Consolidated Financial Statements

KYUDENKO CORPORATION

Years ended March 31, 2008 and 2007
with Report of Independent Auditors

KYUDENKO

ERNST & YOUNG SHINNIHON

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, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, 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, 2008 and 2007, 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, 2008 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 16, 2008

Ernst & Young ShinNihon

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2008	**2007**	**2008**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and cash equivalents	¥ 13,572	¥ 12,981	$ 135,463
Short-term investments *(Note 14)*	2,258	827	22,537
Trade notes and accounts receivable	62,620	87,006	625,012
Less: Allowance for doubtful receivables	(831)	(905)	(8,294)
Inventories *(Note 4)*	33,259	28,692	331,959
Deferred tax assets *(Note 8)*	2,794	2,742	27,887
Other current assets	3,324	3,924	33,177
Total current assets	116,996	135,267	1,167,741
Property, plant and equipment *(Note 5)*:			
Land	26,776	26,548	267,252
Buildings and structures	53,005	51,989	529,045
Machinery and equipment	59,952	61,483	598,383
Construction in progress	17	215	170
	139,750	140,235	1,394,850
Accumulated depreciation	(63,129)	(62,931)	(630,093)
Property, and equipment, net	76,621	77,304	764,757
Investments and other assets:			
Investment securities *(Note 14)*	16,199	21,140	161,683
Long-term loans receivable	3,112	842	31,061
Investments in unconsolidated subsidiaries and affiliates	7,247	7,791	72,333
Deferred tax assets *(Note 8)*	14,135	13,442	141,082
Other	12,132	12,749	121,090
Less: Allowance for doubtful receivables	(6,672)	(6,716)	(66,594)
Total investments and other assets	46,153	49,248	460,655
Total assets	¥239,770	¥261,819	$2,393,153

	March 31,		
	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans and current portion of long-term debt *(Note 6)*	¥ 24,615	¥ 31,502	$ 245,683
Trade notes and accounts payable	51,456	66,815	513,584
Advances received on construction contracts in progress	19,452	14,834	194,151
Accrued expenses	2,110	1,998	21,060
Accrued income taxes *(Note 8)*	2,202	1,107	21,978
Other current liabilities	4,942	9,199	49,327
Total current liabilities	104,777	125,455	1,045,783
Long-term liabilities:			
Long-term debt *(Note 6)*	15,873	13,153	158,429
Accrued employees' retirement benefits *(Notes 9 and 17)*	27,940	30,023	278,870
Accrued directors' retirement benefits	224	189	2,236
Payables relating to defined contribution plans	3,944	5,395	39,365
Other *(Note 8)*	2,484	2,542	24,793
Total long-term liabilities	50,465	51,302	503,693
Total liabilities	155,242	176,757	1,549,476
Contingent liabilities *(Note 13)*			
Net assets :			
Shareholders' equity *(Note 7)*:			
Common stock, with no par value:			
Authorized – 250,000,000 shares			
Issued – 83,005,819, shares in 2008 and 2007	7,902	7,902	78,870
Capital surplus	7,890	7,890	78,750
Retained earnings	73,371	70,741	732,319
Treasury stock, at cost	(3,710)	(3,681)	(37,030)
Total shareholders' equity	85,453	82,852	852,909
Valuation, translation adjustments and others:			
Net unrealized gain on other securities	(1,824)	1,354	(18,205)
Translation adjustments	11	(7)	110
Total valuation, translation adjustments and others	(1,813)	1,347	(18,095)
Minority interest	888	863	8,863
Total net assets	84,528	85,062	843,677
Total liabilities and net assets	¥239,770	¥261,819	$2,393,153

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Operations

	March 31,		
	2008	**2007**	**2008**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales	¥236,206	¥251,751	$2,357,581
Cost of sales	212,892	228,964	2,124,883
Gross profit	23,314	22,787	232,698
Selling, general and administrative expenses *(Note 10)*	16,376	19,839	163,450
Operating income	6,938	2,948	69,248
Other income (expenses):			
Interest and dividend income	449	462	4,482
Interest expense	(277)	(145)	(2,765)
Loss on devaluation of investment securities	(186)	(95)	(1,855)
Loss on trading securities	–	(1,202)	–
Gain on sales of property and equipment	55	–	549
Loss on sales of property and equipment	–	(8)	–
Gain on sales of investment securities	83	190	828
Additional retirement allowances paid	(426)	(443)	(4,252)
Loss on restructuring of overseas operations	–	(540)	–
Other, net	878	1,243	8,763
Income before income taxes and minority interests	7,514	2,410	74,998
Income taxes *(Note 8)*:			
Current	2,696	1,568	26,909
Deferred	1,395	3,384	13,924
	4,091	4,952	40,833
Minority interests	(54)	(34)	(539)
Net income (loss) *(Note 11)*	¥ 3,369	¥ (2,576)	$ 33,626

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

		Shareholders' equity					Valuation, translation adjustments and others				
	Number of shared issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
	(Thousands)	*(Millions of yen)*									
Balance at March 31, 2006	83,005	¥7,902	¥7,890	¥74,243	¥(3,650)	¥86,385	¥1,191	¥(7)	¥1,184	¥868	¥88,437
Cash dividends paid	–	–	–	(746)	–	(746)	–	–	–	–	(746)
Bonuses to directors	–	–	–	(157)	–	(157)	–	–	–	–	(157)
Decrease due to inclusion of subsidiaries in consolidation	–	–	–	(23)	–	(23)	–	–	–	–	(23)
Net loss	–	–	–	(2,576)	–	(2,576)	–	–	–	–	(2,576)
Purchases of treasury stock	–	–	–	–	(31)	(31)	–	–	–	–	(31)
Net changes in items other than those in shareholders' equity during the year	–	–	–	–	–	–	163	–	163	(5)	158
Balance at March 31, 2007	83,005	7,902	7,890	70,741	(3,681)	82,852	1,354	(7)	1,347	863	85,062
Cash dividends paid	–	–	–	(745)	–	(745)	–	–	–	–	(745)
Decrease due to inclusion of subsidiaries in consolidation	–	–	–	6	–	6	–	–	–	–	6
Net income	–	–	–	3,369	–	3,369	–	–	–	–	3,369
Purchases of treasury stock	–	–	–	–	(29)	(29)	–	–	–	–	(29)
Net changes in items other than those in shareholders' equity during the year	–	–	–	–	–	–	(3,178)	18	(3,160)	25	(3,135)
Balance at March 31, 2008	83,005	¥7,902	¥7,890	¥73,371	¥(3,710)	¥85,453	¥(1,824)	¥11	¥(1,813)	¥888	¥84,528

		Shareholders' equity					Valuation, translation adjustments and others				
	Number of shared issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
	(Thousands)	*(Thousands of U.S. dollars)*									
Balance at March 31, 2007	83,005	$78,870	$78,750	$706,069	$(36,740)	$826,949	$13,514	$(70)	$13,444	$8,614	$849,007
Cash dividends paid	–	–	–	(7,436)	–	(7,436)	–	–	–	–	(7,436)
Decrease due to inclusion of subsidiaries in consolidation	–	–	–	60	–	60	–	–	–	–	60
Net income	–	–	–	33,626	–	33,626	–	–	–	–	33,626
Purchases of treasury stock	–	–	–	–	(290)	(290)	–	–	–	–	(290)
Net changes in items other than those in shareholders' equity during the year	–	–	–	–	–	–	(31,719)	180	(31,539)	249	(31,290)
Balance at March 31, 2008	83,005	$78,870	$78,750	$732,319	$(37,030)	$852,909	$(18,205)	$110	$(18,095)	$8,863	$843,677

See notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Year ended March 31,		
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Income before income taxes and minority interests	¥ 7,514	¥ 2,410	$ 74,998
Depreciation and amortization	8,666	9,310	86,496
Provision for retirement benefits, net of payments	(2,048)	(2,568)	(20,441)
Interest and dividend income	(449)	(462)	(4,481)
Interest expense	277	145	2,765
Unrealized loss on securities	186	1,984	1,856
Gain on sales of securities	(83)	(589)	(828)
Loss on sales and disposal of property and equipment, net	1,379	1,184	13,764
Trade notes and accounts receivable	24,463	(17,855)	244,165
Inventories	(4,535)	238	(45,264)
Trade notes and accounts payable	(15,595)	8,013	(155,654)
Payables relating to defined contribution plan	(1,450)	(1,484)	(14,473)
Advances received on construction contracts in progress	4,617	3,972	46,082
Other	(3,014)	5,378	(30,083)
	19,928	9,676	198,902
Interest and dividend received	449	461	4,481
Interest paid	(277)	(145)	(2,765)
Income taxes paid	(1,607)	(2,405)	(16,039)
Net cash provided by operating activities	18,493	7,587	184,579
Investing activities			
Purchases of marketable and investment securities	(3,032)	(6,359)	(30,263)
Proceeds from sales of marketable and investment securities	1,808	7,312	18,046
Purchases of property and equipment	(7,951)	(10,308)	(79,359)
Proceeds from sales of property and equipment	483	696	4,821
Decrease (Increase) in time deposits	104	(309)	1,038
(Increase) decrease in long-term loans receivable	(2,316)	6	(23,116)
Other	(2,080)	(1,884)	(20,761)
Net cash used in investing activities	(12,984)	(10,846)	(129,594)
Financing activities			
Decrease in short-term bank loans	(6,826)	(6,362)	(68,131)
Increase in long-term debt	2,659	8,606	26,540
Cash dividends paid	(746)	(745)	(7,446)
Repurchase of the treasury stock	(29)	(31)	(289)
Other	(3)	(4)	(30)
Net cash (used in)provided by financing activities	(4,945)	1,464	(49,356)
Effect of exchange rate changes on cash and cash equivalents	(20)	2	(199)
Net increase (decrease) in cash and cash equivalents	544	(1,793)	5,430
Cash and cash equivalents at beginning of year	12,981	14,674	129,564
Increase due to inclusion of subsidiaries in consolidation	47	100	469
Cash and cash equivalents at end of year	¥ 13,572	¥ 12,981	$ 135,463

See notes to consolidated financial statements.

KYUDENKO CORPORATION

Notes to Consolidated Financial Statements

March 31, 2008

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 Financial Instruments 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 net assets excluding minority interests, the balance sheet accounts are translated into yen at the exchange rates in effect at the balance sheet date. The components of net assets excluding minority interests 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 net assets. In case where an embedded derivative in a compound financial instrument is unable to be separately measured, the entire compound financial instrument is measured at fair value with changes in value charged or credited to income. 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.

(Additional Information)

In accordance with a resolution approved at a meeting of the Executive Board Committee of the Company held on March 19, 2007 to change its cash management policy, the Company discontinued security trading transactions and abolished the related section effective March 31, 2007.

In this connection, trading securities at March 31, 2007 previously included in short-term investment were reclassified to other securities at fair value on that day and included in investments securities.

As a result, short-term investments at March 31, 2007 decreased by ¥11,488 million and investment securities increased by the same amount as compared with the corresponding amounts which would have been recorded under the previous cash management policy. The valuation loss arising from this reclassification was charged to operations for the year ended March 31, 2007.

2. Summary of Significant Accounting Policies (continued)

(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. See Note 2(g).

(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.

(Changes in method of depreciation of tangible fixed assets)

In accordance with the revision made to the Corporate Tax Law of Japan (the "Tax Law") which went into effect on April 1, 2007, effective the year ended March 31, 2008, the Company and domestic consolidated subsidiaries have adopted the new method prescribed in the revised Tax Law for depreciating tangible fixed assets acquired on or after April 1, 2007. The effect of this change on the Company's operating results was immaterial for the year ended March 31, 2008.

In addition to the above adoption, effective the year ended March 31, 2008, these companies depreciate the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the tangible fixed assets acquired on or before March 31, 2007. As a result, operating income, and income before income taxes and minority interests both decreased by ¥98 million ($978 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been reported under the previous method.

The effect of this change on segment information is explained in Note 16.

(Change in method of accounting for loss on disposition of leased assets)

Until the year ended March 31, 2006, the Company had provided an allowance for doubtful receivables at an estimated amount of uncollectible lease receivables from lessees experiencing financial difficulties. Effective the year ended March 31, 2007, the Company began providing an accrual for losses on disposition of leased assets which is directly deducted from the carrying value of the respective leased assets in line with the accounting standard for lease transactions issued on March 30, 2007. This change in method of accounting had no effect on the operating results of the Company for the year ended March 31, 2007.

(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.

2. Summary of Significant Accounting Policies (continued)

(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. In addition, the Company has invested in compound financial instruments with embedded derivatives as part of its excess cash management. 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 a component of net assets.

(n) Adoption of new accounting standard

Effective the year ended March 31, 2007, certain domestic consolidated subsidiaries adopted a new accounting standard for directors' bonuses. This standard requires that directors' bonuses be accounted for as an expense on an accrual basis. The effect of the adoption of this standard was to decrease operating income, and income before income taxes and minority interests by ¥116 million for the year ended March 31, 2007 from the corresponding amounts which would have been recorded under the previous method.

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 ¥100.19 = U.S.$1.00, the rate of exchange on March 31, 2008. 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, 2008 and 2007 consisted of the following:

	2008	**2007**	**2008**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Construction contracts in progress	¥28,314	¥22,742	$282,603
Materials and supplies	4,945	5,950	49,356
Total	¥33,259	¥28,692	$331,959

5. Depreciation

Depreciation of property and equipment for the years ended March 31, 2008 and 2007 was as follows:

2008	2007	2008
(Millions of yen)		*(Thousands of U.S. dollars)*
¥8,666	¥9,310	$86,496

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 1.137 % and 0.882 % at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks due through 2027 at interest rates ranging from 0.87% to 3.50%	¥21,376	¥18,716	$213,355
Less current portion	(5,503)	(5,563)	(54,926)
	¥15,873	¥13,153	$158,429

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2009	¥ 5,503	$ 54,926
2010	4,772	47,630
2011	5,419	54,087
2012	3,456	34,494
2013	1,367	13,644
2014 and thereafter	859	8,574
	¥21,376	$213,355

The Company has entered into loan commitment agreements amounting to ¥15,000 million ($149,716 thousand) with banks. Loans payable outstanding at March 31, 2008 under those loan commitment agreements amounted to ¥7,000 million ($69,867 thousand).

7. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

The following distribution of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was approved at a meeting of the Board of Directors held on May 27, 2008:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥5 = $0.05 per share)	¥372	$3,713

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 2008 and 2007.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008 and 2007 differ from the statutory tax rate for the following reasons:

	2008	**2007**
Statutory tax rate	40.44%	40.44%
Effect of:		
Expenses permanently not deductible for income tax purposes	7.38	27.10
Dividend income deductible for income tax purposes	(0.98)	(2.86)
Inhabitants' per capita taxes	2.18	6.44
Equity in earnings of affiliates and other consolidation adjustments	(0.61)	(1.74)
Valuation allowance	3.16	138.35
Other, net	2.88	(2.24)
Effective tax rate	54.45%	205.49%

8. Income Taxes (continued)

The significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 2,031	¥ 1,914	$ 20,271
Accrued retirement benefits	11,276	12,115	112,546
Payables relating to defined contribution plans	2,127	2,727	21,230
Depreciation of fixed assets	997	1,030	9,951
Allowance for doubtful receivables	2,175	1,961	21,709
Other	6,156	4,298	61,443
Gross deferred tax assets	24,762	24,045	247,150
Valuation allowance	(5,172)	(4,934)	(51,622)
Total deferred tax assets	19,590	19,111	195,528
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	(1,678)	(1,659)	(16,748)
Other	(1,061)	(1,354)	(10,590)
Total deferred tax liabilities	(2,739)	(3,013)	(27,338)
Net deferred tax assets	¥16,851	¥16,098	$168,190

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, 2008 and 2007 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	¥(52,044)	¥(53,293)	$(519,453)
Plan assets at fair value	24,268	26,413	242,220
Unfunded retirement benefit obligation	(27,776)	(26,880)	(277,233)
Unrecognized actuarial loss	11,010	9,026	109,891
Unrecognized prior service cost	(10,838)	(11,867)	(108,174)
Net retirement benefit obligation	(27,604)	(29,721)	(275,516)
Prepaid pension expense	(336)	(302)	(3,354)
Accrued retirement benefits	¥(27,940)	¥(30,023)	$(278,870)

9. Retirement Benefit Plans (continued)

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 1,691	¥ 1,152	$ 16,878
Interest cost	1,214	1,234	12,117
Expected return on plan assets	(786)	(756)	(7,845)
Amortization of actuarial loss	1,103	1,159	11,009
Amortization of prior service cost	(1,029)	(1,029)	(10,270)
Subtotal	2,193	1,760	21,889
Contributions made to defined contribution plans	358	350	3,573
Total	¥ 2,551	¥ 2,110	$25,462

In addition to the above retirement benefit expenses, additional retirement allowances of ¥426 million ($4,252 thousand) and ¥443 million were paid for the years ended March 31, 2008 and 2007, respectively.

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

	2008	2007
Discount rate	2.50%	2.50%
Expected rate of return on plan assets	3.50%	3.50%

10. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2008 and 2007 amounted to ¥258 million ($2,575 thousand) and ¥249 million, respectively.

11. Amounts per Share

	2008	2007	2008
	(Yen)		*(U.S. dollars)*
Net income (loss)	¥ 45.21	¥ (34.54)	$0.45
Cash dividends	10.00	10.00	0.10
Net assets	1,122.51	1,129.34	11.20

Net income (loss) per share is computed based on the net income (loss) 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 the net assets excluding minority interests 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 the leased assets relating to finance leases accounted for as operating leases at March 31, 2008 and 2007:

	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs:			
Machinery and equipment	¥27,285	¥32,415	$272,333
Accumulated depreciation:			
Machinery and equipment	¥14,806	¥19,630	$147,780
Net book value:			
Machinery and equipment	¥12,479	¥12,785	$124,553

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥2,557 million ($25,522 thousand) and ¥5,835 million for the years ended March 31, 2008 and 2007, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income amounted to ¥2,307 million ($23,026 thousand) and ¥204 million ($2,036 thousand), respectively, for the year ended March 31, 2008, and ¥5,209 million and ¥458 million, respectively, for the year ended March 31, 2007.

12. Leases (continued)

(Lessors' accounting) (continued)

Future minimum lease income subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2009	¥ 4,192	$ 41,841
2010 and thereafter	7,462	74,478
Total	¥11,654	$116,319

b) Operating leases

Future minimum operating lease income subsequent to March 31, 2008 from non-cancelable operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2009	¥ 207	$ 2,066
2010 and thereafter	1,039	10,370
Total	¥1,246	$12,436

(Lessees' accounting)

a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2008	**2007**	**2008**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Acquisition costs:			
Machinery and equipment	¥499	¥617	$4,980
Accumulated depreciation:			
Machinery and equipment	¥311	¥329	$3,104
Net book value:			
Machinery and equipment	¥118	¥288	$1,876

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥111 million ($1,108 thousand) and ¥131 million for the years ended March 31, 2008 and 2007, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in lease payment amounted to ¥107 million ($1,068 thousand) and ¥3 million ($30 thousand), respectively, for the year ended March 31, 2008 and ¥126 million and ¥4 million, respectively, for the year ended March 31, 2007.

12. Leases (continued)

(Lessees' accounting) (continued)

Future minimum lease payments subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2009	¥90	$ 898
2010 and thereafter	97	968
Total	¥187	$1,866

13. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2008:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Trade notes receivable endorsed and discounted with banks	¥ 73	$ 729
Guarantees of indebtedness	1,882	18,784

14. Securities

a) Trading securities as of March 31, 2008 and 2007 amounted to ¥0 million ($0 thousand) and ¥0 million, respectively, and the related unrealized gain (loss) included in the operating results for the years ended March 31, 2008 and 2007 amounted to ¥0 million ($0 thousand) and ¥(1,599) million, respectively.

(Change in cash management policy)

In accordance with a resolution approved at a meeting of the Executive Board Committee of the Company held on March 19, 2007 to change its cash management policy, the Company discontinued security trading transactions and abolished the related section effective March 31, 2007. In this connection, trading securities at March 31, 2007 previously included in short-term investment were reclassified to other securities at fair value on that day and included in investments securities.

As a result, short-term investments at March 31, 2007 decreased by ¥11,488 million and investment securities increased by the same amount as compared with the corresponding amounts which would have been recorded under the previous cash management policy. The valuation loss arising from this reclassification was charged to operations for the year ended March 31, 2007.

14. Securities (continued)

b) Information regarding marketable securities classified as other securities as of March 31, 2008 and 2007 is as follows:

	March 31, 2008					
	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	¥ 1,102	¥ 2,533	¥ 1,431	$ 10,999	$ 25,282	$ 14,283
Debt securities	1,167	1,303	136	11,648	13,005	1,357
Others	194	212	18	1,936	2,116	180
Subtotal	¥ 2,463	¥ 4,048	¥ 1,585	$ 24,583	$ 40,403	$ 15,820
Securities whose acquisition cost exceeds their fair value						
Equity securities	¥12,448	¥ 8,123	¥(4,325)	$124,244	$ 81,076	$(43,168)
Debt securities	2,464	2,208	(256)	24,593	22,038	(2,555)
Others	926	672	(254)	9,243	6,708	(2,535)
Subtotal	¥15,838	¥11,003	¥(4,835)	$158,080	$109,822	$(48,258)
Total	¥18,301	¥15,051	¥(3,250)	$182,663	$150,225	$(32,438)

	March 31, 2007		
	Acquisition cost	Carrying value	Gross unrealized gains (losses)
	(Millions of yen)		
Securities whose fair value exceeds their acquisition cost			
Equity securities	¥ 1,041	¥ 3,170	¥2,129
Debt securities	1,358	1,449	91
Others	276	389	113
Subtotal	¥ 2,675	¥ 5,008	¥2,333
Securities whose acquisition cost exceeds their fair value			
Equity securities	¥10,698	¥10,693	¥ (5)
Debt securities	2,025	1,945	(80)
Others	845	815	(30)
Subtotal	¥13,568	¥13,453	¥ (115)
Total	¥16,243	¥18,461	¥2,218

14. Securities (continued)

c) Information regarding sales of securities classified as other securities for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007	2008
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	¥1,571	¥ 528	$15,680
Gains on sales	20	192	200
Losses on sales	14	1	140

d) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2008 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	¥ –	¥ 20	¥ –	$ –	$ 200	$ –
Corporate bonds	–	99	–	–	988	–
Other debt securities	791	530	326	7,895	5,290	3,254
Other	891	702	200	8,893	7,006	1,996
Total	¥1,682	¥1,351	¥526	$16,788	$13,484	$5,250

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 ¥59,456 million ($593,432 thousand) and ¥57,138 million for the years ended March 31, 2008 and 2007, respectively, and the related receivables at March 31, 2008 and 2007 amounted to ¥8,608 million ($85,917 thousand) and ¥8,049 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, 2008 and 2007 is as follows:

	Year ended March 31, 2008					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Millions of yen)			
I. Sales and operating income						
Sales to third parties	¥223,900	¥ 6,617	¥ 5,689	¥236,206	¥ –	¥236,206
Intersegment sales and transfers	660	2,774	16,609	20,043	(20,043)	–
Total sales	224,560	9,391	22,298	256,249	(20,043)	236,206
Operating expenses	218,356	9,041	21,909	249,306	(20,038)	229,268
Operating income	¥ 6,204	¥ 350	¥ 389	¥ 6,943	¥ (5)	¥ 6,938
II. Assets, depreciation and capital expenditures						
Total assets	¥202,303	¥34,483	¥15,044	¥251,830	¥(12,060)	¥239,770
Depreciation and amortization	2,082	6,363	261	8,706	(40)	8,666
Capital expenditures	1,629	6,124	570	8,323	(31)	8,292

	Year ended March 31, 2008					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Thousands of U.S. dollars)			
I. Sales and operating income						
Sales to third parties	$2,234,754	$ 66,045	$ 56,782	$2,357,581	$ –	$2,357,581
Intersegment sales and transfers	6,587	27,687	165,775	200,049	(200,049)	–
Total sales	2,241,341	93,732	222,557	2,557,630	(200,049)	2,357,581
Operating expenses	2,179,419	90,239	218,674	2,488,332	(199,999)	2,288,333
Operating income	$ 61,922	$ 3,493	$ 3,883	$ 69,298	$ (50)	$ 69,248
II. Assets, depreciation and capital expenditures						
Total assets	$2,019,194	$344,176	$150,154	$2,513,524	$(120,371)	$2,393,153
Depreciation and amortization	20,781	63,509	2,605	86,895	(399)	86,496
Capital expenditures	16,259	61,124	5,689	83,072	(309)	82,763

16. Segment Information (continued)

(Change in method of depreciation of tangible fixed assets)

As described in Note 2(g), effective the year ended March 31, 2008, the Company and its domestic subsidiaries have depreciated the difference between 5% of acquisition cost and nominal value by the straight-line method over a period of five years from the year following the year in which the accumulated depreciation has reached 95% of acquisition cost with respect to the tangible fixed assets acquired on or before March 31, 2007. As a result, operating income for "Equipment construction work" segment decreased by ¥98 million ($978 thousand) for the year ended March 31, 2008 from the corresponding amount which would have been recorded under the previous method.

	Year ended March 31, 2007					
	Equipment construction work	Leasing	Other	Total	Eliminations	Consolidated
			(Millions of yen)			
I. Sales and operating income						
Sales to third parties	¥237,778	¥ 8,993	¥ 4,980	¥251,751	¥ –	¥251,751
Intersegment sales and transfers	1,314	2,645	15,551	19,510	(19,510)	–
Total sales	239,092	11,638	20,531	271,261	(19,510)	251,751
Operating expenses	233,328	14,765	20,367	268,460	(19,657)	248,803
Operating income (loss)	¥ 5,764	¥ (3,127)	¥ 164	¥ 2,801	¥ 147	¥ 2,948
II. Assets, depreciation and capital expenditures						
Total assets	¥218,487	¥39,952	¥18,212	¥276,651	¥(14,832)	¥261,819
Depreciation and amortization	1,890	7,288	163	9,341	(31)	9,310
Capital expenditures	2,752	6,028	2,051	10,831	(58)	10,773

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, 2008 and 2007.

Overseas sales of the Company and its consolidated subsidiaries constituted less than 10% of the consolidated net sales for both years ended March 31, 2008 and 2007.

17. Subsequent Event

Effective April 1, 2008, 35 consolidated subsidiaries amended their respective retirement benefit plans so that a part of the benefits under the lump-sum payment plans as well as those under the tax-qualified pension plans were transferred to new defined benefit corporate pension plans. Because these subsidiaries had adopted simplified methods in the calculation of their retirement benefit obligation until the year ended March 31, 2008, an additional retirement benefit expense of ¥249 million ($2,485 thousand) resulting from these transitions will be recorded for the year ending March 31, 2009.