

5-20, MINAMI AOYAMA 2-CHOME, MINATO-KU, TOKYO 107-8680 JAPAN  
 PHONE: 03-5775-3000 FAX: 03-5775-3118

Date: December XX, 20XX  
 Addressee:  
 Reference: SAMPLE

"\*" = Phonetically spelt, "NA" = Not Available

\*\*\*\*\*

COMPANY NAME: TEIKOKU TECHNO TOOL KABUSHIKI KAISHA  
 (ENGLISH STYLE: TEIKOKU TECHNO TOOL CO., LTD.)  
 ADDRESS: Teikoku Bldg., 1-12-2, Shintomi, Chuo-ku, Tokyo 104-0041 Japan  
 TELEPHONE: 03-3206-2585  
 REGISTERED ADDRESS: 2-5-20, Minami Aoyama, Minato-ku, Tokyo 107-0062 Japan  
 URL: <http://www.techno-tool.co.jp/>  
 URL (financial): <http://www.techno-tool.co.jp/kessan>  
 URL (publication): <http://www.techno-tool.co.jp/ir>

TDB COMPANY CODE: 989999956  
 TIC: Primary Line 35441 Secondary Line 35431  
 STOCKS: Unlisted  
 SECURITIES CODE: None  
 REPRESENTATIVE: Kazumasa Shimizu  
 FOUNDED: September 1931  
 INCORPORATED: April 1937  
 CAPITAL: 400,000 Thousand yen  
 LINE OF BUSINESS: Mfg. and sale of precision cutting tools and machine parts, and real estate renting  
 SALES: 4,584,423 Thousand yen (as of May 2007)  
 BANKS: Mizuho Bank (Ginza), Sumitomo Mitsui Banking (Ginza)  
 EMPLOYEES: 167

**CREDIT RATING**

<u>CREDIT FACTORS</u>		<u>MARKS</u>	<u>CREDIT RANGE</u>
History	1 ~ 5	5	[ ] A (86 ~ 100)
Net Worth	0 ~ 12	4	
Business Scale	2 ~ 19	10	[ ] B (66 ~ 85)
Profitability	0 ~ 10	6	
Financial Condition	0 ~ 20	8	[*] C (51 ~ 65)
Management	1 ~ 15	10	
Business Vitality	4 ~ 19	11	[ ] D (36 ~ 50)
Additional Marks if necessary	+1 ~ +5		
Demerit Marks if necessary	-1 ~ -10		[ ] E (Below 35)
<b>TOTAL</b>	<b>(/100)</b>	<b>54</b>	

When it is judged that the total marks for the first seven credit factors are not sufficient to reflect the actual status of the company, some additional marks may be given.

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ISSUABLE CAPITAL:	28,000,000	shares
PAID-UP CAPITAL:	8,000,000	shares
Shares with Restriction on Transfer:	6,400,000	shares
Shares with Restricted Voting Right:	1,600,000	shares
UNIT CAPITAL:	-	shares

RESTRICTION ON TRANSFER OF SHARES:    Yes[ \* ]    No[ ]

**CAPITAL RECORDS:**    (Thousand yen)

		<u>Date</u>
When established	250	Apr. 1937
	2,600	Apr. 1944
	15,600	Jul. 1960
	70,000	Oct. 1961
	120,000	Apr. 1963
	200,000	Oct. 1974
Capital decreasing	360,000	May. 1977
	250,000	Mar. 1978
	300,000	Oct. 1978
	350,000	Apr. 1989
	400,000	May. 2000

Notes: Capital decreasing in March 1978 was to clear off accumulated loss.

**CESSION OF AN OBLIGATION**

[Transfer of receivable]	Yes[ ]	No[ * ]	NA[ ]	
<u>Date</u>	<u>Alienor</u>			<u>Registered Number</u>

 Address:  
 Remarks:

[Chattel mortgage]	Yes[ ]	No[ * ]	NA[ ]	
<u>Date</u>	<u>Alienor</u>			<u>Registered Number</u>

 Address:  
 Remarks:

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MANAGEMENT ("+"=active, "(RD)"=rep. director):  
President (RD): Kazumasa Shimizu+  
Senior Managing Director (RD): Masao Aoyama+  
Managing Director: Ryuichi Iwai+  
Director: Sanshiro Yokoyama+  
Director: Yumio Kawaguchi+  
Director: Shigeru Watanabe+  
Standing Auditor: Yasuo Kobayashi+  
Auditor: Kumi Fukuoka  
Auditor: Ryoma Akai

TYPE: Company with board of directors' committee

Notes:

**PRINCIPAL SHAREHOLDERS AND RESPECTIVE HOLDINGS**

Sanwa Co.	2,000,000 shares	/	25.0%
Masao Iwai	1,700,000 shares	/	21.3%
Kowa Shoji K.K.	900,000 shares	/	11.3%
Ryuichi Iwai	600,000 shares	/	7.5%
Kazumasa Shimizu	500,000 shares	/	6.3%
Kokusai Mutual Life Insurance Co., Ltd.	200,000 shares	/	2.5%
Yamada Securities Co., Ltd.	200,000 shares	/	2.5%
Osaka Sanwa Co.	160,000 shares	/	2.0%
Mizuho Bank, Ltd.	140,000 shares	/	1.8%

Notes: When capital increased in March 2000, 1 million of newly issued shares were undertaken as follows;  
Kowa Shoji K.K. undertook 600 thousands of them, while Mr. Kazumasa Shimizu and Mr. Ryuichi Iwai undertook  
200 thousands each.

NUMBER OF SHAREHOLDERS: 50 (as of December 2007)

**APPROVAL AND LICENSE**

<u>Category</u>	<u>Number</u>
Real estate transaction license	(3) No.3400 issued by the Governor of Tokyo

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**EMPLOYEES**

<u>Changes in population</u>	<u>May. 2007</u>	<u>Dec. 2007</u>
Regular employee	167	167
Contract worker	0	0
Temporary staffer	0	0
Part-timer	40	40

Notes: There is a labor union, namely Teikoku Techno Tool Labor Union (no superior body; 140 members).  
Relationships between labor and management are good.

**FACILITIES**

	<u>May. 2007</u>	<u>Dec. 2007</u>
Branch office	2	2
Factory	1	1
Outlet	0	0
Others	2	2
Total(except head office)	5	5

**Location of branch & sub-branch offices:**

Domestic: Osaka, Fukuoka  
Overseas: None

**Location of factories:**

Domestic: Niigata  
Overseas: None

**Location of outlet:**

Domestic: None  
Overseas: None

**Location of laboratories:**

None

**Location of delivery centers:**

None

**Location of employees' dormitories:**

Tokyo

**Location of warehouses:**

None

**Location of Real estate:**

Tokyo

**Notes:****INSURANCE**

Fire insurance: Sonpo 24 Songai

Non-life insurance for automobile: Sonpo 24 Songai

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## PLANS FOR FACILITY CONSTRUCTION &amp; EXPANSION

						(Thousand yen)
<u>Business Place</u>	<u>Object</u>	<u>Plan</u>	<u>Ownership</u>	<u>Schedule</u>	<u>Place</u>	<u>Investment Amount</u>
Niigata factory	Equipment	Newly	Owned	Feb. 2008	Niigata City, Niigata	10,000

Means: Borrowing capital

Notes: It is planning to introduce IT cutting-processing system. With this introduction, manufacturing efficiency is to be improved by 20% compared with the current system.

NOTES: The subject is currently developing new cutting tools.

It is planning to release a cutting tool for next generation and is investing a large amount of money for R&D.

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## MANAGEMENT BACKGROUND: (to be continued)

Name: Kazumasa Shimizu - President (RD)  
Date of birth: August 10, 1935  
Sex: Male  
Hometown: Tokyo  
Address: 2-11, Tokiwa-cho, Naka-ku, Yokohama City, Kanagawa 231-0014  
Telephone: 045-641-2555  
Education: Chuo University (graduated in 1958)

## Business career: (in chronological order)

In April 1958: joined Asahi Boshoku K.K.  
In August 1968: joined Teikoku Yakin Kogyo K.K. and became manager of planning section.  
In June 1979: left the above.  
In August 1979: joined the subject and became managing director.  
In December 1993: was elected president and rep.director.

## Related companies/associations and each position

<u>Name of Companies</u>	<u>Position</u>
Teikoku Plant Kensetsu K.K.	Director

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## MANAGEMENT BACKGROUND: (continued)

Academic title:

Prized:

Hobbies &amp; sports: Golf

Business experience in this line:  [\*] More than 10 years  More than 3 years  Less than 3 yearsManagement experience:  [\*] More than 10 years  More than 3 years  Less than 3 yearsSpecialized in:  Marketing & sales activity  Engineering  Accounting  [\*] AdministrationAssumption of present post:  Founder  Family succession  Acquisition  [\*] Inside promotion  
 Outside invitation  Transfer  Spin-off

Notes:

Residence:  Company possession  [\*] Owner-occupied  Family-possession  
 Rented  Unavailable-information

Registration: Confirmed

Land: 165.00 m<sup>2</sup> acquired in August 1977.Building: 105.00 m<sup>2</sup> acquired in August 1977.

Notes:

Successors:  [\*] Yes  [ ] Spouse  [ ] Child  [ ] Relative  [\*] Non-family member }  
Name [ ]  
 [ ] No  [ ] Undecided  [ ] Unavailable-information

Notes:

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**SUPPLIERS**

Main materials: Nisshin Koki (Naka-ku, Nagoya, 50 million yen a month), Hiyoshi Kozai (Chiyoda-ku, Tokyo, 30 million yen a month)  
Sub-materials: Nagashima Tekkosho (Kohoku-ku, Yokohama), Eikosha (Sagamihara, Kanagawa), Takai Koki (Mito, Ibaraki), Diamond Industrial (Chiyoda-ku, Tokyo)  
Subcontractors: Nakano Seimitsu Kogu Seisakusho (Nakano-ku, Tokyo), Kondo Seiko (Ome, Tokyo), Otsuka Seisakusho (Koshigaya, Saitama)

IMPORT:  Yes {  Direct  Indirect }  No  
NUMBER OF SUPPLIERS: 70

**TERMS OF PAYMENTS**

30/60-day cash	40 %
120/-day notes	40 %
Notes endorsed	20 %
Off-setting account	%
Advances	%

Notes: Subcontracting expenses: cash  
Material expenses: notes.

**CUSTOMERS**

Cutting tools: Diamond Industrial (Chiyoda-ku, Tokyo, 59 million yen a month), Aoyama Motors (Minato-ku, Tokyo, 32 million yen a month), Frice Seisakusho, Ota Kikai (Takaoka, Toyama), Niigata Shoko (Chiyoda-ku, Tokyo), Nihon Kiko (Tsuchiura, Ibaraki)

EXPORT:  Yes {  Direct  Indirect }  No  
NUMBER OF CUSTOMERS: 300

**TERMS OF COLLECTION**

30/60-day cash	30 %
120/150-day notes	70 %
Off-setting account	%
Advances	%
Factoring	No

Notes: Import : D/A, D/P



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BANKS: (Thousand yen)

Banks (Branches)	Notes Discounted	Short-term Loans	Long-term Loans	Fixed Deposit
Mizuho Bank (Ginza)	732,000	365,000	341,000	350,000
Sumitomo Mitsui Banking (Ginza)	24,000	48,000	25,000	30,000
<b>Total</b>	<b>756,000</b>	<b>413,000</b>	<b>366,500</b>	<b>380,000</b>

CHANGE OF MAIN BANK: None

**OTHER LOANS**

	Amount	Notes
Teikoku Plant Kensetsu K.K.	7,500	Long term loans
<b>Total</b>	<b>7,500</b>	

**BOND PAYABLE**

Category	Date	Amount	Underwriter	Balance at the End of the Previous Term	Term of Redemption	Mortgage/ Guarantee
<b>Total</b>						

**DEBT LOAN RECORDS**

Category	May. 2007	Oct. 2007
Banks	755,500	779,500
Other loans	7,500	7,500
Bond payable		
<b>Total</b>	<b>763,000</b>	<b>787,000</b>

**GUARANTEE**

Real estate {  Company possession  Owner-occupied  Other }  
 Securities  Guarantee  Deposit with banks  Credit  Guarantee society  
 Other

**LOAN RECEIVABLE**

Borrower	Amount	Notes
<b>Total</b>		

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**COMMENTS:**

Usage of short term loans are for working capital, meanwhile which of long term loans are mainly for investing in equipment. The amount of loans tends to be increasing, however, the subject keeps fair balance and its trading banks seemingly intend to continue financial support toward the subject.

**FINANCIAL PROFILE**

Trend (Sales)	<input type="checkbox"/>	Upsurge	<input type="checkbox"/>	Upward	<input type="checkbox"/>	Leveling off	<input checked="" type="checkbox"/>	Downward
Profitability	<input type="checkbox"/>	High	<input checked="" type="checkbox"/>	Fair	<input type="checkbox"/>	Poor but may improve	<input type="checkbox"/>	Poor
Collection	<input type="checkbox"/>	Satisfactory	<input checked="" type="checkbox"/>	Fair	<input type="checkbox"/>	Slow at times	<input type="checkbox"/>	Slow
Solvency	<input type="checkbox"/>	Strong	<input checked="" type="checkbox"/>	Moderate	<input type="checkbox"/>	Weak	<input type="checkbox"/>	Poor
Funds required	<input type="checkbox"/>	No extra funds required		<input checked="" type="checkbox"/>	Positive use*		<input type="checkbox"/>	Negative use**
Fund-raising capacity	<input type="checkbox"/>	High	<input checked="" type="checkbox"/>	Adequate	<input type="checkbox"/>	Nearly limited	<input type="checkbox"/>	Limited

\* Funds required for investment in fixed assets and some other constructive purposes that would promote business development

\*\* Funds required for paying or reducing debts and some other nonconstructive purpose

Notes: Sales tend to be decreasing due to weakened demand domestically and for Asia, however, the subject keeps making profit with reinforcement on manufacturing efficiency. Besides, the subject requires funds for positive use to invest in equipment (IT related). Having a good relationship with its trading banks, there is no worry for fund-raising capacity.

**BAD DEBT RECORDS**

Date	Borrower	Amount	Status	Reason
------	----------	--------	--------	--------

Notes:

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**HISTORY**

- Establishment:** This joint-stock company was incorporated in April 1937 as a successor of a sole proprietorship of Masao Iwai carried on under the name Shinagawa Kogu Seisakusho since September 1931.
- Type of legal organization:** Joint-stock company
- Change of corporation style:** In December 1958, the style was changed to Teikoku Engineering K.K. from Shinagawa Kogu K.K. In March 1998, the present style of Teikoku Techno Tool K.K. was adopted.
- Relocation of head office:** Upon incorporation in April 1937, the subject relocated its premises to a newly constructed head office building with a factory at 246, Nishi Rokugo, Kamata-ku, (now Ota-ku), Tokyo from 850, Oi Motoshiba-cho, Shinagawa-ku, Tokyo.  
In September 1969, the subject moved the head office to 1-12-2, Shintomi, Chuo-ku, Tokyo from 3-22-3, Nishi Rokugo, Ota-ku, Tokyo and placed the registered head office at 2-5-20, Minami Aoyama, Minato-ku, Tokyo.
- Latest reshuffle of Representative Director/President:** In April 1978, Takeo Onuma became new president/rep. director, replacing Mr. Masao Iwai. In December 1993, Kazumasa Shimizu, managing director, was elected new president/rep.
- When/where stock listed:** Unlisted
- Business/technical tieups with:** None
- Mergers:** None
- Acquisitions:** None
- Related group:** Sanwa K.K.
- Parent company: (Investment ratio to the subject %)**  
**Domestic:** Sanwa K.K.( holds a 25% stock interest in the subject )  
**Overseas:**
- Affiliated company: (Investment ratio from the subject %)**  
**Domestic:** Teikoku Plant K.K. ( a consolidated subsidiary of the subject in which the subject holds 66.7% stock interest ), Teikoku Plant Kensetsu K.K. ( Mr. Kazumasa Shimizu, president & rep. director of the subject, serves the company as a director )  
**Overseas:**
- Other information:**

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OPERATING RECORDS: (Thousand yen) ('-'=deficit, 'E'=estimate, 'T'=pretax income, 'P'=projected)

Year Ended							(Increasing Ratio %)	
	Sales	Operating Profit	Ordinary Income	Net Income	Dividend			
	-%	-%	-%	-%	-%			
May. 2002	E 4,930,464	E 89,739	E 77,501	E 23,858	-			
	-5.0%	-16.0%	-33.0%	-18.0%				
May. 2003	E 4,679,011	E 75,341	E 50,376	E 19,496	-			
	1.0%	9.0%	17.0%	25.0%				
May. 2004	E 4,730,480	E 82,110	E 59,131	E 24,295	-			
	-1.0%	-5.0%	-17.0%	-14.0%				
May. 2005	E 4,588,566	E 76,383	E 48,801	E 20,815	-			
	-3.0%	-77.0%	-%	-%				
May. 2006	E 4,450,909	E 66,151	E -11,834	E -20,020	-			
	3.0%	334.0%	-%	-%				
May. 2007	E 4,584,423	E 70,083	E 40,013	E 18,541	0			
	-6.0%	-14.0%	-25.0%	-19.0%				
May. 2008 P	E 4,300,000	E 60,000	E 30,000	E 15,000	0			

TAXABLE INCOME: (Thousand yen)

66,651 (May. 2002), 43,323 (May. 2003), 48,512 (May. 2004), 40,030 (May. 2005)

DEPRECIATION (Thousand yen)

Fiscal Term	Depreciation Amount	Comment
May 2003	13,000	
May 2004	13,000	
May 2005	14,000	
May 2006	13,000	
May 2007	13,000	

Notes: In fiscal year ended May 2004, sales and income increased thanks to the brisk demand from automobile industry and export to Southeast Asia.

In fiscal year ended May 2005, sales and income decrease due to the weakened demand for truck and export to Southeast Asia.

In fiscal year ended May 2006, sales decreased due to dull demand for export to Southeast Asia continuously with the previous year. Gross profit ratio fell by 1.6 point mainly due to rise in material price. Ordinary income and net income resulted in deficit.

FINANCIAL COMMENTS:

Ratio of ordinary Income to total liabilities & net worth, which is a general index on financial analysis, was 1.51%. In the fiscal year ended May 2006, some improvements were made since its account turned back to black. However, it was resulted to be ranked in subgroup.

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**OPERATION AND OUTLOOK****[Composition of Business]**

	May 2006	May 2007	(%)
Manufacturing of cutting tools	96.7	96.5	
Real estate leasing	3.3	3.5	

**[Line of Business]**

The subject is engaged in the manufacture and distribution of precision cutting tools and machine parts, and in real estate leasing.

Sales breakdown for the fiscal year ended May 2007 by the principal items and activities showed cutting tools such as end mills, taps, dies, etc., 60.2% (the previous fiscal year, 59.3%), precision machine parts such as spindles, fraise arbors, MC tooling, etc., 29.8% (30.5%), machine jigs such as shaping tool grinders, universal tool grinders, steel ball styli, etc., 6.5% (6.9%), and real estate (located at Ginza in Tokyo) leasing, 3.5% (3.3%).

Office leasing business still continues to be a stable source of income for the subject.

**[Characteristics of the Company]**

The subject is known for its brand "TECH" which is principally for automotive, machine tools and industrial machinery industries.

The subject is considered as a leading company in the cutting tool industry. It is a forerunner in applying newly developed materials to its products and is known to have an adequate capacity for technology and development. Newly developed cutting tools will be introduced in the market next year.

Sanwa K.K. holds 25-percent of equity stake, yet its relation to the subject in terms of marketing is not as close as it used to be.

**[Operating Performance]**

Sales for the fiscal year ended May 2007 were up 3% to 4,584.4 million yen attributed to the strong demand for drills for lathe and end mills for milling machines from Asian markets.

Gross profit ratio was up 0.9% to 27.3%, this was due to the reduction in production cost by introducing new machines that absorbs price increase of metal materials. Ordinary income and net income increased greatly to 40 million yen and 18.54 million yen, owing to the reduction in selling and general expenses such as personnel expenses.

**[Financial Position and Fund-Raising Capacity]**

Working funds is smoothly financed by note discounted.

Day-to-day finance is generally under control through the use of note discounted, as actual discount was around 800 million yen relative to limits of 1,400 million yen. Additionally, the subject has a well-valued real estate so that it is believed to have enough capacity in raising necessary funds for R&D and for investment in fixed assets in the future.

**[Latest Trend and Prospects]**

For the fiscal year ending May 2008, average monthly sales are showing decrease to be around 350 million yen even though as orders coming from Aoyama Motors, one of the major customers, have been increasing. Gross profit ratio fell by 2 points to 25%, mainly due to rise in the price of materials. Sales and ordinary income are expected to show slight decrease, posting 4,300 million yen and 30 million yen, respectively, with the recovery of demand from Asian markets.

In view of competitive technology, positive attitude toward new product development, and property background, the subject is likely to sustain the present business condition for the time being.

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**ANALYSIS OF FINANCIAL STATEMENTS**

(Thousand yen)

 TDB COMPANY CODE: 989999956  
 TIC: 35441

ITEM (FORMULAS)	May. 2005		May. 2006		May. 2007	
	Analysis	Comparison Average	Analysis	Comparison Average	Analysis	Comparison Average
<b>GENERAL INDEX</b>						
Ratio of Ordinary Income to Total Liabilities & Net Worth OI / L & NW(%)	1.87	-0.38 4.35 C	-0.46	-2.33 6.39 E	1.51	1.97 7.68 E
<b>PROFITABILITY</b>						
Ratio of Ordinary Income to Net Sales OI / NS (%)	1.06	-0.19 6.19 D	-0.27	-1.33 5.91 E	0.87	1.14 6.91 E
Ratio of Gross Profit to Net Sales GP / NS (%)	28.00	0.00 38.68 B	26.37	-1.63 22.67 B	27.26	0.89 23.58 B
Ratio of Operating Profit to Net Sales OP / NS (%)	1.66	-0.18 6.07 D	0.36	-1.30 6.06 E	1.53	1.17 7.06 E
Average Interest Ratio on Borrowings IP / B (%)	2.00	0.00 2.35 B	2.00	0.00 2.35 C	2.00	0.00 2.17 C
<b>EFFICIENCY</b>						
Turnover Ratio of Total Liabilities and Net Worth NS / L & NW (Times)	1.76	-0.04 17.08 A	1.74	-0.02 1.13 A	1.72	-0.02 1.13 A
Turnover Period of Inventory Assets IA / MS (Months)	1.21	-0.01 2.22 B	1.23	0.02 1.96 B	1.26	0.03 2.05 B
Turnover Period of Trade Receivables (NR & AR) / MS (Months)	2.26	0.01 3.53 B	2.28	0.02 3.18 B	2.33	0.05 3.26 B
Turnover Period of Trade Payables (NP & AP) / MS (Months)	2.30	0.01 2.40 C	2.25	-0.05 2.40 C	2.33	0.08 2.32 C
Turnover Period of Fixed Assets FA / MS (Months)	2.03	0.03 7.97 B	1.98	-0.05 4.68 B	1.91	-0.07 4.32 B
<b>SAFENESS/STABILITY</b>						
Net Worth Ratio NW / L & NW (%)	33.50	1.07 86.30 C	33.26	-0.24 32.78 C	32.79	-0.47 34.58 C
Current Ratio CA / CL (%)	134.52	4.88 296.09 C	137.81	3.29 189.22 D	138.33	0.52 191.58 D
Fixed Ratio FA / FL (%)	89.12	-3.20 217.17 C	85.97	-3.15 206.33 C	83.56	-2.41 187.57 C
Ratio of Interest-Bearing Liabilities to Monthly Sales IBL / MS × 100 (Times)	1.92	0.01 5.38 B	2.02	0.10 4.34 B	2.00	-0.02 3.93 B

**NOTES:**

*Net Worth = NW	Liabilities = L	Ordinary Income = OI	Net Sales = NS
Gross Profit = GP	Operating Profit = OP	Interest Payable = IP	Borrowings = B
Inventory Assets = IA	Monthly Sales = MS	Notes Receivable = NR	Accounts Receivable = AR
Notes Payable = NP	Accounts Payable = AP	Current Assets = CA	Current Liabilities = CL
Fixed Assets = FA	Fixed Liabilities = FL	Interest-Bearing Liabilities = IBL	

\*\* Rank in Industry Comparison: A= Less than high rank 20%, B= From 20 to Less than 40%, C=From 40 to Less than 60%, D= From 60 to Less than 80%, E=Subordinate position 20%

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**BREAK-EVEN POINT ANALYSIS TABLE**

ITEM	From Jun. 2004 To May. 2005		From Jun. 2005 To May. 2006		From Jun. 2006 To May. 2007	
	Amount	Increase Ratio (%)	Amount	Increase Ratio (%)	Amount	Increase Ratio (%)
Sales at Break-even Point (Total Fixed Expenses / Marginal Profit Ratio)	4,473,470	-2.6	4,479,577	0.1	4,488,592	0.2
Sales (Operating Revenue)	4,588,566	-3.0	4,450,909	-3.0	4,584,423	3.0
Total Variable Expenses	2,643,014	-3.0	2,621,636	-0.8	2,667,729	1.8
Marginal Profit (Sales - Total Variable Expenses)	1,945,551	-3.0	1,829,272	-6.0	1,916,693	4.8
Total Fixed Expenses	1,896,751	-2.6	1,841,106	-2.9	1,876,680	1.9
Ordinary Income	48,801	-17.5	-11,834	-124.2	40,013	438.1

**ANALYSIS RATIO**

ITEM (FORMULAS)	From Jun. 2004 To May. 2005		From Jun. 2005 To May. 2006		From Jun. 2006 To May. 2007	
	Analysis	Comparison Average	Analysis	Comparison Average	Analysis	Comparison Average
Ratio of Sales at Break-even Point to Net Sales SBP / NS (%)	1.03	0.00 1.20 D	0.99	-0.04 1.24 E	1.02	0.00 1.30 E
Ratio of Variable Expenses to Fixed Expenses VE / FE (%)	57.60	0.00 69.24 A	58.90	1.30 66.44 B	58.19	-0.71 66.68 B
Marginal Profit Ratio MP / NS (%)	42.40	0.00 30.76 A	41.10	-1.30 33.56 B	41.81	0.71 33.32 B
Fixed Ratio FA / NW (%)	41.34	0.19 24.72 E	41.36	0.02 27.54 E	40.94	-0.42 25.84 E
Margin of Management Safety Ratio NW / SBP / NW (%)	2.51	-0.44 16.92 D	-0.64	-3.15 16.91 E	2.09	2.73 21.64 E

**NOTES:**

\*Sales at Break-even Point = SBP

Fixed Expenses = FE

Net Worth = NW

Net Sales = NS

Fixed Assets = FA

Variable Expenses = VE

Marginal Profit = MP

 \*\* Rank in Industry Comparison: A= Less than high rank 20%, B= From 20 to Less than 40%, C=From 40 to Less than 60%,  
 D= From 60 to Less than 80%, E=Subordinate position 20%

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**CONDENSED BALANCE SHEET**

(Thousand yen)

	May. 2005	May. 2006	May. 2007
<b>ASSETS</b>			
Current Assets	1,828,192	1,831,013	1,929,923
Fixed Assets	777,988	733,243	728,211
Tangible Fixed Assets	595,224	581,224	568,224
Intangible Fixed Assets	1,492	1,492	1,492
Investments & Other Assets	181,272	150,527	158,495
Deferred Charges	-	-	-
<b>TOTAL ASSETS</b>	<b>2,606,180</b>	<b>2,564,256</b>	<b>2,658,134</b>
<b>LIABILITIES</b>			
Current Liabilities	1,359,082	1,328,626	1,395,193
Long-Term Liabilities	374,123	382,673	391,445
Reserves	-	-	0
Total Liabilities	1,733,205	1,711,299	1,786,638
<b>SHAREHOLDERS' EQUITY</b>			
Capital Stock	872,975	852,955	871,496
Capital	400,000	400,000	400,000
Retained Earnings	445,559	425,539	444,080
Valuation and Translation Adjustments	-	-	-
Share-Purchase Warrants	-	-	-
Total Shareholders' Equity	872,975	852,955	871,496
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>2,606,180</b>	<b>2,564,254</b>	<b>2,658,134</b>

Notes: Deficit if used (-)



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**CONDENSED INCOME STATEMENT**

	From Jun. 2004 To May. 2005	From Jun. 2005 To May. 2006	(Thousand yen) From Jun. 2006 To May. 2007
Sales	4,588,566	4,450,909	4,584,423
Operating Expenses	4,512,184	4,384,758	4,514,340
Cost of Sales	3,303,768	3,277,046	3,334,662
Gross Profit	1,284,798	1,173,863	1,249,761
Selling and General Expenses	1,208,416	1,157,712	1,179,678
Operating Profit	76,383	16,151	70,083
Non-Operating Profit	1,855	1,812	1,925
Non-Operating Expense	29,437	29,797	31,995
Ordinary Income	48,801	-11,834	40,013
Extraordinary Profit	-	-	-
Extraordinary Loss	13,346	8,076	9,468
Pretax Income	35,455	-19,910	30,545
Corporation Taxes etc	14,640	110	12,004
Net Income	20,815	-20,020	18,541
Unapprop. Income (Begin. of Term)	424,744	-	-
Unapprop. Retained Earnings (End of Term)	445,559	-	-

Notes: Deficit if used (-)

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## CONDENSED STATEMENT OF CHANGES IN NET WORTH

(Thousand yen)

	From Jun. 2004 To May. 2005	From Jun. 2005 To May. 2006	From Jun. 2006 To May. 2007
<b>Shareholders' Equity</b>			
Balance of Shareholders' Equity at End of Previous Term	-	872,975	852,955
Changes in Shareholders' Equity during the Term	-	-20,020	18,541
Dividend from Capital Surplus	-	-	-
Dividend from Retained Earnings	-	-	-
Balance of Shareholders' Equity at End of Term	-	852,955	871,496
-----			
<b>Valuation and Translation Adjustments</b>			
Balance of Valuation and Translation Adjustments at End of Previous Term	-	-	-
Changes in Valuation and Translation Adjustments during the Term	-	-	-
Balance of Valuation and Translation Adjustments at End of Term	-	-	-
-----			
<b>Share-Purchase Warrants</b>			
Balance of Share-Purchase Warrants at End of Previous Term	-	-	-
Changes in Share-Purchase Warrants during the Term	-	-	-
Balance of Share-Purchase Warrants at End of Term	-	-	-
-----			
Balance of Total Net Worth at End of Previous Term	-	872,975	852,955
Changes in Total Net Worth during the Term	-	-20,020	18,541
Balance of Total Net Worth at End of Term	-	852,955	871,496

Notes: Deficit if used (-)

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## CONDENSED STATEMENT OF APPROPRIATION OF RETAINED EARNINGS:

(Thousand yen)

	May. 2005	May. 2006	May. 2007
Unapprop. Retained Earnings at End of Term	445,559	-	-
Reversal of Voluntary Reserves	-	-	-
Distributed Income	-	-	-
Dividends	-	-	-
Director's Bonuses	-	-	-
Other Distributed Income	-	-	-
Appropriation of Voluntary Reserves	-	-	-
Retained Earnings Carried Forward	445,559	-	-
Other Capital Surplus	-	-	-
Reversal of Capital etc	-	-	-
Other Appropriated Capital Surplus	-	-	-
Other Appropriated Capital Surplus Carried Forward	-	-	-

Notes: Deficit if used (-)