



May 11, 2007

Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2007

KYOWA EXEO CORPORATION

Code No. : 1951
 URL : <http://www.exeo.co.jp>
 Stock Exchange Listed : Tokyo and Osaka Stock Exchange
 Representative : Seiji Takashima, President
 Investor Relations : Norio Koide, Director, General Manager,
 Accounting & Financial Division /Phone (03) 5778-1106
 Date of the general meeting of shareholders for approval of the consolidated financial statements : June 25, 2007
 Date of scheduled filing of financial report : June 25, 2007
 Date of scheduled payment of dividends : June 26, 2007

1. Consolidated Financial Results for the Fiscal Years Ended March 31, 2007 and 2006

(1) Consolidated Results of Operations (Millions of yen, except per share amounts)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ended March 31, 2007	303,537	8.8 %	20,453	40.7 %	21,117	38.2 %	11,023	20.2 %
Year ended March 31, 2006	278,869	12.6 %	14,537	21.3 %	15,278	23.4 %	9,174	42.8 %

	Net Income per Share	Diluted Net Income Per Share	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
Year ended March 31, 2007	100.33 yen	95.30 yen	13.8 %	12.1 %	6.7 %
Year ended March 31, 2006	81.94 yen	81.82 yen	12.9 %	9.6 %	5.2 %

(2) Consolidated Financial Positions (Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
Year ended March 31, 2007	186,485	91,136	45.3 %	768.81 yen
Year ended March 31, 2006	162,640	75,575	46.5 %	686.15 yen

(Reference) Shareholders' Equity : For the fiscal year ended March 31, 2007 : 84,479 million yen

(3) Consolidated Cash Flows (Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Fiscal Year End
Year ended March 31, 2007	14,660	(4,360)	8,923	27,776
Year ended March 31, 2006	7,529	(2,858)	(12,125)	8,537

2. Cash Dividends

(Cut-off date)	Cash dividends per share			Total Cash Dividends (Full Year) (Millions of yen)	Payout Ratio	Ratio of Dividends to Net Assets
	Interim	Year-End	Full Year			
Year ended March 31, 2006	7.00 yen	8.00 yen	15.00 yen	1,648	18.3 %	2.3 %
Year ended March 31, 2007	7.00 yen	11.00 yen	18.00 yen	1,977	17.9 %	2.5 %
Year ending March 31, 2008 (Forecasts)	9.00 yen	9.00 yen	18.00 yen	—	16.5 %	—

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2008

(Millions of yen, except per share amounts)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
Six months ending September 30, 2007	136,000	6.2 %	7,100	(0.1)%	7,600	(1.3)%	4,300	(3.0)%	39.13 yen
Year ending March 31, 2008	310,000	2.1 %	20,500	0.2 %	21,300	0.9 %	12,000	8.9 %	109.21 yen

4. Others

- (1) Significant changes in subsidiaries (scope of consolidation) during period : —
- (2) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of consolidated financial statements (Those to be stated as changes in Basis of Presenting Consolidated Financial Statements)
- ① Changes associated with revision in accounting standard : Yes
- ② Other changes : —
- (3) The number of shares issued (common stock)
- ① The number of shares issued : For the fiscal year ended March 31, 2007 : 117,812,419 shares
(inclusive of treasury stock) : For the fiscal year ended March 31, 2006 : 117,812,419 shares
- ② The number of treasury stock : For the fiscal year ended March 31, 2007 : 7,928,743 shares
: For the fiscal year ended March 31, 2006 : 7,922,340 shares

(Reference) Summary of Non-Consolidated Financial Statements Results

1. Non-Consolidated Financial Results for the Fiscal Years Ended March 31, 2007 and 2006

(1) Non-Consolidated Results of Operations (Millions of yen, except per share amounts)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ended March 31, 2007	238,758	10.4 %	14,160	54.3 %	14,228	53.2 %	7,103	40.4 %
Year ended March 31, 2006	216,342	10.9 %	9,177	9.2 %	9,285	15.6 %	5,060	25.7 %

	Net Income per Share	Diluted Net Income Per Share
Year ended March 31, 2007	64.65 yen	61.41 yen
Year ended March 31, 2006	45.16 yen	45.09 yen

(2) Non-Consolidated Financial Positions (Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
Year ended March 31, 2007	152,396	68,531	45.0 %	623.67 yen
Year ended March 31, 2006	130,411	63,482	48.7 %	576.78 yen

(Reference) Shareholders' Equity : For the fiscal year ended March 31, 2007 : 68,531 million yen

2. Non-Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2008

(Millions of yen, except per share amounts)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
Six months ending September 30, 2007	106,500	6.3 %	4,700	(1.8)%	5,000	(3.1)%	3,000	3.7 %	27.30 yen
Year ending March 31, 2008	242,000	1.4 %	14,400	1.7 %	14,800	4.0 %	8,700	22.5 %	79.17 yen

(Reference) Management of the Company has made estimates and assumptions relating to financial forecasts based on information available as of the reporting date. Actual results could differ from those estimates.

Notes 1: Fractions less than one million yen were omitted.

2: This financial information, based on our news release ("Kessan Tanshin") announced at the Tokyo and Osaka Stock Exchange on May 11, 2007, is presented solely for the convenience of users.

Consolidated Balance Sheets (1)

March 31, 2006 and 2007

(Millions of yen)

(ASSETS)	March 31, 2006		March 31, 2007		Increase (Decrease)
		%		%	
I Current assets	¥110,291	67.8	¥131,407	70.5	¥21,115
Cash and bank deposits	8,532		16,728		8,195
Notes and accounts receivable, trade	75,579		76,792		1,213
Marketable securities	68		11,065		10,997
Contracts in process	19,449		19,753		304
Deferred tax assets	4,673		5,320		646
Other	2,430		2,107		(323)
Allowance for doubtful accounts	(442)		(359)		82
II Fixed assets	52,348	32.2	55,078	29.5	2,729
Property and equipment	36,786	22.6	36,728	19.7	(58)
Buildings and structures	12,059		11,651		(408)
Machinery, vehicles, tools and equipment	2,100		2,298		198
Land	22,613		22,448		(165)
Construction in progress	12		329		317
Intangible fixed assets	1,060	0.7	3,452	1.8	2,391
Investments and other	14,501	8.9	14,897	8.0	395
Investment securities	8,663		8,838		175
Long-term loans receivable	—		2,130		2,130
Deferred tax assets	3,100		1,948		(1,152)
Other	4,747		4,185		(561)
Allowance for doubtful accounts	(2,009)		(2,204)		(195)
TOTAL ASSETS	¥162,640	100	¥186,485	100	¥23,845

Consolidated Balance Sheets (2)

March 31, 2006 and 2007

(Millions of yen)

	March 31, 2006		March 31, 2007		Increase (Decrease)
		%		%	
(LIABILITIES)					
I Current liabilities	¥65,270	40.1	¥67,772	36.3	¥2,501
Notes and accounts payable, trade	34,040		34,534		493
Short-term borrowings	911		1,138		226
Current portion of bonds	4,500		—		(4,500)
Accounts payable-other	2,381		4,639		2,258
Accrued expenses	9,068		10,703		1,634
Income taxes payable	5,515		7,408		1,892
Advances received on contracts in process	5,153		5,458		304
Allowance for bonuses to employees	684		589		(94)
Allowance for bonuses to directors	—		213		213
Allowance for compensation for construction damages	116		282		166
Allowance for losses on construction contracts	938		318		(619)
Other	1,960		2,486		525
II Long-term liabilities	15,603	9.6	27,576	14.8	11,973
Convertible bonds	—		15,000		15,000
Long-term accounts payable-other	5,818		3,990		(1,828)
Employees' severance and retirement benefits	6,857		6,180		(676)
Allowance for retirement benefits for directors and corporate auditors	698		832		134
Allowance for losses on investment	322		417		95
Deferred tax liabilities	617		363		(253)
Consolidation goodwill	1,123		—		(1,123)
Negative goodwill	—		696		696
Other	165		96		(69)
TOTAL LIABILITIES	80,873	49.7	95,349	51.1	14,475

Consolidated Balance Sheets (3)

March 31, 2006 and 2007

(Millions of yen)

	March 31, 2006		March 31, 2007		Increase (Decrease)
MINORITY INTERESTS	6,191	3.8	—	—	—
(SHAREHOLDERS' EQUITY)					
I Common stock	6,888	4.2	—	—	—
II Capital surplus	5,868	3.6	—	—	—
III Retained earnings	66,340	40.8	—	—	—
IV Net unrealized holding gains on securities	1,794	1.1	—	—	—
V Treasury stock	(5,316)	(3.2)	—	—	—
TOTAL SHAREHOLDERS' EQUITY	75,575	46.5	—	—	—
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	¥162,640	100	—	—	—
(NET ASSETS)					
I Shareholders' equity	—	—	82,937	44.5	—
Common stock	—	—	6,888	3.7	—
Capital surplus	—	—	5,866	3.2	—
Retained earnings	—	—	75,537	40.5	—
Treasury stock	—	—	(5,354)	(2.9)	—
II Valuation and translation adjustments	—	—	1,541	0.8	—
Net unrealized holding gains on securities	—	—	1,541	0.8	—
III Minority interests	—	—	6,657	3.6	—
TOTAL NET ASSETS	—	—	91,136	48.9	—
TOTAL LIABILITIES AND NET ASSETS	—	—	¥186,485	100	—

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Income

Years Ended March 31, 2006 and 2007

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2007		Increase (Decrease)
		%		%	
I Net sales	¥278,869	100	¥303,537	100	¥24,668
II Cost of sales	244,485	87.7	263,286	86.7	18,800
Gross income	34,383	12.3	40,251	13.3	5,867
III Selling, general and administrative expenses	19,846	7.1	19,797	6.6	(48)
Operating income	14,537	5.2	20,453	6.7	5,916
IV Non-operating income	1,619	0.6	1,644	0.6	25
Interest income	14		65		
Dividends income	198		205		
Foreign currency exchange gains	—		290		
Insurance income	—		176		
Gains on sales of investment securities	209		—		
Amortization of consolidation goodwill	645		—		
Amortization of negative goodwill	—		508		
Other	549		398		
V Non-operating expenses	878	0.3	981	0.3	102
Interest expenses	193		50		
Losses on retirement of fixed assets	139		110		
Provision for doubtful accounts	129		305		
Other	415		514		
Ordinary income	15,278	5.5	21,117	7.0	5,839
VI Special income	391	0.1	—	—	(391)
Gains on contribution of securities to retirement benefit trust	391		—		
VII Special losses	1,489	0.5	381	0.2	(1,107)
Losses on cancellation of lease contracts	—		180		
Expense for soil quality improvement	—		201		
Losses on impairment of long-lived assets	228		—		
Provision for doubtful accounts of long-term accumulated credits	523		—		
Losses on shift of retirement benefit scheme	737		—		
Income before income taxes and minority interests	14,180	5.1	20,736	6.8	6,555
Income taxes – current	6,060	2.2	8,597	2.9	2,536
Income taxes – deferred	(1,899)	(0.7)	417	0.1	2,317
Minority interests	844	0.3	697	0.2	(147)
Net income	¥9,174	3.3	¥11,023	3.6	¥1,848

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Retained Earnings

Year Ended March 31, 2006

(Millions of yen)

	Year ended March 31, 2006	
(CAPITAL SURPLUS)		
I Balance at beginning of year		5,761
II Increase in retained earnings		107
Surplus from sales of treasury stock	107	
III Balance at end of year		5,868
(RETAINED EARNINGS)		
I Balance at beginning of year		58,750
II Increase in retained earnings		9,174
Net income	9,174	
III Decrease in retained earnings		1,584
Cash dividends	1,425	
Directors' bonuses	158	
Difference caused by shift of interests	0	
IV Balance at end of year		66,340

Notes: Fractions less than one million yen were omitted.

Consolidated Statements of Changes in Net Assets

Year Ended March 31,2007

(Millions of yen)

	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance as of March 31,2006	6,888	5,868	66,340	(5,316)	73,781
Changes of items during the period					
Cash dividends from retained earnings(Note 2)			(879)		(879)
Cash dividends from retained earnings			(769)		(769)
Bonuses to directors (Note 2)			(174)		(174)
Net income			11,023		11,023
Purchase of treasury stock				(75)	(75)
Disposal of treasury stock		(2)		36	34
Decrease due to exclusion of consolidated subsidiaries			(3)		(3)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(2)	9,196	(38)	9,156
Balance as of March 31,2007	6,888	5,866	75,537	(5,354)	82,937

	Valuation and Translation Adjustments		Minority Interests	TOTAL NET ASSETS
	Net Unrealized Holding Gains on Securities	Total Valuation and Translation Adjustments		
Balance as of March 31,2006	1,794	1,794	6,191	81,766
Changes of items during the period				
Cash dividends from retained earnings(Note 2)				(879)
Cash dividends from retained earnings				(769)
Bonuses to directors (Note 2)				(174)
Net income				11,023
Purchase of treasury stock				(75)
Disposal of treasury stock				34
Decrease due to exclusion of consolidated subsidiaries				(3)
Net changes of items other than shareholders' equity	(252)	(252)	466	213
Total changes of items during the period	(252)	(252)	466	9,369
Balance as of March 31,2007	1,541	1,541	6,657	91,136

- Notes :
1. Fractions less than one million yen were omitted.
 2. This figure was presented to the Regular General Meeting of Shareholders, held in June 2006, as an item in appropriation of retained earnings.

Consolidated Statements of Cash Flows

Years Ended March 31, 2006 and 2007

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2007	Increase (Decrease)
I Cash flows from operating activities:			
Income before income taxes and minority interests	¥14,180	¥20,736	¥6,555
Depreciation and amortization	1,943	1,860	(82)
Losses on impairment of long-lived assets	228	—	(228)
Amortization of consolidation goodwill	(645)	—	645
Amortization of goodwill	—	(450)	(450)
Changes in allowance for doubtful accounts	694	125	(569)
Changes in employees' severance and retirement benefits	(6,468)	(676)	5,791
Interest and dividends income	(213)	(271)	(57)
Interest expenses	193	50	(143)
Changes in notes and accounts receivable, trade	(6,537)	(1,299)	5,237
Changes in contracts in process	(1,010)	(293)	717
Changes in other operating assets	(412)	493	905
Changes in notes and accounts payable, trade	2,008	560	(1,448)
Changes in advances received on contracts in process	965	309	(656)
Changes in other operating liabilities	8,551	485	(8,066)
Other, net	(271)	(412)	(141)
Sub-total	13,207	21,217	8,010
Interest and dividends received	209	263	54
Interest expenses paid	(218)	(58)	160
Income taxes paid	(5,668)	(6,762)	(1,093)
Net cash provided by operating activities	7,529	14,660	7,131
II Cash flows from investing activities:			
Net changes for time deposits	(389)	27	416
Payments for purchases of property and equipment	(1,945)	(1,200)	745
Proceeds from sales of property and equipment	662	118	(544)
Payments for purchases of intangible fixed assets	(437)	(1,276)	(839)
Payments for purchases of investment securities	(1,715)	(1,343)	371
Proceeds from sales of investment securities	1,362	808	(553)
Payments for purchases of subsidiary stock due to changing scope of consolidation	(26)	—	26
Payments for sales of subsidiary stock due to changing scope of consolidation	—	(60)	(60)
Payment for loans receivable	(444)	(1,428)	(983)
Proceeds from collection of loans receivable	139	301	161
Other, net	(64)	(306)	(241)
Net cash used in investing activities	(2,858)	(4,360)	(1,501)
III Cash flows from financing activities:			
Net change in short-term borrowings	(1,428)	251	1,679
Proceeds from long-term borrowings	174	—	(174)
Payments for long-term borrowings	(112)	(39)	73
Proceeds from issue of bonds	—	15,000	15,000
Payments for redemption of bonds	(9,600)	(4,500)	5,100
Payments for purchases of treasury stock	(178)	(75)	103
Proceeds from sales of treasury stock	536	34	(502)
Cash dividends paid	(1,426)	(1,648)	(221)
Cash dividends paid to minority shareholders	(89)	(99)	(9)
Net cash provided by (used in) financing activities	(12,125)	8,923	21,049
IV Effect of exchange rate changes on cash and cash equivalents	19	15	(3)
V Net increase (decrease) in cash and cash equivalents	(7,436)	19,239	26,675
VI Cash and cash equivalents, beginning of year	15,973	8,537	(7,436)
VII Cash and cash equivalents, end of year	¥8,537	¥27,776	¥19,239

Notes: Fractions less than one million yen were omitted.

[Basis of presenting consolidated Financial Statements]

1. Principles of consolidation

The consolidated financial statements include the accounts of KYOWA EXEO CORPORATION (the "Company") and substantially all of its 46 subsidiaries except 9 subsidiaries.

2. Application of the equity method of accounting for investments

Investments in non-consolidated subsidiaries and affiliated companies have not been accounted for by the equity method because they have not been significant to the consolidated net income and retained earnings.

3. Fiscal year of consolidated subsidiaries

The fiscal year-ends for all consolidated subsidiaries are March 31.

4. Significant accounting policies

(1) Valuation of certain assets

a. Marketable and investment securities

Investments in non-consolidated subsidiaries and affiliated companies are stated at cost determined by the moving-average method.

Available-for-sale securities with available fair market values are stated at fair value, with unrealized gains and losses excluded from earnings and included in a separate component of net assets on a net-of-tax basis. The cost of securities sold is determined by the moving-average method.

Other securities that do not have fair values are stated at cost determined by the moving average method.

b. Valuation of inventories

Contracts in process are stated at cost using the specific identification cost method.

Raw materials and supplies are stated at cost using the first-in, first-out method.

(2) Depreciation of fixed assets

a. Property and equipment

Property and equipment are stated at cost. For both financial and tax purposes, depreciation of property and equipment is computed using the declining-balance method at rates based on the estimated useful lives of the respective assets. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

b. Intangible fixed assets

Goodwill is amortized over five years by the straight-line method. Software for internal use is amortized for the estimated useful life (five years) by the straight-line method. Other intangible assets are amortized using the straight-line method.

(3) Deferred assets

New share issue expenses are charged to expense as incurred.

(4) Accounting for allowances

a. Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful receivables principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

b. Allowance for bonuses to employees

Allowance for bonuses to employees is provided for payments to employees of some consolidated subsidiaries at the amounts expected to be paid in respect of the calculation period ended on the balance sheet date.

c. Allowance for bonuses to directors

Allowance for bonuses to directors is provided for payments to directors at the amounts expected to be paid in respect of the calculation period ended on the balance sheet date.

- d. Allowance for compensation for construction damages
Allowance for compensation for construction damages is provided at the amount calculated based on the estimated compensation to the completed construction for which the Company and its consolidated subsidiaries is responsible.
 - e. Allowance for losses construction contracts
Allowance for losses on construction contracts is provided based on an estimate of the total losses which can be anticipated for the next fiscal year and beyond in respect of construction contracts on which eventual losses are deemed probable and amounts there of can reasonably be estimated.
 - f. Employees' severance and retirement benefits
The liabilities and expenses for severance and retirement are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated subsidiaries provided for employees' severance and retirement benefits, based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the fiscal year.
Prior service costs are recognized in expenses in equal amounts over the average of the estimated remaining service lives of the employees, and actuarial gains and losses are recognized in expenses in equal amounts over the average of the estimated remaining service lives commencing with the following period.
 - g. Allowance for retirement benefits for directors and corporate auditors
Allowance for retirement benefits for directors and corporate auditors is provided in accordance with the Company's and consolidated subsidiaries' bylaws.
 - h. Allowance for losses on investment
The Company provided for losses on investment in affiliated companies at an estimated loss amount.
- (5) Accounting for certain lease transactions
Finance lease which do not transfer titles to lessees are accounted for in the same manner as operating leases.
 - (6) Others
Consumption tax
Consumption tax is excluded from each account that is subject to such tax.
- 5. Valuation of assets and liabilities of consolidated subsidiaries**
The subsidiaries' assets and liabilities are valued using gross basis fair value method.
- 6. Amortization of Goodwill and Negative goodwill**
Goodwill and Negative goodwill are amortized over an estimated useful life of five years.
- 7. Cash and cash equivalents in the statement of cash flows**
Cash and cash equivalents include cash balances and short-term highly liquid investments with an original maturity of three months or less.

[Changes in accounting Basis for the Consolidated Financial Statements]

1. Accounting standard for presenting net assets in the balance sheets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Statement No.5, December 9, 2005) and Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Guidance No.8, December 9,2005).

The amount corresponding to conventional Total Shareholders' Equity is 84,479 million yen as of March 31,2007.The Company and its consolidated subsidiaries has presented Net Assets in the consolidated financial statements in accordance with the revision of the Regulations for Consolidated Financial Statements .

2. Accounting standard for bonuses to directors

Effective from the year ended March 31,2007, the Company and its consolidated subsidiaries adopted Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan, Statement No.4, November 29,2005).

The adoption of this standard results in a decrease by 213 million yen in total operating income, ordinary income and net income, respectively.

3. Accounting Standards for Business Combinations

Effective from the year ended March 31,2007, the Company and its consolidated subsidiaries adopted Accounting Standard for Business Combinations (Business Accounting Council, October 31, 2003) and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Statement No. 7, December 27, 2005) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Guidance No. 10, December 27, 2005).

Non-Consolidated Balance Sheets (1)

March 31, 2006 and 2007

(Millions of yen)

(ASSETS)	March 31, 2006		March 31, 2007		Increase (Decrease)
		%		%	
I Current assets	¥87,675	67.2	¥106,843	70.1	¥19,168
Cash and bank deposits	6,690		14,994		8,304
Notes receivable	1,731		934		(796)
Accounts receivable, trade	57,822		59,373		1,550
Marketable securities	7		11,005		10,997
Contracts in process	14,319		13,824		(494)
Raw materials and supplies	56		35		(20)
Short-term loans receivable	2,181		1,730		(450)
Prepaid expenses	158		218		59
Deferred tax assets	3,608		4,126		517
Other	1,447		879		(568)
Allowance for doubtful accounts	(347)		(277)		69
II Fixed assets	42,736	32.8	45,552	29.9	2,816
Property and equipment	24,235	18.6	24,493	16.1	258
Buildings	8,101		7,867		(233)
Structures	405		368		(37)
Machinery	300		259		(41)
Vehicles	15		11		(4)
Tools and equipment	906		1,246		339
Land	14,492		14,496		4
Construction in progress	12		244		232
Intangible fixed assets	653	0.5	3,117	2.0	2,464
Goodwill	16		8		(8)
Software	602		3,074		2,472
Other	35		35		0
Investments and other	17,847	13.7	17,940	11.8	93
Investment securities	5,913		5,881		(31)
Investment securities of affiliated companies	6,836		6,847		10
Long-term loans receivable	7		0		(6)
Long-term loans receivable of affiliated companies	1,529		2,734		1,204
Reorganization credits	273		705		432
Long-term prepaid expenses	107		91		(15)
Deferred tax assets	3,076		1,770		(1,306)
Other	2,179		2,374		195
Allowance for doubtful accounts	(2,077)		(2,465)		(388)
TOTAL ASSETS	¥130,411	100	¥152,396	100	¥21,984

Non-Consolidated Balance Sheets (2)

March 31, 2006 and 2007

(Millions of yen)

(LIABILITIES)	March 31, 2006		March 31, 2007		Increase (Decrease)
		%		%	
I Current liabilities	¥61,183	46.9	¥65,176	42.8	¥3,992
Notes payable	241		578		337
Accounts payable, trade	32,018		32,426		408
Current portion of bonds	4,500		—		(4,500)
Accounts payable-other	2,282		4,461		2,178
Accrued expenses	6,406		7,427		1,020
Income taxes payable	4,155		5,336		1,180
Advances received on contracts in process	3,434		3,955		520
Deposit received	6,673		9,354		2,681
Allowance for bonuses to directors	—		121		121
Allowance for compensation for construction damages	107		269		161
Allowance for losses on construction contracts	907		297		(610)
Other	454		948		493
II Long-term liabilities	5,745	4.4	18,688	12.2	12,943
Convertible bonds	—		15,000		15,000
Long-term accounts payable-other	4,503		2,837		(1,665)
Employees' severance and retirement benefits	577		—		(577)
Allowance for retirement benefits for directors and corporate auditors	342		433		90
Allowance for losses on investment	322		417		95
TOTAL LIABILITIES	¥66,928	51.3	¥83,864	55.0	16,935

Non-Consolidated Balance Sheets (3)

March 31, 2006 and 2007

(Millions of yen)

	March 31, 2006		March 31, 2007		Increase (Decrease)
(SHAREHOLDERS' EQUITY)					
I Common stock	6,888	5.3	—	—	—
II Capital surplus	5,868	4.5	—	—	—
Additional paid-in capital	5,761		—		
Other capital surplus	107		—		
Surplus from sales of treasury stock	107		—		
III Retained earnings	54,245	41.6	—	—	—
Legal reserve	1,547		—		
Voluntary reserves	47,172		—		
Reserve for deferred gain on sale of property	142		—		
General reserve	47,030		—		
Unappropriated retained earnings	5,526		—		
IV Net unrealized holding gains on securities	1,796	1.4	—	—	—
V Treasury stock	(5,316)	(4.1)	—	—	—
TOTAL SHAREHOLDERS' EQUITY	63,482	48.7	—	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥130,411	100	—	—	—
(NET ASSETS)					
I Shareholders' equity	—	—	66,999	44.0	—
Common stock	—	—	6,888	4.5	—
Capital surplus	—	—	5,866	3.9	—
Additional paid-in capital	—	—	5,761		
Other capital surplus	—	—	105		
Retained earnings	—	—	59,599	39.1	—
Legal reserve	—	—	1,547		
Other retained earnings	—	—	58,052		
Reserve for deferred gain on sale of property	—	—	136		
General reserve	—	—	49,930		
Retained earnings brought forward	—	—	7,985		
Treasury stock	—	—	(5,354)	(3.5)	—
II Valuation and translation adjustments	—	—	1,531	1.0	—
Net unrealized holding gains on securities	—	—	1,531	1.0	—
TOTAL NET ASSETS	—	—	68,531	45.0	—
TOTAL LIABILITIES AND NET ASSETS	—	—	152,396	100	—

Notes: Fractions less than one million yen were omitted.

Non-Consolidated Statements of Income

Years Ended March 31, 2006 and 2007

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2007		Increase (Decrease)
		%		%	
I Net sales	¥216,342	100	¥238,758	100	¥22,415
II Cost of sales	193,265	89.3	210,755	88.3	17,489
Gross income	23,077	10.7	28,002	11.7	4,925
III Selling, general and administrative expenses	13,899	6.4	13,842	5.8	(56)
Operating income	9,177	4.3	14,160	5.9	4,982
IV Non-operating income	652	0.3	897	0.4	244
Interest income	16		14		
Interest income-securities	2		53		
Dividends income	211		281		
Land and house rent income	97		104		
Foreign currency exchange gains	120		290		
Gains on sales of investment securities	96		—		
Other	108		153		
V Non-operating expenses	544	0.3	829	0.3	285
Interest expenses	11		24		
Interest expenses-bonds	177		38		
Provision for doubtful accounts	—		350		
Provision for losses on investment	84		95		
Losses on retirement of fixed assets	74		—		
Other	196		320		
Ordinary income	9,285	4.3	14,228	6.0	4,942
VI Special income	391	0.2	—	—	(391)
Gains on contribution of securities to retirement benefit trust	391		—		
VII Special losses	1,282	0.6	381	0.2	(900)
Losses on cancellation of lease contracts	—		180		
Expense for soil quality improvement	—		201		
Losses on impairment of long-lived assets	21		—		
Provision for doubtful accounts of long-term accumulated credits	523		—		
Losses on shift of retirement benefit scheme	737		—		
Income before income taxes	8,395	3.9	13,846	5.8	5,451
Income taxes – current	4,050	1.9	5,773	2.4	1,723
Income taxes – deferred	(715)	(0.3)	969	0.4	1,685
Net income	5,060	2.3	7,103	3.0	2,042
Retained earnings brought forward	1,234		—		
Interim dividends	769		—		
Unappropriated retained earnings	¥5,526		—		

Notes: Fractions less than one million yen were omitted.

Proposal for Appropriation of Retained Earnings

Year Ended March 31, 2006

(Millions of yen)

	Year Ended March 31, 2006	
I Unappropriated retained earnings		¥5,526
II Reversal of voluntary reserves		
Transfer from reserve for deferred gain on sale of property	2	2
Sub-total		5,529
III Appropriations of retained earnings		
Cash dividends	879	
	(¥8.00 per share)	
Directors' bonuses	101	
Voluntary reserves		
General reserve	2,900	3,880
IV Retained earnings carried forward		¥1,648

- Notes :
1. Fractions less than one million yen were omitted.
 2. The interim dividends paid of this fiscal year are 769 million yen (¥7.00 per share).
 3. Transfer from reserve for deferred gain on sale of property is made in accordance with the Special Taxation Measures Law.

Non-Consolidated Statements of Changes in Net Assets

Year Ended March 31,2007

(Millions of yen)

	Shareholders' Equity								
	Common Stock	Capital Surplus			Legal Reserve	Retained Earnings			
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus		Reserve for Deferred Gain on Sale of Property	General Reserve	Retained Earnings Brought Forward	Total Retained Earnings
Balance as of March 31,2006	6,888	5,761	107	5,868	1,547	142	47,030	5,526	54,245
Changes of items during the period									
Transfer from reserve for deferred gain on sale of property (Note 2)						(2)		2	—
Transfer from reserve for deferred gain on sale of property						(2)		2	—
General reserve (Note 2)							2,900	(2,900)	—
Cash dividends from retained earnings (Note 2)								(879)	(879)
Cash dividends from retained earnings								(769)	(769)
Bonuses to directors (Note 2)								(101)	(101)
Net income								7,103	7,103
Purchase of treasury stock									
Disposal of treasury stock				(2)	(2)				
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	(2)	(2)	—	(5)	2,900	2,459	5,354
Balance as of March 31,2007	6,888	5,761	105	5,866	1,547	136	49,930	7,985	59,599

	Shareholders' Equity		Valuation and Translation Adjustments		TOTAL NET ASSETS
	Treasury Stock	Total Shareholders' Equity	Net Unrealized Holding Gains on Securities	Total Valuation and Translation Adjustments	
Balance as of March 31,2006	(5,316)	61,686	1,796	1,796	63,482
Changes of items during the period					
Transfer from reserve for deferred gain on sale of property (Note 2)		—			—
Transfer from reserve for deferred gain on sale of property		—			—
General reserve (Note 2)		—			—
Cash dividends from retained earnings (Note 2)		(879)			(879)
Cash dividends from retained earnings (Note 2)		(769)			(769)
Bonuses to directors (Note 2)		(101)			(101)
Net income		7,103			7,103
Purchase of treasury stock	(75)	(75)			(75)
Disposal of treasury stock	36	34			34
Net changes of items other than shareholders' equity			(264)	(264)	(264)
Total changes of items during the period	(38)	5,313	(264)	(264)	5,048
Balance as of March 31,2007	(5,354)	66,999	1,531	1,531	68,531

- Notes : 1. Fractions less than one million yen were omitted.
2. This figure was presented to the Regular General Meeting of Shareholders, held in June 2006, as an item in appropriation of retained earnings.