ALTECH Co., Ltd. and Consolidated Subsidiaries

Audited Consolidated Financial Statements
for the Years Ended November 30, 2007 and 2006

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Independent Auditors' Report

To the Board of Directors of
Altech Co., Ltd.

We have audited the accompanying consolidated balance sheet of Altech Co., Ltd. and consolidated subsidiaries as of November 30, 2007, and related consolidated statements of operations, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Altech Co., Ltd. and consolidated subsidiaries as of November 30, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended November 30, 2007 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 1 to the consolidated financial statements.

Toyo Horwath

Toyo Horwath
Tokyo, Japan
February 26, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
ALTECH Co., Ltd.:

We have audited the accompanying consolidated balance sheets of ALTECH Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Group") as of November 30, 2006 and 2005, and the related consolidated statements of operations, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ALTECH Co., Ltd. and consolidated subsidiaries as of November 30, 2006 and 2005, 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Group recorded ordinary financial losses for the two consecutive fiscal years ended November 30, 2006 and 2005. In addition, the shareholders' equity, as defined in the loan contracts, was ¥4,863,100 thousand ($41,751 thousand) as of November 30, 2006. As a result, the restrictive financial covenants of syndicated loan contracts were violated. This condition raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3.g, as of December 1, 2005, the Group adopted the new accounting standard for impairment of fixed assets.

As discussed in Note 13, as of December 1, 2005, the Group changed the reporting of the industry segment information from a single segment, industrial machinery business, to two segments, wholesale business and production business.

As discussed in Note 15, the Company approved issue of common stock by third party allocation at the meeting of the Board of Directors held on January 26, 2007.

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

February 28, 2007

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
November 30, 2007 and 2006

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Note 4)	¥ 6,749,451	¥ 2,876,043	$ 61,275
Trade receivables	7,283,255	8,253,001	66,121
Inventories	1,902,875	2,905,751	17,276
Advances paid	879,568	545,498	7,985
Deferred tax assets (Note 12)	189,231	289,802	1,718
Other current assets	307,570	613,838	2,792
Allowance for doubtful receivables	(50,460)	(47,314)	(458)
Total current assets	17,261,490	15,436,619	156,709
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Buildings and structures	2,316,853	4,985,506	21,034
Machinery and equipment	3,784,574	3,410,636	34,358
Land	214,309	3,741,391	1,946
Construction in progress	–	220,503	–
Other	1,343,620	1,127,959	12,198
Total	7,659,356	13,485,995	69,536
Accumulated depreciation	(1,851,637)	(2,025,011)	(16,810)
Net property, plant and equipment	5,807,719	11,460,984	52,726
INTANGIBLE ASSETS, NET	38,612	59,645	351
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 6 and 10)	588,874	1,479,342	5,346
Long-term loans receivable	32,000	98,642	290
Deferred tax assets (Note 12)	285,302	22,404	2,590
Directors' insurance funds	32,705	535,336	297
Other assets (Notes 6 and 8)	1,671,761	1,004,169	15,177
Allowance for doubtful receivables	(4,544)	(93,925)	(41)
Total investments and other assets	2,606,098	3,045,968	23,659
TOTAL	¥ 25,713,919	¥ 30,003,216	$ 233,445

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade notes and accounts payable	¥ 6,195,175	¥ 7,751,369	$ 56,243
Short-term debt and current portion of long-term debt (Notes 9, 10 and 11)	2,061,736	5,231,983	18,718
Accrued expenses	780,121	853,335	7,082
Income taxes payable (Note 12)	931,860	129,879	8,460
Advances received	1,569,101	1,956,978	14,245
Other current liabilities	815,980	975,397	7,408
Total current liabilities	12,353,973	16,898,941	112,156
LONG-TERM LIABILITIES:			
Long-term debt (Note 9):			
Bonds	–	100,000	–
Convertible bonds	1,191,000	1,782,000	10,812
Loans from banks and other financial institutions	855,927	6,205,941	7,771
Other long-term liabilities (Note 12)	98,004	68,960	890
Total long-term liabilities	2,144,931	8,156,901	19,473
Total liabilities	14,498,904	25,055,842	131,629
SHAREHOLDERS' EQUITY (Note 13):			
Common stock, authorized 40,000,000 shares; issued 19,354,596 shares in 2007 and 10,556,896 shares in 2006	5,527,830	4,023,423	50,185
Additional paid-in capital	2,783,822	4,563,089	25,273
Retained earnings (accumulated deficit)	2,388,922	(4,022,172)	21,688
Treasury stock, at cost, 261,848 shares in 2007 and 261,528 shares in 2006	(222,506)	(222,377)	(2,020)
Total shareholders' equity	10,478,068	4,341,963	95,126
VALUATION AND TRANSLATION ADJUSTMENTS			
Net unrealized gain (loss) on available-for-sale securities (Note 5)	(36,035)	31,980	(327)
Deferred loss on derivatives under hedge accounting	(1,366)	(12,596)	(13)
Foreign currency translation adjustments	685,777	489,157	6,226
Total valuation and translation adjustments	648,376	508,541	5,886
MINORITY INTERESTS	88,571	96,870	804
Total net assets	11,215,015	4,947,374	101,816
COMMITMENTS AND CONTINGENCIES (Note 17)			
TOTAL	¥ 25,713,919	¥ 30,003,216	$ 233,445

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations
Years Ended November 30, 2007 and 2006

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
NET SALES	¥ 29,425,640	¥ 36,560,918	$ 267,142
COST OF SALES	24,847,079	33,364,220	225,575
Gross profit	4,578,561	3,196,698	41,567
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	3,606,893	4,197,453	32,746
Operating profit (loss)	971,668	(1,000,755)	8,821
OTHER INCOME (EXPENSES):			
Interest and dividends income	37,072	56,897	337
Interest expense	(289,726)	(335,853)	(2,634)
Equity in earnings of affiliates	142,736	30,371	1,296
Gain on derivatives	150,994	111,857	1,371
Rent income	31,622	33,716	287
Foreign exchange loss	(153,647)	(292,301)	(1,395)
Gain on sale of property, plant and equipment	3,642,767	–	33,071
Gain on sale of investment securities	132,555	–	1,203
Gain on cancellation of insurance	30,131	250,548	273
Loss on disposal of inventories	(54,403)	–	(494)
Impairment loss	(135,853)	(1,803,440)	(1,233)
Revaluation loss on investment securities	(107,170)	(57,070)	(973)
Other—net	(287,625)	60,397	(2,607)
Other income (expenses)—net	3,139,453	(1,944,878)	28,502
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	4,111,121	(2,945,633)	37,323
INCOME TAXES (Note 12):			
Current	994,618	163,939	9,030
Deferred	(111,987)	205,235	(1,017)
Total income taxes	882,631	369,174	8,013
MINORITY INTERESTS	11,834	(27,417)	107
NET INCOME (LOSS)	¥ 3,240,324	¥ (3,342,224)	$ 29,417

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
Years ended November 30, 2007 and 2006

	Thousands of yen										
	Shareholders' equity (Note 13)					Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Total	Net unrealized gain (loss) on available-for-sale securities (Note 5)	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at November 30, 2005	¥ 4,023,423	¥ 4,563,089	¥ (556,399)	¥ (222,093)	¥ 7,808,020	¥ 64,694	¥ –	¥ (95,443)	¥ (30,749)	¥ 62,884	¥ 7,840,155
Changes arising during the year:											
Cash dividends			(123,549)		(123,549)						(123,549)
Net loss			(3,342,224)		(3,342,224)						(3,342,224)
Purchase of treasury stock				(284)	(284)						(284)
Net changes other than shareholders' equity						(32,714)	(12,596)	584,600	539,290	33,986	573,276
Total changes during the year	–	–	(3,465,773)	(284)	(3,466,057)	(32,714)	(12,596)	584,600	539,290	33,986	(2,892,781)
Balance at November 30, 2006	4,023,423	4,563,089	(4,022,172)	(222,377)	4,341,963	31,980	(12,596)	489,157	508,541	96,870	4,947,374
Changes arising during the year:											
Shares issued	1,504,407	1,495,609			3,000,016						3,000,016
Reversal of additional paid-in capital		(3,274,876)	3,274,876		–						–
Decrease resulting from exclusion of an affiliate accounted for by equity method			(104,106)		(104,106)						(104,106)
Net income			3,240,324		3,240,324						3,240,324
Purchase of treasury stock				(129)	(129)						(129)
Net changes other than shareholders' equity					–	(68,015)	11,230	196,620	139,835	(8,299)	131,536
Total changes during the year	1,504,407	(1,779,267)	6,411,094	(129)	6,136,105	(68,015)	11,230	196,620	139,835	(8,299)	6,267,641
Balance at November 30, 2007	¥ 5,527,830	¥ 2,783,822	¥ 2,388,922	¥ (222,506)	¥ 10,478,068	¥ (36,035)	¥ (1,366)	¥ 685,777	¥ 648,376	¥ 88,571	¥ 11,215,015

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 9)					Valuation and translation adjustments					
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Total	Net unrealized gain (loss) on available-for-sale securities (Note 5)	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at November 30, 2006	$ 36,527	$ 41,426	$ (36,515)	$ (2,019)	$ 39,419	$ 290	$ (114)	$ 4,441	$ 4,617	$ 879	$ 44,915
Changes arising during the year:											
Stock issuance	13,658	13,578			27,236						27,236
Reversal of additional paid-in capital		(29,731)	29,731		–						–
Decrease resulting from exclusion of an affiliate accounted for by equity method			(945)		(945)						(945)
Net income			29,417		29,417						29,417
Purchase of treasury stock				(1)	(1)						(1)
Net changes other than shareholders' equity						(617)	101	1,785	1,269	(75)	1,194
Total changes during the year	13,658	(16,153)	58,203	(1)	55,707	(617)	101	1,785	1,269	(75)	56,901
Balance at November 30, 2007	$ 50,185	$ 25,273	$ 21,688	$ (2,020)	$ 95,126	$ (327)	$ (13)	$ 6,226	$ 5,886	$ 804	$ 101,816

See accompanying notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years ended November 30, 2007 and 2006

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 4,111,121	¥ (2,945,633)	$ 37,323
Depreciation and amortization	868,714	785,473	7,887
Impairment loss	135,853	1,803,440	1,233
Interest and dividends income	(37,072)	(56,897)	(337)
Interest expenses	290,183	335,853	2,635
Equity in earnings of affiliates	(142,736)	(30,371)	(1,296)
Gain on sale of property, plant and equipment	(3,642,767)	–	(33,071)
Decrease (increase) in trade receivables	992,368	(1,771,745)	9,009
Decrease (increase) in inventories	1,017,835	(1,438,258)	9,241
Decrease (increase) in advances paid	(331,979)	617,344	(3,014)
Increase (decrease) in trade payables	(1,570,397)	2,727,360	(14,257)
Increase (decrease) in advances received	(390,562)	57,816	(3,546)
Other, net	340,528	(280,209)	3,092
Sub total	1,641,089	(195,827)	14,899
Interest and dividends received	54,514	69,845	495
Interest paid	(317,085)	(337,986)	(2,879)
Income taxes paid	(233,417)	(196,714)	(2,119)
Income taxes refunded	89,781	273,770	815
Net cash provided by (used in) operating activities	1,234,882	(386,912)	11,211
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(944,816)	(1,268,054)	(8,578)
Proceeds from sales of property, plant and equipment	9,128,388	–	82,872
Purchases of investment securities	(26,902)	(146,872)	(244)
Proceeds from sale of investment securities	768,655	–	6,978
Proceeds from sales of investments in affiliates	–	223,150	–
Increase in long-term loans receivable	(32,000)	(373,000)	(290)
Decrease in long-term loans receivable	145,462	446,268	1,321
Decrease of long-term deposits, except cash equivalents	–	102,506	–
Other, net	(99,112)	20,043	(900)
Net cash provided by (used in) investing activities	8,939,675	(995,959)	81,159
FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(741,134)	548,523	(6,728)
Proceeds from long-term debt	352,250	2,682,337	3,198
Repayments on long-term debt	(8,181,407)	(2,334,041)	(74,275)
Repayments of bonds	(100,000)	–	(908)
Repayments of convertible bonds	(591,000)	–	(5,366)
Proceeds from shares issued	3,000,016	–	27,236
Dividends paid to shareholders	(2,036)	(123,224)	(19)
Other, net	11,010	(10,462)	100
Net cash provided by (used in) financing activities	(6,252,301)	763,133	(56,762)
Effect of exchange rate changes on cash and cash equivalents	37,760	82,024	343
Net increase (decrease) in cash and cash equivalents	3,960,016	(537,714)	35,951
Cash and cash equivalents at beginning of year	2,789,435	3,327,149	25,324
Cash and cash equivalents at end of year (Note 4)	¥ 6,749,451	¥ 2,789,435	$ 61,275

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended November 30, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Altech Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments 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.

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 the Company is incorporated and operates. The translations 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 ¥110.15 to $1, the approximate rate of exchange at November 30, 2007. Such translations should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. GOING CONCERN

The Group recorded ordinary financial losses for two consecutive fiscal years in the consolidated statements of operations for the years ended November 30, 2006, and shareholders’ equity amount classified based on the former accounting requirement ended up with ¥4,863,099 thousand as of November 30, 2006. As a result, the restrictive financial covenants of syndicated loan contracts were violated. However, the liquidation of loss-making subsidiary and cost-cutting turned the Company’s consolidated net income into the black, and cash flows from operating activities turned positive. As results of the issuance of new shares of ¥3,000,016 thousand ($27,236 thousand) through a private placement to Phoenix Capital Partners III Capital Investment Partnership which established by Phoenix Capital Co., Ltd., and sale of the properties, consolidated net assets are ¥11,215,015 thousand ($101,816 thousand) and interest-bearing debt is ¥2,917,663 thousand ($26,488 thousand) by repayment of syndicated loan.

Management believes there is no substantial doubt about the Company’s ability to continue as a going concern at November 30, 2007.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation* —** The Consolidated financial statements as of November 30, 2007 include the accounts of the Company and its 16 significant (15 in 2006) subsidiaries (together, the "Group").

Under the control or influence concept, a company in which the Company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the Group has the ability to exercise significant influence is accounted for by the equity method.

Investments in 4 (4 in 2006) affiliates are accounted for by the equity method. Investment in the remaining 1 (1 in 2006) unconsolidated subsidiary is stated at cost. If the equity method of accounting had been applied to the investment in the company, the effect on the accompanying consolidated financial statements would not be material.

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, which mature or become due within three months of the date of acquisition.

c. ***Investment Securities —*** Under the Accounting Standards for Financial Instruments, securities are classified into four categories – “trading securities,” “held-to-maturity securities,” “investments in affiliates” and “available-for-sale securities.” Holding securities of the Group are classified as available-for-sale securities which are not classified as either trading securities or held-to-maturity debt securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

Realized gains and losses on the available-for-sale securities are computed using the moving-average cost.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

d. ***Allowance for Doubtful Receivables —*** The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. ***Inventories —*** Inventories of consolidated subsidiaries, except Chinese consolidated subsidiaries, are stated at cost determined by the specific identification method. Inventories of Chinese consolidated subsidiaries are stated at the lower of cost, determined by the moving-average method, or market.

f. ***Property, Plant and Equipment —*** Property, plant and equipment are stated at cost. Depreciation of the Company and its consolidated subsidiaries, except Chinese and Indonesian consolidated subsidiaries, is computed by the declining-balance method, while the straight-line method is applied to the buildings acquired on and after April 1, 1998, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

Depreciation of Chinese and Indonesian consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 5 to 20 years for buildings and structures, and from 5 to 10 years for machinery and equipment.

Pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1. The effect of this change was immaterial.

g. ***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.
The Group adopted the accounting standard for impairment of fixed assets as of December 1, 2005. The effect of adoption of the new accounting standard for impairment of fixed assets was to increase loss before income taxes and minority interests for the year ended November 30, 2006 by ¥1,803,440 thousand.

h. ***Income Taxes* —** The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and it’s wholly owned domestic subsidiaries.

i. ***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 rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

j. ***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 net assets, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of net assets.

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

k. ***Derivatives and Hedging Activities* —** The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks and reduce financing costs. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are measured at fair value and recognized as either assets or liabilities, and gains or losses on derivative transactions are recognized in the statements of operations and (b) for derivatives used for hedging purposes, 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.

Foreign exchange contracts are utilized to hedge foreign currency exposures in export sales and in purchase of goods from overseas suppliers. Trade receivables and trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Foreign exchange contracts utilized 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.

Currency swaps are measured at fair value and the unrealized gains/losses are recognized in the consolidated statements of operations.

Interest rate swaps which qualify for hedge accounting are measured at fair value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as other liability or asset. Additionally, swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

l. ***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 financial statements.

4. CASH AND CASH EQUIVALENTS

Reconciliation between "Cash and deposits" in the accompanying consolidated balance sheets and "Cash and cash equivalents" in the accompanying consolidated statements of cash flows at November 30, 2007 and 2006 is follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and deposits	¥ 6,749,451	¥ 2,876,043	$ 61,275
Time deposits etc. with maturities of over three months	–	(86,608)	–
Cash and cash equivalents	¥ 6,749,451	¥ 2,789,435	$ 61,275

5. INVESTMENT SECURITIES

Acquisition cost, balance sheet amount, and unrealized gain/(loss) of available-for sale securities with fair value as of November 30, 2007 and 2006 are summarized as follows:

	Thousands of yen			
	Acquisition cost	Unrealized Gain	Unrealized loss	Balance sheet amount
November 30, 2007				
Equity securities	¥ 297,501	¥ 12,485	¥ (69,241)	¥ 240,745
Debt securities	10,000	208	–	10,208
	¥ 307,501	¥ 12,693	¥ (69,241)	¥ 250,953
November 30, 2006				
Equity securities	¥ 362,593	¥ 35,627	¥ (32,469)	¥ 365,751
Debt securities	10,000	233	–	10,233
	¥ 372,593	¥ 35,860	¥ (32,469)	¥ 375,984

	Thousands of U.S. dollars			
	Acquisition cost	Unrealized Gain	Unrealized loss	Balance sheet amount
November 30, 2007				
Equity securities	$ 2,701	$ 113	$ (629)	$ 2,185
Debt securities	91	2	–	93
	$ 2,792	$ 115	$ (629)	$ 2,278

Securities classified as available-for-sale securities for which fair value is not available at November 30, 2007 and 2006 is follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Unlisted equity securities	¥ 209,520	¥ 760,146	$ 1,902
Investment partnership	3,647	33,121	33
Total	¥ 213,167	¥ 793,267	$ 1,935

Projected future redemption of available-for-sale securities with maturities and held-to-maturity securities at November 30, 2007 are summarized as follows:

	Thousands of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities	¥ –	¥ 10,208	¥ –	¥ –

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities:				
Government bond securities	$ –	$ 93	$ –	$ –

For the year ended November 30, 2007, proceeds from sales of available-for-sale securities were ¥768,655 thousand ($6,978 thousand), gross realized gains on these sales were ¥132,555 thousand ($1,203 thousand), gross realized losses on these sales were nil. For the year ended November 30, 2006, there were no sales of available-for-sale securities.

6. INVESTMNETS IN AFFILIATES

The aggregate carrying amounts of investments in affiliates as of November 30, 2007 and 2006 are ¥828,933 thousand ($7,525 thousand) and ¥802,243 thousand, respectively.

7. LONG-LIVED ASSETS

For the years ended November 30, 2007 and 2006, the Group reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss as follows:

November 30, 2007

Location	Usage	Classification	Thousands of yen	Thousands of U.S. dollars
Suzhou City, China (The first plant)	Manufacturing facilities	Machinery and equipment, and vehicles	¥ 45,268	$ 411
Guangzhou City, China	Manufacturing facilities	Machinery and equipment, and vehicles	90,585	822
Total			¥ 135,853	$ 1,233

The above asset group was written down to a recoverable amount and the amount written down was recognized as impairment loss. The recoverable amount was measured by net selling price, which was ¥0 thousand.

November 30, 2006

Location	Usage	Classification	Thousands of yen
Suzhou City, China (The first plant)	Manufacturing facilities	Buildings and structures, machinery and equipment, and vehicles, construction in progress, etc.	¥ 971,046
Suzhou City, China (The second plant)	Manufacturing facilities	Construction in progress	127,349
Guangzhou City, China	Manufacturing facilities	Buildings and structures, machinery and equipment, and vehicles, etc.	436,349
Aichi Prefecture Kasugai City	Exhibition space, warehouse	Land, buildings and structures, etc.	221,423
Hokkaido Ishikari-gun	Welfare facilities	Land, buildings and structures, etc.	45,137
Oita Prefecture Hayami City	Idle properties	Land	2,136
Total			¥ 1,803,440

The asset group of manufacturing facilities in Suzhou City, China (The first Plant) and Guangzhou City, China was written down to a recoverable amount and the amount written down was recognized as impairment loss. The recoverable amount was measured at its value in use and the discount rate used for computation of present value of future cash flows was 12.3% or 9.7%.
The asset group of manufacturing facilities (Construction in progress) in Suzhou City, China (The second Plant) was written down to a recoverable amount and the amount written down was recognized as impairment loss. The recoverable amount was measured by net selling price, which was ¥0 thousand.
The asset group of exhibition space and warehouse in Aichi Prefecture Kasugai City, and welfare facilities in Hokkaido Ishikari-gun was written down to a recoverable amount and the amount written down was recognized as impairment loss. The recoverable amount was measured by net selling price based on real estate appraised value.
Idle land of Oita Prefecture Hayami City, was written down to a recoverable amount of ¥0 thousand and the amount written down was recognized as impairment loss.

Impairment loss on long-lived assets consisted of the followings:

	Thousands of yen
Buildings and structures	¥ 327,558
Machinery and equipments, and vehicles	929,790
Land	182,076
Construction in progress	188,651
Other	175,365
Total	¥ 1,803,440

8. LONG-TERM DEPOSITS

With regard to the long-term deposit of ¥200,000 thousand ($1,816 thousand) both at November 30, 2007 and 2006 included in other assets in the accompanying consolidated balance sheet whose maturity date is March 31, 2019, only bank has the right of early cancellation, and if the Company would cancel the time deposit before maturity, the Company must pay penalties and may lose some amount of deposit principal.

9. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at November 30, 2007 and 2006, consisted of notes to banks, loan on deed and bank overdrafts. The average interest rates applicable to the short-term bank loans are 2.1% and 1.8% at November 30, 2007 and 2006, respectively.

Long-term debt at November 30, 2007 and 2006, consisted of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Unsecured 0.50% yen straight bonds, due 2008	¥ –	¥ 100,000	$ –
Unsecured zero coupon convertible bonds with stock acquisition rights, convertible into common stock, due 2009	1,191,000	1,782,000	10,812
Loans from banks and other financial institutions, due serially to 2011 with average interest rates of 2.9%	1,432,663	–	13,007
Loans from banks and other financial institutions, due serially to 2012 with average interest rates of 3.0%	–	9,211,642	–
	2,623,663	11,093,642	23,819
Less current portion	576,736	3,005,701	5,236
Total	¥ 2,046,927	¥ 8,087,941	$ 18,583

The aggregate annual maturities of long-term debt after November 30, 2008 are as follows:

	Thousands of yen	Thousands of U.S. dollars
Year ending November 30:		
2009	¥ 1,621,602	$ 14,722
2010	248,288	2,254
2011	125,444	1,139
2012	42,218	383

The unsecured zero coupon convertible bonds were issued with share warrants. The price at which the shares shall be issued upon exercise of the share warrants (the "Conversion Price") was ¥606.8 ($5.51) per share which was adjusted (The effect date: March 2, 2007) by the issue of common stock by third party allocation on March 1, 2007.

If the company shall issue shares or dispose treasury stocks at a price less than the current market price, the Conversion Price shall be adjusted in accordance with the following formula:

$$\begin{array}{c}\text{The}\\\text{Conversion}\\\text{Price after}\\\text{such}\\\text{adjustment}\end{array} = \begin{array}{c}\text{The}\\\text{Conversion}\\\text{Price before}\\\text{such}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{The number of}\\\text{shares outstanding}\\\text{as of year end}\end{array} + \dfrac{\begin{array}{c}\text{The number}\\\text{of new shares issued}\\\text{or treasury stocks}\\\text{disposed}\end{array} \times \begin{array}{c}\text{The price of}\\\text{new issue}\\\text{or disposition}\\\text{per share}\end{array}}{\text{Current market price}}}{\begin{array}{c}\text{The number of}\\\text{shares outstanding}\\\text{as of year end.}\end{array} + \begin{array}{c}\text{The number of new}\\\text{shares issued or treasury}\\\text{stocks disposed}\end{array}}$$

("The number of shares outstanding as of year end" do not include treasury stocks.)

Moreover the Conversion Price shall be adjusted in the event of stock split, reverse stock split, share warrant issued enabling holders to purchase shares at a price less than the current market price, distributions to shareholders of certain properties, cash and shares, or any other events prescribed in a memorandum of convertible bonds with share warrant. However the Conversion Price shall not be adjusted in the event of stock option granted in accordance with the stock option plan of the Company, or any other certain events prescribed in the memorandum.

10. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral and collateralized short-term and long-term debt at November 30, 2007, were as follows:

	Thousands of yen	Thousands of U.S. dollars
Assets pledged as collateral:		
Investment securities	¥ 16,335	$ 148
Collateralized debt:		
Short-term borrowings	¥ 16,335	$ 148

Addition to the above, cash and deposits of ¥479,000 thousand ($4,349 thousand) are pledged as collateral for affiliates' borrowings from financial institutions.

11. RESTRICTIVE FINANCIAL COVENANTS

There are no syndicated loans at November 30, 2007.

Followings are information about syndicated loans at November 30, 2006.

(1) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: July 28, 2003, balance as of November 30, 2007: ¥1,148,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.

a. Equity reported in the consolidated balance sheets as of the balance sheet date (not the closing date of the interim term) of each fiscal year must be greater than or equal to 75% of:
consolidated equity in the immediately preceding fiscal year, or consolidated equity as of November 30, 2002.

b. The Company must not have three consecutive years of consolidated ordinary loss.

c. The total amounts of loan and investment in the non-consolidated balance sheet of the Company to the consolidated subsidiary, Altech New Materials (Suzhou) Co., Ltd., must be higher than the amounts of this syndicated loan.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

(2) Syndicated loan contracts to the Company (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: December 15, 2004, balance as of November 30, 2007: ¥1,456,000 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.

a. Equity reported in the consolidated balance sheets as of the balance sheet date (not the closing date of the interim term) of each fiscal year must be greater than or equal to 75% of:
consolidated equity in the immediately preceding fiscal year, or consolidated equity as of November 30, 2003.

b. The Company must not have three consecutive years of consolidated ordinary loss.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

(3) Syndicated loan contracts to the Company (arranger: Mizuho Bank, Ltd., agreement date: September 30, 2005, balance as of November 30, 2007: ¥654,545 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.

a. Equity reported in the consolidated balance sheets as of the balance sheet date (not the closing date of the interim term) of each fiscal year must be greater than or equal to 75% of:
consolidated equity in the immediately preceding fiscal year, or consolidated equity as of November 30, 2004.

b. The Company must not have two consecutive years of consolidated ordinary loss.

c. Altech New Materials (Shenzhen) Co., Ltd. must not have two consecutive fiscal years of non-consolidated ordinary loss.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

(4) Syndicated loan contracts to the consolidated subsidiary, Altech New Materials (Guangzhou) Co., Ltd. (arranger: The Bank of Tokyo-Mitsubishi UFJ, Ltd., agreement date: December 28,2004, balance as of November 30, 2007: ¥1,583,194 thousand) have financial restriction articles attached. In the event that any of the following articles are violated, the borrower may lose the benefit of the term for all the liabilities under contract.

a. Equity reported in the consolidated balance sheets as of the balance sheet date (not the closing date of the interim term) of each fiscal year must be greater than or equal to 75% of:
consolidated equity in the immediately preceding fiscal year, or consolidated equity as of November 30, 2003.

b. The Company must not have three consecutive years of consolidated ordinary loss.

In addition, the contracts impose certain restrictions on assets collaterals, assets transfers and changes in ownership.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.7% for the years ended November 30, 2007 and 2006.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the years ended November 30, 2007 and 2006 is follows:

	2007	2006
Statutory tax rate	40.7%	(40.7)%
Expenses not deductible for tax purposes	0.3	1.6
Per capita tax	0.2	0.4
Lower income tax rates applicable to income in certain foreign countries	(1.8)	15.4
Valuation allowance	(16.8)	39.5
Deferred tax not recognized on unrealized gain	1.8	(2.4)
Equity in earnings, etc.	(2.2)	–
Other	(0.8)	(1.3)
Effective tax rate	21.5%	12.5%

Significant components of deferred tax assets and liabilities at November 30, 2007 and 2006 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets (current):			
Accrued expenses	¥ 86,164	¥ 206,122	$ 782
Accrued business tax	51,769	27,951	470
Allowance for doubtful receivables	20,743	19,693	188
Tax loss carryforwards	15,768	76,152	143
Other	66,349	75,882	603
	240,793	405,800	2,186
Valuation allowance	(40,665)	(109,709)	(369)
	200,128	296,091	1,817
Deferred tax liabilities (current):			
Business tax receivable	4,890	3,886	45
Dividends receivable	573	485	5
Other	5,434	1,918	49
	10,897	6,289	99
Net deferred tax assets	¥ 189,231	¥ 289,802	$ 1,718
Deferred tax assets (non-current):			
Buildings and structures	¥ 202	¥ 93,022	$ 2
Machinery and equipments, and vehicles	–	222,045	–
Land	869	74,087	8
Construction in progress	–	50,936	–
Unrealized intercompany profits	7,962	35,054	72
Subsidiaries' stock	64,681	64,681	587
Allowance for doubtful receivables	1,960	38,230	18
Tax loss carryforwards	549,978	909,952	4,993
Other	90,793	73,289	824
	716,445	1,561,296	6,504
Valuation allowance	(406,421)	(1,517,622)	(3,690)
	310,024	43,674	2,814
Offset with deferred tax liabilities		(21,270)	
Net deferred tax assets		22,404	
Deferred tax liabilities (non-current):			
Unrealized gain on available-for-sale securities	24,722	22,887	224
Other	–	174	–
	24,722	23,061	224
Offset with deferred tax assets		(21,270)	
Net deferred tax liabilities		¥ 1,791	
Net deferred tax assets	¥ 285,302		$ 2,590

13. SHAREHOLDERS' EQUITY

(1) Common Stock

On May 1, 2006, a new corporation law (the "Corporation Law") became effective, which reformed and replaced the Commercial Code of Japan with various revisions that would, for the most part, be 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. Under the Corporation Law, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

Changes in the number of shares of common stock issued for the two years ended November 30, 2007 are as follows:

	Issued shares
Balance as of November 30, 2005	10,556,896
Balance as of November 30, 2006	10,556,896
New share issuance through private placement	8,797,700
Balance as of November 30, 2007	19,354,596

(2) Retained Earnings and Dividends

The Corporation Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the shareholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.
Cash dividends charged to retained earnings represent dividends paid out during the year. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

Dividends paid during the year ended November 30, 2006 which was approved by the general meeting of shareholders held on February 23, 2006 are as follows:

(a)	Total dividends	¥123,549 thousand
(b)	Cash dividends per common share	¥12
(c)	Record date	November 30, 2005
(d)	Effective date	February 24, 2006

Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended November 30, 2007 which was approved by the general meeting of shareholders held on February 26, 2008 are as follows:

(a)	Total dividends	¥114,556 thousand ($1,040 thousand)
(b)	Dividends source	Retained earnings
(b)	Cash dividends per common share	¥6 ($0.05)
(c)	Record date	November 30, 2007
(d)	Effective date	February 27, 2008

No dividends were paid during the year ended November 30, 2007.

(3) Treasury stock

The Corporate Law provides for companies to purchase treasury stock and dispose of 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.

Changes in the number of shares of treasury stock for the two years ended November 30, 2007 are as follows:

	Shares
Balance as of November 30, 2005	261,108
Acquisition for treasury	420
Balance as of November 30, 2006	261,528
Acquisition for treasury	320
Balance as of November 30, 2007	261,848

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the years ended November 30, 2007 and 2006 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Allowance for doubtful receivables	¥ 1,162	¥ 42,321	$ 11
Salaries	1,203,527	1,329,574	10,926
Travelling expenses	389,333	533,310	3,535

15. LEASES

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of leased assets, if they have been capitalized at November 30, 2007 and 2006 are as follows:

	Thousands of yen		
	Other property, plant and equipments (Furniture and fixtures)	Intangible assets (Software)	Total
November 30, 2007			
Acquisition cost	¥ 111,841	¥ 7,844	¥ 119,685
Accumulated depreciation	62,071	5,860	67,931
Net book value	¥ 49,770	¥ 1,984	¥ 51,754
November 30, 2006			
Acquisition cost	¥ 349,016	¥ 8,104	¥ 357,120
Accumulated depreciation	240,269	3,376	243,645
Net book value	¥ 108,747	¥ 4,728	¥ 113,475

	Thousands of U.S.dollars		
	Other property, plant and equipments (Furniture and fixtures)	Intangible assets (Software)	Total
November 30, 2007			
Acquisition cost	$ 1,016	$ 71	$ 1,087
Accumulated depreciation	564	53	617
Net book value	$ 452	$ 18	$ 470

Future minimum payments which include interest portion required under finance leases at November 30, 2007 and 2006 are follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Within one year	¥ 27,871	¥ 71,671	$ 253
Over one year	25,313	50,328	230
	¥ 53,184	¥ 121,999	$ 483

Lease expense, depreciation expense and interest expense under finance leases for the years ended November 30, 2007 and 2006 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease expense	¥ 71,901	¥ 81,073	$ 653
Depreciation expense	63,855	72,407	580
Interest expense	4,179	6,156	38

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

16. DERIVATIVES

The Company enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts and currency swaps to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates or interest rates. Credit risk is the possibility that a loss may result from counterparty’s failure to perform according to the terms and conditions of the contract.

All derivative transactions are entered into to hedge foreign currency exposures and interest rate exposures incorporated within its business. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Based on the request from each operating subsidiary, foreign exchange contracts are executed by the operation department of the Company in accordance with internal settlement regulations. Currency swap and interest rate swap contracts are executed by the financial department of the Company in accordance with the approval of the Board of Directors. The risk of these derivatives is controlled by mutual supervision and check among the operating department and the financial department.

The Company had the following derivatives contracts outstanding at November 30, 2007 and 2006:

	Thousands of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
November 30, 2007			
Forward exchange contracts:			
Selling foreign currency:			
U.S. dollar	¥ 120,365	¥ 112,903	¥ 7,462
Euro	368,519	366,826	1,693
Buying foreign currency:			
U.S. dollar	1,040,253	1,006,274	(33,979)
Euro	551,452	556,549	5,097
Other currencies	78,531	79,135	604
Currency swaps			
— Yen receipt, U.S. dollar payment	2,083,817	(105,459)	(105,459)
Interest rate swaps			
— fixed rate payment, floating rate receipt	834,890	(8,394)	(8,394)
			¥ (132,976)
November 30, 2006			
Forward exchange contracts:			
Selling foreign currency:			
U.S. dollar	¥ 264,352	¥ 272,463	¥ (8,111)
Euro	384,904	394,981	(10,077)
Buying foreign currency:			
U.S. dollar	1,596,536	1,598,977	2,441
Euro	328,461	337,840	9,379
Other currencies	95,883	97,332	1,449
Currency swaps			
— Yen receipt, U.S. dollar payment	2,652,710	(256,452)	(256,452)
Interest rate swaps			
— fixed rate payment, floating rate receipt	6,011,503	(46,338)	(46,338)
			¥ (307,709)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
November 30, 2007			
Forward exchange contracts:			
Selling foreign currency:			
U.S. dollar	$ 1,093	$ 1,025	$ 68
Euro	3,345	3,330	15
Buying foreign currency:			
U.S. dollar	9,444	9,136	(308)
Euro	5,006	5,052	46
Other currencies	713	718	5
Currency swaps			
— Yen receipt, U.S. dollar payment	18,918	(957)	(957)
Interest rate swaps			
— fixed rate payment, floating rate receipt	7,580	(76)	(76)
			$ (1,207)

17. COMMITMENTS AND CONTINGENCIES

At November 30, 2007, the Group contingently liable for loan guarantees to its affiliates and a third party as follows:

	Thousands of yen	Thousands of U.S. dollars
Nippon Parison Co., Ltd.	¥ 88,000	$ 799
Altech New Materials (Shenzhen) Co., Ltd.	416,813	3,784
Re Pallet Co., Ltd.	1,657,378	15,047
Finetech Research Institute	63,110	573

18. BALANCES AND TRANSACTIONS WITH RELATED PARTY

The Company has a 40% equity ownership in Esko-Graphics Co., Ltd. at November 30, 2007 and 2006. Balances with the company at November 30, 2007 and 2006, and related transactions for the years then ended are summarized as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Balances:			
Other receivables	¥ 403	¥ 661	$ 4
Transactions:			
Office rent	23,994	23,424	218

The Company has a 39% equity ownership in Nippon Parison Co., Ltd. at November 30, 2007 and 2006. Transactions for the years ended November 30, 2007 and 2006 are summarized as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Transactions:			
Guarantee for borrowing form financial institutions	¥ 114,000	¥ 192,000	$ 1,035

Nippon Parison Co., Ltd. became a non-related party due to its third-party share allotment during the year ended November 30, 2007, and the amount in above table shows the transaction during the term when it was a related party.

The Company has a 15% equity ownership in Re Pallet Co., Ltd. at November 30, 2007 and 2006. Transactions for the years ended November 30, 2007 and 2006 are summarized as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Transactions:			
Guarantee for borrowing form financial institutions	¥ 1,657,378	¥ 1,685,525	$ 15,047

The Company has a 45% equity ownership in Altech New Materials (Shenzhen) Co., Ltd. at November 30, 2007 and 2006. Transactions for the years ended November 30, 2007 and 2006 are summarized as follows:

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Transactions:			
Guarantee for borrowing form financial institutions	¥ 416,813	¥ 740,000	$ 3,784

18. SEGMENT INFORMATION

(1) Industry Segments

The industry segments of the Group for the years ended November 30, 2007 and 2006 were summarized as follows:

	Thousands of yen				
	2007				
	Wholesale	Production	Total	Elimination / corporate	Consolidated
Sales to customers	¥ 25,959,343	¥ 3,466,297	¥ 29,425,640	¥ –	¥ 29,425,640
Intersegment	686,015	1,757,774	2,443,789	(2,443,789)	–
	26,645,358	5,224,071	31,869,429	(2,443,789)	29,425,640
Operating expenses	25,762,345	5,005,358	30,767,703	(2,313,731)	28,453,972
Operating income	¥ 883,013	¥ 218,713	¥ 1,101,726	¥ (130,058)	¥ 971,668
Total assets	¥ 10,654,322	¥ 9,645,018	¥ 20,299,340	¥ 5,414,579	¥ 25,713,919
Depreciation and amortization	185,829	594,965	780,794	87,920	868,714
Impairment loss	–	135,853	135,853	–	135,853
Capital expenditures	96,955	786,287	883,242	(100,668)	782,574

	Thousands of yen				
	2006				
	Wholesale	Production	Total	Elimination / corporate	Consolidated
Sales to customers	¥ 34,566,130	¥ 1,994,788	¥ 36,560,918	¥ –	¥ 36,560,918
Intersegment	699,574	799,330	1,498,904	(1,498,904)	–
	35,265,704	2,794,118	38,059,822	(1,498,904)	36,560,918
Operating expenses	35,500,227	3,418,513	38,918,740	(1,357,067)	37,561,673
Operating loss	¥ (234,523)	¥ (624,395)	¥ (858,918)	¥ (141,837)	¥ (1,000,755)
Total assets	¥ 15,930,167	¥ 8,726,832	¥ 24,656,999	¥ 5,346,217	¥ 30,003,216
Depreciation and amortization	112,280	616,876	729,156	56,317	785,473
Impairment loss	221,423	1,885,256	2,106,679	(303,239)	1,803,440
Capital expenditures	178,927	1,203,560	1,382,487	(29,179)	1,353,308

	Thousands of U.S. dollars				
	2007				
	Wholesale	Production	Total	Elimination / corporate	Consolidated
Sales to customers	$ 235,673	$ 31,469	$ 267,142	$ –	$ 267,142
Intersegment	6,228	15,958	22,186	(22,186)	–
	241,901	47,427	289,328	(22,186)	267,142
Operating expenses	233,885	45,441	279,326	(21,005)	258,321
Operating income	$ 8,016	$ 1,986	$ 10,002	$ (1,181)	$ 8,821
Total assets	$ 96,725	$ 87,563	$ 184,288	$ 49,157	$ 233,445
Depreciation and amortization	1,687	5,402	7,089	798	7,887
Impairment loss	–	1,233	1,233	–	1,233
Capital expenditures	880	7,139	8,019	(914)	7,105

The non-categorized operating expenses of ¥105,304 thousand ($956 thousand) and ¥139,202 thousand for the years ended November 30, 2007 and 2006 in the Elimination/ corporate line consist primarily of the expense for group strategic planning and management cost for operating companies.

Corporate assets of ¥6,027,272 thousand ($54,719 thousand) and ¥5,898,886 thousand as of November 30, 2007 and 2006 in the Elimination/ corporate line consist primarily of cash and deposits, long-term investments (investments in securities) and assets relating to the group strategic planning and management for operating companies.

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended November 30, 2007 and 2006 are as follows:

	Thousands of yen					
	2007					
	Japan	Asia	Others	Total	Elimination / corporate	Consolidated
Sales to customers	¥ 25,744,971	¥ 3,450,781	¥ 229,888	¥ 29,425,640	¥ –	¥ 29,425,640
Intersegment	547,133	708,793	3,151	1,259,077	(1,259,077)	–
	26,292,104	4,159,574	233,039	30,684,717	(1,259,077)	29,425,640
Operating expenses	25,300,415	3,985,217	233,091	29,518,723	(1,064,751)	28,453,972
Operating income (loss)	¥ 991,689	¥ 174,357	¥ (52)	¥ 1,165,994	¥ (194,326)	¥ 971,668
Total assets	¥ 11,189,885	¥ 8,991,931	¥ 38,687	¥ 20,220,503	¥ 5,493,416	¥ 25,713,919

	Thousands of yen					
	2006					
	Japan	Asia	Others	Total	Elimination / corporate	Consolidated
Sales to customers	¥ 34,557,557	¥ 1,942,143	¥ 61,218	¥ 36,560,918	¥ –	¥ 36,560,918
Intersegment	624,638	82,825	1,194	708,657	(708,657)	–
	35,182,195	2,024,968	62,412	37,269,575	(708,657)	36,560,918
Operating expenses	35,267,958	2,673,332	114,673	38,055,963	(494,290)	37,561,673
Operating loss	¥ (85,763)	¥ (648,364)	¥ (52,261)	¥ (786,388)	¥ (214,367)	¥ (1,000,755)
Total assets	¥ 16,870,287	¥ 7,826,400	¥ 136,017	¥ 24,832,704	¥ 5,170,512	¥ 30,003,216

	Thousands of U.S. dollars					
	2007					
	Japan	Asia	Others	Total	Elimination / corporate	Consolidated
Sales to customers	$ 233,727	$ 31,328	$ 2,087	$ 267,142	$ –	$ 267,142
Intersegment	4,967	6,435	28	11,430	(11,430)	–
	238,694	37,763	2,115	278,572	(11,430)	267,142
Operating expenses	229,691	36,180	2,116	267,987	(9,666)	258,321
Operating income (loss)	$ 9,003	$ 1,583	$ (1)	$ 10,585	$ (1,764)	$ 8,821
Total assets	$ 101,588	$ 81,634	$ 351	$ 183,573	$ 49,872	$ 233,445

The non-categorized operating expenses of ¥105,304 thousand ($956 thousand) and ¥139,202 thousand for the years ended November 30, 2007 and 2006 in the Elimination/ corporate line consist primarily of the expense for group strategic planning and management cost for operating companies.

Corporate assets of ¥6,027,272 thousand ($54,719 thousand) and ¥5,898,886 thousand as of November 30, 2007 and 2006 in the Elimination/ corporate line consist primarily of cash and deposits, long-term investments (investments in securities) and assets relating to the group strategic planning and management for operating companies.

(3) Sales to Foreign Customers

Sales to foreign customers for the year ended November 30, 2007 are as follows:

	Thousands of yen	Percentage to consolidated sales	Thousands of U.S. dollars
Sales to foreign customers:			
Americas	¥ 566,249	1.9%	$ 5,141
Europe	1,833,511	6.2	16,646
Asia	4,024,153	13.7	36,533
Others	114,934	0.4	1,043
Total	¥ 6,538,847	22.2%	$ 59,363
Consolidated sales	¥ 29,425,640		$ 267,142

Sales to foreign customers for the year ended November 30, 2006 amounted to ¥5,625,118 thousand which was 15.4% to consolidated sales.

19. PER SHARE INFORMATION

(1) Net Income per Share

Basic and diluted net income (loss) per share, and reconciliation of the numbers and the amounts used in the basic and diluted net income (loss) per share computations for the years ended November 30, 2007 and 2006 are as follows:

	Yen		U.S. dollars
	2007	2006	2007
Basic net income (loss) per share	¥ 191.47	¥ (324.63)	$ 1.74
Diluted net income per share	164.18	–	1.49

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Net income (loss)	¥ 3,240,324	¥ (3,342,224)	$ 29,417
Net income (loss) not applicable to common shareholders	–	–	–
Net income (loss) applicable to common shareholders	¥ 3,240,324	¥ (3,342,224)	$ 29,417

	Number of shares	
	2007	2006
Weighted average number of shares outstanding on which basic net income (loss) per share is calculated	16,923,598	10,295,523
Effect of dilutive convertible bonds	2,813,347	–
Weighted average number of shares outstanding on which diluted net income per share is calculated	19,736,945	10,295,523

(2) Net Assets per Share

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at November 30, 2007 and 2006 are as follows:

	Yen		U.S. dollars
	2007	2006	2007
Net assets per share	¥ 582.76	¥ 471.13	$ 5.29

	Thousands of yen		Thousands of U.S. dollars
	2007	2006	2007
Total net assets	¥ 11,215,015	¥ 4,947,374	$ 101,816
Amount deducted from total net assets:			
Minority interests	88,571	96,870	804
Net assets applicable to common shareholders	¥ 11,126,444	¥ 4,850,504	$ 101,012

	Number of shares	
	2007	2006
Number of shares outstanding at end of year on which net assets per share is calculated	19,092,748	10,295,368