

# Financial Section

## Consolidated Statements of Cash Flows

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and other items .....	¥ 50,098	¥ 48,698	\$ 412,520
Adjustments to reconcile income before income taxes and other items to net cash provided by operating activities:			
Depreciation and amortization .....	11,733	11,669	98,848
Impairment losses on fixed assets .....	926	3,607	30,555
Decrease allowance for doubtful accounts .....	(1,071)	(1,192)	(10,097)
Increase (decrease) allowance for losses on construction contracts .....	7,994	(2,721)	(23,050)
Increase (decrease) in retirement benefits .....	1,588	(6,992)	(59,229)
Increase allowance for losses on investments in subsidiaries and affiliates .....	-	1,084	9,183
Interest and dividend income .....	(7,117)	(4,883)	(41,364)
Interest expense .....	7,685	8,208	69,530
Write-down of investment securities .....	456	170	1,440
Gains on sale of investment securities .....	(4,562)	(5,141)	(43,549)
Losses on revaluation of inventories .....	-	23,898	202,440
Write-down of real estates for sale .....	3,422	-	-
Losses (gains) on sale of property and equipment .....	1,928	(378)	(3,202)
Gains on sale of a business .....	-	(19,928)	(168,810)
Changes in assets and liabilities:			
Increase in trade receivables .....	(66,360)	(117,984)	(999,441)
Decrease in cost of uncompleted contracts .....	56,680	29,835	252,731
Increase in inventories .....	(18,507)	(25,003)	(211,800)
Decrease in other investments .....	10,752	-	-
Increase in trade payables .....	45,793	105,329	892,241
Decrease in advances received and progress billings on uncompleted contracts .....	(62,540)	(14,219)	(120,449)
Increase (Decrease) in deposit received .....	(11,053)	1,016	8,607
Other, net .....	2,803	225	1,905
	30,648	35,298	299,009
<b>Cash received (paid) during the year for:</b>			
Interest and dividends received .....	11,669	27,853	235,943
Interest paid .....	(7,958)	(8,201)	(69,471)
Income taxes paid .....	(5,142)	(7,684)	(65,091)
Net cash provided by operating activities	29,217	47,266	400,390
<b>Cash flows from investing activities:</b>			
Decrease (increase) in time deposits .....	(1,278)	2,094	17,738
Increase in short-term loans receivable .....	(289)	(460)	(3,897)
Purchase of marketable and investment securities .....	(20,472)	(11,383)	(96,425)
Proceeds from sale of marketable and investment securities .....	26,486	9,599	81,313
Purchase of property, equipment and intangible assets .....	(12,411)	(14,674)	(124,303)
Proceeds from sale of property, equipment and intangible assets .....	10,776	19,729	167,124
Decrease in cash and cash equivalents upon sale of shares of subsidiaries .....	-	(876)	(7,421)
Other, net .....	9,238	(1,900)	(16,094)
Net cash provided by investing activities	12,050	2,129	18,035
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings .....	(29,760)	16,842	142,668
Proceeds from long-term debt .....	98,230	99,399	842,008
Repayment of long-term debt .....	(136,981)	(129,260)	(1,094,960)
Proceeds from issuance of stocks to minority shareholders .....	-	2,702	22,889
Cash dividends paid, including those to minority interest .....	(6,145)	(6,689)	(56,662)
Other, net .....	(57)	(21)	(178)
Net cash used in financing activities	(74,713)	(17,027)	(144,235)
<b>Effect of exchange rate changes on cash and cash equivalents</b> .....	1,665	425	3,599
<b>Net increase (decrease) in cash and cash equivalents</b> .....	(31,781)	32,793	277,789
<b>Cash and cash equivalents at beginning of year</b> .....	153,729	121,948	1,033,020
<b>Cash and cash equivalents at end of year (Note 3)</b> .....	¥ 121,948	¥ 154,741	\$ 1,310,809

See accompanying notes

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2006 and 2007

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of Taisei

Corporation (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.05 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation and equity method

The consolidated financial statements include the accounts of the Company and 48 and 38 of its subsidiaries in the years ended March 31, 2006 and 2007, respectively. All significant intercompany transactions and account balances were eliminated in consolidation. Investments in significant affiliates, which were 9 companies for 2006 and 2007, were accounted for by the equity method.

The consolidated financial statements are required to include the accounts of the Company and significant companies which are controlled by the Company through substantial ownership of more than 50% of the voting rights or through ownership of high percentage of the voting rights, even if it is equal to or less than 50%, and existence of certain conditions evidencing controls by the Company of decision-making body of such companies.

Investments in significant affiliated companies, of which the Company has ownership of 20% or more but less than or equal to 50%, and of 15% or more and less than 20% and can exercise significant influences over operating financial policies of investees, have been accounted for by the equity method.

All consolidated subsidiaries have the same balance sheet date, March 31, corresponding with that of the Company, except for 10 consolidated overseas subsidiaries for 2006 and 9 consolidated overseas subsidiaries for 2007, whose fiscal years end on December 31, and 1 consolidated domestic subsidiary for 2006, whose fiscal year end on February 28. Significant transactions, if any, in the period until ended March 31, 2006 and 2007 were adjusted in the respective consolidated financial statements.

### (b) Valuation of Assets and Liabilities of Subsidiaries

In the elimination of the investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on their fair value at the time the Company acquired control of the respective subsidiaries.

### (c) Consolidation Adjustments Account

Significant excesses of investment cost over net equity of consolidated subsidiaries and affiliated companies accounted for under the equity method are recognized as consolidation adjustments, and they are amortized principally over five years on a straight-line basis.

### (d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. The resulting exchange gains and losses are reflected in the consolidated statements of income. All revenues and expenses associated with foreign currencies are translated at rates of exchange prevailing when such transactions are made.

The financial statements of consolidated foreign subsidiaries and affiliated companies under the equity method are translated into Japanese yen at exchange rates prevailing at the respective year-end dates except for shareholders' equity accounts, which are translated at historical rates. The resulting foreign currency translation adjustments are presented in accumulated gains (losses) from valuation and translation adjustments in the net assets section of the consolidated balance sheets.

### (e) Cash and cash equivalents in the Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase and with insignificant risks of change in value are considered to be cash and cash equivalents.

### (f) Marketable and Investment Securities

Marketable and investment securities are classified, depending on management's intent, as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated gains (losses) from valuation and translation adjustments in the net assets section. Realized gains and losses on sale of such securities are computed using moving-average cost. Debt securities with no available fair market value are stated at amortized cost, net of an amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

### (g) Construction Contracts

The great majority of short-term and long-term construction contracts are accounted for by the completed-contract method. However, certain long-term and large-scale construction contracts are accounted for by the percentage-of-completion method.

The percentage-of-completion method is applied to constructions with a construction period exceeding 12 months and a contract amount of ¥1,000 million (\$8,471 thousand) or more.

Expenditures in connection with uncompleted contracts to be

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charged to cost of contracts at a time of completion are included in current assets. These expenditures are not offset against advances received and progress billings on uncompleted contracts, which are instead included in the current liabilities.

#### (h) Real Estate Business

The Company and certain its subsidiaries develop real estate projects on their own account. Real estate inventories, including work in process of development, are mainly stated at the lower of cost based on the specific-identification cost method or net realizable value. For this purpose, the cost includes the purchase cost of land, incidental costs, direct development costs and (in relation to certain developments by one of the subsidiaries) interest expense. Revenues from sales are recognized when titles of properties sold are transferred to customers.

#### (i) Property and Equipment

Property and equipment except for buildings are recorded at cost and depreciated principally by the declining-balance method using standard useful lives prescribed in the Corporation Tax Law. Buildings are principally depreciated using the straight-line method.

#### (j) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until related losses or gains on hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
  - b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest on liabilities for which the swap contract were executed.

#### (k) Lease Transactions

Finance lease transactions that do not transfer ownership of leased assets to a lessee are accounted for in the same manner as operating leases.

#### (l) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided to cover probable losses on collection. It consists of an estimated uncollectible amount of certain

identified doubtful receivables and an amount calculated applying percentages of losses on collection in the past to the rest of the receivables.

#### (m) Income Taxes

The Company and its wholly owned domestic subsidiaries apply the system of consolidated tax returns.

The Company computes the provision for income taxes based on the pretax income included in the consolidated statement of income and recognizes deferred tax assets and liabilities for expected future tax consequences of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

#### (n) Severance and Retirement Benefits

The Company and certain consolidated subsidiaries provide two types of severance and retirement benefit plans for employees, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at year-end based on estimated amounts of projected benefit obligation and fair value of the plan assets at that date.

Allowances for accrued severance indemnities to directors and corporate auditors of certain consolidated subsidiaries have been set up in accordance with each company's regulations.

The Company abolished the retirement benefits plan for directors, corporate auditors and executive officers in the year ended March 31, 2007. As a result, allowance for accrued severance indemnities to directors, corporate auditors and executive officers of the Company was removed and the unpaid portion was included in other non-current liabilities. Allowance for accrued severance indemnities to executive officers was included in Employees' severance and retirement benefits for the year ended March 31, 2006.

#### (o) Allowance for Losses on Construction Contracts

Allowance for losses on construction contracts is provided with respect to construction projects for which eventual losses are reasonably estimated.

#### (p) Allowance for Losses on Investments in Subsidiaries and Affiliates

Allowance for losses on investments in subsidiaries and affiliates is provided for estimated losses from certain subsidiaries and affiliates in liquidation.

#### (q) Allowance for Environmental Spending

Allowance for environmental spending is provided based on estimate costs for disposal of Polychlorinated Biphenyl ("PCB") waste, which is obligated to dispose by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

#### (r) Net Income and Cash Dividends per Share

Net income per share is calculated by dividing net income available to common shares by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of securities.

Diluted net income per share for the years ended March 31, 2006 and 2007 were not shown, since the Company had no securities with dilutive effect to net income per share.

Cash dividends per share shown for each year represent dividends declared as applicable to the respective years.

#### (s) Recognizing Appropriations of Retained Earnings

In accordance with the customary practice in Japan, the

appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after the shareholders' approval has been obtained. Retained earnings at March 31, 2007 include amounts representing the year-end cash dividends, which were approved at the shareholders' meeting held on June 26, 2007 as described in Note 20.

**(t) Accounting Standard for Valuation of Inventory**

Effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standard for Valuation of Inventory" ("Statement No.9" issued by the Accounting Standards Board of Japan on July 5, 2006), which was applicable since the year ended March 31, 2007.

In applying the accounting standard, the Company assumed it had been applied also on the beginning balance of the inventory and recognized related losses of ¥ 23,898 million (\$202,440 thousand) as the extraordinary losses. As a result of the change, the gross profit, operating income and ordinary income decreased each by ¥ 275 million (\$2,330 thousand), and income before income taxes decreased by ¥24,173 million (\$204,769 thousand) in comparison with what would have been calculated under the previous accounting policy.

**(u) Accounting Standard for Presentation of Net Assets in the Balance Sheet**

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, companies were required to present unrealized gains (losses) on hedging derivatives in the assets or liabilities section without considering the related income tax effects. Furthermore minority interests are required to be included in

the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and shareholders' equity sections.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. The adoption of the New Accounting Standards had no impact on the consolidated statement of income for the year ended March 31, 2007 and 2006. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥389,117 million (\$3,296,205 thousand) would have been presented.

**(v) Accounting Standard for Statement of Changes in Net Assets**

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No.9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

**(w) Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. Also, as described in Notes 2 (u) and 2 (v), the consolidated balance sheet for 2006 has been adapted to conform to the new presentation rules of 2007. Also, in lieu of the consolidated statement of shareholders' equity for the year ended March 31, 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007.

These reclassifications had no impact on previously reported results of operations or retained earnings.

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
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### 3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Cash and time deposits.....	¥ 124,887	¥ 155,552	\$ 1,317,679
Less: Time deposits over three months .....	(2,939)	(811)	(6,870)
Cash and cash equivalents.....	¥ 121,948	¥ 154,741	\$ 1,310,809

### 4. Effect of bank holiday on March 31, 2007

The year-end of March 31, 2007 fell on a bank holiday. Notes maturing on March 31, 2007 were settled on the following business day, April 2, 2007 and accounted for accordingly. The amounts settled on are as follows:

Notes receivable, trade	¥2,631 million	(\$22,287 thousand)
Notes receivable, other	¥199 million	(\$1,686 thousand)
Notes payable, trade	¥11,366 million	(\$96,281 thousand)
Notes payable, other	¥158 million	(\$1,338 thousand)

### 5. Securities

(1) Following tables summarized acquisition costs, book values and fair values of securities with available fair values as of March 31, 2006 and 2007:

#### (a) Held-to-maturity debt securities:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Securities with available fair values exceeding book values .....			
Book value.....	¥ -	¥ -	\$ -
Fair value .....	-	-	-
Difference.....	¥ -	¥ -	\$ -
Other securities .....			
Book value.....	¥265	¥270	\$ 2,287
Fair value .....	260	267	2,262
Difference.....	¥ (5)	¥ (3)	\$ (25)

#### (b) Available-for-sale securities:

Securities with book values exceeding acquisition costs

Type	Millions of Yen						Thousands of U.S. Dollars		
	2006			2007			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities.....	¥ 126,909	¥ 298,332	¥ 171,423	¥ 125,873	¥ 334,325	¥ 208,452	\$ 1,066,269	\$ 2,832,063	\$ 1,765,794
Bonds .....	8	11	3	8	11	3	68	93	25
Others .....	1,603	2,945	1,342	1,383	4,365	2,982	11,715	36,976	25,261
Total.....	¥ 128,520	¥ 301,288	¥ 172,768	¥ 127,264	¥ 338,701	¥ 211,437	\$ 1,078,052	\$ 2,869,132	\$ 1,791,080

#### Other securities

Type	Millions of Yen						Thousands of U.S. Dollars		
	2006			2007			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities.....	¥ 5,133	¥ 4,682	¥ (451)	¥ 7,861	¥ 7,295	¥ (566)	\$ 66,590	\$ 61,796	\$ (4,795)
Bonds .....	-	-	-	-	-	-	-	-	-
Others .....	200	177	(23)	371	341	(30)	3,143	2,888	(254)
Total.....	¥ 5,333	¥ 4,859	¥ (474)	¥ 8,232	¥ 7,636	¥ (596)	\$ 69,733	\$ 64,684	\$ (5,049)

(2) Following tables summarized book values of securities with no available fair values as of March 31, 2006 and 2007:

(a) Held-to-maturity debt securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Unlisted domestic corporate bonds	¥ 5,000	¥ 5,000	\$ 42,355

(b) Available-for-sale securities:

Type	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Unlisted equity securities	¥ 23,945	¥ 23,714	\$ 200,881
Unlisted preferred equity securities	10,750	14,133	119,721
Unlisted domestic bonds	503	504	4,269
Investments in silent partnership	14,306	13,513	114,468
Total	¥ 49,504	¥ 51,864	\$ 439,339

(3) Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities were as follows:

Type	Millions of Yen				
	2006				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	¥ -	¥ 265	¥ -	¥ -	¥ 265
Corporate bonds	-	11	5,000	-	5,011
Others	9	500	-	-	509
Other securities	54	359	-	-	413
Total	¥ 63	¥ 1,135	¥ 5,000	¥ -	¥ 6,198

Type	Millions of Yen				
	2007				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	¥ 15	¥ 255	¥ -	¥ -	¥ 270
Corporate bonds	-	11	5,000	-	5,011
Others	9	500	-	-	509
Other securities	300	54	-	-	354
Total	¥ 324	¥ 820	¥ 5,000	¥ -	¥ 6,144

Type	Thousands of U.S. Dollars				
	2007				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Government bonds	\$ 127	\$ 2,160	\$ -	\$ -	\$ 2,287
Corporate bonds	-	93	42,355	-	42,448
Others	76	4,236	-	-	4,312
Other securities	2,542	457	-	-	2,999
Total	\$ 2,745	\$ 6,946	\$ 42,355	\$ -	\$ 52,046

## Notes to Consolidated Financial Statements (cont.)

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- (4) Total sales of held-to-maturity debt securities sold and the related gains and losses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Total cost of sales of held-to-maturity debt securities sold .....	¥10	¥ -	\$ -
Total sales of held-to-maturity debt securities .....	10	-	-
Gain on sale of held-to-maturity debt securities .....	0	-	-

In the year ended March 31, 2006, one of the consolidated subsidiaries sold held-to-maturity debt securities, which had been held in compensation for security deposit of business, since the subsidiary changed the security deposit from the held-to-maturity debt securities to cash and did not need to hold such securities.

- (5) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Total sales of available-for-sale securities sold .....	¥ 9,615	¥ 9,079	\$ 76,908
Gains on sale of available-for-sale securities .....	4,717	5,189	43,956
Losses on sale of available-for-sale securities .....	154	48	407

## 6. Pledged Assets

The following assets were pledged principally as collateral for short-term borrowings, long-term debt, guarantee deposits received or guarantees (such as guarantees for the completion of construction contracts) at March 31, 2006 and 2007:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Time deposits .....	¥ 1,786	¥ 58	\$ 492
Inventories: Real estate development .....	768	749	6,345
Land .....	15,986	15,880	134,519
Buildings and structures (net of accumulated depreciation) .....	14,839	14,041	118,941
Investment securities .....	998	1,330	11,266
Other assets .....	1,160	1,505	12,749
Total .....	¥ 35,537	¥ 33,563	\$ 284,312

## 7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2006 and 2007 mainly consisted of short-term notes and overdrafts from banks. The weighted average interest rate of short-term borrowings at March 31, 2006 and 2007 was 0.9% and 1.3% per annum, respectively.

The Company and its consolidated subsidiaries have had no

difficulty in renewing such notes and overdraft facility agreements, when they considered such renewal advisable.

Long-term debt at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Bonds and notes:			
Issued by the Company:			
2.55% yen bonds due in 2009 .....	¥ 10,000	¥ 10,000	\$ 84,710
1.50% yen bonds due in 2006 .....	20,000	-	-
1.15% yen bonds due in 2007 .....	15,000	15,000	127,064
0.93% yen bonds due in 2008 .....	10,000	10,000	84,710
1.31% yen bonds due in 2008 .....	10,000	10,000	84,710
1.10% yen bonds due in 2009 .....	10,000	10,000	84,710
0.92% yen bonds due in 2009 .....	10,000	10,000	84,710
1.74% yen bonds due in 2011 .....	-	10,000	84,710
1.56% yen bonds due in 2011 .....	-	10,000	84,710
Issued by subsidiaries:			
1.3% yen bonds due in 2007 .....	1,000	-	-
Loans, principally from banks and insurance companies:			
Secured loans .....	4,996	4,454	37,730
Unsecured loans .....	307,770	279,552	2,368,081
	398,766	369,006	3,125,845
Amount due within one year .....	(126,500)	(92,083)	(780,034)
Total long-term debt (due after one year) .....	¥ 272,266	¥ 276,923	\$ 2,345,811

Long-term loans at March 31, 2006 and 2007 were principally from banks and insurance companies. The weighted average interest of loans at March 31, 2006 and 2007 were 1.2% and 1.3% per annum, respectively.

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2007 were summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008 .....	¥ 92,083	\$ 780,034
2009 .....	81,270	688,437
2010 .....	81,684	691,944
2011 .....	53,358	451,995
2012 .....	57,851	490,055
2013 and thereafter .....	2,760	23,380
Total .....	¥ 369,006	\$ 3,125,845

The Company has a commitment line provided by co-financing consisting of seven correspondent financial institutions for the purpose of securing financing in case of an emergency. The commitment line amount was ¥150,000 million (\$1,270,648 thousand), however, there is no amount of loans as of March 31, 2007.

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2006 and 2007

## 8. Income Taxes

Taxes on income consist of corporation, enterprise and inhabitants taxes. The following table summarized the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2006.

Differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2007 were not disclosed as differences were immaterial.

	2006
Statutory tax rate.....	40.7%
Permanent differences:	
Non-deductible expenses .....	4.9
Non-taxable income.....	(1.7)
Per capita inhabitant tax .....	1.2
Adjustment on investments in related companies regarding consolidated tax system .....	4.1
Consolidation adjustment on investments in related companies....	(13.5)
Increase in valuation allowance.....	0.4
Others .....	2.0
Effective tax rate	38.1%

Significant components of deferred income taxes at March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Deferred income tax assets:			
Disallowed portion of expenses and losses:			
Inventories.....	¥ 41,178	¥ 42,262	\$ 358,001
Bad debt expenses and allowance for doubtful accounts.....	5,382	5,330	45,150
Retirement benefits .....	46,615	43,287	366,684
Fixed assets .....	7,177	7,623	64,574
Consolidation adjustment on investments in related companies .....	15,497	9,138	77,408
Accrued bonus.....	5,711	5,918	50,131
Other.....	10,426	12,311	104,286
Tax loss carryforward.....	6,924	3,767	31,910
Unrealized profits.....	10,827	10,679	90,462
Sub-total.....	149,737	140,315	1,188,606
Valuation allowance.....	(9,331)	(10,636)	(90,097)
Total.....	140,406	129,679	1,098,509
Deferred income tax liabilities:			
Unrealized holding gains on securities .....	(70,120)	(85,811)	(726,904)
Gains on securities contribution to employee retirement benefit trust.....	(23,556)	(23,556)	(199,543)
Reserve for tax deferral on replacement of assets .....	(2,251)	(2,209)	(18,712)
Unrealized gains on hedging derivatives .....	-	(156)	(1,321)
Special depreciation reserve.....	(24)	(21)	(178)
Adjustment on investments in relate companies regarding consolidated tax system .....	(2,030)	-	-
Other.....	(199)	(264)	(2,236)
Total.....	(98,180)	(112,017)	(948,894)
Net total.....	¥ 42,226	¥ 17,662	\$ 149,615

In addition to the deferred income taxes shown above, deferred tax liabilities concerning revaluation of land amounting to ¥9,199 million at

March 31, 2006 and ¥9,122 million (\$77,272 thousand) at March 31, 2007, are included in the consolidated balance sheets.

## 9. Employees' severance and retirement benefits

Liabilities and expenses for severance and retirement benefits of the Company and its consolidated domestic subsidiaries are determined based on amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Projected benefit obligation.....	¥ (201,777)	¥ (190,941)	\$ (1,617,459)
Unrecognized actuarial differences.....	(13,552)	(10,951)	(92,766)
Unrecognized prior service cost.....	(457)	(5,159)	(43,702)
Less: Fair value of pension assets.....	178,168	177,883	1,506,845
Prepaid pension expense.....	(534)	(723)	(6,124)
Employees' severance and retirement benefits.....	¥ (38,152)	¥ (29,891)	\$ (253,206)

Included in the consolidated statements of income for the years ended March 31, 2006 and 2007, severance and retirement benefit

expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Service costs – benefits earned during the year.....	¥ 7,426	¥ 6,783	\$ 57,459
Interest cost on projected benefit obligation.....	4,961	4,889	41,415
Expected return on plan assets.....	(2,214)	(2,703)	(22,897)
Amortization of actuarial differences.....	5,098	(555)	(4,701)
Amortization of prior service cost.....	(77)	(462)	(3,914)
Special retirement benefits and others.....	1,403	126	1,067
Severance and retirement benefit expenses.....	¥ 16,597	¥ 8,078	\$ 68,429

The discount rates used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2006 and 2007 were 2.0 to 2.5%. The rates of expected return on the plan assets used by the Company and its consolidated domestic subsidiaries for the years ended March 31, 2006 and 2007 were 0.5% to 3.0% and 0.4% to 3.5%, respectively. The estimated amount of all retirement benefits to be paid

at the future retirement date was allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses were recognized using mainly the straight-line method over 1 to 10 years. Prior service costs were amortized using mainly the straight-line method over 1 to 10 years, the period within the estimated average remaining service life of the employees.

## 10. Net assets

As described in Note 2 (u), net assets comprise three subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve

and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

The number of treasury stock owned by the Company, consolidated subsidiaries and affiliated companies adopting the equity method as of March 31, 2006 and 2007 were 405 thousand shares and 454 thousand shares, respectively.

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2006 and 2007

## 11. Lease Transactions

## (1) Finance leases

(a) Lessee

Assumed data concerning the acquisition cost, accumulated depreciation and book value of the leased assets under the finance

leases which were accounted for in the same manner as operating leases at March 31, 2006 and 2007, inclusive of interest, were summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2006			2007			2007		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Buildings .....	¥ 2,206	¥ 1,505	¥ 701	¥ 3,002	¥ 1,862	¥ 1,140	\$ 25,430	\$ 15,773	\$ 9,657
Machinery and equipment .....	6,257	3,194	3,063	4,173	2,203	1,970	35,349	18,661	16,688
Total .....	¥ 8,463	¥ 4,699	¥ 3,764	¥ 7,175	¥ 4,065	¥ 3,110	\$ 60,779	\$ 34,434	\$ 26,345

Future lease payments at March 31, 2006 and 2007, inclusive of interest, under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Due within one year .....	¥ 1,350	¥ 1,123
Due after one year .....	2,414	1,987	16,832
Total .....	¥ 3,764	¥ 3,110	\$ 26,345

Lease expenses (assumed data as to depreciation of the leased assets) for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Lease payments (assumed depreciation) .....	¥ 1,835	¥ 1,414

Assumed depreciation was calculated by the straight-line method over the lease periods, assuming estimated residual value to be zero.

Since there is no impairment loss on finance leases, the information is not disclosed.

## (2) Operating leases

(a) Lessee

Future minimum lease payments as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Due within one year .....	¥ 4,472	¥ 7,602
Due after one year .....	41,225	51,150	433,291
Total .....	¥ 45,697	¥ 58,752	\$ 497,687

(b) Lessor

Future minimum lease receipts as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
	Due within one year .....	¥ 1,862	¥ 3,239
Due after one year .....	25,469	34,138	289,183
Total .....	¥ 27,331	¥ 37,377	\$ 316,620

## 12. Derivative Transactions

Derivative transactions of the Company and its consolidated subsidiaries at March 31, 2006 and 2007 were as follows:

### (1) Status of Derivative Transactions

The Company and its consolidated subsidiaries utilize interest rate swaps and interest rate options to mitigate fluctuation risk in interest rates or to reduce financing costs. They also enter into currency swaps and forward foreign exchange contracts to hedge foreign exchange risk. Their derivative positions related to interest rate swaps, interest rate options, currency swaps and forward foreign exchange contracts are exposed to the fluctuation of market interest rates and foreign exchange rates. They trade derivative transactions solely with internationally recognized, highly rated financial institutions and therefore consider there is little risk of default by counterparties.

The Company and its consolidated subsidiaries use forward foreign exchange contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation

of foreign currency exchange rates with respect to foreign currency receivables from the sale of their products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

The derivative transactions are executed and managed by their Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. The Manager of the Finance Department reports information on derivative transactions to the Board of Directors on a certain periodic basis.

The Company and its consolidated subsidiaries evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

### (2) Market Value of Derivative Transactions

Interest Rate-Related Derivatives:

	Millions of Yen			
	2006			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float .....	¥ 15,000	¥ 15,000	¥ 729	¥ 729
Receive float/Pay fix .....	10,000	10,000	(444)	(444)
Total .....	¥ 25,000	¥ 25,000	¥ 285	¥ 285

	Millions of Yen			
	2007			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float .....	¥ 15,000	¥ 15,000	¥ 617	¥ 617
Receive float/Pay fix .....	10,000	10,000	(381)	(381)
Total .....	¥ 25,000	¥ 25,000	¥ 236	¥ 236

	Thousands of U.S. Dollars			
	2007			
	Contract amount			
Unlisted transactions	Total	Due after one year	Market value	Unrealized gain (loss)
Interest rate swaps:				
Receive fix/Pay float .....	\$ 127,065	\$ 127,065	\$ 5,227	\$ 5,227
Receive float/Pay fix .....	84,710	84,710	(3,228)	(3,228)
Total .....	\$ 211,775	\$ 211,775	\$ 1,999	\$ 1,999

Notes 1: Market value is estimated based on actual cost and other terms in connection with each derivative transaction, or marked to market by the originating dealer.

2: Derivative transactions which were accounted for by the hedge accounting were excluded.

3: A notional amount of interest rate swaps, for which complete offsetting positions have been created in order for relevant positions to be effectively immunized from market risks related to interest rate fluctuation is ¥20,000 million (\$169,420 thousand) at March 31, 2006 and 2007.

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2006 and 2007

## 13. Segment Information

## (1) Industry segment information

The Company and its consolidated subsidiaries are primarily engaged in the following three major industry segments:

Construction ..... Building construction, civil engineering and housing construction, etc.

Real estate ..... Resale and rental of land, houses and buildings, etc.

Other business ..... Leisure, etc.

Information by industry segment for the years ended March 31, 2006 and 2007 were summarized as follows:

Millions of Yen					
2006					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers.....	¥ 1,543,289	¥ 118,127	¥ 82,578	¥ -	¥ 1,743,994
Intersegment.....	8,350	970	17,427	(26,747)	-
Total.....	1,551,639	119,097	100,005	(26,747)	1,743,994
Costs and expenses.....	1,516,159	101,758	97,943	(27,040)	1,688,820
Operating income.....	¥ 35,480	¥ 17,339	¥ 2,062	¥ 293	¥ 55,174
II. Other information					
Identifiable assets.....	¥ 1,443,149	¥ 363,026	¥ 57,596	¥ (16,588)	¥ 1,847,183
Depreciation expense.....	7,344	2,653	1,736	-	11,733
Impairment losses on fixed assets.....	104	822	-	-	926
Capital expenditures.....	8,527	3,168	1,211	(23)	12,883

Millions of Yen					
2007					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
I. Sales and operating income					
Net sales:					
Customers.....	¥ 1,673,576	¥ 116,742	¥ 83,007	¥ -	¥ 1,873,325
Intersegment.....	7,068	1,089	17,957	(26,114)	-
Total.....	1,680,644	117,831	100,964	(26,114)	1,873,325
Costs and expenses.....	1,648,253	96,999	96,770	(26,370)	1,815,652
Operating income.....	¥ 32,391	¥ 20,832	¥ 4,194	¥ 256	¥ 57,673
II. Other information					
Identifiable assets.....	¥ 1,592,775	¥ 358,724	¥ 76,104	¥ (38,284)	¥ 1,989,319
Depreciation expense.....	7,701	2,402	1,566	-	11,669
Impairment losses on fixed assets.....	3,431	176	-	-	3,607
Capital expenditures.....	10,009	3,746	1,457	-	15,212

Thousands of U.S. Dollars					
2007					
	Construction	Real estate	Other	Elimination and/or corporate	Consolidated
<b>I. Sales and operating income</b>					
Net sales:					
Customers.....	\$ 14,176,840	\$ 988,920	\$ 703,151	\$ -	\$ 15,868,911
Intersegment.....	59,873	9,225	152,114	(221,212)	-
Total.....	14,236,713	998,145	855,265	(221,212)	15,868,911
Costs and expenses.....	13,962,329	821,677	819,738	(223,380)	15,380,364
Operating income.....	\$ 274,384	\$ 176,468	\$ 35,527	\$ 2,168	\$ 488,547
<b>II. Other information</b>					
Identifiable assets.....	\$ 13,492,376	\$ 3,038,746	\$ 644,676	\$ (324,303)	\$ 16,851,495
Depreciation expense.....	65,235	20,339	13,265	-	98,839
Impairment losses on fixed assets.....	29,064	1,491	-	-	30,555
Capital expenditures.....	84,786	31,733	12,342	-	128,861

Notes 1. The types of business above are based upon the Standard Industrial Classification in Japan and net sales categories in the consolidated statement of income.

2. As noted in note 2(t), effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standard for Valuation of Inventory" ("Statement No.9" issued by the Accounting Standards Board of Japan on July 5, 2006), which was applicable since the year ended March 31, 2007. As a result of the change, the costs and expenses in the "Real estate" segment increased by ¥ 275 million (\$ 2,330 thousand) and the operating income decreased by the same amount.

## (2) Geographical segment information

Geographic segment information for the years ended March 31, 2006 and 2007 were not shown since aggregate sales of overseas subsidiaries were less than 10% of total net sales of all segments and aggregate assets of overseas subsidiaries were less than 10% of total assets of all

segments.

## (3) Overseas sales

Overseas sales for the years ended March 31, 2006 and 2007 were summarized as follows:

Millions of Yen					
2006					
	Asia	Middle east	North America	Others	Total
Overseas sales.....	¥ 98,508	¥ 29,075	¥ 16,536	¥ 16,471	¥ 160,590
Consolidated sales.....					¥ 1,743,994
Percentage of overseas sales over consolidated sales.....	5.7%	1.7%	0.9%	0.9%	9.2%

Millions of Yen					
2007					
	Asia	Middle east	North America	Others	Total
Overseas sales.....	¥ 148,290	¥ 42,265	¥ 30,282	¥ 23,356	¥ 244,193
Consolidated sales.....					¥ 1,873,325
Percentage of overseas sales over consolidated sales.....	7.9%	2.3%	1.6%	1.2%	13.0%

Thousands of U.S. Dollars					
2007					
	Asia	Middle east	North America	Others	Total
Overseas sales.....	\$ 1,256,163	\$ 358,026	\$ 256,518	\$ 197,849	\$ 2,068,556
Consolidated sales.....					\$ 15,868,911

Notes 1. Geographical distances are considered in classification of country or area. Major countries and areas included in each segment were as follows:

- Asia.....Malaysia, Chinese Taipei, Singapore, Vietnam, and China
- Middle East.....UAE and Turkey
- North America.....USA

2. Overseas sales represent sales of the Company and consolidated subsidiaries to countries and areas outside of Japan.

## Notes to Consolidated Financial Statements (cont.)

TAISEI CORPORATION and Consolidated Subsidiaries  
Years Ended March 31, 2006 and 2007

#### 14. Contingent Liabilities and Commitments

At March 31, 2007, the Company and its consolidated subsidiaries were contingently liable as guarantors for loans of companies, employees and others, which were not consolidated companies, in the amount of ¥ 6,865 million (\$ 58,153 thousand). In case there were other guarantors

beside the Company and its consolidated subsidiaries, amounts of Company's share of the contingent liabilities resulting from the guarantees were stated.

#### 15. Liquidation of credit

The Company conducted liquidation of trade accounts receivables amounting to ¥ 27,837 million at March 31, 2006.

#### 16. Revaluation Reserve for land

In the year ended March 31, 2002, certain consolidated domestic subsidiaries executed revaluation of their land owned for business in accordance with the Law Concerning Revaluation of Land (the "Law").

As a result of this revaluation, deferred income taxes concerning the differences between the amounts after revaluation and the book values before revaluation were stated in the assets and liabilities in the consolidated balance sheets. The differences between these amounts, net of taxes, were stated as "Revaluation reserve for land" in "Accumulated gains from valuation and translation adjustments".

The revaluation was executed in accordance with the method

prescribed in the Article 2, Items 3, 4 and 5 of the Law on November 30, 2001 and March 31, 2002.

One of the consolidated subsidiaries, which was merged with another consolidated subsidiary on December 1, 2001, executed the revaluation on November 30, 2001.

According to the Law, the Company and its consolidated subsidiaries were not permitted to revalue the land at any time even in case that the fair value of the land rises. Such unrecorded revaluation gain at March 31, 2006 and 2007 were ¥ 6,948 million and ¥ 2,590 million (\$ 21,940 thousand), respectively.

#### 17. Research and Development Expenses

Research and development expenses, which were included in selling, general and administrative expenses and cost of sales, amounted to

¥ 9,386 million and ¥ 9,118 million (\$ 77,238 thousand) for the years ended March 31, 2006 and 2007, respectively.

#### 18. Impairment of fixed assets

Impairment losses on fixed assets for the year ended March 31, 2006 and 2007 consisted of the following:

2006		
Use	Type of assets	Location
Asset for rent .....	Land and building	Kagoshima (1 lot)
Asset for sale (converted from business use) .....	Land, building and structure	Chiba (1 lot)
Dormant asset .....	Land	Hokkaido (1 lot)
2007		
Use	Type of assets	Location
Asset for business use .....	Land, building and structure	Kanagawa and 1 other (2 lots)
Asset for sale (converted from business use) .....	Land, building and structure	Shizuoka and 1 other (2 lots)
Dormant assets .....	Land	Miyagi and 3 others (4 lots)

The Company and its consolidated domestic subsidiaries grouped their fixed assets based on units, for which decisions for making investments are made. Book values of the fixed assets listed above were

reduced to recoverable amounts and impairment losses were recognized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Buildings and structures .....	¥ 371	¥ 2,301	\$ 19,492
Land .....	555	1,306	11,063
Total .....	¥ 926	¥ 3,607	\$ 30,555

The recoverable amounts of the fixed assets for the year ended March 31, 2006 were the larger of (1) their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards or publicly-assessed land values in case of less material properties, or (2) present values of expected future cash flows from on-going utilization and subsequent disposition of the fixed

assets based on a discount rate of 5.0%. The recoverable amounts of the fixed assets for the year ended March 31, 2007 were based on their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards or publicly-assessed land values in case of less material properties.

## 19. Per share data

Net assets worth per share and net income per share as of and for the years ended March 31, 2006 and 2007 were as follows:

	Yen		U.S. Dollars
	2006	2007	2007
Net assets worth per share .....	¥ 324.19	¥ 365.72	\$ 3.098
Net income per share .....	26.57	24.64	0.209

Diluted net income per share is not presented, since the Company has never issued any dilutive securities.

Calculation bases for net income per share for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Net income .....	¥ 28,363	¥ 26,222	\$ 222,126
Net income not available to common stock holders .....	83	-	-
(Net income appropriated as bonuses to directors) .....	(83)	-	-
Net income available to common stock .....	28,280	26,222	222,126
Average common stock outstanding (in thousands share) .....	¥ 1,064,445	¥ 1,064,380	

## 20. Subsequent Event

### Cash dividends

The following appropriation of retained earnings at March 31, 2007 was

approved at the annual meeting of the Company's shareholders held on June 26, 2007.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥ 3.0 (\$ 0.025) per share .....	¥ 3,193	\$ 27,048