Mitsubishi International Corporation and Subsidiaries

(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

Consolidated Financial Statements as of and for the Year Ended March 31, 2008, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mitsubishi International Corporation
New York, NY

We have audited the accompanying consolidated balance sheet of Mitsubishi International Corporation and subsidiaries (collectively, the "Company") (a wholly-owned subsidiary of Mitsubishi Corporation) as of March 31, 2008, and the related consolidated statements of income, stockholder's equity and cash flows for the year then ended. 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 the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi International Corporation and subsidiaries as of March 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

July 21, 2008

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF MITSUBISHI CORPORATION)
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2008
(In Thousands, Except For Share Data)

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents (including time deposits of $172,595)	$ 501,708
Marketable securities	79,971
Notes and loans receivable:	
Customers	42,900
Parent	1,008,184
Affiliated companies	11,000
Accounts receivable:	
Customers (after allowance for uncollectible accounts of $2,271)	788,856
Parent	356,830
Affiliated companies	87,050
Other	453,473
Merchandise inventories	701,125
Guaranty deposits and advances to suppliers	325,800
Deferred taxes	2,515
Prepaid expenses and other current assets	32,376
Total current assets	4,391,788
LONG-TERM LOANS RECEIVABLE FROM PARENT	29,875
NONCURRENT ADVANCES AND RECEIVABLES	84,335
INVESTMENTS:	
Investments in affiliated companies	187,513
Other investments	167,311
Total investments	354,824
PROPERTY AND EQUIPMENT - NET	89,603
OTHER ASSETS	34,886
DEFERRED TAXES	20,078
INTANGIBLE ASSETS	15,268
GOODWILL	38,234
TOTAL ASSETS	$ 5,058,891

See Notes to Consolidated Financial Statements.

(Continued)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF MITSUBISHI CORPORATION)
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2008
(In Thousands, Except For Share Data)

LIABILITIES AND STOCKHOLDER'S EQUITY	
CURRENT LIABILITIES:	
Short-term debt:	
Parent	$ 52,500
Other	892,307
Current maturities of long-term debt	108,658
Notes payable	11,024
Accounts payable and accrued expenses:	
Parent and affiliated companies	1,361,243
Trade creditors	726,954
Lease liabilities and other	298,763
Total current liabilities	3,451,449
NONCURRENT LIABILITIES:	
Long-term debt	501,969
Noncurrent advances	83,090
Other long-term liabilities	39,994
Total noncurrent liabilities	625,053
COMMITMENTS AND CONTINGENCIES	
MINORITY INTEREST	26,971
STOCKHOLDER'S EQUITY:	
Common stock without par value (authorized - 750,000 shares; issued and outstanding - 710,718 shares)	448,363
Accumulated other comprehensive loss - net of tax:	
Net unrealized losses on available-for-sale securities	(6,572)
Foreign currency translation adjustments	(8,514)
Net loss on derivative instruments	(1,501)
Defined benefit plan	(2,677)
Retained earnings	526,319
Total stockholder's equity	955,418
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 5,058,891

See Notes to Consolidated Financial Statements.

(Concluded)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF MITSUBISHI CORPORATION)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2008
(In Thousands)

Revenues:		
Revenues from operating and other activities	$	2,767,803
Margins and commissions on operating transactions		117,121
Total revenues		2,884,924
Operating transactions -- $10,298,023		
Cost of revenues from operating and other activities		2,602,479
Gross profit		282,445
Selling, general and administrative expenses		(207,966)
Interest income (net of interest expense of $101,891)		10,941
Gain on marketable securities and other investments (net of loss of $7,101)		3,710
Reduction of provision for doubtful accounts		4,817
Impairment loss of goodwill		(2,654)
Sundry income (net of loss of $29,394)		22,351
Income from continuing operations before income taxes, minority interest and equity in earnings of affiliates		113,644
Income tax provision (benefit):		
Current		49,191
Deferred		(2,953)
Total		46,238
Income from continuing operations before minority interest and equity in earnings of affiliates		67,406
Minority interest		102
Equity in earnings of affiliates (net of loss of $4,709)		13,926
Income from continuing operations		81,434
Income from discontinued operations, including gain on disposal (net of minority interest and income taxes)		13,876
Net income	$	95,310

See Notes to Consolidated Financial Statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF MITSUBISHI CORPORATION)
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED MARCH 31, 2008
(In Thousands, Except For Share Data)

	Shares Outstanding	Common Stock	Accumulated Other Comprehensive Income (Loss), net of tax	Retained Earnings	Total	Comprehensive Income
Balances as of April 1, 2007	710,718	$448,363	$ (17,353)	$502,202	$933,212	
Comprehensive income:						
Net income				95,310	95,310	$ 95,310
Other comprehensive income (loss):						
Unrealized loss on available-for-sale securities, net of tax of $5,152			(7,728)			
Foreign currency translation adjustments			7,762			
Unrealized net losses on derivative instruments, net of tax of $582			(843)			
Defined benefit plan, net of tax of $735			(1,102)			
Net decrease in accumulated other comprehensive loss			(1,911)		(1,911)	(1,911)
Comprehensive income						$ 93,399
Cash dividends declared and paid				(71,193)	(71,193)	
Balances as of March 31, 2008	710,718	$448,363	$ (19,264)	$526,319	$955,418	

See Notes to Consolidated Financial Statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF MITSUBISHI CORPORATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008

(In Thousands)

Cash flows from operating activities:		
Net income	$	95,310
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		38,076
Impairment loss of goodwill		2,654
Realized gain on marketable securities and other investments - net		(3,710)
Gain on sales of businesses		(22,658)
Loss on sale of property and equipment		238
Reduction of provision for doubtful accounts		(4,700)
Deferred income taxes		(1,990)
Equity in earnings of affiliates-net, less dividends received		2,832
Minority interest		(118)
Change in unrealized gain on commodity derivative contracts		(16,308)
Other		(1,598)
Changes in operating assets and liabilities:		
Notes receivable		(14,625)
Accounts receivable		(369,165)
Merchandise inventories		(263,223)
Guaranty deposits and advances to suppliers		(6,537)
Prepaid expenses and other current assets		(43,751)
Noncurrent advances and receivables		28,508
Other assets		11,633
Notes payable		2,400
Accounts payable and accrued expenses		676,655
Accrued income taxes		(1,167)
Other long-term liabilities		(34,936)
Net cash provided by operating activities		73,820
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities		319,192
Purchases of marketable securities		(296,004)
Investments in affiliated companies		(35,917)
Proceeds from sales of other investments		14,102
Purchases of other investments		(18,575)
Proceeds from sales of property and equipment		11,204
Purchases of property and equipment		(8,856)
Proceeds from sales of businesses		63,331
Proceeds from investment-related loans		94,922
Purchases of investment-related loans		(454,183)
Net cash used in investing activities		(310,784)

(Continued)

Proceeds from issuance of short-term debt		16,430,671
Repayment of short-term debt		(15,836,605)
Proceeds from issuance of long-term debt		105,524
Repayment of long-term debt		(143,305)
Debt issuance costs		(5,596)
Dividends		(71,193)
Minority interest		2,892
Net cash provided by financing activities		482,388
Effect of exchange rate changes on cash and cash equivalents		(24)
Net increase in cash and cash equivalents		245,400
Cash and cash equivalents at beginning of year		256,308
Cash and cash equivalents at end of year	$	501,708
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest …………………………………………………………………………	$	108,888
Income tax …………………………………………………………………..	$	43,947

See Notes to Consolidated Financial Statements.

(Concluded)

1. SIGNIFICANT ACCOUNTING POLICIES

A. Mitsubishi International Corporation is a wholly-owned subsidiary of Mitsubishi Corporation (the “Parent”), Tokyo, Japan.

B. The consolidated financial statements include the accounts of Mitsubishi International Corporation and its wholly-owned and majority-owned subsidiaries (collectively, the “Company”). All intercompany accounts and transactions have been eliminated. Consolidation is also assessed pursuant to the Financial Accounting Standards Board (“FASB”) Interpretation (“FIN”) No. 46, *Consolidation of Variable Interest Entities*, as amended by FIN No. 46 (Revised 2003) (“FIN No. 46(R)”). FIN No. 46(R) requires a variable interest holder to consolidate a variable interest entity (“VIE”) if that party will absorb a majority of the losses of the VIE, receive a majority of the residual returns of the VIE, or both. The Company’s operations are principally in the following industries: business innovation, industrial finance, fuels, metals, machinery, chemicals, living essentials and financial services, each having a diverse customer base.

C. Most of the Company’s subsidiaries and affiliated companies maintain their fiscal year end at March 31st. Subsidiaries, Red Diamond Capital Partners, LP and Red Diamond Capital, Inc., and affiliates, Metal One Holdings America, MCX Gulf of Mexico, LLC, MCX Texas, LLC, Mitsubishi Imaging, Inc., Amfine Chemical Corporation and Rimtec Corporation, have a December 31st year end.

D. The Company recognizes revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when the Company has persuasive evidence of the arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies.

Revenues from operating and other activities

Revenues from operating activities include revenues related to various trading transactions in which the Company acts as a principal, carries commodity inventory, and makes a profit or loss on the spread between bid and asked prices for commodities. These revenues include sales of non-ferrous metals, machinery, chemicals, food products and general consumer merchandise. Revenues from other activities include system developments and implementations, technical support services, and leasing of aircraft and other industrial assets.

Revenues from sales of various products are recognized at the time the delivery conditions are met. These conditions are usually considered to have been met when the goods are received by the customer or title to the goods is transferred and any future obligations are perfunctory and do not affect the customer’s final acceptance of the arrangement. Revenues from services are recorded when the contracted services are rendered to third-party customers pursuant to the agreements. Revenues from leasing activities are recognized over the terms of the underlying leases on a straight-line basis.

Margins and commissions on operating transactions

Margins and commissions on operating transactions include revenues from various trading transactions in which the Company acts as a principal or an agent. Through its trading activities, the Company facilitates its customers’ purchases and sales of commodities and other products and charges a commission for this service. The Company also facilitates conclusion of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. Revenues from such transactions are recognized when the contacted services are rendered to third-party customers pursuant to the agreements.

Operating transactions as presented in the accompanying consolidated statement of income is a voluntary disclosure and represents the gross transaction volume or the aggregate nominal value of the sales contracts in which the Company acts as principal or agent, but excludes contract value in which the Company serves as broker. When the Company serves as principal or agent, it is responsible for the payment of the inventory purchase price and the collection of the sales

proceeds. As a broker, however, the Company earns a commission, without involvement in cash payments or cash collections. Operating transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues or as an indicator of the Company's operating performance, liquidity or cash flows generated by operating, investing or financing activities. The Company has included the operating transactions information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes operating transactions is a useful supplement to the results of operations information for users of the consolidated financial statements.

Additionally, gross profit represents gross margin (revenues less cost of revenues) on transactions in which the Company acts as principal and commissions on transactions in which the Company serves as agent or broker. This presentation conforms to industry practice for Japanese trading companies.

E. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the Company classifies certain of its investments as available-for-sale or trading. Available-for-sale investments are carried at fair value with unrealized gains and losses recorded, net of tax, as accumulated other comprehensive income (loss), which is a component of stockholder's equity. Investments classified as trading securities are carried at fair value with changes in unrealized gains and losses recorded as "Sundry income", which is a component of the consolidated statement of income. The cost of securities sold is determined based on the specific identification of the security being sold.

F. Inventories, except for precious metals that are accounted for at fair value in accordance with Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, are stated at the lower of cost (principally identified cost) or market value.

G. The equity method of accounting is used for joint ventures and investments in affiliated companies over which the Company has significant influence, but does not have effective control. Significant influence is generally deemed to exist when the Company has an ownership interest in the voting stock of the investee of between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, voting rights and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate. The Company records its percentage of earnings (losses) from affiliated companies in "Equity in earnings of affiliates" in the consolidated statement of income.

A number of entities in which the Company holds less than 20% have been accounted for on the equity method due to significant influence achieved by combined interests held by the Parent or other affiliates.

The cost method of accounting is used for investments in which the Company has less than a 20% ownership interest, and the Company does not have the ability to exercise significant influence. These investments are carried at cost and are adjusted only for other-than-temporary declines in fair value. The Company tests for impairment in every quarter and recorded a total impairment of $359 for the year ended March 31, 2008.

H. The Company reviews long-lived assets, other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired because the carrying amount exceeds the gross cash flows, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company recognized a total impairment loss of $391 on its long-lived assets for the year ended March 31, 2008.

I. Property and equipment are recorded at cost less accumulated depreciation and amortization.

J. In accordance with SFAS No. 141, *Business Combinations*, all business combinations initiated after June 30, 2001 are accounted for by the purchase method. Effective April 1, 2002, the Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets*. Goodwill is the excess of the purchase price, including acquisition-related expenses, over the value assigned to the net tangible and identifiable intangible assets acquired. Under SFAS No. 142, goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead tested for impairment at least annually, as well as when an event triggering impairment may have occurred.

Intangible assets include primarily customer relationships, trademarks and employment agreements. Such intangibles assets are amortized on a straight-line basis over their estimated useful lives, which are generally four to twenty years.

K. For purposes of the consolidated statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

L. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 138 and No. 149, all derivative instruments are recognized and measured at fair value as either assets or liabilities in the consolidated balance sheet.

The Company uses derivative instruments to manage exposures to foreign currency and interest rate risks. Interest rate swaps are utilized to hedge interest rate exposures. Cross-currency interest rate swaps allow borrowings to be made in foreign currencies, gaining access to additional sources of financing, and be converted to U.S. dollar obligations.

In addition, the Company has foreign exchange forward contracts that have been entered into principally to manage its exposure to transaction and translation risk associated with certain assets, obligations and commitments denominated in foreign currencies. Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in earnings.

In the normal course of business, the Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities (principally aluminum, copper, precious metals, coffee and cocoa, each of which is traded on a terminal market).

The Company has presented on its consolidated balance sheet assets and liabilities related to its leased precious metal positions. The amounts related to precious metal lease positions consist of assets of $404,455 and liabilities of $404,455 as of March 31, 2008. The balances have been included in "Accounts receivable: Other", "Accounts payable and accrued expenses : Lease liabilities and other", and "Accounts payable and accrued expenses : Parent and affiliated companies".

M. Income taxes are accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under this statement, temporary differences between the financial and income tax bases of assets and liabilities are recognized as deferred income taxes, using enacted tax rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be recognized.

The Company adopted the provisions of FIN No. 48 *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109,* as of April 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN No. 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Tax positions must meet a more likely than not recognition threshold to be recognized upon the adoption of FIN No. 48 and in subsequent periods. This interpretation also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN No. 48 did not have significant impact on the Company's consolidated financial statements. Certain of the Company's equity investees have not adopted FIN No. 48, as they are not required to as a result of FASB Staff Position FIN 48-2, which deferred their adoption until January 1, 2008. See Note 7 for the effect of the adoption of this interpretation on the Company's consolidated financial statements

N. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant judgment and estimates are required in the determination of the valuation allowances against accounts receivables, inventories and deferred tax assets, calculation of pension and other long-term employee benefit accruals, legal and other accruals for contingent liabilities and the determination of the carrying value of long-lived assets, among other items. Actual results could differ from those estimates.

O. Investments are periodically reviewed by the Company for impairment whenever significant events or changes occur, such as those affecting general market conditions or those pertaining to a specific industry or an individual investment, which could result in the carrying value of an investment exceeding its fair value. An impairment will be considered to have occurred when it is determined that the decline in fair value below its carrying value is other than temporary, based upon consideration of all available evidence. If it has been determined that an impairment in value has occurred, the carrying value of the investment should be written down to an amount equivalent to the fair value of the investment. Based upon such reviews, at March 31, 2008, the Company recorded an impairment loss of $321, on certain of its other investments, which are included in the "Gain on marketable securities and other investments" in the accompanying consolidated statement of income.

P. Assets and liabilities of foreign subsidiaries have been translated at current exchange rates at the balance sheet date, and related revenues and expenses have been translated at average exchange rates in effect during the period. Such cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss) in the consolidated statement of stockholder's equity.

Transactions in foreign currencies are recorded at the exchange rate in effect at the transaction date and are recorded in "Sundry income" on the Company's consolidated statement of income. Gains or losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables during the period, are recognized in consolidated income in such period. The aggregate transaction gain for the year ended March 31, 2008 was $275.

Q. In accordance with SFAS No. 130, *Reporting Comprehensive Income*, the Company has included amounts for comprehensive income (which consists of net income and other comprehensive income (loss) in the consolidated statement of stockholder's equity). Other comprehensive income (loss) consists of all changes to stockholder's equity other than those resulting from net income (loss) and shareholder transactions. For the Company, other comprehensive income (loss) consists of foreign currency translation adjustments, defined benefit plans, unrealized gains (losses) on derivatives accounted for as cash flow hedges and unrealized gains (losses) on available-for-sale securities on a net of tax basis where applicable. Accumulated other comprehensive income (loss), which is the cumulative amount of other comprehensive income (loss), is a separate component of total stockholder's equity.

R. In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*, which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The statement has the following impacts:

- Permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation
- Clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133
- Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation
- Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives
- Amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of the provisions of SFAS No. 155 did not have a material effect on the Company's consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140*. This statement amends SFAS No. 140 with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations. This statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 permits an entity to choose the subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006. The adoption of the provisions of SFAS No. 156 on April 1, 2007 did not have a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value

measurements. However, for some entities, the application of this statement will change current practice. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged. In February 2008, the FASB issued FASB Staff Position ("FSP") Financial Accounting Standard ("FAS") No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions*, and FSP FAS No. 157-2, *Effective Date of FASB Statement No. 157*. FSP FAS No. 157-1 amends SFAS No. 157 to remove certain leasing transactions from the scope of SFAS No. 157. FSP FAS No. 157-2 delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. The effect of the adoption of these statements on the Company's consolidated financial position and results of operations is expected to be immaterial.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB statement No. 115.* SFAS No. 159 provides entities with the opportunity to choose to measure eligible financial instruments and certain other items at fair value at specified election dates to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting previsions. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company adopted this statement on April 1, 2008 and did not make this election. As such, the adoption of this statement did not have any impact on the consolidated financial statements.

In June 2006, the FASB ratified the consensus reached in EITF Issue No. 06-3, *How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation) ("EITF 06-3")*. EITF 06-3 requires disclosure of a company's accounting policy with respect to presentation of taxes collected on a revenue producing transaction between a seller and a customer. For taxes that are reported on a gross basis (included in revenues and costs), EITF 06-3 also requires disclosure of the amount of taxes included in the financial statements. The adoption of EITF 06-3 did not have any impact on the consolidated financial statements.

In April 2007, the FASB issued FSP No. FIN 39-1, *Amendment of FASB Interpretation No. 39,* ("FSP FIN 39-1"). FSP FIN 39-1 amends certain provisions of FIN No. 39, *Offsetting of Amounts Related to Certain Contracts,* and permits companies to offset fair value amounts recognized for cash collateral receivables or payables against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting arrangement. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007, with early application permitted. The Company is currently evaluating the impact of FSP FIN 39-1 on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquirer and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of business combination. SFAS141R is effective for fiscal years beginning on or after December 15, 2008 and is required to be adopted by the Company in the first quarter beginning April 1, 2009. The Company is currently evaluating the impact of SFAS No. 141R on the consolidated financial statements. SFAS 141R will impact the accounting for business combinations completed by the Company on or after adoption in fiscal year ending March 31, 2010.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statement, an amendment of ARB No.51*. SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the no-controlling owners. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Other than reclassifying minority interest in subsidiaries from a liability account to a component of stockholder's equity, the effect of the adoption of this statement on the Company's consolidated financial statements is expected to be immaterial.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133.* SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial

position, financial performance and cash flows. To meet those objectives, this statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS No. 161 will have on the consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with GAAP for nongovernmental entities. SFAS No. 162 is effective 60 days following the United States Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Company does not expect the adoption of this statement to have a material impact on the consolidated financial statements.

2. PROPERTY AND EQUIPMENT, NET

Property and equipment, net at March 31, 2008 consisted of the following:

Property leased to others	$	14,146
Leasehold improvements		8,797
Land and land improvements		2,515
Building and structures		21,857
Machinery and equipment		73,323
Furniture and fixtures, vehicle		12,662
Construction in-progress		1,998
Capitalized software costs		11,641
Total		146,939
Less accumulated depreciation and amortization		(57,336)
Net	$	89,603

During fiscal 2007, the Company sold certain leased properties leased to others with a cost of $60.5 million and accumulated depreciation of $49 million, to an unrelated company, at net book value.

Depreciation and amortization expense for the year ended March 31, 2008 was $27,778. Depreciation is determined principally on a straight-line basis over the estimated useful lives of the property. Leasehold improvements are amortized on the straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter. Maintenance and repair expenses are expensed as incurred.

The useful lives used in computing depreciation are based on the Company's estimate of the service life of the classes of property and as follows:

	Years
Property leased to others	1 to 5
Leasehold improvements	15 to 18
Building and structures	15 to 30
Machinery and equipment	1 to 5
Furniture and fixtures, vehicle	1 to 5
Capitalized software costs	1 to 5

3. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS

On June 29, 2007, the Company acquired 2,000 shares of common stock of McMet Chemical Inc., an affiliated entity engaged in marketing methanol in the U.S., for approximately $2,000, resulting in an 80% ownership interest. McMet Chemical Inc. was previously a wholly-owned subsidiary of the Parent, which now owns the remaining 20% interest. The Company accounted for these transfers in accordance with SFAS No. 141, *Business Combinations,* in a manner that is consistent with transactions between entities under common control. Under this method, the value of the assets and liabilities transferred is recognized at historical carrying cost as of the date of the transfer, rather than at fair value. The results of operations of McMet Chemical Inc. have been included in the Company's consolidated financial statements as if the transaction had occurred as the beginning of the fiscal year ended March 31, 2008.

A goodwill impairment of $2,654 was recorded at a portfolio company in the Company's Corporate segment during the year ended March 31, 2008 based on a fair value model using the discounted cash flow method.

Changes in carrying amount of goodwill for the year ended March 31, 2008 were as follows:

Balance as of April 1, 2007	$ 78,290
Impairment	(2,654)
Disposal of businesses – See Note 14 on Discontinued Operations	(36,188)
Resolution of estimates related to deferred taxes	(1,214)
Balance as of March 31, 2008	$ 38,234

.

Intangible assets subject to amortization at March 31, 2008 consist of the following:

	Gross Carrying Amount	**Accumulated Amortization**	**Net**
Trade names	$ 3,552	$ 376	$ 3,176
Customer relationships	12,743	1,322	11,421
Employee agreements and other	1,447	776	671
Total	$ 17,742	$ 2,474	$ 15,268

Amortization expense on the Company's intangible assets for the year ended March 31, 2008 was $1,752.

Estimated future amortization expense is as follows:

Years Ending March 31,	
2009	$ 1,427
2010	1,427
2011	1,252
2012	1,117
2013	1,117
Thereafter	8,928
Total	$ 15,268

4. INVESTMENTS IN AFFILIATED COMPANIES AND OTHER INVESTMENTS

Investments in Affiliated Companies

The Company has investments in a number of affiliates, which are accounted for on the equity method. The Company's significant equity method investees and its approximate ownership interests in each investee were as follows at March 31, 2008:

	Ownership Interest	Ownership Equity	Ownership Earnings
MCX Gulf of Mexico	5.00%	$ 36,766	$ 1,132
Metal One Holdings America, Inc.	12.00%	34,451	3,621
Petro-Diamond Inc.	50.00%	29,288	3,273
HTR Holding Corp.	38.95%	14,997	(1,895)
Mitsubishi do Brasil S.A.	16.82%	14,776	1,076
Indiana Packers Corp.	10.00%	11,620	923
Agrex	10.00%	7,950	1,783
MC Machinery Systems Inc.	20.00%	7,922	2,083
Diamond Nebraska	5.00%	7,546	1,840
MC Life Science Ventures	19.26%	7,233	286

The Company's share of earnings of these affiliates is included in "Equity in earnings of affliates" on the consolidated statement of income. For the year ended March 31, 2008, the Company received dividends from affiliates of $16,758. The Company's total investments in affiliates at March 31, 2008 was $187,513, which are included in "Investments in affiliated companies" on the consolidated balance sheet.

The summarized unaudited financial information below represents an aggregation of all the Company's nonsubsidiary affiliates:

Statements of Operations:

Net sales	$ 9,421,865
Gross profit	575,804
Net earnings	148,298

Statements of Financial Condition:

Current assets	$ 2,147,006
Non-current assets	1,766,135
Total assets	$ 3,913,141
Current liabilities	$ 1,616,118
Non-current liabilities	397,814
Stockholders' equity	1,899,209
Total liabilities and stockholders'equity	$ 3,913,141

Diamond Plastics Corp., for which the Company has more than 20% of interest, is not being accounted for on the equity method due to the Company's inability to exercise significant influence over its operating and financial policies.

Other Investments

The total cost basis of investments, which are included in "Other investments" in the consolidated balance sheet, as of March 31, 2008 was $35,562.

5. FINANCIAL INSTRUMENTS

The accompanying consolidated balance sheet includes the following financial instruments: cash and cash equivalents (including time deposits and commercial paper), current notes and loans receivables, accounts receivable, short-term debt (including commercial paper), and short-term notes and accounts payable. The Company considers the carrying amounts in the consolidated balance sheet to approximate fair value for these financial instruments because of the relatively short period of time between the origination of the instrument and their expected realization and/or the fact that the instruments reprice frequently at market prices.

At March 31, 2008, the Company has additional financial instruments with carrying amounts and fair values as follows:

	Carrying Amount	Fair Value
Assets:		
Current marketable securities	$ 79,971	$ 79,971
Non-current marketable securities	131,751	132,387
Liabilities:		
Current maturities of long-term debt	(108,658)	(108,658)
Long-term debt	(501,969)	(501,969)
Derivatives:		
Interest rate swaps	(825)	(825)
Cross-currency interest rate swaps	25,891	25,891
Commodities	16,308	16,308
Foreign exchange forward contracts	(180)	(180)

The fair value of certain equity investments is estimated based on quoted market prices for those or similar investments. As permitted by SFAS No. 107, *Disclosure about Fair Value of Financial Instruments*, for other cost investments, it is not practical to estimate the fair value because a quoted market price does not exist and it would be difficult to estimate fair value without incurring excessive costs. The carrying amount of such investments, which are included in "Other investments" in the consolidated balance sheet as of March 31, 2008, was $35,562.

Rates currently available to the Company for long-term borrowing and investments in debt securities with similar terms and remaining maturities are used to estimate the fair value of these instruments at the present value of expected future cash flows. The fair value of derivatives generally reflects the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. The Company has the ability and the intent to hold non current market securities for more than the Company's operating cycle.

The Company utilizes derivative financial instruments to manage various market risks from changes in interest rates, foreign exchange rates and commodity prices.

The Company enters into currency and interest rate swaps in order to convert certain fixed rate assets and liabilities denominated in foreign currencies, primarily Japanese yen, to a United States dollar floating-rate basis. At March 31, 2008, derivatives in effect, which were designated as fair value or cash flow hedge instruments, were recorded in the consolidated balance sheet at their fair values of $25,891 and $825, respectively, which is included in "Accounts receivable : Other" and "Accounts payable and accrued expenses : Lease liabilities and other".

The Company has foreign exchange forward contracts with fair values of ($180) at March 31, 2008. Such contracts have not been designated as hedges for accounting purposes and are marked to market with changes in fair value recognized in earnings currently which are included in the "Sundry income" in the accompanying consolidated statement of income.

In the normal course of business, the Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities. The Company designates certain of its exchange traded futures as fair value hedges of its non-precious metals inventory positions to protect a portion of its exposure to movements in those commodity prices. The ultimate maturities of the contracts are timed to coincide with the expected sale of those commodities. As of March 31, 2008, the maximum length of time over which the Company has hedged its exposure to movements in commodity prices for forecasted transactions is twelve months. Both the hedged inventory positions and the related exchange-traded futures are stated at exchange quoted prices. Any ineffectiveness, which was not significant, was included in earnings for the year ended March 31, 2008.

The Company is exposed to credit-related risk of $1,649,151 in the event of nonperformance by counterparties, but it does not expect any counterparties to fail to meet their obligations as the Company deals only with highly-rated counterparties.

During the year ended March 31, 2008, the proceeds from sales and maturities of marketable securities were $319,192. The gross realized gains on the securities for the year ended March 31, 2008 amounted to $10,812. The gross realized losses on the securities for the year ended March 31, 2008 amounted to $6,460. The basis on which cost was determined in computing the realized gains and losses is specific identification.

As of March 31, 2008, investments in marketable debt securities have maturities primarily between over 3 months and 8 years.

6. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2008 consisted of the following:

		Interest Rate
Financial institutions — loans and repurchase agreements	$ 113,107	4.4%
Commercial paper	831,700	2.4%
Total short-term debt	$ 944,807	

The interest rates on short-term debt represent weighted-average rates on outstanding balances at March 31, 2008.

Long-term debt bears interest at fixed and floating rates. Long-term debt at March 31, 2008 is comprised of the following:

Financial institutions - maturing through 2014 - at fixed or floating rates, principally 1.01% to 14.13%	$ 584,736
Market value adjustments for debt in accordance with SFAS No. 133	25,891
Total long-term debt (including SFAS No. 133 adjustments)	610,627
Less current maturities	(108,658)
Long-term debt, less current maturities	$ 501,969

Long-term debt matures during the following years ending March 31 as follows:	
2009 (included in current liabilities)	$ 108,658
2010	76,216
2011	147,277
2012	176,228
2013	73,853
Thereafter	2,504
Total long-term debt	584,736
Market value adjustments for debt in accordance with SFAS No. 133	25,891
	$ 610,627

Certain subsidiaries of the Company have pledged certain assets to banks in connection with their current loan agreements. Such assets include accounts receivable, inventories, and property and equipment.

The Company has certain financial debt covenants which have been complied with as of March 31, 2008.

The Company and its Parent entered into a Keep Well agreement dated January 27, 2003, which is governed by the laws of the State of New York. The following is a summary of certain terms of the Company's Keep Well Agreement.

1. The Parent has agreed to make cash payments to the Company in amounts sufficient, together with other revenues of the Company, to cause the consolidated Tangible Net Worth of the Company to be positive at all times.
2. The Parent will maintain direct or indirect ownership of all the voting capital stock of the Company and will not pledge or grant any security interest in, or encumber, any such capital stock.
3. The Parent will cause the Company to maintain sufficient liquidity to punctually meet the debt obligations issued by the Company in order to facilitate the raising of funds.

7. INCOME TAXES

The provision for income taxes for the year ended March 31, 2008 consists of the following:

Current:	
Federal	$ 44,297
State	4,894
Deferred:	
Federal	(2,863)
State	(90)
Total income taxes	$ 46,238

Total income taxes includes the effects of taxes on equity earnings of affiliates of $1,687 tax expense for the year ended March 31, 2008.

The difference between the actual tax expense and tax expense computed by applying the Federal statutory rate to pretax income (which includes minority interest and equity in earnings of affiliates) is explained as follows:

	Year Ended March 31, 2008
Statutory rate	35.00%
Change in valuation allowance......................	0.18
State taxes (net of Federal tax benefit)	3.81
Undistributed earnings of affiliates	(1.87)
Dividends Received Deduction	(0.96)
Expenses not deductible for income taxes......	0.43
Other	(0.37)
Effective tax rate	36.22%

At March 31 2008, deferred tax assets and deferred tax liabilities were as follows:

	(Current)	(Non-Current)
Assets:		
Investments	$ -	$ 9,719
Pension	-	10,825
Bad debt write-off	702	-
Office sublease write-off	380	3,636
SFAS No. 133 adjustments	-	910
Net operating loss carryforward	191	5,778
Vacation accrual	-	243
Depreciation	-	5,334
Other	1,242	-
Gross deferred tax assets	2,515	36,445
Valuation allowance	-	(8,717)
Gross deferred tax assets	2,515	27,728
Liabilities:		
Affiliated companies	-	(6,211)
Other	-	(1,439)
Gross deferred tax liabilities	-	(7,650)
Net deferred tax assets	$ 2,515	$ 20,078

The Company has United States net operating loss ("NOL") carryforwards of $16,509 that expire beginning in 2026. United States Federal NOL carryforwards of $1,235 were newly generated during fiscal year ended March 31, 2008.

The valuation allowance relates to deferred tax assets recognized in connection with the write-down in the consolidated financial statements of certain investments. The valuation allowance was increased by $253 for the year ended March 31, 2008, based on a change in judgment regarding the realization of deferred tax assets.

No provision for income tax is recognized on undistributed earnings of the Company's foreign subsidiaries where the Company considers that such earnings are not expected to be remitted in the foreseeable future. At March 31, 2008, the amount of such deferred tax liability on the undistributed earnings of its foreign subsidiaries which has not been recognized in the accompanying consolidated financial statements aggregated $6,245.

The Company files income tax returns in the United States Federal jurisdiction, various states and foreign jurisdictions. The Company believes it is filing in all jurisdictions deemed necessary and appropriate.

The Company adopted FIN No. 48 effective April 1, 2007. As a result of the implementation of FIN No. 48, the Company identified unrecognized tax benefits of $3,567 as of April 1, 2007, and did not require a cumulative-effect adjustment to retained earnings.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows;

Balance at April 1, 2007	$ 3,567
Additions for tax positions of prior years	15
Settlements	(1,705)
Balance at March 31, 2008	$ 1,877

Total amount of unrecognized tax benefits that would reduce the effective tax rate, if recognized, is $1,877.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statement of income. Interest and penalties included in the income statement for the year ended March 31, 2008 is $15 and interest and penalties included in the balance sheet as of March 31, 2008 is $29.

The Company and one of its subsidiaries file income tax returns in the United States Federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to the United States Federal and local income tax examinations by tax authorities for years before December 31, 2003 and 2002, respectively.

The Company does not anticipate any significant change in the amount of identified tax benefits within the next twelve months.

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company and certain subsidiaries sponsor defined benefit pension plans covering substantially all of its employees. The Company and certain subsidiaries also provide postretirement medical benefits for eligible retired employees. Additionally, the Company provides a nonqualified supplemental executive defined pension plan to provide supplemental retirement benefit primarily to certain high-level employee.

The following tables provide key information pertaining to the Company's and its subsidiaries' defined benefit and the postretirement benefit plans. The Company used a March 31, 2008 measurement date for the majority of their plans, except for certain subsidiaries that did not change their year end to March 31, which used December 31, 2007, as the measurement date.

Obligations and funded status:

	Defined Benefit Plans	**Other Postretirement Benefits**
Change in projected benefit obligation:		
Projected benefit obligation at Beginning of year	$ 60,583	$ 21,010
Translation loss	130	-
Service cost	1,281	586
Interest cost	3,513	1,053
Amendments	-	(2,638)
Actuarial loss	(247)	(254)
Past service cost	1,094	-
Curtailments and settlements	(302)	(486)
Benefits paid	(2,257)	(998)
Projected benefit obligation at End of year	$ 63,795	$ 18,273
Change in plan assets:		
Fair value of plan assets at Beginning of year	$ 44,520	$ -
Actual return on plan assets	5,867	-
Foreign exchange rate changes	123	-
Contributions by employer	1,014	-
Benefits paid	(2,240)	-
Fair value of plan assets at End of year	$ 49,284	$ -
Reconciliation of funded status at End of year :		
Funded status	$ (14,511)	$ (18,273)

Amounts recognized in the consolidated balance sheet as of March 31, 2008 consist of the following:

	Defined Benefit Plans	Other Postretirement Benefits
Noncurrent assets	$ 815	$ -
Current liabilities	-	(413)
Noncurrent liabilities	(15,326)	(17,860)
Total accrued pension liability	$ (14,511)	$ (18,273)

Amounts recognized in accumulated other comprehensive income as of March 31, 2008 consist of the following:

	Defined Benefit Plans	Other Postretirement Benefits
Net actuarial loss (gain)	$ 11,884	$ (4,176)
Prior service cost (credit)	136	(3,383)
Accumulated other comprehensive income (loss) (before tax effects)	$ 12,020	$ (7,559)

Components of net periodic benefit cost and other amounts recognized in other comprehensive loss:

	Defined Benefit Plans	Other Postretirement Benefits
Net periodic costs:		
Service cost	$ 1,281	$ 586
Interest cost	3,535	1,053
Expected return on plan assets	(4,177)	-
Curtailments and settlements	(302)	-
Amortization of:		
Prior service cost (credit)	270	(791)
(Gain) loss	211	(275)
Total net periodic costs	$ 818	$ 573

Amounts expected to be recognized in net periodic cost in the coming year are as follows:

	Defined Benefit Plans	Other Postretirement Benefits
(Gain) loss recognition	$ 607	$ (290)
Prior service cost recognition	33	(714)

Additional information pertaining to the defined benefit and the postretirement benefit plans as of March 31, 2008 were as follows:

	Defined Benefit Plans	Other Postretirement Benefits
Accumulated benefit obligations	$ 58,256	$ -
Pension plans with benefit obligation in excess of plan assets:		
Benefit obligation.......................................	$ 63,795	-
Fair value of plan assets	$ 49,284	-

The projected benefit obligation and aggregate fair value of plan assets of the defined benefit and the postretirement benefit plans are disclosed above. The Company has recorded these amounts in “Other assets”, “Accounts payable and accrued expenses”, and “Other long-term liabilities” in its consolidated balance sheet at March 31, 2008.

Benefit payments for the defined benefit plans and other postretirement benefits for the next 10 years are expected to be as follows:

	Defined Benefit Plans	Other Postretirement Benefits Before Medicare Retiree Drug Subsidy	Other Postretirement Estimated Medicare Retiree Drug Subsidy
2009 …………………	$ 2,465	$ 1,520	$ 74
2010 …………………	2,517	1,612	82
2011 …………………	2,746	1,538	88
2012 …………………	3,125	1,587	96
2013 …………………	3,216	1,617	104
2014-2018 …...………	20,630	9,046	658

In December 2003, the United States enacted into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The Act established a prescription drug benefit under Medicare, known as "Medicare Part D" and a federal subsidy to sponsors of retired healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 19, 2004, the FASB issued Staff Position No. FAS-106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP-106-2*), which requires measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit costs to reflect the effects of the Act in the first interim or annual period beginning after June 15, 2004. On January 21, 2005, final regulations under the Act were issued. The effects of the Act did not have a material impact on the consolidated financial statements of the Company.

The following weighted-average assumptions were used to determine benefit obligations for the defined benefit and the postretirement benefit plans at end of year:

	Defined Benefit Plans	Other Postretirement Benefits
Discount rate...	6.25%-6.5%	5.75-6.25%
Initial health care cost trend rate.................	-	5%-10%
Ultimate health care cost trend rate	-	5%-5.5%
Year in which ultimate rate is reached	-	2015
Salary scale...	2.75% - 4%	-

The following weighted-average assumptions were used to determine benefit cost for the Company's defined benefit and the postretirement benefit plans:

	Defined Benefit Plans	Other Postretirement Benefits
Discount rate	5.75%-6.5%	6%
Expected asset return	7%-8.5%	-
Salary scale	2.75%-3.75%	4%
Mortality table	1994GAM	RP-2000
Average future working lifetime (years)	9.96	-

In determining the expected long-term rate of return on assets of 7.0% to 8.5%, the Company evaluated input from its investment consultants, actuaries and investment management firms, including their review of asset class return expectations, as well as long-term historical asset class returns. Projected returns by such consultants and economists are based on broad equity and bond indices.

The Company's pension plan asset allocations at the respective measurement dates, by asset category, was as follows:

Asset Category	The Company's Sponsored Plan Percentage of Plan Assets	Certain Subsidiary's Sponsored Plan Percentage of Plan Assets
Equity securities	61.10%	69.00%
Debt securities	18.90%	27.00%
Cash and cash equivalent	20.00%	3.00%
Other	-	1.00%
Total	100.00%	100.00%

The Company's investment policy is to maximize the total rate of return (income and appreciation) with a view to the long-term funding objectives of the pension plans. Therefore, the pension plan assets are diversified to the extent necessary to minimize risks and to achieve an optimal balance between risk and return and between income and growth of assets through capital appreciation.

The Company's policy is to allocate pension plan funds within a range of percentages for each major asset category as follows:

	% Range
Equity securities	50-70%
Debt securities/Fixed income	30-50%

The Company may direct the transfer of assets between investment managers in order to rebalance the portfolio in accordance with the asset allocation ranges above to accomplish the investment objectives for the pension plan assets.

The Company's funding policy is mainly to contribute an amount deductible for income tax purposes. The Company expects to contribute approximately $1,015 to their defined benefit pension plans during the year ending March 31, 2009.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The Company's one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on other postretirement benefit obligation......	$ 1,373	$ (1,245)
Effect on total of service and interest cost components	145	(106)

The Company has a 401(k) plan covering substantially all of its employees. The 401(k) plan provides for matching contributions by the Company, which amounted to approximately $1,392 for the year ended March 31, 2008.

9. RELATED PARTY AND SEGMENT INFORMATION

The Company's principal business activities have been classified into the following operating segments: Business Innovation, Industrial Finance, Fuels, Metals, Machinery, Chemicals, Living Essentials (foods, textiles & general merchandise) and Corporate. The following are those amounts which are used by the Company in managing its business as of and for the year ended March 31, 2008:

March 31, 2008	Business Innovation	Industrial Finance	Fuels	Metals	Machinery	Chemicals	Living Essentials	Corporate (1)(2) & Elimination	Total
Operating Transactions	$ 13,840	$ 80,993	$ 908,282	$ 4,589,018	$ 1,028,759	$ 2,542,992	$ 687,292	$ 446,847	$ 10,298,023
Gross Profit	3,543	2,723	8,568	40,942	22,514	99,245	17,630	87,280	282,445
Interest Income	32	253	762	2,729	1,196	1,903	2,608	103,349	112,832
Interest Expense	(474)	(247)	(4,108)	(13,192)	(1,517)	(3,868)	(4,400)	(74,085)	(101,891)
Income Tax	730	(776)	(4,694)	(6,308)	(3,988)	(24,256)	(858)	(6,088)	(46,238)
Equity in Earnings (Loss) of Affiliates	511	-	4,428	5,031	3,941	(1,747)	2,477	(715)	13,926
Net Income	(652)	884	9,622	14,162	8,466	35,787	2,897	24,144	95,310
Segment Assets	10,535	70,190	457,809	1,893,698	605,699	451,335	491,869	1,077,756	5,058,891
Goodwill	-	-	-	427	-	3	297	37,507	38,234
Depreciation and Amortization	(416)	(117)	(54)	(321)	(7,908)	(754)	(193)	(28,313)	(38,076)

Note — (1) Indirect corporate expenses are not allocated to the individual operating segments. Segment assets included in Corporate & Elimination consist principally of time deposits, marketable securities, financial investments, and portfolio companies.

(2) One of the Company's subsidiaries which is in the business of acquiring portfolio companies is included in Corporate & Elimination, whose assets and statement of income items constitute a significant portion of the section.

All of the Company's segments have a significant portion of their transactions with the Parent and its subsidiaries. Operating transactions with the Parent and its subsidiaries represent $3,338,482 (32%) of total operating transactions for the year ended March 31, 2008. Other than operating transactions with the Parent and its subsidiaries, no other single customer represents a significant portion of the Company's total operating transactions. In addition, the Company received various service fees from the Parent aggregating $12,429 for the year ended March 31, 2008, which are included in gross profit in the consolidated statement of income. The following table provides geographical information for customer operating transactions, which is based on the location of the customer:

United States	$ 2,727,981
Japan...............................	5,339,020
Other foreign countries....	2,231,022
Total	$ 10,298,023

The Company received a significant portion of interest income from the Parent and its subsidiaries. For the year ended March 31, 2008, interest income from the Parent and its subsidiaries was $53,027.

10. COMMITMENTS AND CONTINGENCIES

FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee.

Guarantees arise during the ordinary course of business from relationships with customers and equity affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Non-performance under a contract by the guaranteed party triggers the obligation of the Company. Such non-performance usually relates to loans. The Company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates and other unaffiliated companies. At March 31, 2008, the Company had directly guaranteed $24,439 of such obligations.

At March 31, 2008, directly guaranteed obligations of $24,439 consisted of $22,475 for supplier obligations to equity affiliates, $1,669 for short-term (less than one year) bank obligations to equity affiliates, $175 for short-term bank obligations to external customers, and $120 for long-term (2-5 years) bank obligations to external customers. The Company has no liabilities recorded for these obligations and is of the opinion that it will not be required to satisfy these guarantees.

Unused letters of credit outstanding at March 31, 2008 amounted to approximately $152,795.

The Company is a party to a joint revolving credit agreement together with its Parent in the amount of $1 billion, out of which $100 million shall be dedicated and specifically available to the Company. There were no amounts outstanding as of March 31, 2008.

11. LITIGATION

The Company and its subsidiaries are parties to litigation arising in the ordinary course of business. Although some of the matters are still in preliminary stages and definitive conclusions cannot be made as to those matters, the Company is of the opinion that, based on information presently available, none of the lawsuits will have a material adverse effect on the consolidated financial statements of the Company.

12. LEASES

The Company is engaged as a lessor in direct financing leases involving primarily machinery for producing milk products.

The Company's net investment in its direct financing leases at March 31, 2008, included in "Accounts receivable – customer" in the accompanying consolidated balance sheet, was as follows:

	Financing Leases
Minimum lease payments receivable	$ 1,808
Less: unearned income	(245)
Total	$ 1,563

Future minimum lease payments to be received by year and in aggregate, from direct financing leases with initial or remaining terms of one year or more during the future periods ending March 31st are as follows:

	Financing Leases
2009	$ 973
2010	566
2011	269
Total minimum payments	$ 1,808

The Company is a lessee in certain capital and operating leases involving primarily office space. Future minimum payments, by year and in the aggregate, under capital leases and operating leases, in which the Company is a lessee, with initial or remaining terms of one year or more during the future periods ending March 31st are as follows:

	Capital Leases	Operating Leases
2009	$ 736	$ 11,268
2010	686	10,746
2011	294	9,633
2012	215	8,428
2013	18	7,525
Thereafter	-	42,171
Total minimum payments required *	1,949	$ 89,771
Less: Amount representing interest	(255)	
Long-term obligations	$ 1,694	

* Minimum payments have been reduced by minimum sublease rentals of $256 for 2009, $256 for 2010, $256 for 2011, $256 for 2012, $256 for 2013, and $2,346 thereafter under operating leases due in the future under non-cancelable subleases.

Total rent expense (net of subleases) for the year ended March 31, 2008 was $10,551. The amount of rental income from subleases for the year ended March 31, 2008 was $869.

The Company is a lessor in certain operating leases involving office space. Future minimum payments to be received, by year and in aggregate, from operating leases with initial or remaining terms of one year or more during the future periods ending March 31 are as follows:

	Operating Leases
2009	$ 43
2010	40
Total minimum payments to be received	$ 83

13. SUNDRY INCOME - NET

"Sundry Income-Net" for the year ended March 31, 2008 consisted of the following:

Foreign exchange gain	$ 26,756
Management and service fees	17,311
Dividend income	5,331
Loss from sales of properties (net)	(238)
Foreign exchange loss	(26,481)
Others (net)	(328)
Total	$ 22,351

14. DISCONTINUED OPERATIONS

During the year ended March 31, 2008, the Company sold certain portfolio companies within its Corporate segment. In connection with this transaction, the Company sold the assets of certain businesses held by Viapack, Inc., sold its shares of Milton's Fine Foods, Inc., and Hammerhead Distribution, Inc., and the majority of its shares of Nutritional Holdings, Inc. at various dates. These entities were previously consolidated subsidiaries of the Company. As a result of the sale, the operations of these entities were reported as discontinued operations in the consolidated financial statements for the year ended March 31, 2008.

Summarized financial information for the year ended March 31, 2008 for the discontinued operations is as follows:

Revenues	$ 121,666
Loss from discontinued operations before income taxes	(1,906)
Gain on disposal - net	22,658
Income taxes	(6,892)
Minority interest	16
Income from discontined operations (net)	$ 13,876

15. SUBSEQUENT EVENTS

On January 14, 2008, the Company acquired W.C. Wood Holdings, Inc., which is a leading producer and marketer of consumer and commercial appliances, including chest and upright freezers, refrigerators and dehumidifiers. The Company did not consolidate this entity for the year ended March 31, 2008 because the acquired entity maintains a December 31 year end and, accordingly, will be consolidated this entity in the Company's fiscal 2009 results within the Corporate Segment.

In April 2008, the Company sold all of its shares of preferred stock of Hi-Tech Group Companies, an entity that the Company previously accounted for as an equity method investment. The transaction resulted in a gain of approximately $30 million (before tax). This gain will be recorded in the fiscal year ending March 31, 2009.

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