# Consolidated Financial Statements

## Asanuma Corporation

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

Asanuma Corporation

Consolidated Financial Statements

*Years ended March 31, 2008 and 2007*

## Contents

**Consolidated Financial Statements**

# Report of Independent Auditors

The Board of Directors
Asanuma Corporation

We have audited the accompanying consolidated balance sheets of Asanuma 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 Asanuma 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 2.

Osaka, Japan
June 27, 2008

Asanuma Corporation

# Consolidated Balance Sheets

March 31, 2008 and 2007

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 2)* |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash deposits *(Note 6)* | **¥ 30,041** | ¥ 34,879 | **$ 299,840** |
| Receivables: | | | |
| Notes receivable | **9,392** | 13,350 | **93,742** |
| Accounts receivable on completed construction contracts | **63,887** | 65,372 | **637,658** |
| Other accounts receivable | **5,208** | 4,777 | **51,981** |
| Allowance for doubtful accounts | **(251)** | (151) | **(2,505)** |
| Inventories: | | | |
| Real estate held for sale | **1,257** | 1,968 | **12,546** |
| Cost of uncompleted construction contracts | **34,790** | 34,220 | **347,240** |
| Raw materials and supplies | **235** | 123 | **2,346** |
| Deferred income taxes *(Note 10)* | **1** | 1,176 | **10** |
| Other current assets | **397** | 455 | **3,963** |
| Total current assets | **144,957** | 156,169 | **1,446,821** |
| | | | |
| Property, plant and equipment, at cost: | | | |
| Land *(Note 8)* | **6,599** | 6,762 | **65,864** |
| Buildings and structures *(Note 8)* | **15,047** | 15,175 | **150,185** |
| Machinery, equipment and vehicles | **2,388** | 2,558 | **23,835** |
| Tools, furniture and fixtures | **1,649** | 1,680 | **16,459** |
| Construction in progress | **1** | – | **10** |
| Less accumulated depreciation | **(13,094)** | (12,989) | **(130,692)** |
| Property, plant and equipment, net | **12,590** | 13,186 | **125,661** |
| | | | |
| Investments and other assets: | | | |
| Investments in securities *(Notes 7 and 9)* | **12,615** | 22,979 | **125,911** |
| Investments in unconsolidated subsidiaries and affiliates | **63** | 68 | **629** |
| Long-term loans receivable *(Note 9)* | **754** | 422 | **7,526** |
| Long-term prepaid expenses | **15** | 22 | **149** |
| Membership rights | **547** | 628 | **5,460** |
| Intangible assets | **491** | 641 | **4,901** |
| Other assets | **1,724** | 1,758 | **17,206** |
| Allowance for doubtful accounts | **(88)** | (37) | **(878)** |
| Total investments and other assets | **16,121** | 26,481 | **160,904** |
| | | | |
| Total assets | **¥ 173,668** | ¥ 195,836 | **$ 1,733,386** |

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Short-term bank loans *(Note 9)* | **¥ 33,290** | ¥ 33,170 | **$ 332,268** |
| Current portion of long-term debt *(Note 9)* | **1,530** | 1,760 | **15,271** |
| Current portion of a bond *(Note 9)* | **–** | 5,000 | **–** |
| Payables: | | | |
| Notes payable | **4,389** | 4,554 | **43,807** |
| Accounts payable on construction contracts | **48,463** | 46,461 | **483,711** |
| Other accounts payable | **18,408** | 18,247 | **183,731** |
| Deferred income taxes *(Note 10)* | **20** | – | **200** |
| Advances received on uncompleted construction contracts | **22,137** | 25,823 | **220,950** |
| Deposits received | **1,689** | 3,251 | **16,858** |
| Consumption taxes on advances received | **1,904** | 1,753 | **19,004** |
| Accrued income taxes *(Note 10)* | **279** | 223 | **2,785** |
| Accrued expenses | **889** | 1,260 | **8,873** |
| Provision for bonuses | **448** | 503 | **4,472** |
| Provision for loss on construction contracts | **573** | 416 | **5,719** |
| Provision for compensation for completed construction | **581** | 682 | **5,799** |
| Other current liabilities | **1** | 1 | **9** |
| Total current liabilities | **134,601** | 143,104 | **1,343,457** |
| Long-term liabilities: | | | |
| Long-term debt *(Note 9)* | **5,155** | 6,685 | **51,452** |
| Accrued retirement benefits for employees *(Note 11)* | **7,158** | 7,882 | **71,444** |
| Deferred income taxes *(Note 10)* | **3,421** | 6,475 | **34,146** |
| Other | **1,671** | 1,699 | **16,678** |
| Total long-term liabilities | **17,405** | 22,741 | **173,720** |
| Contingent liabilities *(Note 12)* | | | |
| **Net assets** | | | |
| Shareholders' equity *(Note 13)*: | | | |
| Common stock: | | | |
| Authorized – 293,565,000 shares | | | |
| Issued – 77,386,293 shares in 2008 and 2007 | **8,419** | 8,419 | **84,030** |
| Capital surplus | **4,641** | 4,641 | **46,322** |
| Retained earnings | **5,249** | 7,915 | **52,390** |
| Less treasury stock, at cost | **(133)** | (129) | **(1,327)** |
| Total shareholders' equity | **18,176** | 20,846 | **181,415** |
| Valuation: | | | |
| Net unrealized holding gain on securities *(Note 7)* | **3,486** | 9,145 | **34,794** |
| Total valuation | **3,486** | 9,145 | **34,794** |
| Total net assets | **21,662** | 29,991 | **216,209** |
| Total liabilities and net assets | **¥ 173,668** | ¥ 195,836 | **$ 1,733,386** |

*See accompanying notes to consolidated financial statements.*

# Asanuma Corporation

## Consolidated Statements of Operations

Years ended March 31, 2008 and 2007

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 2)* |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Net sales: | | | |
| Completed construction contracts | **¥ 194,886** | ¥ 229,689 | **$1,945,165** |
| Other | **2,297** | 1,190 | **22,926** |
| | **197,183** | 230,879 | **1,968,091** |
| Cost of sales: | | | |
| Completed construction contracts | **186,348** | 219,486 | **1,859,947** |
| Other | **1,508** | 739 | **15,051** |
| | **187,856** | 220,225 | **1,874,998** |
| Gross profit: | | | |
| Completed construction contracts | **8,538** | 10,203 | **85,218** |
| Other | **789** | 451 | **7,875** |
| | **9,327** | 10,654 | **93,093** |
| Selling, general and administrative expenses *(Note 14)* | **9,024** | 9,964 | **90,069** |
| Operating income | **303** | 690 | **3,024** |
| Other income (expenses): | | | |
| Interest and dividend income | **297** | 207 | **2,964** |
| Interest expense | **(686)** | (530) | **(6,847)** |
| Guarantee fees | **(31)** | (51) | **(309)** |
| Gain on sales of investments in securities, net | **1,662** | 1 | **16,588** |
| Loss on repairs of completed construction | **(799)** | (226) | **(7,975)** |
| Loss on impairment of tangible fixed assets *(Note 8)* | **(69)** | (7) | **(689)** |
| Other, net | **(946)** | (149) | **(9,441)** |
| Loss before income taxes | **(269)** | (65) | **(2,685)** |
| Income taxes *(Note 10)*: | | | |
| Current | **174** | 193 | **1,737** |
| Deferred | **2,032** | 5,007 | **20,281** |
| | **2,206** | 5,200 | **22,018** |
| Net loss | **¥ (2,475)** | ¥ (5,265) | **$ (24,703)** |

*See accompanying notes to consolidated financial statements.*

Asanuma Corporation

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2008 and 2007

| | *Millions of yen* | | | | | |
|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Net unrealized holding gain on securities | Total net assets |
| Balance at March 31, 2006 | ¥ 8,419 | ¥ 4,641 | ¥13,560 | ¥ (125) | ¥ 9,759 | ¥ 36,254 |
| Net loss for the year | – | – | (5,265) | – | – | (5,265) |
| Cash dividends | – | – | (380) | – | – | (380) |
| Sales of treasury stock | – | 0 | – | 1 | – | 1 |
| Increase in treasury stock | – | – | – | (5) | – | (5) |
| Net change in item other than shareholders' equity | – | – | – | – | (614) | (614) |
| Balance at March 31, 2007 | ¥ 8,419 | ¥ 4,641 | ¥ 7,915 | ¥ (129) | ¥ 9,145 | ¥ 29,991 |
| Net loss for the year | **–** | **–** | **(2,475)** | **–** | **–** | **(2,475)** |
| Cash dividends | **–** | **–** | **(191)** | **–** | **–** | **(191)** |
| Sales of treasury stock | **–** | **0** | **–** | **0** | **–** | **0** |
| Increase in treasury stock | **–** | **–** | **–** | **(4)** | **–** | **(4)** |
| Net change in item other than shareholders' equity | **–** | **–** | **–** | **–** | **(5,659)** | **(5,659)** |
| Balance at March 31, 2008 | **¥ 8,419** | **¥ 4,641** | **¥ 5,249** | **¥ (133)** | **¥ 3,486** | **¥ 21,662** |

| | *Thousands of U.S. dollars (Note 2)* | | | | | |
|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Net unrealized holding gain on securities | Total net assets |
| Balance at March 31, 2007 | $84,030 | $46,322 | $79,000 | $ (1,288) | $ 91,277 | $299,341 |
| Net loss for the year | **–** | **–** | **(24,703)** | **–** | **–** | **(24,703)** |
| Cash dividends | **–** | **–** | **(1,907)** | **–** | **–** | **(1,907)** |
| Sales of treasury stock | **–** | **0** | **–** | **0** | **–** | **0** |
| Increase in treasury stock | **–** | **–** | **–** | **(39)** | **–** | **(39)** |
| Net change in item other than shareholders' equity | **–** | **–** | **–** | **–** | **(56,483)** | **(56,483)** |
| Balance at March 31, 2008 | **$84,030** | **$46,322** | **$52,390** | **$ (1,327)** | **$ 34,794** | **$216,209** |

*See accompanying notes to consolidated financial statements.*

Asanuma Corporation

# Consolidated Statements of Cash Flows

*Years ended March 31, 2008 and 2007*

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 2)* |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| **Cash flows from operating activities:** | | | |
| Loss before income taxes | **¥ (269)** | ¥ (65) | **$ (2,685)** |
| Adjustments for: | | | |
| Depreciation and amortization | **734** | 694 | **7,326** |
| Loss on impairment of tangible fixed assets | **69** | 7 | **689** |
| Increase (decrease) in allowance for doubtful accounts | **190** | (43) | **1,896** |
| (Decrease) increase in provision for bonuses | **(55)** | 270 | **(549)** |
| Decrease in accrued retirement benefits for employees | **(725)** | (916) | **(7,236)** |
| Interest and dividend income | **(297)** | (207) | **(2,964)** |
| Interest expense | **686** | 530 | **6,847** |
| Gain on sales of investments in securities, net | **(1,662)** | (1) | **(16,588)** |
| Loss on devaluation of membership rights and other assets | **62** | 21 | **619** |
| Decrease (increase) in receivables | **5,443** | (22,050) | **54,327** |
| (Increase) decrease in cost of uncompleted construction contracts | **(571)** | 18,648 | **(5,699)** |
| Decrease in real estate held for sale | **592** | 62 | **5,909** |
| Increase (decrease) in payables | **1,808** | (3,260) | **18,046** |
| Decrease in advances received on uncompleted construction contracts | **(3,686)** | (6,822) | **(36,790)** |
| Other, net | **(1,830)** | 4,770 | **(18,267)** |
| Subtotal | **489** | (8,362) | **4,881** |
| Interest and dividends received | **290** | 197 | **2,895** |
| Interest paid | **(744)** | (488) | **(7,426)** |
| Income taxes paid | **(203)** | (380) | **(2,027)** |
| Net cash used in operating activities | **(168)** | (9,033) | **(1,677)** |
| **Cash flows from investing activities:** | | | |
| Purchases of property, plant and equipment | **(94)** | (300) | **(938)** |
| Proceeds from sales of property, plant and equipment | **473** | 20 | **4,721** |
| Purchases of investments in securities | **(312)** | (23) | **(3,114)** |
| Proceeds from sales of investments in securities | **2,503** | 3 | **24,983** |
| Increase in loans receivable | **(310)** | (114) | **(3,094)** |
| Other, net | **(93)** | (282) | **(929)** |
| Net cash provided by (used in) investing activities | **2,167** | (696) | **21,629** |
| **Cash flows from financing activities:** | | | |
| Decrease in short-term bank loans, net | **(110)** | (1,650) | **(1,098)** |
| Proceeds from long-term debt | **–** | 3,100 | **–** |
| Repayment of long-term debt | **(1,530)** | (1,840) | **(15,271)** |
| Repayment of a bond | **(5,000)** | – | **(49,905)** |
| Cash dividends paid | **(190)** | (380) | **(1,896)** |
| Other, net | **(5)** | (3) | **(50)** |
| Net cash used in financing activities | **(6,835)** | (773) | **(68,220)** |
| Effect of exchange rate changes on cash and cash equivalents | **(52)** | 0 | **(520)** |
| Net decrease in cash and cash equivalents | **(4,888)** | (10,502) | **(48,788)** |
| Cash and cash equivalents at beginning of year | **34,826** | 45,328 | **347,600** |
| Cash and cash equivalents at end of year *(Note 6)* | **¥ 29,938** | ¥ 34,826 | **$ 298,812** |

*See accompanying notes to consolidated financial statements.*

Asanuma Corporation

Notes to Consolidated Financial Statements

Years ended March, 2008 and 2007

## 1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of Asanuma Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

## 2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥100.19 = U.S.$1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

## 3. Principles of Consolidation

At March 31, 2008, the Company had 4 subsidiaries, as opposed to 3 in 2007. The consolidated financial statements for the years ended March 31, 2008 and 2007 include the accounts of the Company and its 2 significant subsidiaries. The accounts of the remaining subsidiaries were not consolidated with those of the Company at March 31, 2008 and 2007 because their assets, retained earnings, net sales and net income (loss) in the aggregate were not material to the consolidated financial statements.

At March 31, 2008 and 2007, the Company applied the equity method to its investments in 2 unconsolidated subsidiaries and 2 affiliates, and an unconsolidated subsidiary and 2 affiliates, respectively, for the purpose of the consolidated financial statements for the years then ended.

The assets and liabilities of the consolidated subsidiaries have been revalued at fair value as of the respective dates of acquisition of control.

**4. Summary of Significant Accounting Policies**

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(b) Investments in securities

Investments in securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are stated at fair value. Gain and loss, both realized and unrealized, are credited and charged to income. Held-to-maturity debt securities are stated 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, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Inventories

Real estate held for sale is stated at the lower of cost or market, cost being determined on an individual project basis. Uncompleted construction contracts are stated at cost determined on an individual project basis. Raw materials and supplies are stated at the lower of cost or market, cost being determined by the period average method.

(e) Property, plant and equipment

Property, plant and equipment is stated on the basis of cost. Depreciation is calculated by the declining-balance method over the estimated useful lives of the respective assets; however, the straight-line method is applied to buildings (except for structures attached to the buildings) acquired on or after April 1, 1998.

**4. Summary of Significant Accounting Policies (continued)**

(f) Computer software

Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as an asset and amortized by the straight-line method over an estimated useful life of 5 years.

(g) Leases

The Company and its consolidated subsidiaries lease certain equipment under noncancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

(h) Provision for compensation for completed construction

A provision for compensation for completed construction is provided for anticipated future costs arising from warranties on completed construction.

(i) Provision for bonuses

A provision for bonuses is provided at the estimated amount of bonuses to be paid based on the annual bonus agreement which the Company and its consolidated subsidiaries entered into with their employees as allocated to the current fiscal year.

(j) Provision for loss on construction contracts

A provision for loss on construction contracts is provided for anticipated future losses on uncompleted construction projects.

(k) Accrued retirement benefits

Accrued retirement benefits for employees are provided at the retirement benefit obligation less the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated average remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

**4. Summary of Significant Accounting Policies (continued)**

(k) Accrued retirement benefits (continued)

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a ten-year period, which is shorter than the average remaining years of service of the eligible employees.

(l) Income taxes

Deferred income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between financial reporting and the tax bases of the assets and liabilities which will result in taxable or deductible amounts in the future. The calculation of deferred tax assets and liabilities is based on the enacted tax laws. Valuation allowances are utilized to reduce deferred tax assets to the amount that management believes is more likely than not to be realized. In assessing the likelihood of realization, the Company considers all currently available evidence for future years, both positive and negative, supplemented by information regarding historical results for each tax jurisdiction.

(m) Hedge accounting

Gain or loss on derivatives positions designated as hedges is deferred until the loss or gain on the respective underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.

(n) Revenue recognition

Revenue from, and the related cost of, construction contracts are generally recorded by the completed-contract method. During the construction period, the accumulated costs of uncompleted construction contracts are represented as inventories, and the advances received for such contracts are included in current liabilities. If a construction project takes longer than one year and its contract amount exceeds ¥1,000 million ($9,981 thousand), however, the percentage-of-completion method is applied. Net sales of construction contracts accounted for by the percentage-of-completion method totaled ¥89,035 million ($888,662 thousand) and ¥60,297 million for the years ended March 31, 2008 and 2007, respectively.

## 5. Changes in Method of Accounting

(1) Property, Plant and Equipment and Depreciation

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law. The effect of this change on operating income and loss before income taxes was immaterial for the year ended March 31, 2008.

In addition, effective the year ended March 31, 2008, depreciation expense for property, plant and equipment acquired before April 1, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years. This change was made based on an amendment to the Corporation Tax Law. The effect of the change was to decrease operating income by ¥29 million ($289 thousand) and increase loss before income taxes by the same amount for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method.

## 6. Cash and Cash Equivalents

The balances of cash and cash deposits in the accompanying consolidated balance sheets at March 31, 2008 and 2007 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Cash and cash deposits | **¥ 30,041** | ¥ 34,879 | **$ 299,840** |
| Time deposits with original maturities in excess of three months | **(103)** | (53) | **(1,028)** |
| Cash and cash equivalents | **¥ 29,938** | ¥ 34,826 | **$ 298,812** |

## 7. Investments in Securities

At March 31, 2008 and 2007, marketable securities classified as held-to-maturity debt securities were as follows:

| | *Millions of yen* | | | | | |
|---|---|---|---|---|---|---|
| | **2008** | | | **2007** | | |
| | Carrying value | Estimated fair value | Unrealized gain | Carrying value | Estimated fair value | Unrealized gain |
| Held-to-maturity debt securities whose estimated fair value exceeds their carrying value: | | | | | | |
| Government and municipal bonds | **¥ 30** | **¥ 31** | **¥ 1** | ¥ 30 | ¥ 30 | ¥ 0 |

| | *Thousands of U.S. dollars* | | |
|---|---|---|---|
| | **2008** | | |
| | Carrying value | Estimated fair value | Unrealized gain |
| Held-to-maturity debt securities whose estimated fair value exceeds their carrying value: | | | |
| Government and municipal bonds | **$ 300** | **$ 309** | **$ 9** |

At March 31, 2008 and 2007, marketable securities classified as other securities were as follows:

| | *Millions of yen* | | | | | |
|---|---|---|---|---|---|---|
| | **2008** | | | **2007** | | |
| | Acquisition costs | Carrying value | Unrealized holding gain (loss) | Acquisition costs | Carrying value | Unrealized holding gain (loss) |
| Other securities whose carrying value exceeds their acquisition costs: | | | | | | |
| Equity securities | **¥ 5,345** | **¥ 11,127** | **¥ 5,782** | ¥ 6,178 | ¥ 21,548 | ¥ 15,370 |
| Other securities whose carrying value does not exceed their acquisition costs: | | | | | | |
| Equity securities | **639** | **615** | **(24)** | 613 | 551 | (62) |
| | **¥ 5,984** | **¥ 11,742** | **¥ 5,758** | ¥ 6,791 | ¥ 22,099 | ¥ 15,308 |

**7. Investments in Securities (continued)**

| | *Thousands of U.S. dollars* | | |
|---|---|---|---|
| | **2008** | | |
| | Acquisition costs | Carrying value | Unrealized holding gain (loss) |
| Other securities whose carrying value exceeds their acquisition costs: | | | |
| Equity securities | **$ 53,349** | **$ 111,059** | **$ 57,710** |
| Other securities whose carrying value does not exceed their acquisition costs: | | | |
| Equity securities | **6,378** | **6,138** | **(239)** |
| | **$ 59,727** | **$ 117,197** | **$ 57,471** |

The proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2008 and 2007 are summarized as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Proceeds from sales | **¥ 2,500** | ¥ 3 | **$ 24,953** |
| Gross realized gain | **1,662** | 1 | **16,588** |

Non-marketable securities classified as other securities at March 31, 2008 and 2007 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Other securities: | | | |
| Unlisted equity securities | **¥ 843** | ¥ 850 | **$ 8,414** |

The redemption schedule at March 31, 2008 for held-to-maturity debt securities was as follows:

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| | Due after five years through ten years | Due after five years through ten years |
| Government and municipal bonds | **¥ 30** | **$ 299** |

## 8. Loss on Impairment of Tangible Fixed Assets

Aggregate loss on impairment of tangible fixed assets of ¥69 million ($689 thousand) and ¥7 million were recorded for the years ended March 31, 2008 and 2007, respectively. Such loss related to land of ¥43 million ($429 thousand) and buildings of ¥26 million ($260 thousand) for the year ended March 31, 2008 and land of ¥7 million for the year ended March 31, 2007 and is outlined as follows:

| | | | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|---|---|
| Location | Use | Classification | **2008** | 2007 | **2008** |
| Siga Prefecture and others | Idle property | Buildings, structures and land | **¥ 69** | ¥ 7 | **$ 689** |
| Total | | | **¥ 69** | ¥ 7 | **$ 689** |

The Company and its consolidated subsidiaries group their fixed assets for operating purposes at each office but group leased assets and idle assets individually. The affiliates group their fixed assets at each company. As a result of having idle buildings, structures and land during the year ended March 31, 2008, the Company and its consolidated subsidiaries have reduced the carrying value of such assets to their respective estimated recoverable amounts and recorded a related loss on impairment of tangible fixed assets of ¥69 million ($689 thousand) in the accompanying consolidated statement of operations for the year then ended.

For the year ended March 31, 2007, as a result of a recent decline in buildings, structures and land, the Company and its consolidated subsidiaries reduced the carrying value of such land to an estimate of its recoverable amount and recorded a related loss on impairment of tangible fixed assets of ¥7 million in the accompanying consolidated statement of operations for the year then ended.

The recoverable amounts of idle assets have been measured at their estimated net selling prices.

## 9. Short-Term Bank Loans, Bonds and Long-Term Debt

Short-term loans from banks had an average interest rate of 1.2% at March 31, 2008 and 2007.

There were no bonds outstanding at March 31, 2008. The following bond was outstanding at March 31, 2007:

| | *Millions of yen* |
|---|---|
| | **2007** |
| 0.56% bond due October 2007 | ¥ 5,000 |
| Less current portion | (5,000) |
| | – |

## 9. Short-Term Bank Loans, Bonds and Long-Term Debt (continued)

Long-term debt at March 31, 2008 and 2007 is summarized as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| Unsecured loans from banks, payable in yen, at rates ranging from 1.34% to 2.45% | **¥ 6,685** | ¥ 8,415 | **$ 66,723** |
| Secured loans from insurance companies, payable in yen at rates ranging from 1.24% to 1.34% | **–** | 30 | **–** |
| Total | **6,685** | 8,445 | **66,723** |
| Less current portion included in current liabilities | **(1,530)** | (1,760) | **(15,271)** |
| | **¥ 5,155** | ¥ 6,685 | **$ 51,452** |

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 | **¥ 1,530** | **$ 15,271** |
| 2010 | **1,230** | **12,277** |
| 2011 | **2,305** | **23,006** |
| 2012 | **1,620** | **16,169** |
| | **¥ 6,685** | **$ 66,723** |

Assets pledged at March 31, 2008 as collateral for the loan of an affiliate which was engaged in a Private Finance Initiative (“PFI”) business are summarized as follows:

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Investments in securities | **¥ 40** | **$ 399** |
| Long-term loans receivable | **447** | **4,462** |
| | **¥ 487** | **$ 4,861** |

**10. Income Taxes**

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.8% for the years ended March 31, 2008 and 2007.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2008 and 2007 as a percentage of loss before income taxes is summarized as follows:

| | **2008** | **2007** |
|---|---|---|
| Statutory tax rate | **40.8%** | 40.8% |
| Permanently non-tax-deductible expenses | **(107.3)** | (460.7) |
| Permanently non-taxable income | **19.5** | 46.8 |
| Per capita portion of inhabitants' taxes | **(60.6)** | (216.0) |
| Valuation allowance | **(718.2)** | (7,765.8) |
| Unrecognized deferred tax assets relating to excess of cost over equity in net assets of subsidiaries and other | **6.8** | 334.8 |
| Other | **(0.3)** | (1.8) |
| Effective tax rates | **(819.3%)** | (8,021.9%) |

**10. Income Taxes (continued)**

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2008 and 2007 are summarized as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | 2007 | **2008** |
| **Deferred tax assets:** | | | |
| Allowance for doubtful accounts | **¥ 580** | ¥ 474 | **$ 5,789** |
| Provision for bonuses | **170** | 189 | **1,697** |
| Provision for compensation for completed construction | **237** | 279 | **2,366** |
| Inventories | **159** | 156 | **1,587** |
| Provision for loss on construction contracts | **234** | 170 | **2,336** |
| Accrued retirement benefits for employees | **2,833** | 3,121 | **28,276** |
| Loss on impairment of tangible fixed assets | **383** | 359 | **3,823** |
| Loss on revaluation of fixed assets and other | **1,411** | 1,550 | **14,083** |
| Loss on revaluation of investments | **209** | 170 | **2,086** |
| Tax loss carryforwards | **560** | 526 | **5,589** |
| Unrealized profit on intercompany transactions | **52** | 53 | **519** |
| Other | **559** | 495 | **5,578** |
| Gross deferred tax assets | **7,387** | 7,542 | **73,729** |
| Less valuation allowance | **(7,334)** | (5,436) | **(73,201)** |
| Total deferred tax assets | **53** | 2,106 | **528** |
| | | | |
| **Deferred tax liabilities:** | | | |
| Unrealized holding gain on securities | **(2,273)** | (6,164) | **(22,687)** |
| Deferred capital gains on property | **(1,209)** | (1,221) | **(12,067)** |
| Other | **(11)** | (20) | **(110)** |
| Total deferred tax liabilities | **(3,493)** | (7,405) | **(34,864)** |
| Net deferred tax liabilities | **¥ (3,440)** | ¥ (5,299) | **$ (34,336)** |

## 11. Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension 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. In addition to the retirement benefit plans described above, the Company and its domestic consolidated subsidiaries pay additional retirement benefits under certain conditions.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Company's and these subsidiaries' defined benefit pension plans:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Retirement benefit obligation | **¥ (32,148)** | ¥ (33,442) | **$ (320,870)** |
| Plan assets at fair value | **22,404** | 25,870 | **223,615** |
| Unfunded retirement benefit obligation | **(9,744)** | (7,572) | **(97,255)** |
| Unrecognized actuarial loss (gain) | **2,586** | (310) | **25,811** |
| Accrued retirement benefits for employees | **¥ (7,158)** | ¥ (7,882) | **$ (71,444)** |

As permitted under the accounting standard for retirement benefits, one domestic consolidated subsidiary calculates its retirement benefit obligation for employees by a simplified method.

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

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Service cost | **¥ 774** | ¥ 814 | **$ 7,725** |
| Interest cost | **659** | 668 | **6,578** |
| Expected return on plan assets | **(517)** | (474) | **(5,160)** |
| Amortization of unrecognized actuarial loss | **295** | 425 | **2,944** |
| Retirement benefit expenses | **¥ 1,211** | ¥ 1,433 | **$12,087** |

### 11. Retirement Benefits (continued)

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2008 and 2007 were as follows:

| | **2008** | **2007** |
|---|---|---|
| Discount rate | **2.0%** | 2.0% |
| Expected rate of return on plan assets | **2.0%** | 2.0% |

### 12. Contingent Liabilities

At March 31, 2008, the Company was contingently liable for guarantees of deposits for condominium purchase agreements held by condominium sales companies in the aggregate amount of ¥498 million ($4,971 thousand) and ¥2,104 million, respectively.

### 13. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed 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 capital 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.

The Company's legal reserve included in retained earnings at March 31, 2008 and 2007 amounted to ¥2,104 million ($21,000 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

### 13. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2008 and 2007 are summarized as follows:

| | Number of shares | | | |
|---|---|---|---|---|
| | **2008** | | | |
| | March 31, 2007 | Increase | Decrease | March 31, 2008 |
| Shares of common stock in issue | 77,386,293 | **–** | **–** | **77,386,293** |
| Treasury stock | 1,213,134 | **24,895** | **3,719** | **1,234,310** |

| | Number of shares | | | |
|---|---|---|---|---|
| | **2007** | | | |
| | March 31, 2006 | Increase | Decrease | March 31, 2007 |
| Shares of common stock in issue | 77,386,293 | – | – | 77,386,293 |
| Treasury stock | 1,199,952 | 18,198 | 5,016 | 1,213,134 |

### 14. 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 ¥227 million ($2,266 thousand) and ¥272 million, respectively.

### 15. Leases

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

| | *Millions of yen* | | | | | |
|---|---|---|---|---|---|---|
| | **2008** | | | **2007** | | |
| | Acquisition costs | Accumulated depreciation | Net book value | Acquisition costs | Accumulated depreciation | Net book value |
| Tools, furniture and fixtures | **¥ 36** | **¥ 15** | **¥ 21** | ¥ 33 | ¥ 22 | ¥ 11 |

**15. Leases (continued)**

| | *Thousands of U.S. dollars* | | |
|---|---|---|---|
| | **2008** | | |
| | Acquisition costs | Accumulated depreciation | Net book value |
| Tools, furniture and fixtures | **$ 360** | **$ 150** | **$ 210** |

Lease payments related to finance leases accounted for as operating leases, depreciation and interest expense, which have not been reflected in the accompanying consolidated statements of operations for the years ended March 31, 2008 and 2007, were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Lease payments | **¥ 8** | ¥ 20 | **$80** |
| Depreciation | **8** | 19 | **80** |
| Interest expense | **1** | 1 | **10** |

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 under finance leases other than those which transfer ownership of the leased property to the Company and its consolidated subsidiaries are summarized as follows:

| Year ending March 31, | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| 2009 | **¥ 6** | **$ 60** |
| 2010 and thereafter | **15** | **150** |
| | **¥21** | **$ 210** |

## 16. Derivatives

The Company utilizes interest-rate swaps to hedge the risk of fluctuation in interest rates on its borrowings. The Company does not enter into derivatives transactions for speculative or short-term trading purposes.

The Company is exposed to certain market risk arising from interest-rate swap agreements. It is also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to interest-rate swap agreements; however, the Company does not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings. In addition, the Company has established internal policies which include procedures and authorization processes governing derivatives and complies fully with these guidelines.

At March 31, 2008 and 2007, all open derivatives positions held by the Company met the criteria for deferral hedge accounting; accordingly, disclosure of fair value information with respect to these positions has been omitted.

## 17. Amounts per Share

Amounts per share at March 31, 2008 and 2007 and for the years then ended were as follows:

| | *Yen* | | *U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Net assets | **¥ 284.46** | ¥ 393.73 | **$ 2.84** |
| Net loss | **(32.50)** | (69.11) | **(0.32)** |
| Cash dividends | **–** | 2.50 | **–** |

Information used in the computation of net loss per share for the years ended March 31, 2008 and 2007 is presented as follows.

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | **2008** | **2007** | **2008** |
| Net loss | **¥ 2,475** | ¥ 5,265 | **$ 24,703** |
| Net loss not applicable to common shareholders | – | – | – |
| Net loss used in the calculation of net loss per share | **¥ 2,475** | ¥ 5,265 | **$ 24,703** |

| | *Thousands of shares* | |
|---|---|---|
| | **2008** | **2007** |
| Weighted-average number of shares used in the calculation of net loss per share | **76,160** | 76,177 |

**17. Amounts per Share (continued)**

Net assets per share are based on the number of shares of common stock outstanding at the year end.

Net loss per share is computed based on the net loss attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted amounts per share have not been presented for the years ended March 31, 2008 and 2007 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2008 and 2007.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years.