss on investments to affiliates:

Reserve for loss on investments to affiliates is provided for the amount sufficient to cover unrealized holding loss on investments to affiliates corresponding decreased amounts of by considering their financial positions.

(l) Property, plant and equipment and depreciation:

Depreciation is principally computed by a declining-balance method at rates based on the estimated useful lives. Useful life and residual value are in conformity to the provisions of the income tax law. However, depreciation of buildings which the Companies acquired on and after April 1, 1998, is computed on a straight-line basis over the shortened estimated period.

(m) Impairment of fixed assets:

To judge an indicator of impairment of fixed assets, idle properties are grouped by each asset. Loss on impairment of ¥6 million (US$51 thousand) for 2007 and ¥63 million for 2006 was recognized on idle properties with no specific plan for future use.

(n) Reserve for retirement benefits:

The reserve for retirement benefits, as of the end of the fiscal year, represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. The unrecognized actuarial differences are amortized on straight-line basis over the period of 15 years from the next year in which they arise.

Unrecognized prior service costs are amortized based on the straight-line method over a period of five years, beginning at the date of adoption of the plan amendment.

(o) Income taxes:

The Companies have adopted the asset-liability method of tax effect, amounting to recognize the effect of temporary differences in the recognition of tax basis assets and liabilities and their financial report amounts.

(p) Consumption tax:

In Japan, consumption tax at the flat rate of 5% for 2007 and 2006 on all domestic consumption of goods and services (with certain exemptions) is levied.

The Companies have adopted the accounting method by which the consumption tax does not primarily affect net income.

(q) Recognition of contract revenue:

The Companies adopt the completion method for revenue recognition for the contracts in amounts less than ¥100 million, and the percentage of completion method for the contracts of ¥100 million or more for more than one year, the percentage are measured by the ratio of the costs incurred to the estimated total costs for each contract.

The amounts of contract revenue which are accounted for by the percentage of completion method were ¥96,240 million (US$815,594 thousand) for 2007 and ¥90,856 million for 2006.

(r) Leases:

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

(s) Net income and cash dividend per share:

Net income per share assuming no dilution is based on the weighted average number of shares of common stock outstanding during the respective years.

Net income per share assuming full dilution was not disclosed in 2007 and 2006 due to the fact that there were no bonds with warrant and convertible bonds at the end of 2007 and 2006.

Cash dividends per share for each year represent the dividends declared as applicable to the respective years.

(t) Accounting standard for presentation of net assets in the balance sheet :

Effective from the year ended March 31, 2007, the Company has applied “Accounting standards for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Statement No.5)”, and “Implementation guidance for Accounting Standards for presentation of net assets in the balance sheet (Accounting Standard of Japan Guidance No.8)” both issued by the Accounting Standard of Board of Japan on December 9, 2005.

The amounts corresponding to the conventional “Shareholders' equity” in the balance sheets is ¥47,294 million (US$400,800 thousand).

“Net assets" in the balance sheets for this year is presented according to the revision of "Regulations concerning the Terminology, Form and Presentation Methods of Consolidated Financial Statements” dated on April 25, 2006. Furthermore, the Company presented its net assets in the balance sheets using the new presentation as of March 31, 2006 and 2007.

(2) U.S. Dollar Amounts

The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars at rate ¥118 = US$1, the approximate rate of exchange effective at March 31, 2007. The inclusion of such dollar amounts is solely for convenience of readers outside Japan and is not intended to imply that yen and assets and liabilities originating in yen have been or could be readily converted, realized or settled in dollars at this or any other rates.

(3) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2007 and 2006 consisted of:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash and time deposits	¥ 23,149	¥ 24,857	$ 196,176
Time deposits due over three months	(77)	(119)	(647)
Cash and cash equivalents	¥ 23,072	¥ 24,738	$ 195,529

(4) Marketable Securities and Investments in Securities

The following is certain information related to the aggregate carrying amount and fair value of securities.

(a) Held-to-maturity debt securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Government bond, municipal bond and other	¥ 62	¥ 62	$ 525
Total	¥ 62	¥ 62	$ 525

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Carrying value	¥ 62	¥ 62	$ 525
Market value	62	62	525
Unrealized gain	¥ 0	(¥0)	$ 0

(b) Other securities having its market value:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Marketable equity securities	¥ 14,392	¥ 21,257	$ 121,970
Debentures	8	8	65
Other	269	269	2,281
Total	¥ 14,669	¥ 21,534	$ 124,316

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cost	¥ 8,351	¥ 9,435	$ 70,772
Market value (Carrying value)	14,669	21,534	124,316
Unrealized gain	¥ 6,318	¥ 12,099	$ 53,544

Securities for which market quotations are not available are principally unlisted securities.

Investments in securities at March 31, 2007 and 2006 comprise investment securities lent to the third party under a security loan agreement amounting to ¥508 million and ¥920 million, respectively.

(5) Short-term Borrowings and Long-term Debt

Short-term borrowings were represented generally by 365-day notes in 2007 and 2006 issued by the Companies, and bore interest principally at the short-term primary interest rates in effect in 2007 and 2006.

As is customary in Japan, the Company and its consolidated domestic subsidiaries maintain deposit balances with banks with which they have short-term bank loans or long-term debt.

Such deposit balances are not legally or contractually restricted as to withdrawal.

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks and insurance companies with interest ranging from 1.04% to 2.48%, due various dates through 2012:	¥36,378	¥31,673	$308,290
Total	36,378	31,673	308,290
Current portion included in current liabilities	(11,396)	(10,956)	(96,574)
Total	¥24,982	¥20,717	$211,716

Certain Companies' long-term debt agreements provide, among other things, that the lender may request the Companies to submit proposals for appropriations of retained earnings (including payment of dividends) for review and, in some instances, approval prior to presentation to the shareholders. However, the Companies have never received such a request.

In addition, as is customary in Japan, substantially all of the Companies' bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may treat any security furnished to the bank as well as cash deposited with it as security for all present and future indebtedness and may, when the bank deems it necessary, request additional security for loans.

The Company had credit lines from 9 banks amounting to ¥35,000 million (US$296,610 thousand) and 8 banks amounting to ¥15,000 million in total at March 31, 2007 and 2006.

Assets pledged as collateral for short-term borrowings, long-term debt and contingent liabilities at March 31, 2007 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Assets pledged as collateral:			
Land	¥ 1,578	¥ 1,578	$ 13,373
Building and structures	735	764	6,229
Investment securities	3,164	5,401	26,814
Loans	513	—	4,347
	¥ 5,990	¥ 7,743	$ 50,763
Liabilities secured thereby:			
Current portion of long-term debt	¥ 787	¥ 1,113	$ 6,669
Long-term debt	¥ 2,263	¥ 2,037	$ 19,178
Contingent liabilities	¥ 2,053	¥ 2,354	$ 17,398

The aggregate annual maturities of long-term loans (including current portion) as of March 31, 2007 were as follows:

Year ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2008	¥ 11,396	$ 96,574
2009	9,968	84,478
2010	8,992	76,204
2011	3,911	33,144
2012 and thereafter	2,111	17,890
Total	¥ 36,378	$308,290

(6) Advances on Contracts in Progress

The Company usually receives payments from customers in the public sector on a progress basis in accordance with terms of the respective construction contracts.

(7) Reserve for Retirement Benefits and Pension Plan

The Company and its consolidated subsidiaries adopt the cash balance plan, retirement allowance plan, and additional severance payment covering substantially all employees for the defined benefit retirement plans. Furthermore, the Company set up the retirement benefit trust.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligations	¥(25,182)	¥(26,408)	$(213,403)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Plan assets	¥ 23,876	¥ 20,641	$ 202,335
	(1,306)	(5,767)	(11,068)
Unrecognized actuarial differences	(1,248)	978	(10,575)
Unrecognized prior service cost	(1,062)	(2,124)	(9,002)
	¥ (3,616)	¥ (6,913)	$ (30,645)

Net pension expense related to the retirement benefits for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 909	¥ 909	$ 7,701
Interest cost	654	646	5,542
Expected return on plan assets	(303)	(256)	(2,563)
Amortization of unrecognized actuarial differences amount	202	408	1,712
Amortization of prior service cost	¥ (1,062)	¥ (1,062)	$ (9,002)
Net pension and severance costs	¥ 400	¥ 645	$ 3,390

Additional severance payment amounting to ¥1,319 million (US$ 11,178 thousands) is recorded for 2007 in addition to the above net pension expenses.

Assumptions used in the calculation of the above information were as follows:

	2007	2006
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of unrecognized actuarial differences	15 years	15 years
Amortization of prior service cost	5 years	5 years

The balance of reserve for retirement benefits included the reserve for retirement allowance for directors and statutory auditors in amounts of ¥60 million (US$510 thousands) and ¥100 million as of March 31, 2007 and 2006, respectively.

The reserve for retirement allowance for directors and statutory auditors are provided at the amount required on balance sheet dates in accordance with the internal rules of certain consolidated subsidiaries.

(8) Selling, General and Administrative Expenses

The significant items of selling, general and administrative expenses for 2007 and 2006 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Salaries to employees	¥ 5,001	¥ 5,680	$ 42,387
Expenses for retirement benefits	67	87	572
Reserve for retirement benefits	28	37	244
Allowance for doubtful receivables	170	58	1,446
Depreciation	262	286	2,226
Research expenses	¥ 1,322	—	$ 11,209

(9) Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred Tax Assets:			
Pension and severance costs	¥ 2,527	¥ 3,648	$ 21,417
Revaluation of inventories	6,337	2,951	53,708
Write-down of investments securities	217	321	1,836
Allowance for doubtful accounts	412	1,212	3,491
Accrued bonus to employees	344	593	2,918
Accrued tax	52	78	443
Reserve for loss on development business	—	3,085	—

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loss carried forward...	2,663	728	22,570
Others	3,640	3,280	30,850
Valuation allowance..	(968)	(788)	(8,208)
Deferred Tax Assets ..	¥ 15,224	¥15,108	$ 129,025

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred Tax Liabilities:			
Unrealized gain on securities	(¥2,552)	(¥4,888)	($21,629)
Reserve for land	(1,250)	(1,250)	(10,593)
Other	(672)	(87)	(5,693)
Deferred Tax Liabilities	(4,474)	(6,225)	(37,915)
Net Deferred Tax Assets	¥ 10,751	¥ 8,883	$ 91,110

(b) A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2007 and 2006, and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows.

	2007	2006
Normal effective statutory tax rate	40.4 %	40.4 %
Expenses not deductible for income tax purposes	28.3	10.0
Non-taxable income	(5.2)	(2.1)
Per capita levy of inhabitant taxes	15.2	4.5
Other-net	12.8	3.9
Actual effective tax rate	91.5 %	56.7 %

(10) Net Assets

Corporation Law of Japan("the Law")became effective on May 1, 2006, replacing the Commercial Code of Japan. Under the Law, certain issuance of common shares is required to be credited to the common stock account for 50% of the proceeds. The Law permits, by resolution of the shareholders' meeting, transfer from amounts of additional paid-in capital to the common stock.

The Law provides that an amount equal to 10 % of dividends of surplus shall be appropriated as a legal reserve or additional paid-in capital until the total amount of legal reserve and additional paid-in capital equals 25 % of the stated amount of capital stock. Legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, they are available for distributions by the resolution of the shareholders' meeting.

(11) Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net value of the leased assets, which included an interest portion at March 31, 2007 and 2006.

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Machinery, vehicles, tools and others	¥1,601	¥1,460	$ 13,571
Accumulated depreciation	948	695	8,037
	¥ 653	¥ 765	$ 5,534

The scheduled maturities of future lease rental payments, including an interest portion on such lease contracts as of March 31, 2007 and 2006 are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year ...	¥ 264	¥ 245	$ 2,236
Due over one year	389	520	3,298
	¥ 653	¥ 765	$ 5,534

Lease rental expenses incurred in connection with finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessees, amount to ¥255 million (US$2,164 thousand) and ¥239 million for the years ended March 31, 2007 and 2006, respectively.

(12) Revaluation of Land

The Company revalued the land of ownership used for its own business purposes based on the value appraised by an appraiser who is regulated by Article 2 No.4 of an Enforcement Ordinance, and No.119 of Law Concerning Land Revaluation (effective from March 31, 1998) with certain necessary adjustments.

As a result, the excess of revaluation was recognized, and taxes to be levied on its excess in future was declared as deferred tax liabilities amounting to ¥2,945 million (US$24,956 thousand) for 2007 and ¥2,829 million for 2006. Net excess, having deducted the above taxes, was presented in net assets as a reserve for land revaluation amounting to minus ¥2,682 million (US$22,729 thousand) for 2007 and minus ¥2,853 million for 2006. On the date of revaluation of March 31, 2007, there was a difference in value between market and book after revaluation amounting to ¥7,060 million (US$59,832 thousands).

(13) Commitments and Contingent Liabilities

The Companies are contingently liable for the following at March 31, 2007 and 2006:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2007	2006	2007
Trade notes receivable discounted and endorsed	¥ 77	¥ 32	$ 650
Contingently liable for guarantees of short-term and long-term debt of employee, customers, unconsolidated subsidiaries and affiliates	3,658	3,910	31,004
	¥ 3,735	¥ 3,942	$ 31,654

The Company has received a declaration for arbitration from the owner through the "Central dispute committee of construction works" for work which was constructed and completed in 1989 by joint venture. The total construction cost was ¥757 million, including ¥378 million for the Company. At present, the result of arbitration is not predictable.

(14) Notes Receivable and Payable

The redemption schedule at March 31, 2007 for notes receivable and payable with maturity dates were.

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2007	2007
Notes receivable	¥ 767	$ 6,505
Notes payable	¥2,863	$ 24,270

It is due to the fact that the holiday for financial institutes meets the maturity date at March 31, 2007.

(15) Segment Information

a. Business Segments

Business segments are principally composed of the followings:

Construction ….. Civil Engineering and Building Works
Real Estate ……. Development of Land and Buildings
Other Businesses.. Building and repair of vessels and agency businesses

Year Ended March 31, 2007 Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 181,876	¥ 2,839	¥ 3,858	¥ 188,573	¥ —	¥ 188,573
Inter-segment	1,966	646	1,294	3,906	(3,906)	—
Total	183,842	3,485	5,152	192,479	(3,906)	188,573
Operating expenses	182,946	3,221	4,856	191,023	(3,905)	187,118
Operating income	896	264	296	1,456	(1)	1,455
Total assets	154,427	28,607	4,847	187,881	33,974	221,855
Depreciation expenses	2,033	160	71	2,264	(1)	2,263
Capital Expenditure	¥ 1,951	¥ 92	¥ 20	¥ 2,063	(¥5)	¥ 2,058

Year Ended March 31, 2006 Millions of Japanese Yen

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 214,089	¥ 4,913	¥ 3,528	¥ 222,530	¥ —	¥ 222,530
Inter-segment	1,179	870	996	3,045	(3,045)	—
Total	215,268	5,783	4,524	225,575	(3,045)	222,530
Operating expenses	212,023	5,399	4,332	221,754	(3,119)	218,635
Operating income	3,245	384	192	3,821	74	3,895
Total assets	166,203	34,392	4,752	205,347	42,764	248,111
Depreciation expenses	2,448	186	75	2,709	(3)	2,706
Capital Expenditure	¥ 1,473	¥ 31	¥ 53	¥ 1,557	¥ 3	¥ 1,560

Year Ended March 31, 2007 Thousands of U.S. Dollars

	Construction	Real Estate	Other Businesses	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	$1,541,324	$ 24,061	$ 32,695	$1,598,080	$ —	$ 1,598,080
Inter-segment	16,660	5,474	10,970	33,104	(33,104)	—
Total	1,557,984	29,535	43,665	1,631,184	(33,104)	1,598,080
Operating expenses	1,550,387	27,300	41,149	1,618,836	(33,090)	1,585,746
Operating income	7,597	2,235	2,516	12,348	(14)	12,334
Total assets	1,308,700	242,434	41,081	1,592,215	287,914	1,880,129
Depreciation expenses	17,226	1,360	598	19,184	(5)	19,179
Capital Expenditure	$ 16,536	$ 781	$ 167	$ 17,484	($42)	$ 17,442

b. Geographical Segments

Each area primarily refers to the following countries:

Southeast Asia ....Singapore, Philippines and Viet Nam

Year Ended March 31, 2007 — Millions of Japanese Yen

	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 152,218	¥ 19,268	¥ 17,087	¥ 188,573	¥ —	¥ 188,573
Inter-segment	—	—	—	—	(—)	—
Total	152,218	19,268	17,087	188,573	(—)	188,573
Operating expenses	150,342	19,586	17,190	187,118	(—)	187,118
Operating income	1,876	(318)	(103)	1,455	(—)	1,455
Total assets	¥ 156,377	¥ 13,232	¥ 13,743	¥ 183,352	¥ 38,503	¥ 221,855

Year Ended March 31, 2006 — Millions of Japanese Yen

	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	¥ 190,897	¥ 17,808	¥ 13,825	¥ 222,530	¥ —	¥ 222,530
Inter-segment	—	—	—	—	(—)	—
Total	190,897	17,808	13,825	222,530	(—)	222,530
Operating expenses	186,327	18,098	14,210	218,635	(—)	218,635
Operating income	4,570	(290)	(385)	3,895	(—)	3,895
Total assets	¥ 180,025	¥ 13,872	¥ 7,462	¥ 201,359	¥ 46,752	¥ 248,111

Year Ended March 31, 2007 — Thousands of U.S. Dollars

	Japan	Southeast Asia	Other Areas	Total	Elimination / Corporate	Consolidated
Net sales:						
Customers	$1,289,987	$ 163,292	$ 144,801	$1,598,080	$ —	$1,598,080
Inter-segment	—	—	—	—	—	—
Total	1,289,987	163,292	144,801	1,598,080	—	1,598,080
Operating expenses	1,274,080	165,986	145,680	1,585,746	(—)	1,585,746
Operating income	15,907	(2,694)	(879)	12,334	—	12,334
Total assets	$1,325,233	$ 112,132	$ 116,467	$1,553,832	$ 326,297	$1,880,129

c. Overseas Net Sales

Each area primarily refers to the following countries:

Southeast Asia ....Singapore, Philippines and Viet Nam

Year Ended March 31, 2007 — Millions of Japanese Yen

	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 19,268	¥ 17,087	¥ 36,355
Consolidated net sales	—	—	188,573
Ratio (%)	10.2	9.1	19.3

Year Ended March 31, 2006 — Millions of Japanese Yen

	Southeast Asia	Other Areas	Total
Overseas net sales	¥ 17,808	¥ 13,825	¥ 31,633
Consolidated net sales	—	—	222,530
Ratio (%)	8.0	6.2	14.2

Year Ended March 31, 2007 — Thousands of U.S. Dollars

	Southeast Asia	Other Areas	Total
Overseas net sales	$ 163,292	$144,801	$ 308,093
Consolidated net sales	—	—	$1,598,080