Consolidated Financial Statements

KYUDENKO CORPORATION

Years ended March 31, 2005 and 2004
with Report of Independent Auditors

Report of Independent Auditors

The Board of Directors
KYUDENKO CORPORATION

We have audited the accompanying consolidated balance sheets of KYUDENKO CORPORATION and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of KYUDENKO CORPORATION and consolidated subsidiaries at March 31, 2005 and 2004, 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 U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young Shin Nihon

Fukuoka, Japan
June29,2005

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31, 2005	March 31, 2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and cash equivalents	¥ 21,605	¥ 24,899	$ 201,183
Short-term investments *(Note 14)*	14,399	14,850	134,082
Trade notes and accounts receivable	67,523	63,704	628,764
Less: Allowance for doubtful receivables	(327)	(471)	(3,045)
Inventories *(Note 4)*	25,552	23,014	237,936
Deferred tax assets *(Note 8)*	2,971	3,224	27,666
Other current assets	1,970	1,576	18,344
Total current assets	133,693	130,796	1,244,930
Property, plant and equipment *(Note 5)*:			
Land	26,787	26,034	249,437
Buildings and structures	48,366	47,719	450,377
Machinery and equipment	69,270	64,309	645,032
Construction in progress	4	13	37
	144,427	138,075	1,344,883
Accumulated depreciation	(63,053)	(58,313)	(587,140)
Property, and equipment, net	81,374	79,762	757,743
Investments and other assets:			
Investment securities *(Note 14)*	8,273	9,331	77,037
Long-term loans receivable	864	475	8,045
Investments in unconsolidated subsidiaries and affiliates	7,003	6,553	65,211
Deferred tax assets *(Note 8)*	17,109	17,177	159,317
Other	9,981	10,534	92,941
Less: Allowance for doubtful receivables	(4,598)	(5,153)	(42,816)
Total investments and other assets	38,632	38,917	359,735
Total assets	¥253,699	¥249,475	$2,362,408

	March 31,		
	2005	**2004**	**2005**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans and current portion of long-term debt *(Note 6)*	¥ 35,655	¥ 33,705	$ 332,014
Trade notes and accounts payable	59,679	53,456	555,722
Advances received on construction contracts in progress	10,669	12,382	99,348
Accrued expenses	1,931	1,593	17,981
Accrued income taxes *(Note 8)*	1,863	4,281	17,348
Other current liabilities	7,486	6,940	69,709
Total current liabilities	117,283	112,357	1,092,122
Long-term liabilities:			
Long-term debt *(Note 6)*	6,334	6,852	58,981
Accrued employees' retirement benefits *(Note 9)*	32,943	43,459	306,761
Accrued directors' retirement benefits	849	625	7,906
Payables relating to defined contribution plans	8,491	–	79,067
Other *(Note 8)*	321	596	2,989
Total long-term liabilities	48,938	51,532	455,704
Total liabilities	166,221	163,889	1,547,826
Minority interests	914	916	8,511
Shareholders' equity *(Notes 7 and 17)*:			
Common stock, with no par value:			
Authorized – 250,000,000 shares			
Issued – 83,005,819, shares in 2005 and 2004	7,902	7,902	73,582
Capital surplus	7,890	7,890	73,471
Retained earnings	73,489	71,816	684,319
Net unrealized gain on other securities	934	726	8,697
Translation adjustments	(39)	(80)	(363)
	90,176	88,254	839,706
Less common stock in treasury, at cost	(3,612)	(3,584)	(33,635)
Shareholders' equity, net	86,564	84,670	806,071
Contingent liabilities *(Note 13)*			
Total liabilities and shareholders' equity	¥253,699	¥249,475	$2,362,408

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income

	March 31,		
	2005	**2004**	**2005**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales	¥231,478	¥224,703	$2,155,489
Cost of sales	211,420	205,845	1,968,712
Gross profit	20,058	18,858	186,777
Selling, general and administrative expenses *(Note 10)*	15,415	14,778	143,542
Operating income	4,643	4,080	43,235
Other income (expenses):			
Interest and dividend income	379	312	3,529
Interest expense	(131)	(132)	(1,220)
Loss on devaluation of investment securities	(53)	(367)	(494)
Gain on trading securities	1,241	1,751	11,556
Gain on sales of property and equipment	333	16	3,101
Gain (loss) on sales of investment securities	157	(37)	1,462
Additional retirement allowances paid	(792)	(538)	(7,375)
Loss on termination of lump-sum payment plan	(1,460)	–	(13,595)
Other, net	1,380	1,293	12,851
Income before income taxes and minority interests	5,697	6,378	53,050
Income taxes *(Note 8)*:			
Current	2,587	4,788	24,090
Deferred	193	(1,184)	1,797
	2,780	3,604	25,887
Minority interests	(36)	(45)	(335)
Net income *(Note 11)*	¥ 2,881	¥ 2,729	$ 26,828

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

	Year ended March 31,		
	2005	**2004**	**2005**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Common stock			
Balance at beginning and end of year	¥ 7,902	¥ 7,902	$ 73,582
Capital surplus			
Balance at beginning and end of year	¥ 7,890	¥ 7,890	$ 73,471
Retained earnings			
Balance at beginning of year	¥71,816	¥69,986	$668,740
(Decrease) increase due to the inclusion of subsidiaries in consolidation	(212)	3	(1,974)
Net income	2,881	2,729	26,828
Bonuses to directors and statutory auditors	(174)	(134)	(1,621)
Cash dividends paid	(822)	(768)	(7,654)
Balance at end of year	¥73,489	¥71,816	$684,319
Net unrealized gain on other securities			
Balance at beginning of year	¥ 726	¥ 205	$ 6,760
Net change during the year	208	521	1,937
Balance at end of year	¥ 934	¥ 726	$ 8,697
Translation adjustments			
Balance at beginning of year	¥ (80)	¥ (92)	$ (745)
Net change during the year	41	12	382
Balance at end of year	¥ (39)	¥ (80)	$ (363)

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31,		
	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Income before income taxes and minority interests	¥ 5,697	¥ 6,378	$ 53,050
Depreciation and amortization	10,118	9,585	94,217
Provision for retirement benefits, net of payments	(10,294)	1,745	(95,856)
Interest and dividend income	(379)	(312)	(3,529)
Interest expense	131	132	1,220
Unrealized gain on securities	(1,106)	(772)	(10,299)
Gain on sales of securities	(236)	(613)	(2,198)
Loss on sales and disposal of property and equipment, net	232	679	2,160
Trade notes and accounts receivable	(3,763)	(499)	(35,041)
Inventories	(2,533)	3,102	(23,587)
Trade notes and accounts payable	6,189	3,083	57,631
Payables relating to defined contribution plan	8,491	–	79,067
Advances received on construction contracts in progress	(1,720)	(2,956)	(16,016)
Other	(137)	(217)	(1,275)
	10,690	19,335	99,544
Interest and dividend received	383	312	3,566
Interest paid	(133)	(132)	(1,239)
Income taxes paid	(5,232)	(1,196)	(48,719)
Net cash provided by operating activities	5,708	18,319	53,152
Investing activities			
Purchases of marketable and investment securities	(4,376)	(16,837)	(40,749)
Proceeds from sales of marketable and investment securities	7,379	16,332	68,712
Purchases of property and equipment	(12,054)	(13,575)	(112,245)
Proceeds from sales of property and equipment	611	440	5,690
Increase in time deposits	(86)	(118)	(801)
Increase in long-term loans receivable	(539)	(136)	(5,019)
Other	(605)	(838)	(5,633)
Net cash used in investing activities	(9,670)	(14,732)	(90,045)
Financing activities			
Increase in short-term bank loans	3,640	5,170	33,895
Decrease in long-term debt	(2,202)	(1,638)	(20,506)
Cash dividends paid	(822)	(768)	(7,654)
Repurchase of the treasury stock	(27)	(1,330)	(251)
Other	(4)	(5)	(37)
Net cash provided by financing activities	585	1,429	5,447
Effect of exchange rate changes on cash and cash equivalents	4	(14)	37
Net (decrease) increase in cash and cash equivalents	(3,373)	5,002	(31,409)
Cash and cash equivalents at beginning of year	24,899	19,809	231,856
Increase due to inclusion of subsidiaries in consolidation	79	88	736
Cash and cash equivalents at end of year	¥ 21,605	¥ 24,899	$ 201,183

See notes to consolidated financial statements.

KYUDENKO CORPORATION

Notes to Consolidated Financial Statements

March 31, 2005

1. Basis of Presentation

KYUDENKO CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan and, accordingly, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost over underlying net assets at fair value as of the dates of acquisition is amortized over a period of 5 years on a straight-line basis.

Investments in companies which are not consolidated or accounted for by the equity method are carried at cost.

(b) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

2. Summary of Significant Accounting Policies (continued)

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange losses and gains are charged or credited to income.

Revenue and expense accounts of the foreign consolidated subsidiaries are translated at the average rate during the year and, except for the components of shareholders' equity, the balance sheet accounts are translated into yen at the exchange rates in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

(d) Securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost except for investments in limited partnerships that are accounted for by the equity method. Cost of securities sold is determined by the moving average method.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(f) Inventories

Construction contracts in progress are stated at cost by the specific identification method. Materials and supplies are stated at cost by the average method.

(g) Property and equipment and depreciation

Property, plant and equipment is stated at cost.

Depreciation of property and equipment is computed by the declining-balance method, except for buildings on which depreciation is computed by the straight-line method, based on the estimated useful lives of the respective assets. Depreciation of leased assets is computed by the straight-line method over the respective lease terms.

Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged to income as incurred.

2. Summary of Significant Accounting Policies (continued)

(h) Research and development costs

Research and development costs are charged to income as incurred.

(i) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Retirement benefits

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of services of the employees (14 years through 16 years). Prior service cost is being amortized by the straight-line method over the average remaining years of services of the employees (14 years through 15 years).

In addition, directors and corporate auditors of the Company are customarily entitled to lump-sum payments under the unfunded retirement benefit plan. Provision for retirement benefits for these officers has been made at estimated amounts.

(k) Recognition of revenue and related costs

Revenue from construction contracts and the related costs are recognized by the completed-contract method.

(l) Leases

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

(m) Derivative financial instruments

A consolidated subsidiary has entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

2. Summary of Significant Accounting Policies (continued)

(n) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that period do not, therefore, reflect such appropriations. See Note 17.

(o) New accounting standards

A new Japanese accounting standard “Impairment of Fixed Assets” was issued in August 2002 that is effective for fiscal years beginning on or after April 1, 2005. Early adoption is permitted. The new standard requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their income statement if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The Company is currently assessing the impact of this new accounting standard on its financial position and operating results.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥107.39 = U.S.$1.00, the rate of exchange on March 31, 2005. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Inventories

Inventories at March 31, 2005 and 2004 consisted of the following:

	2005	**2004**	**2005**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Construction contracts in progress	¥23,205	¥20,451	$216,081
Materials and supplies	2,347	2,563	21,855
Total	¥25,552	¥23,014	$237,936

5. Depreciation

Depreciation of property and equipment for the years ended March 31, 2005 and 2004 was as follows:

2005	2004	2005
(Millions of yen)		*(Thousands of U.S. dollars)*
¥10,118	¥9,585	$94,217

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are unsecured and, in general, consisted of 365-day notes principally at annual weighted average interest rates of 0.458 % and 0.489 % at March 31, 2005 and 2004, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks due through 2009 at interest rates ranging from 0.79% to 6.25%	¥ 8,648	¥10,857	$ 80,529
Less current portion	(2,314)	(4,005)	(21,548)
	¥ 6,334	¥ 6,852	$ 58,981

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2006	¥2,314	$21,548
2007	1,853	17,255
2008	3,199	29,788
2009	314	2,924
2010	968	9,014
	¥8,648	$80,529

The Company has entered into loan commitment agreements amounting to ¥20,000 million ($186,237 thousand) with banks. Loans payable outstanding at March 31, 2005 under those loan commitment agreements amounted to ¥7,000 million ($65,183 thousand).

7. Capital Surplus and Retained Earnings

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥0 million ($0 thousand) as of both March 31, 2005 and 2004.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

8. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of 40.44% for 2005 and 41.74% for 2004.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2005 and 2004 differ from the statutory tax rates for the following reasons:

	2005	**2004**
Statutory tax rate	40.44%	41.74%
Effect of:		
Expenses permanently not deductible for income tax purposes	13.33	10.36
Dividend income deductible for income tax purposes	(1.08)	(0.89)
Inhabitants' per capita taxes	2.74	2.60
Equity in earnings of affiliates and other consolidation adjustments	(0.45)	(1.12)
Adjustment in deferred tax assets and liabilities due to the change in tax rate	–	2.34
Tax exemption at foreign subsidiaries	(2.59)	–
Other, net	(3.60)	1.47
Effective tax rate	48.79%	56.50%

8. Income Taxes (continued)

The significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 1,943	¥ 2,059	$ 18,093
Accrued retirement benefits	12,947	16,686	120,560
Payables relating to defined contribution plans	4,006	–	37,303
Depreciation of fixed assets	960	815	8,939
Allowance for doubtful receivables	1,121	1,489	10,439
Other	2,439	2,544	22,712
Gross deferred tax assets	23,416	23,593	218,046
Valuation allowance	(1,044)	(1,001)	(9,721)
Total deferred tax assets	22,372	22,592	208,325
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	(1,226)	(1,087)	(11,416)
Other	(1,112)	(1,147)	(10,355)
Total deferred tax liabilities	(2,338)	(2,234)	(21,771)
Net deferred tax assets	¥20,034	¥20,358	$186,554

9. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans (“WPFP”), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2005 and 2004 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	¥(53,342)	¥(76,671)	$(496,713)
Plan assets at fair value	21,705	20,241	202,114
Unfunded retirement benefit obligation	(31,637)	(56,430)	(294,599)
Unrecognized actuarial loss	12,619	17,125	117,506
Unrecognized prior service cost	(13,925)	(4,154)	(129,668)
Accrued retirement benefits	¥(32,943)	¥(43,459)	$(306,761)

9. Retirement Benefit Plans (continued)

Effective October 2004, the Company amended or terminated its defined benefit plans so that a portion of the benefits under the lump-sum payment plan and all of the benefits under WPFP and tax-qualified pension plan were transferred to a new defined benefit pension plan.

In addition, the remaining benefits under the lump-sum payment plan were transferred to a newly established defined contribution plan. In this connection, the Company recognized a loss of ¥1,460 million ($13,595 thousand) for the year ended March 31, 2005. The assets of ¥11,409 million ($106,239 thousand) will be transferred to the defined contribution plan over a period of eight years.

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are outlined as follows:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥1,907	¥2,912	$17,758
Interest cost	1,532	1,777	14,266
Expected return on plan assets	(452)	(321)	(4,209)
Amortization of actuarial loss	1,345	1,580	12,524
Amortization of prior service cost	(680)	(332)	(6,332)
Subtotal	3,652	5,616	34,007
Loss on termination of lump-sum payment plan	1,460	–	13,595
Contributions made to defined contribution plans	176	–	1,639
Total	¥5,288	¥5,616	$49,241

In addition to the above retirement benefit expenses, additional retirement allowances of ¥792 million ($7,375 thousand) and ¥538 million were paid for the years ended March 31, 2005 and 2004, respectively.

The assumptions used in the accounting for the above plans are as follows:

	2005	2004
Discount rate	2.50%	2.50%
Expected rate of return on plan assets	2.50%	2.50%

10. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2005 and 2004 amounted to ¥215 million ($2,002 thousand) and ¥246 million, respectively.

11. Amounts per Share

	2005	2004	2005
	(Yen)		*(U.S. dollars)*
Net income	¥ 36.24	¥ 33.60	$ 0.34
Cash dividends	11.00	10.00	0.10
Net assets	1,157.20	1,131.06	10.78

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends declared as applicable to the respective years, together with the interim cash dividends paid.

12. Leases

(Lessors' accounting)

a) Finance leases

The following amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets relating to finance leases accounted for as operating leases at March 31, 2005 and 2004:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs:			
Machinery and equipment	¥39,027	¥33,965	$363,414
Accumulated depreciation:			
Machinery and equipment	¥20,108	¥15,765	$187,243
Net book value:			
Machinery and equipment	¥18,919	¥18,200	$176,171

12. Leases (continued)

a) Finance leases (continued)

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥7,651 million ($71,245 thousand) and ¥6,462 million for the years ended March 31, 2005 and 2004, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income amounted to ¥6,694 million ($62,334 thousand) and ¥956 million ($8,902 thousand), respectively, for the year ended March 31, 2005, and ¥6,019 million and ¥573 million, respectively, for the year ended March 31, 2004.

Future minimum lease income subsequent to March 31, 2005 from finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2006	¥ 6,568	$ 61,160
2007 and thereafter	12,872	119,862
Total	¥19,440	$181,022

b) Operating leases

Future minimum operating lease income subsequent to March 31, 2005 from non-cancelable operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2006	¥ 187	$ 1,741
2007 and thereafter	1,437	13,382
Total	¥1,624	$15,123

13. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2005:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Trade notes receivable endorsed and discounted with banks	114	1,062
Guarantees of indebtedness	468	4,358

14. Securities

a) Trading securities as of March 31, 2005 and 2004 amounted to ¥12,854 million ($119,695 thousand) and ¥12,312 million, respectively, and the related unrealized gain included in the operating results for the years ended March 31, 2005 and 2004 amounted to ¥1,162 million ($10,820 thousand) and ¥1,100 million, respectively.

b) Information regarding marketable securities classified as other securities as of March 31, 2005 and 2004 is as follows:

	Year ended March 31, 2005					
	Acquisition cost	Carrying value	Gross unrealized gains (losses)	Acquisition cost	Carrying value	Gross unrealized gains (losses)
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Securities whose fair value exceeds their acquisition cost						
Equity securities	¥ 440	¥1,706	¥1,266	$ 4,097	$15,886	$11,789
Debt securities	760	783	23	7,077	7,291	214
Others	998	1,267	269	9,293	11,798	2,505
Subtotal	¥2,198	¥3,756	¥1,558	$20,467	$34,975	$14,508
Securities whose acquisition cost exceeds their fair value						
Equity securities	¥ 74	¥ 68	¥ (6)	$ 689	$ 633	$ (56)
Debt securities	8	6	(2)	75	56	(19)
Others	196	166	(30)	1,825	1,546	(279)
Subtotal	¥ 278	¥ 240	¥ (38)	$ 2,589	$ 2,235	$ (354)
Total	¥2,476	¥3,996	¥1,520	$23,056	$37,210	$14,154

	Year ended March 31, 2004		
	Acquisition cost	Carrying value	Gross unrealized gains (losses)
	(Millions of yen)		
Securities whose fair value exceeds their acquisition cost			
Equity securities	¥ 476	¥1,497	¥ 1,021
Debt securities	760	775	15
Others	1,227	1,457	230
Subtotal	¥2,463	¥3,729	¥ 1,266
Securities whose acquisition cost exceeds their fair value			
Equity securities	¥ 86	¥ 82	¥ (4)
Debt securities	8	5	(3)
Others	891	823	(68)
Subtotal	¥ 985	¥ 910	¥ (75)
Total	¥3,448	¥4,639	¥ 1,191

14. Securities (continued)

c) Information regarding sales of securities classified as other securities for the years ended March 31, 2005 and 2004 is as follows:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	¥1,709	¥1,517	$15,914
Gains on sales	200	143	1,862
Losses on sales	42	154	391

d) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2005 is as follows:

	Due in one year or less	Due after one year through 5 years	Due after 5 years through 10 years	Due in one year or less	Due after one year through 5 years	Due after 5 years through 10 years
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Debt securities:						
Government bonds	¥ –	¥ –	¥ –	$ –	$ –	$ –
Corporate bonds	10	86	–	93	801	–
Other debt securities	660	1,311	491	6,146	12,208	4,572
Other	192	1,151	3	1,788	10,718	28
Total	¥862	¥2,548	¥494	$8,027	$23,727	$4,600

15. Related Party Transactions

Consolidated net sales included those to Kyushu Electric Power Co., Inc., who owns approximately 30% of the Company’s ownership interest, in amounts of ¥55,878 million ($520,328 thousand) and ¥51,177 million for the years ended March 31, 2005 and 2004, respectively, and the related receivables at March 31, 2005 and 2004 amounted to ¥7,673 million ($71,450 thousand) and ¥7,884 million, respectively.

The terms of the transactions referred to above were negotiated and determined on an arm’s-length basis.

16. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the equipment construction business in Japan. The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is as follows:

	Year ended March 31, 2005				
	Equipment construction work	Other	Total	Eliminations	Consolidated
			(Millions of yen)		
I. Sales and operating income					
Sales to third parties	¥217,683	¥13,795	¥231,478	¥ –	¥231,478
Intersegment sales and transfers	853	14,129	14,982	(14,982)	–
Total sales	218,536	27,924	246,460	(14,982)	231,478
Operating expenses	215,118	26,692	241,810	(14,975)	226,835
Operating income	¥ 3,418	¥ 1,232	¥ 4,650	¥ (7)	¥ 4,643
II. Assets, depreciation and capital expenditures					
Total assets	¥211,754	¥52,980	¥264,734	¥(11,035)	¥253,699
Depreciation and amortization	1,756	8,406	10,162	(43)	10,119
Capital expenditures	2,738	10,207	12,945	(71)	12,874

	Year ended March 31, 2005				
	Equipment construction work	Other	Total	Eliminations	Consolidated
			(Thousands of U.S. dollars)		
I. Sales and operating income					
Sales to third parties	$2,027,032	$128,457	$2,155,489	$ –	$2,155,489
Intersegment sales and transfers	7,943	131,567	139,510	(139,510)	–
Total sales	2,034,975	260,024	2,294,999	(139,510)	2,155,489
Operating expenses	2,003,147	248,552	2,251,699	(139,445)	2,112,254
Operating income	$ 31,828	$ 11,472	$ 43,300	$ (65)	$ 43,235
II. Assets, depreciation and capital expenditures					
Total assets	$1,971,822	$493,342	$2,465,164	$(102,756)	$2,362,408
Depreciation and amortization	16,352	78,275	94,627	(400)	94,227
Capital expenditures	25,496	95,046	120,542	(661)	119,881

16. Segment Information (continued)

	Year ended March 31, 2004				
	Equipment construction work	Other	Total	Eliminations	Consolidated
			(Millions of yen)		
I. Sales and operating income					
Sales to third parties	¥210,696	¥14,007	¥224,703	¥ –	¥224,703
Intersegment sales and transfers	1,354	14,429	15,783	(15,783)	–
Total sales	212,050	28,436	240,486	(15,783)	224,703
Operating expenses	209,170	27,098	236,268	(15,645)	220,623
Operating income	¥ 2,880	¥ 1,338	¥ 4,218	¥ (138)	¥ 4,080
II. Assets, depreciation and capital expenditures					
Total assets	¥211,019	¥45,584	¥256,602	¥ (7,127)	¥249,475
Depreciation and amortization	1,811	7,826	9,637	(52)	9,585
Capital expenditures	2,248	13,180	15,428	(56)	15,372

The disclosure of geographical segment information has been omitted as net sales and total assets of the foreign operations constituted less than 10% of the consolidated totals for both years ended March 31, 2005 and 2004.

Overseas sales of the Company and its consolidated subsidiaries constituted less than 10% of the consolidated net sales for both years ended March 31, 2005 and 2004.

17. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, were approved at a shareholders' meeting held on June 29, 2005:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥5 = $0.04 per share)	¥373	$3,473
Bonuses to directors and corporate auditors	75	698