Consolidated Financial Statements

KYUDENKO CORPORATION

Years ended March 31, 2006 and 2005
with Report of Independent Auditors

KYUDENKO

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, 2006 and 2005, 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplementary Information

As described in Note 2(o), effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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.

Fukuoka, Japan
June 29, 2006

Ernst & Young Shinnihon

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Assets			
Current assets:			
Cash and cash equivalents	¥ 14,674	¥ 21,605	$ 124,917
Short-term investments *(Note 15)*	16,202	14,399	137,925
Trade notes and accounts receivable	67,208	67,523	572,129
Less: Allowance for doubtful receivables	(899)	(327)	(7,653)
Inventories *(Note 4)*	28,930	25,552	246,276
Deferred tax assets *(Note 8)*	2,909	2,971	24,764
Other current assets	4,645	1,970	39,541
Total current assets	133,669	133,693	1,137,899
Property, plant and equipment *(Note 5)*:			
Land	26,571	26,787	226,194
Buildings and structures	48,489	48,366	412,778
Machinery and equipment	67,428	69,270	574,002
Construction in progress	572	4	4,869
	143,060	144,427	1,217,843
Accumulated depreciation	(63,774)	(63,053)	(542,896)
Property, and equipment, net	79,286	81,374	674,947
Investments and other assets:			
Investment securities *(Note 15)*	8,122	8,273	69,141
Long-term loans receivable	981	864	8,351
Investments in unconsolidated subsidiaries and affiliates	7,503	7,003	63,872
Deferred tax assets *(Note 8)*	16,732	17,109	142,436
Other	13,543	9,981	115,289
Less: Allowance for doubtful receivables	(7,486)	(4,598)	(63,727)
Total investments and other assets	39,395	38,632	335,362
Total assets	¥252,350	¥253,699	$2,148,208

	March 31,		
	2006	2005	2006
	(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)*	¥ 34,321	¥ 35,655	$ 292,168
Trade notes and accounts payable	58,795	59,679	500,511
Advances received on construction contracts in progress	10,860	10,669	92,449
Accrued expenses	1,828	1,931	15,561
Accrued income taxes *(Note 8)*	1,945	1,863	16,557
Other current liabilities	6,810	7,486	57,973
Total current liabilities	114,559	117,283	975,219
Long-term liabilities:			
Long-term debt *(Note 6)*	8,088	6,334	68,852
Accrued employees' retirement benefits *(Note 9)*	31,923	32,943	271,754
Accrued directors' retirement benefits	856	849	7,287
Payables relating to defined contribution plans	6,879	8,491	58,560
Other *(Note 8)*	1,608	321	13,689
Total long-term liabilities	49,354	48,938	420,142
Total liabilities	163,913	166,221	1,395,361
Minority interests	868	914	7,389
Shareholders' equity *(Notes 7 and 18)*:			
Common stock, with no par value:			
Authorized – 250,000,000 shares			
Issued – 83,005,819, shares in 2006 and 2005	7,902	7,902	67,268
Capital surplus	7,890	7,890	67,166
Retained earnings	74,243	73,489	632,017
Net unrealized gain on other securities	1,191	934	10,139
Translation adjustments	(7)	(39)	(60)
	91,219	90,176	776,530
Less common stock in treasury, at cost	(3,650)	(3,612)	(31,072)
Shareholders' equity, net	87,569	86,564	745,458
Contingent liabilities *(Note 14)*			
Total liabilities and shareholders' equity	¥252,350	¥253,699	$2,148,208

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income

	March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥233,560	¥231,478	$1,988,252
Cost of sales	215,232	211,420	1,832,230
Gross profit	18,328	20,058	156,022
Selling, general and administrative expenses *(Note 10)*	19,197	15,415	163,420
Operating income (loss)	(869)	4,643	(7,398)
Other income (expenses):			
Interest and dividend income	496	379	4,222
Interest expense	(118)	(131)	(1,005)
Loss on devaluation of investment securities	(80)	(53)	(681)
Gain on trading securities	4,080	1,241	34,732
Gain on sales of property and equipment	1,061	333	9,032
Gain on sales of investment securities	163	157	1,388
Additional retirement allowances paid	(500)	(792)	(4,256)
Loss on termination of lump-sum payment plan	–	(1,460)	–
Loss on impairment of fixed assets	(1,043)	–	(8,879)
Allowance for doubtful receivables	(157)	–	(1,337)
Other, net	1,793	1,380	15,265
Income before income taxes and minority interests	4,826	5,697	41,083
Income taxes *(Note 8)*:			
Current	2,849	2,587	24,253
Deferred	269	193	2,290
	3,118	2,780	26,543
Minority interests	(35)	(36)	(298)
Net income *(Note 11)*	¥ 1,673	¥ 2,881	$ 14,242

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

	Year ended March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Common stock			
Balance at beginning and end of year	¥ 7,902	¥ 7,902	$ 67,268
Capital surplus			
Balance at beginning and end of year	¥ 7,890	¥ 7,890	$ 67,166
Retained earnings			
Balance at beginning of year	¥73,489	¥71,816	$625,598
Decrease due to the inclusion of subsidiaries in consolidation	–	(212)	–
Net income	1,673	2,881	14,242
Bonuses to directors and statutory auditors	(173)	(174)	(1,473)
Cash dividends paid	(746)	(822)	(6,350)
Balance at end of year	¥74,243	¥73,489	$632,017
Net unrealized gain on other securities			
Balance at beginning of year	¥ 934	¥ 726	$ 7,951
Net change during the year	257	208	2,188
Balance at end of year	¥ 1,191	¥ 934	$ 10,139
Translation adjustments			
Balance at beginning of year	¥ (39)	¥ (80)	$ (332)
Net change during the year	32	41	272
Balance at end of year	¥ (7)	¥ (39)	$ (60)

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31, 2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Income before income taxes and minority interests	¥ 4,826	¥ 5,697	$ 41,083
Depreciation and amortization	10,440	10,118	88,874
Loss on impairment of fixed assets	1,043	–	8,879
Provision for retirement benefits, net of payments	(1,011)	(10,294)	(8,607)
Interest and dividend income	(496)	(379)	(4,222)
Interest expense	118	131	1,005
Unrealized gain on securities	(3,554)	(1,106)	(30,255)
Gain on sales of securities	(608)	(236)	(5,176)
(Gain) loss on sales and disposal of property and equipment, net	(695)	232	(5,916)
Trade notes and accounts receivable	(314)	(3,763)	(2,673)
Inventories	(3,377)	(2,533)	(28,748)
Trade notes and accounts payable	(883)	6,189	(7,517)
Payables relating to defined contribution plan	(1,612)	8,491	(13,723)
Advances received on construction contracts in progress	191	(1,720)	1,626
Other	793	(137)	6,751
	4,861	10,690	41,381
Interest and dividend received	497	383	4,231
Interest paid	(118)	(133)	(1,005)
Income taxes paid	(2,751)	(5,232)	(23,419)
Net cash provided by operating activities	2,489	5,708	21,188
Investing activities			
Purchases of marketable and investment securities	(5,010)	(4,376)	(42,649)
Proceeds from sales of marketable and investment securities	6,993	7,379	59,530
Purchases of property and equipment	(12,164)	(12,054)	(103,550)
Proceeds from sales of property and equipment	1,942	611	16,532
Increase in time deposits	(278)	(86)	(2,367)
Increase in long-term loans receivable	(117)	(539)	(996)
Other	(446)	(605)	(3,796)
Net cash used in investing activities	(9,080)	(9,670)	(77,296)
Financing activities			
Increase (decrease) in short-term bank loans	(1,040)	3,640	(8,853)
Increase (decrease) in long-term debt	1,460	(2,202)	12,429
Cash dividends paid	(746)	(822)	(6,351)
Repurchase of the treasury stock	(38)	(27)	(323)
Other	(3)	(4)	(26)
Net cash provided by (used in) financing activities	(367)	585	(3,124)
Effect of exchange rate changes on cash and cash equivalents	27	4	230
Net decrease in cash and cash equivalents	(6,931)	(3,373)	(59,002)
Cash and cash equivalents at beginning of year	21,605	24,899	183,919
Increase due to inclusion of subsidiaries in consolidation	–	79	–
Cash and cash equivalents at end of year	¥ 14,674	¥ 21,605	$ 124,917

See notes to consolidated financial statements.

KYUDENKO CORPORATION

Notes to Consolidated Financial Statements

March 31, 2006

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. See Note 2(o) for adoption of a new accounting standard.

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 Notes 7 and 18.

(o) Adoption of a new accounting standard

Effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. 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 are 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 Group bases its grouping for assessing the impairment loss on fixed assets on its management accounting units (i.e., mainly branches). However, the Group determines whether an asset is impaired on an individual asset basis when the asset is deemed idle or it is scheduled to be disposed of. The effect of this adoption of the new standard was to decrease income before income taxes and minority interests by ¥1,043 million ($8,879 thousand) because of recognition of the impairment loss on land of the same amount due to a significant decline in their market value for the year ended March 31, 2006.

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 ¥117.47 = U.S.$1.00, the rate of exchange on March 31, 2006. 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, 2006 and 2005 consisted of the following:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Construction contracts in progress	¥25,495	¥23,205	$217,034
Materials and supplies	3,435	2,347	29,242
Total	¥28,930	¥25,552	$246,276

5. Depreciation

Depreciation of property and equipment for the years ended March 31, 2006 and 2005 was as follows:

2006	2005	2006
(Millions of yen)		*(Thousands of U.S. dollars)*
¥10,440	¥10,118	$88,874

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 0.446 % and 0.458 % at March 31, 2006 and 2005, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks due through 2011 at interest rates ranging from 0.79% to 6.25%	¥10,109	¥ 8,648	$ 86,056
Less current portion	(2,021)	(2,314)	(17,204)
	¥ 8,088	¥ 6,334	$ 68,852

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2007	¥ 2,021	$17,204
2008	3,371	28,697
2009	1,792	15,255
2010	1,071	9,117
2011	1,763	15,008
2012	91	775
	¥10,109	$86,056

The Company has entered into loan commitment agreements amounting to ¥20,000 million ($170,256 thousand) with banks. Loans payable outstanding at March 31, 2006 under those loan commitment agreements amounted to ¥7,000 million ($59,590 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, 2006 and 2005.

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.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates requirements on distribution of earnings which are similar to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

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 a statutory tax rate of 40.44% for 2006 and 2005.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2006 and 2005 differ from the statutory tax rate for the following reasons:

	2006	2005
Statutory tax rate	40.44%	40.44%
Effect of:		
Expenses permanently not deductible for income tax purposes	12.92	13.33
Dividend income deductible for income tax purposes	(1.78)	(1.08)
Inhabitants' per capita taxes	3.18	2.74
Equity in earnings of affiliates and other consolidation adjustments	(2.33)	(0.45)
Valuation allowance	11.52	0.75
Tax exemption at foreign subsidiaries	–	(2.59)
Other, net	0.67	(4.35)
Effective tax rate	64.62%	48.79%

8. Income Taxes (continued)

The significant components of deferred tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 1,703	¥ 1,943	$ 14,497
Accrued retirement benefits	12,877	12,947	109,619
Payables relating to defined contribution plans	3,338	4,006	28,416
Depreciation of fixed assets	1,109	960	9,441
Allowance for doubtful receivables	2,046	1,121	17,417
Other	2,927	2,439	24,917
Gross deferred tax assets	24,000	23,416	204,307
Valuation allowance	(1,600)	(1,044)	(13,620)
Total deferred tax assets	22,400	22,372	190,687
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	(1,670)	(1,226)	(14,216)
Other	(1,133)	(1,112)	(9,645)
Total deferred tax liabilities	(2,803)	(2,338)	(23,861)
Net deferred tax assets	¥19,597	¥20,034	$166,826

9. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined contribution plans as well as defined benefit plans, i.e., corporate pension plans, 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, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	¥(53,953)	¥(53,342)	$(459,292)
Plan assets at fair value	24,794	21,705	211,067
Unfunded retirement benefit obligation	(29,159)	(31,637)	(248,225)
Unrecognized actuarial loss	10,131	12,619	86,243
Unrecognized prior service cost	(12,895)	(13,925)	(109,772)
Accrued retirement benefits	¥(31,923)	¥(32,943)	$(271,754)

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 for the year ended March 31, 2005. The assets of ¥11,409 million are being transferred to the defined contribution plan over a period of eight years.

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are outlined as follows:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥1,884	¥1,907	$16,038
Interest cost	1,231	1,532	10,479
Expected return on plan assets	(658)	(452)	(5,601)
Amortization of actuarial loss	1,247	1,345	10,616
Amortization of prior service cost	(1,029)	(680)	(8,760)
Subtotal	2,675	3,652	22,772
Loss on termination of lump-sum payment plan	–	1,460	–
Contributions made to defined contribution plans	344	176	2,928
Total	¥3,019	¥5,288	$25,700

In addition to the above retirement benefit expenses, additional retirement allowances of ¥500 million ($4,256 thousand) and ¥792 million were paid for the years ended March 31, 2006 and 2005, respectively.

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

	2006	2005
Discount rate	2.50%	2.50%
Expected rate of return on plan assets	3.50%	2.50%

10. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2006 and 2005 amounted to ¥242 million ($2,060 thousand) and ¥215 million, respectively.

11. Amounts per Share

	2006	2005	2006
	(Yen)		*(U.S. dollars)*
Net income	¥ 20.01	¥ 36.24	$0.17
Cash dividends	10.00	11.00	0.09
Net assets	1,171.39	1,157.20	9.97

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. Supplementary Cash Flow Information

The following is a summary of the assets and liabilities of a subsidiary which was included in consolidation upon acquisition of its stock and reconciliation of the related acquisition cost and net cash outflows for the year ended March 31, 2006:

	2006	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥ 10	$ 85
Non-current assets	339	2,886
Excess of cost over net assets acquired	98	834
Current liabilities	(15)	(128)
Non-current liabilities	(377)	(3,209)
Acquisition cost of investments in a subsidiary	55	468
Cash and cash equivalents held by subsidiary	(7)	(60)
Net cash outflows	¥ (48)	$ (408)

13. 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, 2006 and 2005:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs:			
Machinery and equipment	¥37,394	¥39,027	$318,328
Accumulated depreciation:			
Machinery and equipment	¥20,832	¥20,108	$177,339
Net book value:			
Machinery and equipment	¥16,562	¥18,919	$140,989

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥7,301 million ($62,152 thousand) and ¥7,651 million for the years ended March 31, 2006 and 2005, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income amounted to ¥6,506 million ($55,384 thousand) and ¥698 million ($5,942 thousand), respectively, for the year ended March 31, 2006, and ¥6,694 million and ¥956 million, respectively, for the year ended March 31, 2005.

Future minimum lease income subsequent to March 31, 2006 from finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2007	¥ 5,572	$ 47,433
2008 and thereafter	10,732	91,359
Total	¥16,304	$138,792

13. Leases (continued)

b) Operating leases

Future minimum operating lease income subsequent to March 31, 2006 from non-cancelable operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2006	¥ 186	$ 1,583
2007 and thereafter	1,239	10,547
Total	¥1,425	$12,130

14. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2006:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Trade notes receivable endorsed and discounted with banks	¥125	$1,064
Guarantees of indebtedness	925	7,874

15. Securities

a) Trading securities as of March 31, 2006 and 2005 amounted to ¥15,651 million ($133,234 thousand) and ¥12,854 million, respectively, and the related unrealized gain included in the operating results for the years ended March 31, 2006 and 2005 amounted to ¥3,635 million ($30,944 thousand) and ¥1,162 million, respectively.

b) Information regarding marketable securities classified as other securities as of March 31, 2006 and 2005 is as follows:

	Year ended March 31, 2006					
	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	¥ 451	¥2,018	¥1,567	$ 3,839	$17,179	$13,340
Debt securities	450	478	28	3,831	4,069	238
Others	665	1,042	377	5,661	8,870	3,209
Subtotal	¥1,566	¥3,538	¥1,972	$13,331	$30,118	$16,787
Securities whose acquisition cost exceeds their fair value						
Equity securities	¥ 47	¥ 45	¥ (2)	$ 400	$ 383	$ (17)
Debt securities	–	–	–	–	–	–
Others	170	148	(22)	1,447	1,260	(187)
Subtotal	¥ 217	¥ 193	¥ (24)	$ 1,847	$ 1,643	$ (204)
Total	¥1,783	¥3,731	¥1,948	$15,178	$31,761	$16,583

	Year ended March 31, 2005		
	Acquisition cost	Carrying value	Gross unrealized gains (losses)
	(Millions of yen)		
Securities whose fair value exceeds their acquisition cost			
Equity securities	¥ 440	¥1,706	¥1,266
Debt securities	760	783	23
Others	998	1,267	269
Subtotal	¥2,198	¥3,756	¥1,558
Securities whose acquisition cost exceeds their fair value			
Equity securities	¥ 74	¥ 68	¥ (6)
Debt securities	8	6	(2)
Others	196	166	(30)
Subtotal	¥ 278	¥ 240	¥ (38)
Total	¥2,476	¥3,996	¥1,520

15. Securities (continued)

c) Information regarding sales of securities classified as other securities for the years ended March 31, 2006 and 2005 is as follows:

	2006	2005	2006
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	¥1,093	¥1,709	$9,305
Gains on sales	181	200	1,541
Losses on sales	18	42	153

d) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2006 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	80	–	–	681	–	–
Other debt securities	–	916	290	–	7,798	2,469
Other	100	1,108	17	851	9,432	145
Total	¥180	¥2,024	¥307	$1,532	$17,230	$2,614

16. 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 ¥54,349 million ($462,663 thousand) and ¥55,878 million for the years ended March 31, 2006 and 2005, respectively, and the related receivables at March 31, 2006 and 2005 amounted to ¥7,742 million ($65,906 thousand) and ¥7,673 million, respectively.

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

17. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the equipment construction business in Japan. Effective the year ended March 31, 2006, the Company began to disclose the leasing business segment separately from the "Other" segment due to its increased materiality and has restated its business segment information for the year ended March 31, 2005. The business segment information of the Company and its consolidated subsidiaries based on the new segmentation for the years ended March 31, 2006 and 2005 is as follows:

	Year ended March 31, 2006					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Millions of yen)			
I. Sales and operating income						
Sales to third parties	¥220,324	¥ 9,551	¥ 3,685	¥233,560	¥ –	¥233,560
Intersegment sales and transfers	922	2,568	11,582	15,072	(15,072)	–
Total sales	221,246	12,119	15,267	248,632	(15,072)	233,560
Operating expenses	220,184	14,135	14,975	249,294	(14,865)	234,429
Operating income (loss)	¥ 1,062	¥ (2,016)	¥ 292	¥ (662)	¥ (207)	¥ (869)
II. Assets, depreciation and capital expenditures						
Total assets	¥208,373	¥42,315	¥11,333	¥262,021	¥ (9,671)	¥252,350
Depreciation and amortization	1,802	8,578	93	10,473	(33)	10,440
Loss on impairment of fixed assets	1,043	–	–	1,043	–	1,043
Capital expenditures	2,393	8,932	480	11,805	(195)	11,610

	Year ended March 31, 2006					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Thousands of U.S. dollars)			
I. Sales and operating income						
Sales to third parties	$1,875,577	$ 81,306	$ 31,369	$1,988,252	$ –	$1,988,252
Intersegment sales and transfers	7,848	21,861	98,596	128,305	(128,305)	–
Total sales	1,883,425	103,167	129,965	2,116,557	(128,305)	1,988,252
Operating expenses	1,874,385	120,329	127,479	2,122,193	(126,543)	1,995,650
Operating income (loss)	$ 9,040	$ (17,162)	$ 2,486	$ (5,636)	$ (1,762)	$ (7,398)
II. Assets, depreciation and capital expenditures						
Total assets	$1,773,840	$360,220	$ 96,475	$2,230,535	$ (82,327)	$2,148,208
Depreciation and amortization	15,340	73,023	792	89,155	(281)	88,874
Loss on impairment of fixed assets	8,879	–	–	8,879	–	8,879
Capital expenditures	20,371	76,037	4,086	100,494	(1,660)	98,834

17. Segment Information (continued)

	Year ended March 31, 2005					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
	(Millions of yen)					
I. Sales and operating income						
Sales to third parties	¥217,683	¥ 9,427	¥ 4,368	¥231,478	¥ –	¥231,478
Intersegment sales and transfers	853	2,614	11,843	15,310	(15,310)	–
Total sales	218,536	12,041	16,211	246,788	(15,310)	231,478
Operating expenses	215,117	11,122	15,895	242,134	(15,299)	226,835
Operating income	¥ 3,419	¥ 919	¥ 316	¥ 4,654	¥ (11)	¥ 4,643
II. Assets, depreciation and capital expenditures						
Total assets	¥211,754	¥41,058	¥11,974	¥264,786	¥(11,087)	¥253,699
Depreciation and amortization	1,756	8,321	87	10,164	(46)	10,118
Loss on impairment of fixed assets	–	–	–	–	–	–
Capital expenditures	2,738	10,181	51	12,970	(96)	12,874

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, 2006 and 2005.

Overseas sales of the Company and its consolidated subsidiaries constituted less than 10% of the consolidated net sales for both years ended March 31, 2006 and 2005.

18. 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, 2006, were approved at a shareholders' meeting held on June 29, 2006:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥5 = $0.04 per share)	¥373	$3,175
Bonuses to directors and corporate auditors	63	536