



# Consolidated Financial Statements

For the Fiscal Year Ended March 31, 2008

May 13, 2008

Company name : **KYOWA EXEO CORPORATION**  
 Stock Exchange Listed : Tokyo Stock Exchange-First Section  
 Code No. : 1951  
 URL : <http://www.exeo.co.jp/>  
 Representative : Seiji Takashima, President  
 Investor Relations : Yoshiaki Suzuki, Managing Director, General Manager,  
 Accounting & Financial Division /Phone (03) 5778-1106  
 Date of scheduled the general meeting of shareholders  
 for approval of the consolidated financial statements : June 23, 2008  
 Date of scheduled filing of financial report : June 23, 2008  
 Date of scheduled payment of dividends : June 24, 2008

(Amounts are rounded off to the nearest 1 million yen)

## 1. Consolidated Financial Results for the Fiscal Years Ended March 31, 2007 and 2008

(1) Consolidated Results of Operations

(% of change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2008	287,744	(5.2)	16,400	(19.8)	17,203	(18.5)	10,685	(3.1)
Year ended March 31, 2007	303,537	8.8	20,453	40.7	21,117	38.2	11,023	20.2

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	¥	¥	%	%	%
Year ended March 31, 2008	98.42	91.28	12.3	9.5	5.7
Year ended March 31, 2007	100.33	95.30	13.8	12.1	6.7

Reference: Equity in net income(losses) of affiliates : For the fiscal year ended Mar.31,2008 —million yen For the fiscal year ended Mar.31,2007 —million yen

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ million	¥ million	%	¥
As of March 31, 2008	176,955	95,573	50.1	836.10
As of March 31, 2007	186,485	91,136	45.3	768.81

Reference: Net assets excluding stock acquisition rights and minority interests : As of Mar.31,2008 88,720million yen As of Mar.31,2007 84,479million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Fiscal Year End
	¥ million	¥ million	¥ million	¥ million
Year ended March 31, 2008	(1,583)	(5,690)	(5,051)	15,431
Year ended March 31, 2007	14,660	(4,360)	8,923	27,776

## 2. Cash Dividends

(Period)	Cash dividends per share			Total Cash Dividends (Full Year)	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	Interim	Year-End	Full Year			
Year ended March 31, 2007	¥ 7.00	¥ 11.00	¥ 18.00	¥ million 1,977	% 17.9	% 2.5
Year ended March 31, 2008	9.00	11.00	20.00	2,158	20.3	2.5
Year ending March 31, 2009 (Forecasts)	10.00	10.00	20.00	—	20.6	—

### 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2009

(% of change from the previous each period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six months ending September 30, 2008	125,000	8.4	6,000	43.4	6,300	27.2	3,600	20.0	33.93
Year ending March 31, 2009	295,000	2.5	17,200	4.9	18,000	4.6	10,300	(3.6)	97.07

#### 4. Others

- (1) Changes in major subsidiaries (scope of consolidation) during the period : None
- (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 standards : Yes
- ② Other changes : Yes
- (3) The number of shares issued (common stock)
- ① The number of shares issued : As of Mar.31,2008 117,812,419shares As of Mar.31,2007 117,812,419shares  
(inclusive of treasury stock)
- ② The number of treasury stock : As of Mar.31,2008 11,699,546shares As of Mar.31,2007 7,928,743shares

### (Reference) Summary of Non-Consolidated Financial Results

#### 1. Non-Consolidated Financial Results for the Fiscal Years Ended March 31, 2007 and 2008

(1) Non-Consolidated Results of Operations (% of change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Year ended March 31, 2008	223,932	(6.2)	11,319	(20.1)	11,597	(18.5)	7,085	(0.3)
Year ended March 31, 2007	238,758	10.4	14,160	54.3	14,228	53.2	7,103	40.4

	Net Income per Share	Diluted Net Income per Share
	¥	¥
Year ended March 31, 2008	65.26	60.52
Year ended March 31, 2007	64.65	61.41

(2) Non-Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ million	¥ million	%	¥
As of March 31, 2008	143,973	69,508	48.2	654.31
As of March 31, 2007	152,396	68,531	45.0	623.67

Reference: Net assets excluding stock acquisition rights : As of Mar.31,2008 69,430million yen As of Mar.31,2007 68,531million yen

#### 2. Non-Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2009

(% of change from the previous each period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six months ending September 30, 2008	98,000	11.2	4,000	43.4	4,300	34.8	2,500	35.4	23.56
Year ending March 31, 2009	233,000	4.0	12,000	6.0	12,400	6.9	7,200	1.6	67.85

Notes : Management of the Company has made estimates and assumptions relating to financial forecasts based on information available as of the reporting date. Actual results may differ from those estimates.

## Consolidated Balance Sheets (1)

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)	Amount (Millions of yen)	
<b>(ASSETS)</b>						
<b>I Current assets</b>						
Cash and bank deposits		16,728		6,576	(10,151)	
Notes and accounts receivable, trade		76,792		80,931	4,138	
Marketable securities		11,065		8,902	(2,162)	
Costs on uncompleted construction contracts		19,753		18,886	(866)	
Deferred tax assets		5,320		4,202	(1,118)	
Other current assets		2,107		2,502	395	
Allowance for doubtful accounts		(359)		(268)	91	
Total current assets		131,407	70.5	121,733	68.8	(9,673)
<b>II Fixed assets</b>						
<b>1. Property and equipment</b>						
Buildings and structures	25,219		26,332			
Accumulated depreciation	13,568	11,651	14,080	12,252	601	
Machinery, vehicles and equipment	10,232		10,067			
Accumulated depreciation	7,933	2,298	8,163	1,904	(394)	
Land		22,448		23,117	669	
Construction in progress		329		35	(294)	
Total property and equipment		36,728	19.7	37,309	21.1	581
<b>2. Intangible fixed assets</b>		3,452	1.8	3,510	2.0	57
<b>3. Investments and other assets</b>						
Investment securities		8,838		7,106	(1,731)	
Long-term loans		2,130		1,854	(275)	
Deferred tax assets		1,948		1,518	(429)	
Other investments and other assets		4,185		5,783	1,598	
Allowance for doubtful accounts		(2,204)		(1,862)	341	
Total Investments and other assets		14,897	8.0	14,401	8.1	(496)
Total fixed assets		55,078	29.5	55,221	31.2	142
<b>TOTAL ASSETS</b>		186,485	100	176,955	100	(9,530)

Notes: Fractions less than one million yen were omitted.

## Consolidated Balance Sheets (2)

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)	Amount (Millions of yen)
<b>(LIABILITIES)</b>					
<b>I Current liabilities</b>					
Notes and accounts payable, trade	34,534		33,455		(1,079)
Short-term loans payable	1,138		1,410		272
Accounts payable-other	4,639		—		(4,639)
Accrued expenses	10,703		8,588		(2,114)
Accrued income taxes	7,408		3,015		(4,392)
Advances received on uncompleted construction contracts	5,458		4,392		(1,065)
Reserve for bonuses	589		489		(99)
Reserve for directors' bonuses	213		180		(32)
Reserve for guarantee for after-care of construction	282		276		(5)
Reserve for loss on construction contracts	318		107		(210)
Other current liabilities	2,486		4,672		2,186
<b>Total current liabilities</b>	<b>67,772</b>	<b>36.3</b>	<b>56,589</b>	<b>32.0</b>	<b>(11,182)</b>
<b>II Long-term liabilities</b>					
Convertible bond	15,000		15,000		—
Long-term accounts payable-other	3,990		—		(3,990)
Reserve for employees' retirement benefits	6,180		5,820		(359)
Reserve for directors' retirement benefits	832		699		(132)
Reserve for loss on investment	417		349		(67)
Deferred tax liabilities	363		313		(49)
Negative goodwill	696		403		(293)
Other long-term liabilities	96		2,205		2,109
<b>Total long-term liabilities</b>	<b>27,576</b>	<b>14.8</b>	<b>24,792</b>	<b>14.0</b>	<b>(2,784)</b>
<b>TOTAL LIABILITIES</b>	<b>95,349</b>	<b>51.1</b>	<b>81,382</b>	<b>46.0</b>	<b>(13,966)</b>
<b>(NET ASSETS)</b>					
<b>I Shareholders' equity</b>					
Common stock	6,888	3.7	6,888	3.9	—
Capital surplus	5,866	3.2	5,953	3.4	87
Retained earnings	75,537	40.5	84,023	47.5	8,485
Treasury stock	(5,354)	(2.9)	(8,438)	(4.8)	(3,083)
<b>Total shareholders' equity</b>	<b>82,937</b>	<b>44.5</b>	<b>88,427</b>	<b>50.0</b>	<b>5,489</b>
<b>II Valuation and translation adjustments</b>					
Valuation difference on available-for-sale securities	1,541	0.8	293	0.2	(1,248)
<b>Total valuation and translation adjustments</b>	<b>1,541</b>	<b>0.8</b>	<b>293</b>	<b>0.2</b>	<b>(1,248)</b>
<b>III Stock acquisition rights</b>					
	—	—	77	0.0	77
<b>IV Minority interests</b>					
	6,657	3.6	6,774	3.8	117
<b>TOTAL NET ASSETS</b>	<b>91,136</b>	<b>48.9</b>	<b>95,573</b>	<b>54.0</b>	<b>4,436</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>186,485</b>	<b>100</b>	<b>176,955</b>	<b>100</b>	<b>(9,530)</b>

Notes: Fractions less than one million yen were omitted.

## Consolidated Statements of Income

	Year ended March 31, 2007		Year ended March 31, 2008		Increase (Decrease) Amount (Millions of yen)	
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)		
I Net sales	303,537	100	287,744	100	(15,792)	
II Cost of sales	263,286	86.7	251,446	87.4	(11,840)	
Gross income	40,251	13.3	36,298	12.6	(3,952)	
III Selling, general and administrative expenses	19,797	6.6	19,897	6.9	100	
Operating income	20,453	6.7	16,400	5.7	(4,053)	
IV Non-operating income						
Interest income	65		204			
Dividends income	205		123			
Provision of allowance for doubtful accounts	—		213			
Foreign exchange gains	290		—			
Insurance income	176		—			
Amortization of negative goodwill	508		367			
Other	398	1,644	618	1,526	0.6	(117)
V Non-operating expenses						
Interest expenses	50		19			
Bad debts expenses	—		99			
Loss on valuation of investment securities	—		75			
Loss on disposal of fixed assets	110		103			
Foreign exchange losses	—		288			
Provision of allowance for doubtful accounts	305		—			
Other	514	981	138	724	0.3	(256)
Ordinary income		21,117		17,203	6.0	(3,914)
VI Extraordinary income						
Provision of allowance for long-term doubtful accounts	—	—	171	171	0.0	171
VII Extraordinary loss						
Losses on cancellation of lease contracts	180		—			
Expense for soil quality improvement	201	381	—	—	—	(381)
Income before income taxes and minority interests		20,736		17,374	6.0	(3,361)
Income taxes – current	8,597		4,020			
Income taxes – deferred	417	9,014	2,299	6,319	2.2	(2,695)
Minority interests		697		369	0.1	(328)
Net income		11,023		10,685	3.7	(338)

Notes: Fractions less than one million yen were omitted.

## Consolidated Statements of Changes in Net Assets (1)

Year ended March 31,2007 (April 1,2006 – March 31,2007)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
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)
Directors' bonuses (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
	Valuation Difference on Available-for-sale 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)
Directors' bonuses (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 Changes in Net Assets (2)

Year ended March 31,2008 (April 1,2007 — March 31,2008)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31,2007	6,888	5,866	75,537	(5,354)	82,937
Changes of items during the period					
Cash dividends from retained earnings			(2,199)		(2,199)
Net income			10,685		10,685
Purchase of treasury stock				(3,290)	(3,290)
Disposal of treasury stock		87		206	293
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	87	8,485	(3,083)	5,489
Balance as of March 31,2008	6,888	5,953	84,023	(8,438)	88,427

  

	Valuation and Translation Adjustments		Stock Acquisition Rights	Minority Interests	TOTAL NET ASSETS
	Valuation Difference on Available-for- sale Securities	Total Valuation and Translation Adjustments			
Balance as of March 31,2007	1,541	1,541	—	6,657	91,136
Changes of items during the period					
Cash dividends from retained earnings					(2,199)
Net income					10,685
Purchase of treasury stock					(3,290)
Disposal of treasury stock					293
Net changes of items other than shareholders' equity	(1,248)	(1,248)	77	117	(1,053)
Total changes of items during the period	(1,248)	(1,248)	77	117	4,436
Balance as of March 31,2008	293	293	77	6,774	95,573

Notes : Fractions less than one million yen were omitted.

## Consolidated Statements of Cash Flows

	Year ended March 31, 2007	Year ended March 31, 2008	Increase (Decrease)
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
<b>I Cash flows from operating activities:</b>			
Income before income taxes and minority interests	20,736	17,374	(3,361)
Depreciation and amortization	1,860	2,632	771
Amortization of goodwill	(450)	(324)	126
Increase(decrease) in allowance for doubtful accounts	125	(433)	(558)
Increase(decrease) in reserve for employees' retirement benefits	(676)	(359)	316
Interest and dividends income	(271)	(327)	(56)
Interest expenses	50	19	(30)
Decrease(increase) in notes and accounts receivable, trade	(1,299)	(4,138)	(2,838)
Decrease(increase) in costs on uncompleted construction contracts	(293)	866	1,160
Decrease(increase) in other operating assets	493	(1,448)	(1,942)
Increase(decrease) in notes and accounts payable, trade	560	(1,078)	(1,638)
Increase(decrease) in advances received on uncompleted construction contracts	309	(1,065)	(1,375)
Increase(decrease) in other operating liabilities	485	(5,669)	(6,154)
Other, net	(412)	539	951
Sub-total	21,217	6,587	(14,630)
Interest and dividends income received	263	340	76
Interest expenses paid	(58)	(20)	38
Income taxes paid	(6,762)	(8,491)	(1,728)
Net cash used in (provided by) operating activities	14,660	(1,583)	(16,244)
<b>II Cash flows from investing activities:</b>			
Net changes for time deposits	27	—	(27)
Purchase of property and equipment	(1,200)	(2,713)	(1,512)
Proceeds from sales of property and equipment	118	18	(99)
Purchase of intangible fixed assets	(1,276)	(2,036)	(760)
Purchase of investment securities	(1,343)	(701)	642
Proceeds from sales of investment securities	808	298	(510)
Payments for sales of subsidiaries stock due to changing scope of consolidation	(60)	—	60
Payments of loans receivable	(1,428)	(1,496)	(68)
Collection of loans receivable	301	1,186	885
Other, net	(306)	(246)	59
Net cash used in investing activities	(4,360)	(5,690)	(1,330)
<b>III Cash flows from financing activities:</b>			
Net change in short-term loans payable	251	242	(9)
Repayment of long-term loans payable	(39)	(8)	30
Proceeds from issuance of bonds	15,000	—	(15,000)
Redemption of bonds	(4,500)	—	4,500
Purchase of treasury stock	(75)	(3,290)	(3,215)
Proceeds from sales of treasury stock	34	293	259
Cash dividends paid	(1,648)	(2,197)	(548)
Cash dividends paid to minority shareholders	(99)	(91)	8
Net cash used in (provided by) financing activities	8,923	(5,051)	(13,974)
<b>IV Effect of exchange rate change on cash and cash equivalents</b>	15	(19)	(35)
<b>V Increase (decrease) in cash and cash equivalents</b>	19,239	(12,345)	(31,585)
<b>VI Cash and cash equivalents, beginning of year</b>	8,537	27,776	19,239
<b>VII Cash and cash equivalents</b>	27,776	15,431	(12,345)

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 45 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

Costs on uncompleted construction contracts are stated at cost using the specific identification cost method.

Raw materials and supplies are stated at cost using the moving-average method.

(Changes in accounting method)

The Company had used the last first-in, first-out method for the valuation of raw materials and supplies. From the fiscal year under review, however, the Company accounts for raw materials and supplies at cost using the moving-average method.

This change was made for a more appropriate valuation method to enable more precise after upgrading the Company's inventory management system.

The impact of this change is immaterial on the financial statements.

(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.

(Changes in accounting method)

Pursuant to an amendment to the Corporation Tax Law, the treatment of depreciation on property and equipment acquired after April 1, 2007, has been changed.

The effect of this change on the Company's operating income, ordinary income, income before income taxes, and net income in the period under review was minimal.

(Supplementary information)

Pursuant to an amendment to the Corporation Tax Law, the Company, effective the period under review, depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31, 2007 and the book value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition price using the pre-amendment depreciation method.

The effect of this change on the Company's operating income, ordinary income, income before income taxes, and net income in the period under review was minimal.

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) 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. Reserve for bonuses

Reserve for bonuses 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. Reserve for directors' bonuses

Reserve for directors' bonuses 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. Reserve for guarantee for after-care of construction

Reserve for guarantee for after-care of construction 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. Reserve for loss on construction contracts

Reserve for loss 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. Reserve for employees' 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. Reserve for directors' retirement benefits

Reserve for directors' retirement benefits is provided in accordance with the Company's and consolidated subsidiaries' bylaws.

h. Reserve for loss on investment

The Company provided for losses on investment in affiliated companies at an estimated loss amount.

(4) Accounting for certain lease transactions

Finance lease which do not transfer titles to lessees are accounted for in the same manner as operating leases.

(5) 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.

## Non-Consolidated Balance Sheets (1)

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)	Amount (Millions of yen)
<b>(ASSETS)</b>					
<b>I Current assets</b>					
Cash and bank deposits	14,994		5,224		(9,769)
Notes receivable	934		514		(420)
Accounts receivable, trade	59,373		63,824		4,451
Marketable securities	11,005		8,902		(2,102)
Costs on uncompleted construction contracts	13,824		12,916		(908)
Raw materials and supplies	35		19		(16)
Short-term loans	1,730		2,726		996
Prepaid expenses	218		243		25
Deferred tax assets	4,126		3,142		(983)
Other current assets	879		903		23
Allowance for doubtful accounts	(277)		(226)		51
<b>Total current assets</b>	<b>106,843</b>	<b>70.1</b>	<b>98,191</b>	<b>68.2</b>	<b>(8,652)</b>
<b>II Fixed assets</b>					
<b>1. Property and equipment</b>					
Buildings	15,575		16,556		
Accumulated depreciation	7,708	7,867	8,146	8,409	542
Structures	1,522		1,690		
Accumulated depreciation	1,153	368	1,195	495	127
Machinery	910		813		
Accumulated depreciation	651	259	623	189	(70)
Vehicles	43		44		
Accumulated depreciation	32	11	32	11	0
Equipment	4,188		4,323		
Accumulated depreciation	2,941	1,246	3,265	1,057	(189)
Land	14,496		15,089		592
Construction in progress	244		35		(209)
<b>Total property and equipment</b>	<b>24,493</b>	<b>16.1</b>	<b>25,288</b>	<b>17.6</b>	<b>794</b>
<b>2. Intangible fixed assets</b>					
Goodwill	8		—		(8)
Software	3,074		2,873		(201)
Other intangible fixed assets	35		264		229
<b>Total intangible fixed assets</b>	<b>3,117</b>	<b>2.0</b>	<b>3,138</b>	<b>2.2</b>	<b>20</b>
<b>3. Investments and other assets</b>					
Investment securities	5,881		4,538		(1,342)
Investment securities of affiliates	6,847		6,872		24
Long-term loans	0		0		(0)
Long-term loans of affiliates	2,734		2,585		(148)
Reorganization credits	705		489		(216)
Long-term prepaid expenses	91		238		147
Prepaid pension cost	—		2,009		2,009
Deferred tax assets	1,770		789		(980)
Other investments and other assets	2,374		2,005		(369)
Allowance for doubtful accounts	(2,465)		(2,174)		291
<b>Total investments     and other assets</b>	<b>17,940</b>	<b>11.8</b>	<b>17,355</b>	<b>12.0</b>	<b>(585)</b>
<b>Total fixed assets</b>	<b>45,552</b>	<b>29.9</b>	<b>45,781</b>	<b>31.8</b>	<b>229</b>
<b>TOTAL ASSETS</b>	<b>152,396</b>	<b>100</b>	<b>143,973</b>	<b>100</b>	<b>(8,423)</b>

Notes: Fractions less than one million yen were omitted.

## Non-Consolidated Balance Sheets (2)

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease) Amount (Millions of yen)
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)	
<b>(LIABILITIES)</b>					
<b>I Current liabilities</b>					
Notes payable	578		322		(256)
Accounts payable, trade	32,426		32,781		355
Accounts payable-other	4,461		2,796		(1,664)
Accrued expenses	7,427		5,983		(1,443)
Accrued income taxes	5,336		2,117		(3,218)
Advances received on uncompleted construction contracts	3,955		3,122		(833)
Deposits received	9,354		9,746		391
Reserve for directors' bonuses	121		101		(20)
Reserve for guarantee for after-care of construction	269		267		(2)
Reserve for loss on construction contracts	297		89		(208)
Other current liabilities	948		259		(688)
<b>Total current liabilities</b>	<b>65,176</b>	<b>42.8</b>	<b>57,587</b>	<b>40.0</b>	<b>(7,589)</b>
<b>II Long-term liabilities</b>					
Convertible bond	15,000		15,000		—
Reserve for directors' retirement benefits	433		321		(111)
Reserve for loss on investment	417		349		(67)
Long-term accounts payable-other	2,837		—		(2,837)
Other long-term liabilities	—		1,205		1,205
<b>Total long-term liabilities</b>	<b>18,688</b>	<b>12.2</b>	<b>16,877</b>	<b>11.7</b>	<b>(1,811)</b>
<b>TOTAL LIABILITIES</b>	<b>83,864</b>	<b>55.0</b>	<b>74,464</b>	<b>51.7</b>	<b>(9,400)</b>
<b>(NET ASSETS)</b>					
<b>I Shareholders' equity</b>					
Common stock	6,888	4.5	6,888	4.8	—
Capital surplus					
Legal capital surplus	5,761		5,761		
Other capital surplus	105		192		
<b>Capital surplus</b>	<b>5,866</b>	<b>3.9</b>	<b>5,953</b>	<b>4.1</b>	<b>87</b>
Retained earnings					
Legal retained earnings	1,547		1,547		
Other retained earnings					
Reserve for advanced depreciation of fixed assets	136		134		
General reserve	49,930		54,630		
Retained earnings brought forward	7,985		8,173		
<b>Retained earnings</b>	<b>59,599</b>	<b>39.1</b>	<b>64,485</b>	<b>44.8</b>	<b>4,885</b>
Treasury stock	(5,354)	(3.5)	(8,438)	(5.9)	(3,083)
<b>Shareholders' equity</b>	<b>66,999</b>	<b>44.0</b>	<b>68,888</b>	<b>47.8</b>	<b>1,888</b>
<b>II Valuation and translation adjustments</b>					
Valuation difference on available-for-sale securities	1,531	1.0	541	0.4	(989)
Valuation and translation adjustments	1,531	1.0	541	0.4	(989)
<b>III Stock acquisition rights</b>					
	—	—	77	0.1	77
<b>TOTAL NET ASSETS</b>	<b>68,531</b>	<b>45.0</b>	<b>69,508</b>	<b>48.3</b>	<b>977</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>152,396</b>	<b>100</b>	<b>143,973</b>	<b>100</b>	<b>(8,423)</b>

Notes: Fractions less than one million yen were omitted.

## Non-Consolidated Statements of Income

	Year ended March 31, 2007		Year ended March 31, 2008		Increase (Decrease) Amount (Millions of yen)		
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)			
I Net sales		238,758	100		223,932	100	(14,825)
II Cost of sales		210,755	88.3		198,295	88.6	(12,459)
Gross income		28,002	11.7		25,637	11.4	(2,365)
III Selling, general and administrative expenses		13,842	5.8		14,317	6.3	474
Operating income		14,160	5.9		11,319	5.1	(2,840)
IV Non-operating income							
Interest income	14			39			
Interest on securities	53			125			
Dividends income	281			227			
Land and house rent received	104			111			
Gain on sales of investment securities	—			95			
Provision of allowance for doubtful accounts	—			101			
Foreign exchange gains	290			—			
Other	153	897	0.4	183	884	0.4	(13)
V Non-operating expenses							
Interest expenses	24			62			
Bad debts expenses	—			99			
Loss on valuation of investment securities	—			65			
Foreign exchange losses	—			288			
Interest on bonds	38			—			
Provision of allowance for doubtful accounts	350			—			
Provision of allowance for investment loss	95			—			
Other	320	829	0.3	92	606	0.3	(222)
Ordinary income		14,228	6.0		11,597	5.2	(2,631)
VI Extraordinary income							
Provision of allowance for long-term doubtful accounts	—	—	—	171	171	0.1	171
VII Extraordinary loss							
Losses on cancellation of lease contracts	180			—			
Expense for soil quality improvement	201	381	0.2	—	—	—	(381)
Income before income taxes		13,846	5.8		11,768	5.3	(2,078)
Income taxes – current	5,773			2,040			
Income taxes – deferred	969	6,743	2.8	2,643	4,683	2.1	(2,060)
Net income		7,103	3.0		7,085	3.2	(18)

Notes: Fractions less than one million yen were omitted.

## Non-Consolidated Statements of Changes in Net Assets (1)

Year ended March 31,2007 (April 1,2006 – March 31,2007)

(Millions of yen)

	Shareholders' Equity								
	Common Stock	Capital Surplus			Retained Earnings				
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings			Total Retained Earnings
Reserve for Advanced Depreciation of Fixed Assets	General Reserve	Retained Earnings Brought Forward							
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									
Reversal of reserve for advanced depreciation of fixed assets (Note 2)						(2)		2	—
Reversal of reserve for advanced depreciation of fixed assets						(2)		2	—
Provision of general reserve (Note 2)							2,900	(2,900)	—
Cash dividends from retained earnings(Note 2)								(879)	(879)
Cash dividends from retained earnings								(769)	(769)
Directors' bonuses (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	Valuation Difference on Available-for-sale 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					
Reversal of reserve for advanced depreciation of fixed assets (Note 2)		—			—
Reversal of reserve for advanced depreciation of fixed assets		—			—
Provision of general reserve (Note 2)		—			—
Cash dividends from retained earnings(Note2)		(879)			(879)
Cash dividends from retained earnings		(769)			(769)
Directors' bonuses (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.

## Non-Consolidated Statements of Changes in Net Assets (2)

Year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(Millions of yen)

	Shareholders' Equity								
	Common Stock	Capital Surplus			Retained Earnings				
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings			Total Retained Earnings
					Reserve for Advanced Depreciation of Fixed Assets	General Reserve	Retained Earnings Brought Forward		
Balance as of March 31, 2007	6,888	5,761	105	5,866	1,547	136	49,930	7,985	59,599
Changes of items during the period									
Reversal of reserve for advanced depreciation of fixed assets						(2)		2	—
Provision of general reserve							4,700	(4,700)	—
Cash dividends from retained earnings								(2,199)	(2,199)
Net income								7,085	7,085
Purchase of treasury stock									
Disposal of treasury stock			87	87					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	87	87	—	(2)	4,700	187	4,885
Balance as of March 31, 2008	6,888	5,761	192	5,953	1,547	134	54,630	8,173	64,485

	Shareholders' Equity		Valuation and Translation Adjustments		Stock Acquisition Rights	TOTAL NET ASSETS
	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for- sale Securities	Total Valuation and Translation Adjustments		
Balance as of March 31, 2007	(5,354)	66,999	1,531	1,531	—	68,531
Changes of items during the period						
Reversal of reserve for advanced depreciation of fixed assets		—				—
Provision of general reserve		—				—
Cash dividends from retained earnings		(2,199)				(2,199)
Net income		7,085				7,085
Purchase of treasury stock	(3,290)	(3,290)				(3,290)
Disposal of treasury stock	206	293				293
Net changes of items other than shareholders' equity			(989)	(989)	77	(911)
Total changes of items during the period	(3,083)	1,888	(989)	(989)	77	977
Balance as of March 31, 2008	(8,438)	68,888	541	541	77	69,508

Notes : Fractions less than one million yen were omitted.