NIPPON KOEI
Challenging mind, Changing dynamics

Annual Report 2007

Year Ended March 31, 2007

Company Profile

Nippon Koei Co., Ltd. established in 1946, specializes in engineering consulting and electric power engineering. Since its foundation, the Company has adhered to a policy of contributing to society through technology.
Our engineering consulting services, provided by the Consulting Administration Group, draws on the technical expertise of specialists in diverse fields. Since our first overseas venture, a hydroelectric power project in Myanmar in 1954, we have participated in a broad variety of sophisticated development projects worldwide.
The Engineering Administration Group spearheads the Company's electric power engineering business. Here, we provide a complete engineering package, from surveys and designs to the installation of a wide range of equipment, including power stations and substations, transmission lines, and end-user equipment. We are active both in Japan and overseas.
Committed to responsible corporate citizenship, Nippon Koei and its employees dedicate their efforts to creating comfortable living environments for people around the world.

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Financial Highlights

Consolidated

Years Ended March 31	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars 2007
Net sales	**¥67,053**	¥68,152	**$568,005**
Net income	**1,465**	1,455	**12,411**
Net income per share (Yen/Dollars)	**17.47**	16.64	**0.15**
As of March 31			
Total assets	**82,788**	84,273	**701,296**
Equity	**44,389**	43,880	**376,019**

Non-Consolidated

Years Ended March 31	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars 2007
Net sales	**¥49,787**	¥50,855	**$421,745**
Net income	**801**	701	**6,785**
Net income per share (Yen/Dollars)	**9.55**	7.78	**0.07**
As of March 31			
Total assets	**71,453**	72,268	**605,277**
Equity	**41,088**	41,617	**348,056**

Notes: 1. Per share amounts are based on the weighted average number of shares outstanding during each period.
2. The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥118.05=US$1, the approximate rate of exchange at March 31, 2007.

Consolidated Business Report for Fiscal 2006
(Fiscal Year Ended March 31, 2007)

1. Overview of Performance and Cash Flow

(1) Performance

Despite sluggish growth in wages and personal consumption during the period under review, the Japanese economy as a whole remained on course for recovery as improved corporate earnings led to increased private-sector capital investment.

Although capital investment by electric power companies increased, the Nippon Koei Group continued to face a harsh operating environment due to continued reduction in budgets for public works and official development assistance (ODA) and the consequent market contraction in core fields of business.

In the face of these circumstances, the Group worked to expand our share of orders and improve operational efficiency through enhanced coordination between Company operational divisions and between Group companies, while also seeking to improve our cost structure with extensive reductions in payroll expenses and other expenditures to build an organization capable of withstanding changes in the business environment.

As a result, performance during the period under review was largely favorable with consolidated orders of 63,837 million yen, down 3.4% from the previous year, and sales level with the previous year at 67,053 million yen.

Earnings held steady compared with the previous year, with operating income 2,314 million yen and current net income of 1,465 million yen.

Outlines of Group performance in specific sectors follow below.

Domestic Consulting Operations

Although the road planning and survey businesses enjoyed increases in orders, the value of orders booked only held steady from the previous year at 36,168 million yen and sales likewise at 37,224 million yen.

Overseas Consulting Operations

While railway operations enjoyed increases survey business in, for example, India, the water resource development operations dropped off, resulting in orders of 13,946 million yen, down 19.7% from the previous year, and sales of 14,972 million yen, down 8.8% from the previous year.

Manufacturing Operations

With the conclusion of such contracts as for centralized monitoring and control systems for electric power company transformer substations, orders held steady from the previous year at 9,295 million yen while sales fell to 9,578 million yen, down 5.7% from the previous year.

Engineering Operations

The booking of such orders as for installation of electrical machinery at electric power company transformer substations brought strong growth in orders of 43.7% over the previous year to 3,786 million yen and in sales of 33.9% over the previous year to 3,365 million yen.

Other Business Operations

Other business operations, consisting primarily of real estate leasing and software development and sales, saw steady growth in sales of 13.8% over the previous year to 1,914 million yen.

(2) Cash Flow

An increase in current income before income taxes and minority interests, our efforts for early collection of receivable and a decrease in inventory assets contributed to cash flow from operating activities of 4,680 million yen (an increase of 3,448 million yen from the same period the previous year).

Cash flow from investment activities amounted to a negative 1,415 million yen (a decrease of 1,305 million from the same period the previous year) due to the acquisition of negotiable securities, including in strategic investments.

Cash flow from financial activities amounted to a negative 2,757 million yen (an increase of 2,280 million yen from the same period the previous year) due to the payment of dividends to shareholders, including a commemorative dividend, and, as in the previous year, the redemption of interest-bearing corporate bonds.

As a result, cash and cash-equivalents increased 515 million yen to close the fiscal year with a balance of 5,498 million yen, including an additional 214 million yen due to the additional consolidation of subsidiaries.

2. Production, New Orders and Sales

(1) New Orders

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
New Orders		
Domestic consulting operations	36,168	-0.1
Overseas consulting operations	13,946	-19.7
Power equipment manufacturing operations	9,295	-0.7
Electric power engineering operations	3,786	43.7
Other business operations	641	31.7
Total new orders	63,837	-3.4
Outstanding orders		
Domestic consulting operations	15,568	-6.3
Overseas consulting operations (*1)	22,149	-0.5
Power equipment manufacturing operations	1,851	-13.2
Electric power engineering operations	1,424	42.1
Other business operations	—	-100.0
Total orders on hand	40,995	-2.5

Notes: 1. Includes outstanding orders of 906 million yen as of initiation of consolidation of Nippon Koei U. K. Co., Ltd., a consolidated subsidiary with a deemed acquisition date of September 30, 2006.
2. Amounts above do not include consumption tax.

(2) Sales Performance

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
Domestic consulting operations	37,224	-0.4
Overseas consulting operations	14,972	-8.8
Power equipment manufacturing operations	9,578	-5.7
Electric power engineering operations	3,365	33.9
Other business operations	653	36.0
Other operations (*4)	1,261	4.9
Total FY2006 sales	67,053	-1.6

Notes: 1. Status of production is not stated due to the difficulty of defining production performance for this consolidated group.
2. Transactions between businesses are offset and eliminated.
3. Amounts above do not include consumption tax.
4. Other operations (real estate leasing, etc.) are included in neither new nor outstanding orders.
5. Sales to major customers as a proportion of total sales are as follows.

Customer	**This Consolidated Fiscal Year**		Previous Consolidated Fiscal Year	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Ministry of Land, Infrastructure and Transport	**9,834**	**14.7**	8,268	12.1
Tokyo Electric Power Co. Ltd.	**8,001**	**11.9**	8,979	13.2

3. Future Challenges

As public works and the national ODA budgets continue to decline and price competition continues to intensify, capital investment and other spending by electric power companies are also forecast to level off and our operating environment is likely to remain difficult.

In these circumstances, the Group is resolutely committed to the following policies grounded in our medium-term management plan, of which FY2008 is the final year, and will make a concerted effort to improve performance.

(1) Enhanced Capabilities in Core Businesses

We will direct our efforts to maintaining our top market share in the comprehensive disaster prevention field and expanding our share of orders in those sectors that have been long-standing strengths of the Group, including water resources development, transport, environmental assessment and planning, and transformer substation control systems and other computerized control systems. We will also seek to offer differential value and expand our share of orders in the ground foundations sector by exploiting our distinctive capabilities.

We will also prioritize management resources in an effort to acquire the required personnel and advance technology development, working to expand orders in other areas in which growth is forecast, including: the application of information technology to public works; social infrastructure renovation and maintenance; asset management; redevelopment for the effective utilization of existing facilities; urban development; social development, such as support activities in the establishment and restoration of peace, poverty reduction, and the guarantee of human security; major railway projects overseas; and electric power facility renovation projects.

(2) Enhanced Solutions Capabilities in High-Value-Added Businesses

We will both focus on expanding orders arising from technical proposals and enhance proposal-driven sales that exploit the technology and know-how that the Group has developed. We will also work to enhance our solutions capabilities for customers and win more orders for yen-loan projects by reinforcing our sales organization in the Company’s overseas offices, including offices opened in India and the Middle East, and through coordination with such entities as Nippon Koei U. K. Co. Ltd., our strategic subsidiary based in the United Kingdom which this year was made a consolidated subsidiary.

(3) Thoroughgoing Operational Efficiency

We will seek to further reduce fixed costs through consolidating the domestic business offices of Group companies and centralizing clerical operations and improve our earnings structure to raise production efficiency by means of a comprehensive revenue management system. In addition to thorough pursuit of operational efficiencies through continued system upgrades and enhanced employee training, we will continue to work to augment the corporate structure by extending practices for treatment commensurate with performance and contribution to enhance the morale of employees who generate high returns.

(4) Enhanced Coordination between Company Operational Divisions and between Group Companies

We will both enhance coordination between Company operational divisions, by stimulating interaction among their personnel, and exploit those technologies that are the strength of Group companies, including the urban development technologies of Tamano Consultants Co., Ltd. and the underground construction technologies of Nippon Civic Consulting Engineers Co., Ltd., to cultivate synergies between those entities and increase the corporate value of the Group as a whole.

The Group will continue to position compliance as the foundation of corporate management, and individual Group officers and employees will work to enhance the effectiveness of compliance-based management in their day-to-day work on the basis of the Charter of Corporate Responsibility. We will continue to construct a framework of internal control on financial reporting so as to conduct appropriate financial reporting of high reliability.

In April 2007 the Group instituted a new corporate brand. In order to generate high value and contribute to the development of society through independent thinking infused with competitive spirit and a sense of professionalism on the basis of sincerity and advanced technology grounded in the Group management philosophy that states “Act with sincerity and contribute to society through technology,” we have adopted the slogan “Challenging Mind, Changing Dynamics” to mobilize the full potential of individual Group companies with renewed vigor.

With these policies we will work to further improve performance and towards achieving the goals of our medium-term management plan. We hope that we may enjoy the continued particular understanding and support of all our shareholders.

4. Business Risks

Uneven Annual Distribution of Business Results

The primary operations of the Group are in the construction consultancy and electric power engineering businesses. In construction consultancy operations in particular, work completion for government and public agency orders is clustered towards the end of the financial year (March). As a result, 70-80% of Group sales tend to occur in the second half of the year.

Dependence of Business on Major Customers

Construction consultancy operations have a high degree of dependency, some 90%, on sales to domestic government offices and agencies and foreign governments and tend to be affected domestically by movements in Japanese public investment and overseas by movements in Japanese ODA budgets.

Electric power engineering operations have a high degree of dependency, some 60-70%, on sales to Tokyo Electric Power Company (TEPCO) and tend to be affected by movements in TEPCO electric power capital investment.

5. Operationally Significant Contracts

The Group reports no operationally significant contracts.

6. Research and Development

The Group works to achieve a living environment that is safe and comfortable for people through the appropriate utilization of technology with the motto, “Contribute to society through technology”. Our Central Research Laboratory and Nippon Koei Power Systems Co., Ltd. conduct our technology development activities. Research and development costs for the Group overall in this consolidated fiscal year amounted to 218 million yen.

Domestic and Overseas Consulting Operations

Research and development in a wide range of construction consulting services is conducted at our Central Research Laboratory. We monitor research by means of adjusted return mapping in order to accelerate research outcomes and evaluate their practical contribution. During the consolidated fiscal year under review, research and development was conducted primarily as follows:

(1) Research and development of advanced numerical analysis techniques and general-purpose software applications

Research relating to practical applications of two- and three-dimensional hydraulic analysis, applied research in neural networks and other soft computing technologies, development of software for the evaluation of the earthquake-resistant properties and ultimate load-bearing capacity of superannuated structures, development of NK-GIAS hydrology application software

(2) Research and development relating to disaster prevention on national lands

Development of support systems for the design of landslide groundwater control, research into upgrading mudslide detection systems, development of earthquake motion plotting technologies and real-time damage prediction systems using fault models, the use of centrifugal load modeling equipment to research the flotation of manholes caused by ground liquefaction, research into slope failures and predicting the deposition of moving soil materials

(3) Research and development relating to environmental preservation

Development of technologies for using soil microorganisms to prevent runoff and soil loss from agricultural land, research into the sustainable utilization of forests for mitigating global warming, experiments in and analysis of littoral saltwater intrusion and accounting for tidal variability

(4) Research and development in performance verification and management support systems

Research into performance verification techniques for hybrid structures, research into risk assessment and project assessment for social infrastructure improvements

(5) Technical exchanges with overseas research institutes

Technical exchange activities conducted with Tongji University and Tsinghua University in China

Research and development costs in support of these operations were 132 million yen.

Manufacturing and Engineering Operations

Research and development for these businesses is conducted primarily by Nippon Koei Power Systems Co., Ltd., and during the consolidated fiscal period under review consisted primarily of the following:

(1) Development of advanced synchronizer

Implementation of human interface functions for improved operability to develop a lower-cost synchronizer as an advance on existing equipment for long-term production and maintenance

(2) Development of standard TC interface and maintenance system

With the move to two-layer control in centralized monitoring and control systems for transformer substations, development of standard TC (remote monitoring and control) interface equipment to serve as the backbone information conduit between existing TC equipment and direct control cables via existing systems, and of maintenance systems to replace existing systems for monitoring and maintenance

Research and development costs in support of these operations were 85 million yen.

7. Analysis of Financial Condition and Management Performance

The following is an analysis of the Company's financial condition and management performance for the consolidated fiscal year under review.

Financial Condition

Consolidated assets at the end of the year amounted to 82,788 million yen, a decrease of 1,485 million yen from the previous year. The primary causes of the decrease were the decrease in current assets of 501 million yen and the decrease in fixed assets of 984 million yen.

The primary causes of the decrease in current assets were the decrease in inventories of 940 million yen, the decrease in trade notes and trade accounts of 201 million yen and the increase in cash and cash equivalents of 729 million yen.

The primary cause of the decrease in fixed assets was the extinguishment of depreciable assets and software of 1,188 million yen.

The primary causes of the decrease in current liabilities were the decrease in short-term borrowings of 1,700 million yen, the decrease in allowance for anticipated project loss reserve of 556 million yen and the increase in advance received of 636 million yen.

The primary cause of the decrease in fixed liabilities was the decrease in liability for retirement benefits of 267 million yen.

The primary causes of the increase in equity were the increase in retained earnings of 572 million yen and the decrease in unrealized gain on available-for-sale securities of 436 million yen.

Management Performance

Net sales amounted to 67,053 million yen, a decrease of 1,099 million yen from the previous year.

On the other hand, we recorded operating income of 2,314 million yen, up 125 million yen from the previous year, as a result of an improved sales-profit ratio due to reductions in production costs. The ratio of operating income to sales improved by 0.3% from last year to 3.5%.

Other income gave a revenue surplus of 327 million yen, an increase of 390 million yen from the previous year.

Thus, income before income taxes and minority interests came to 2,641 million yen, and net income came to 1,465 million yen, an increase of 10 million yen from the previous year.

Osamu Takahashi
President

Consolidated Balance Sheets

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 5,498**	¥ 4,769	**$ 46,573**
Marketable securities (Note 3)	**40**		**339**
Receivables :			
Trade notes	**79**	87	**669**
Trade accounts	**27,155**	27,348	**230,030**
Allowance for doubtful accounts	**(273)**	(531)	**(2,313)**
Inventories (Note 4)	**9,299**	10,239	**78,772**
Deferred tax assets (Note 10)	**1,652**	1,622	**13,994**
Prepaid expenses and other current assets	**1,602**	2,019	**13,571**
Total current assets	**45,052**	45,553	**381,635**
PROPERTY, PLANT AND EQUIPMENT (Notes 5, 6 and 8)**:**			
Land	**13,152**	13,166	**111,410**
Buildings and structures	**18,433**	18,800	**156,146**
Machinery and equipment	**2,423**	2,480	**20,525**
Furniture and fixtures	**2,685**	2,740	**22,745**
Construction in progress	**68**	1	**576**
Total	**36,761**	37,187	**311,402**
Accumulated depreciation	**(13,265)**	(13,058)	**(112,368)**
Net property, plant and equipment	**23,496**	24,129	**199,034**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**8,691**	8,263	**73,622**
Investments in unconsolidated subsidiaries and associated companies	**550**	561	**4,659**
Long-term loans receivable	**148**	454	**1,254**
Goodwill	**2,482**	2,771	**21,025**
Receivables in bankruptcy	**136**	130	**1,152**
Deferred tax assets (Note 10)	**251**	198	**2,126**
Other assets (Note 5)	**2,228**	2,443	**18,873**
Allowance for doubtful accounts	**(246)**	(229)	**(2,084)**
Total investments and other assets	**14,240**	14,591	**120,627**
TOTAL	**¥82,788**	¥84,273	**$701,296**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	2006	Thousands of U.S.Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	**¥ 3,500**	¥ 5,200	**$ 29,648**
Current portion of long-term debt (Note 6)	**190**	190	**1,609**
Payables :			
Trade notes	**604**	671	**5,116**
Trade accounts	**5,989**	5,706	**50,733**
Income taxes payable	**409**	256	**3,465**
Advances received	**6,761**	6,125	**57,272**
Accrued bonuses	**1,097**	997	**9,293**
Allowance for anticipated project loss	**123**	679	**1,042**
Other current liabilities (Note 10)	**3,995**	4,413	**33,842**
Total current liabilities	**22,668**	24,237	**192,020**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**8,814**	9,005	**74,663**
Liability for retirement benefits (Note 7)	**2,959**	3,226	**25,066**
Deferred tax liabilities (Note 10)	**973**	505	**8,242**
Deposit received (Note 8)	**2,857**	2,857	**24,202**
Other liabilities	**128**	191	**1,084**
Total long-term liabilities	**15,731**	15,784	**133,257**
MINORITY INTERESTS		372	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
EQUITY (Notes 9 and 15):			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares in 2007 and 2006	**7,393**	7,393	**62,626**
Capital surplus	**6,132**	6,132	**51,944**
Retained earnings	**30,077**	29,505	**254,782**
Unrealized gain on available-for-sale securities	**1,529**	1,965	**12,952**
Treasury stock—at cost 2,840,445 shares in 2007 and 2,775,714 shares in 2006	**(1,137)**	(1,115)	**(9,631)**
Total	**43,994**	43,880	**372,673**
Minority interests	**395**		**3,346**
Total equity	**44,389**	43,880	**376,019**
TOTAL	**¥82,788**	¥84,273	**$701,296**

Consolidated Statements of Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2007	2006	**2007**
NET SALES	**¥67,053**	¥68,152	**$568,005**
COST OF SALES (Note 11)	**51,139**	52,411	**433,198**
Gross profit	**15,914**	15,741	**134,807**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**13,600**	13,552	**115,205**
Operating income	**2,314**	2,189	**19,602**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**226**	214	**1,914**
Interest expense	**(170)**	(196)	**(1,440)**
Foreign currency exchange (loss) gain	**(16)**	157	**(136)**
Loss on disposal of property, plant and equipment	**(40)**	(72)	**(339)**
Gain on sales of investment securities	**231**	401	**1,957**
Reversal of allowance for doubtful accounts	**255**	71	**2,160**
Special retirement benefits for employees (Note 7)	**(170)**	(308)	**(1,440)**
Loss on impairment of long-lived assets (Note 5)	**(46)**	(365)	**(390)**
Other—net	**57**	35	**484**
Other income (expenses)-net	**327**	(63)	**2,770**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,641**	2,126	**22,372**
INCOME TAXES (Note 10)**:**			
Current	**497**	258	**4,210**
Deferred	**655**	479	**5,548**
Total income taxes	**1,152**	737	**9,758**
MINORITY INTERESTS IN NET INCOME	**24**	25	**203**
ADJUSTMENT OF MINORITY INTERESTS		(91)	
NET INCOME	**¥ 1,465**	¥ 1,455	**$ 12,411**

	Yen		U.S.Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2. q.)**:**			
Basic net income	**¥17.47**	¥16.64	**$0.15**
Cash dividends applicable to the year	**7.50**	10.00	**0.06**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2005	**85,331**	**¥7,393**	**¥6,110**	**¥28,555**	**¥925**	**¥ (394)**	**¥42,589**		**¥42,589**
Adjustment of retained earnings for newly consolidated subsidiary				136			136		136
Net income				1,455			1,455		1,455
Cash dividends, ¥7.50 per share				(641)			(641)		(641)
Adjustment of capital surplus for additional investments in a consolidated subsidiary through a stock exchange	192		21			47	68		68
Net increase in treasury stock	(1,642)		1			(768)	(767)		(767)
Net increase in unrealized gain on available-for-sale securities					1,040		1,040		1,040
BALANCE, MARCH 31, 2006	**83,881**	**7,393**	**6,132**	**29,505**	**1,965**	**(1,115)**	**43,880**		**43,880**
Reclassified balance as of March 31, 2006 (Note 2.h)								372	372
Adjustment of retained earnings for newly consolidated subsidiary				(12)			(12)		(12)
Net income				1,465			1,465		1,465
Cash dividends, ¥10.00 per share				(841)			(841)		(841)
Bonuses to directors				(40)			(40)		(40)
Net increase in treasury stock	(65)					(22)	(22)		(22)
Net decrease in unrealized gain on available-for-sale securities					(436)		(436)		(436)
Net change in the year								23	23
BALANCE, MARCH 31, 2007	**83,816**	**¥7,393**	**¥6,132**	**¥30,077**	**¥1,529**	**¥(1,137)**	**¥43,994**	**¥395**	**¥44,389**

	Thousands of U.S.Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	**$62,626**	**$51,944**	**$249,937**	**$16,646**	**$(9,446)**	**$371,707**		**$371,707**
Reclassified balance as of March 31, 2006 (Note 2.h)							3,151	3,151
Adjustment of retained earnings for newly consolidated subsidiary			(102)			(102)		(102)
Net income			12,410			12,410		12,410
Cash dividends, $0.08 per share			(7,124)			(7,124)		(7,124)
Bonuses to directors			(339)			(339)		(339)
Net increase in treasury stock					(185)	(185)		(185)
Net decrease in unrealized gain on available-for-sale securities				(3,694)		(3,694)		(3,694)
Net change in the year							195	195
BALANCE, MARCH 31, 2007	**$62,626**	**$51,944**	**$254,782**	**$12,952**	**$(9,631)**	**$372,673**	**$3,346**	**$376,019**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
OPERATING ACTIVITIES:	**2007**	2006	**2007**
Income before income taxes and minority interests	**¥ 2,641**	¥2,126	**$ 22,372**
Adjustments for:			
Income taxes – paid	**(347)**	(289)	**(2,939)**
Depreciation and amortization	**1,188**	1,376	**10,064**
Gain on sales of property, plant and equipment	**(5)**	(2)	**(42)**
Loss on disposal of property, plant and equipment	**39**	72	**330**
Gain on sales of investment securities	**(231)**	(401)	**(1,957)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade accounts receivable	**447**	(1,281)	**3,787**
Decrease (increase) in inventories	**968**	(163)	**8,200**
Increase (decrease) in trade accounts payable	**161**	(299)	**1,364**
(Decrease) increase in liability for retirement benefits	**(267)**	430	**(2,262)**
Other – net	**86**	(337)	**727**
Net cash provided by operating activities	**4,680**	1,232	**39,644**
INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities		40	
Proceeds from sales of property, plant and equipment	**13**	6	**110**
Purchases of property, plant and equipment	**(249)**	(219)	**(2,109)**
Proceeds from sales of investment securities	**1,292**	1,898	**10,945**
Purchases of investment securities	**(2,272)**	(1,754)	**(19,246)**
Increase in other assets	**(199)**	(81)	**(1,686)**
Net cash used in investing activities	**¥(1,415)**	¥ (110)	**$(11,986)**

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
FINANCING ACTIVITIES:	**2007**	2006	**2007**
Net decrease of short-term bank loans	**¥(1,700)**	¥(1,825)	**$(14,401)**
Proceeds from long-term debt		4,000	
Repayments of long-term debt	**(191)**	(5,799)	**(1,618)**
Purchase of treasury stock	**(22)**	(768)	**(186)**
Dividends paid	**(842)**	(640)	**(7,133)**
Other—net	**(2)**	(5)	**(17)**
Net cash used in by financing activities	**(2,757)**	(5,037)	**(23,355)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**7**	55	**59**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**515**	(3,860)	**4,362**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	**214**	109	**1,813**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,769**	8,520	**40,398**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 5,498**	¥ 4,769	**$ 46,573**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by consolidation of subsidiary previously unconsolidated	**¥ 341**	¥ 126	**$ 2,889**
Liabilities increased by consolidation of subsidiary previously unconsolidated	**547**	50	**4,634**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standard Board of Japan (the “ASBJ”) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders’ equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed “the consolidated statement of changes in equity” in the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nippon Koei Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation —The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its nine significant (eight in 2006) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill is amortized using the straight-line method over 5 to 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. Inventories —Inventories are stated at cost, mainly determined by the specific identification cost method.

d. Marketable and Investment Securities —Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment —Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 as well as other equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment and from 2 to 20 years for furniture and fixtures.

f. Long-lived Assets —The Group reviews their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net asset or the selling price as disposition.

g. Retirement and Pension Plans —The Group has contributory defined benefit pension plans and unfunded retirement benefit plans for the benefit of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥2,016 million for the subsidiaries, determined as of April 1, 2000, is being amortized over 15 years. Unrecognized actuarial gain or loss are recognized by the straight-line method over 13 years.

The Group changed its period of unrecognized actuarial gain or loss from primarily 15 years to 13 years in fiscal 2008 as the employees' remaining service period was shortened. Unrecognized amortization of prior service cost, are recognized by the straight-line method over 13 years.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. Presentation of Equity —On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

i. Allowance for Anticipated Project Loss —The Group has made a provision for anticipated losses on uncompleted project contracts.

j. Leases —All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

k. ***Bonuses to directors and corporate auditors*** —Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥60 million ($508 thousand).

l. ***Income Taxes*** —The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. ***Appropriations of Retained Earnings*** —Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

n. ***Foreign Currency Transactions*** —All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

o. ***Revenue Recognition*** —Revenues and gross profits on long-term contracts which have over two years duration and more than ¥1 billion contract amount are recognized by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs (cost to cost method).

Revenues and gross profits on long-term contracts in the Manufacturing and Engineering business segments which have over one year duration and more than ¥300 million contract amount are also recognized by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs (cost to cost method).

While individual construction projects, except the aforementioned, are recorded using the completed-contract method.

p. ***Derivatives and Hedging Activities*** —The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

q. ***Per Share Information*** —Basic net income per share is computed by dividing net income available to shareholders of common stock, by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. The weighted-average numbers of shares of common stock for the years ended March 31, 2007 and 2006 are 83,845,738 and 84,997,532, respectively.

Diluted net income per share of common stock is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. ***New Accounting Pronouncements***

Measurement of Inventories —Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting —On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements —Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Current:			
Government and corporate bonds	**¥ 40**		**$ 339**
Total	**¥ 40**		**$ 339**
Non-current:			
Marketable equity securities	**¥7,301**	¥7,321	**$61,847**
Government and corporate bonds	**240**	294	**2,033**
Other	**1,150**	648	**9,742**
Total	**¥8,691**	¥8,263	**$73,622**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥4,476**	**¥2,596**	**¥105**	**¥6,967**
Debt securities	**113**	**7**	**4**	**116**
Other	**1,120**	**36**	**8**	**1,148**
Total	**¥5,709**	**¥2,639**	**¥117**	**¥8,231**

	Millions of Yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,814	¥3,152	¥1	¥6,965
Debt securities	113	14	7	120
Other	556	93	1	648
Total	¥4,483	¥3,259	¥9	¥7,733

	Thousands of U.S.Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$37,916**	**$21,991**	**$889**	**$59,018**
Debt securities	**957**	**59**	**34**	**982**
Other	**9,488**	**305**	**68**	**9,725**
Total	**$48,361**	**$22,355**	**$991**	**$69,725**

Securities whose fair value are not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥335**	¥356	**$2,838**
Other	**1**	1	**8**
Held-to-maturity	**164**	173	**1,390**
Total	**¥500**	¥530	**$4,236**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥1,005 million ($8,513 thousand) and ¥1,240 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥231 million ($1,957 thousand) and ¥17 million ($144 thousand), respectively for the year ended March 31, 2007 and ¥401 million and ¥33 million, respectively for the year ended March 31, 2006.

The carrying values of debt securities and other by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007 are as follows:

	Million of Yen	Thousands of U.S.Dollars
Due in one year or less	¥ 40	$ 339
Due after one year through five years	126	1,067
Due after five years through ten years	119	1,008
Due after ten years	207	1,754
Total	¥492	$4,168

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Merchandise	**¥ 225**	¥ 225	**$ 1,906**
Work in process	**8,753**	9,738	**74,147**
Raw materials and supplies	**321**	276	**2,719**
Total	**¥9,299**	¥10,239	**$78,772**

5. LONG-LIVED ASSETS

For the year ended March 31, 2007, the Group recognized impairment losses on the following assets:

	Type of assets	Location	Number of assets	Millions of Yen	Thousands of U.S.Dollars
Idle properties	Land	Chiba Prefecture	2	¥14	$119
Rest homes	Land, buildings, and other	Gunma Prefecture	3	14	119
		Niigata Prefecture	2	11	93
		Chiba Prefecture	1	7	59

The Group reviewed its long-lived assets for impairment as of March 31, 2007 and 2006, and as a result, recognized an impairment loss of ¥46 million ($390 thousand) and ¥365 million as other expense on idle properties, rest homes and assets used for business due to a substantial decline in their fair market value.

Asset grouping is based on the nature of the Company's business and the classification for its management accounting, and as for idle assets, each individual unit is considered as a group.

6. SHORT-TERM BORROWINGS AND LONG TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted of notes to banks. The annual interest rates applicable to the short-term borrowings ranged from 1.032% and 0.467% to 1.750% at March 31, 2007 and 2006, respectively.

The Company has commitment-line contracts of ¥8,000 million ($67,768 thousand) in total over three years with financial institutions in order to secure the stability of long-term funding. Each contract includes a restrictive financial covenant. At March 31, 2007, the Company has utilized ¥3,500 million ($29,648 thousand) of the commitment-line.

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

	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Unsecured loans from banks due serially to 2013 with interest rates ranging from 1.250% to 1.775%	**¥8,786**	¥8,905	**$74,425**
Unsecured loans from Fukushima Prefecture due serially to 2009 without interest:	**218**	290	**1,847**
Total	**9,004**	9,195	**76,272**
Less current portion	**(190)**	(190)	**(1,609)**
Long-term debt, less current portion	**¥8,814**	¥9,005	**$74,663**

Annual maturities of long-term debt at March 31, 2007 for the five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S.Dollars
2008	¥ 190	$ 1,609
2009	4,190	35,493
2010	192	1,626
2011	4,117	34,875
2012	118	1,000
2013 and thereafter	197	1,669
Total	¥9,004	$76,272

At March 31, 2007, land, building and structures of ¥2,252 million ($19,077 thousand) were pledged as collateral for short-term borrowings and long-term debt of ¥787 million ($6,667 thousand).

7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities for retirement benefits at March 31, 2007 and 2006 for directors and corporate auditors were ¥117 million ($991 thousand) and ¥114 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥(13,313)**	¥(13,563)	**$(112,775)**
Fair value of plan assets	**8,512**	7,620	**72,105**
Unrecognized actuarial loss	**1,046**	1,616	**8,861**
Unrecognized transitional obligation	**1,080**	1,215	**9,149**
Unrecognized amortization of prior service cost	**(167)**		**(1,415)**
Net liability	**¥ (2,842)**	¥ (3,112)	**$ (24,075)**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥ 956**	¥ 986	**$ 8,098**
Interest cost	**299**	305	**2,533**
Expected return on plan assets	**(231)**	(197)	**(1,957)**
Recognized actuarial loss	**180**	274	**1,525**
Amortization of transitional obligation	**135**	134	**1,144**
Net periodic benefit costs	**¥1,339**	¥1,502	**$11,343**

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	**2.50%**	2.50%
Expected rate of return on plan assets	**3.00%**	3.00%
Amortization of prior service cost	**13 years**	—
Recognition period of actuarial gain / loss	**13 years**	15 years
Amortization period of transitional obligation	**15 years**	15 years

The Company and a subsidiary offered early retirement programs to their employees and paid special retirement benefits of ¥170 million ($1,440 thousand) and ¥308 million in the years ended March 31, 2007 and 2006, respectively.

8. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥2,395 million ($20,288 thousand) at March 31, 2007 and 2006.

At March 31, 2007, land, building and structures for rent of ¥1,782 million ($15,095 thousand) were pledged as collateral for these deposits.

9. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the “Corporate Law”) , which reformed and replaced the Commercial Code of Japan (the “Code”) with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.
The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.5% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets :			
Accrued bonuses	**¥ 884**	¥ 837	**$ 7,488**
Tax loss carryforwards	**3,108**	3,673	**26,328**
Liability for retirement benefits for directors and corporate auditors	**47**	46	**398**
Liability for retirement benefits for employees	**1,138**	1,247	**9,640**
Allowance for anticipated project loss	**50**	269	**424**
Loss on impairment of long-lived assets	**122**	172	**1,033**
Other	**579**	632	**4,905**
Less valuation allowance	**(3,695)**	(3,973)	**(31,300)**
Total	**¥2,233**	¥2,903	**$18,916**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥1,005**	¥1,286	**$ 8,513**
Reserve for deffered gains on sale of property	**229**	234	**1,940**
Other	**72**	82	**610**
Total	**¥1,306**	¥1,602	**$11,063**
Net deferred tax assets	**¥ 927**	¥1,301	**$ 7,853**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**5.0**	5.9
Expenses not deductible for tax purposes	**2.6**	5.7
Valuation allowance	**(10.7)**	(21.1)
Other – net	**7.2**	4.6
Actual effective tax rate	**43.6%**	34.6%

As of March 31, 2007, the Company and certain subsidiaries had tax loss carryforwards aggregating approximately ¥7,697 million ($65,201 thousand) which were available to be offset against taxable income of these companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 22	$ 186
2009	944	7,997
2010	985	8,344
2011	2,149	18,204
2012	3,597	30,470
Total	**¥7,697**	**$65,201**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥218 million ($1,847 thousand) and ¥184 million for the years ended March 31, 2007 and 2006, respectively.

12. LEASES

(1) Lessee

The Group leases certain machinery, computer equipment and other assets.

Total rental expense include finance leases, where the ownership of the property is not deemed to transfer to the lessee, in the amount of ¥80 million ($678 thousand) and ¥93 million for the years ended March 31, 2007 and 2006, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen		
	2007		
	Furniture and Fixtures	Other	Total
Acquisition cost	**¥315**	**¥20**	**¥335**
Accumulated depreciation	**181**	**10**	**191**
Net leased property	**¥134**	**¥10**	**¥144**

	Millions of Yen		
	2006		
	Furniture and Fixtures	Other	Total
Acquisition cost	¥401	¥20	¥421
Accumulated depreciation	217	7	224
Net leased property	¥184	¥13	¥197

	Thousands of U.S. Dollars		
	2007		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$2,668**	**$ 169**	**$2,837**
Accumulated depreciation	**1,533**	**84**	**1,617**
Net leased property	**$1,135**	**$ 85**	**$1,220**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 55**	¥ 72	**$ 466**
Due after one year	**90**	125	**762**
Total	**¥145**	¥197	**$1,228**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥75**	¥87	**$635**
Interest expense	**5**	6	**42**
Total	**¥80**	¥93	**$678**

Leased properties less than ¥3 million are excluded from the above pro forma information because they are immaterial.

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥1**	¥1	$ 8
Due after one year	**2**	3	17
Total	**¥3**	¥4	$25

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 682**	¥ 684	**$ 5,777**
Due after one year	**5,268**	5,950	**44,625**
Total	**¥5,950**	¥6,634	**$50,402**

13. DERIVATIVES

The Group enters into interest rate swap contracts in order to reduce fluctuation risk of interest rates.

All derivative transactions are entered into to hedge interest exposure incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged loans.

Because the counterparties to these derivatives are limited to domestic banks having high reputations, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Group had the following derivatives contracts outstanding at March 31, 2007 and 2006:

	Millions of Yen					
	2007			2006		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps: (fixed rate payment, floating rate receipt)	**¥560**	**¥(6)**	**¥(6)**	¥700	¥(7)	¥(7)

	Thousands of U.S. Dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps: (fixed rate payment, floating rate receipt)	**$4,744**	**$(51)**	**$(51)**

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

14. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥323	$2,736
Guarantees of foreign exchange contracts related to an unconsolidated subsidiary	107	906

15. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's shareholders' meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.06) per share	¥629	$5,328

16. SEGMENT INFORMATION

The Group operates in the following segments:

Domestic consulting services in public and private sectors related to mainly infrastructure development;
Overseas consulting services related to mainly ODA funded development projects;
Manufacturing of products and appliances related to electric production and distribution systems;
Engineering services related to construction and maintenance of public and private electric power facilities; and
Others including real estate leasing.

Information about business segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2007 and 2006, is as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen						
	2007						
	Domestic	Overseas	Manu-facturing	Engin-eering	Others	Eliminations /Corporate	Consoli-dated
Sales to customers	**¥37,224**	**¥14,972**	**¥9,578**	**¥3,365**	**¥1,914**		**¥67,053**
Intersegment sales	**229**	**7**	**63**	**1,477**	**1,504**	**¥(3,280)**	
Total sales	**37,453**	**14,979**	**9,641**	**4,842**	**3,418**	**(3,280)**	**67,053**
Operating expenses	**36,361**	**14,613**	**8,822**	**4,746**	**2,484**	**(2,287)**	**64,739**
Operating income	**¥ 1,092**	**¥ 366**	**¥ 819**	**¥ 96**	**¥ 934**	**¥ (993)**	**¥ 2,314**

b. Total Assets, Depreciation, Loss on Impairment of Long-lived Assets, and Capital Expenditures

	Millions of Yen						
	2007						
	Domestic	Overseas	Manu-facturing	Engin-eering	Others	Eliminations /Corporate	Consoli-dated
Total assets	**¥26,710**	**¥10,289**	**¥7,408**	**¥1,863**	**¥11,154**	**¥25,364**	**¥82,788**
Depreciation	**164**	**38**	**254**	**4**	**292**	**683**	**1,435**
Loss on impairment of long-lived assets					**15**	**31**	**46**
Capital expenditures	**194**	**38**	**119**	**10**	**3**	**93**	**457**

a. Sales and Operating Income

	Thousands of U.S. Dollars						
	2007						
	Domestic	Overseas	Manu-facturing	Engin-eering	Others	Eliminations /Corporate	Consoli-dated
Sales to customers	**$315,324**	**$126,828**	**$81,135**	**$28,505**	**$16,213**		**$568,005**
Intersegment sales	**1,940**	**59**	**534**	**12,512**	**12,741**	**$(27,786)**	
Total sales	**317,264**	**126,887**	**81,669**	**41,017**	**28,954**	**(27,786)**	**568,005**
Operating expenses	**308,014**	**123,787**	**74,731**	**40,204**	**21,041**	**(19,374)**	**548,403**
Operating income	**$ 9,250**	**$ 3,100**	**$ 6,938**	**$ 813**	**$ 7,913**	**$ (8,412)**	**$ 19,602**

b. Total Assets, Depreciation, Loss on impairment of long-lived assets and Capital Expenditures

	Thousands of U.S. Dollars						
	2007						
	Domestic	Overseas	Manu-facturing	Engin-eering	Others	Eliminations /Corporate	Consoli-dated
Total assets	**$226,260**	**$87,158**	**$62,753**	**$15,781**	**$94,485**	**$214,859**	**$701,296**
Depreciation	**1,389**	**322**	**2,152**	**34**	**2,474**	**5,785**	**12,156**
Loss on impairment of long-lived assets					**127**	**263**	**390**
Capital expenditures	**1,643**	**322**	**1,008**	**85**	**25**	**788**	**3,871**

a. Sales and Operating Income

	Millions of Yen						
	2006						
	Domestic	Overseas	Manu-facturing	Engin-eering	Others	Eliminations /Corporate	Consoli-dated
Sales to customers	¥37,385	¥16,416	¥10,155	¥2,514	¥1,682		¥68,152
Intersegment sales	198	16	47	1,583	557	¥(2,401)	
Total sales	37,583	16,432	10,202	4,097	2,239	(2,401)	68,152
Operating expenses	36,888	16,034	8,968	4,023	1,381	(1,331)	65,963
Operating income	¥ 695	¥ 398	¥ 1,234	¥ 74	¥ 858	¥(1,070)	¥ 2,189

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen						
	2006						
	Domestic	Overseas	Manu-facturing	Engin-eering	Others	Eliminations /Corporate	Consoli-dated
Total assets	¥26,984	¥11,172	¥8,121	¥1,180	¥9,900	¥26,916	¥84,273
Depreciation	179	25	373	2	330	467	1,376
Loss on impairment of long-lived assets	103				113	149	365
Capital expenditures	134	23	180	1	3	33	374

(2) Geographical Segments

The Group was located in Japan for the years ended March 31, 2007 and 2006.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 amounted to ¥14,976 million ($126,861 thousand) and ¥16,449 million, respectively.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Nippon Koei U.K. Co., Ltd. was newly consolidated in 2007 due to an increase in its significance.
The breakdown of assets and liabilities of Nippon Koei U.K. Co., Ltd. on the date of consolidation were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥520	$4,405
Non-current assets	34	288
Current liabilities	(297)	(2,516)
Non-current liabilities	(250)	(2,118)

El Koei Co., Ltd. was newly consolidated in 2006 due to an increase in its significance.
The breakdown of assets and liabilities of El Koei Co., Ltd. on the date of consolidation were as follows:

	Millions of Yen
Current assets	¥228
Non-current assets	7
Current liabilities	(48)
Non-current liabilities	(2)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nippon Koei Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nippon Koei Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Koei Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2007

Non-consolidated Balance Sheets

Nippon Koei Co., Ltd.
March 31, 2007 and 2006

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S.Dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 3,691**	¥ 3,208	**$ 31,266**
Marketable securities (Note 3)	**40**		**339**
Receivables:			
Trade notes	**39**	30	**330**
Trade accounts	**21,621**	22,366	**183,151**
Allowance for doubtful accounts	**(38)**	(50)	**(322)**
Short-term loan receivables	**3,896**	3,468	**33,003**
Inventories - work in process	**3,810**	4,150	**32,274**
Deferred tax assets (Note 10)	**1,427**	1,330	**12,088**
Prepaid expenses and other current assets	**1,310**	1,561	**11,098**
Total current assets	**35,796**	36,063	**303,227**
PROPERTY, PLANT AND EQUIPMENT (Note 8)**:**			
Land	**9,756**	9,769	**82,643**
Buildings and structures	**16,243**	16,251	**137,594**
Machinery and equipment	**1,180**	1,194	**9,996**
Furniture and fixtures	**1,077**	1,043	**9,123**
Total	**28,256**	28,257	**239,356**
Accumulated depreciation	**(9,989)**	(9,421)	**(84,616)**
Net property, plant and equipment	**18,267**	18,836	**154,740**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**8,454**	8,004	**71,614**
Investments in and advances to subsidiaries and associated companies (Note 4)	**6,444**	6,650	**54,587**
Other assets (Note 5)	**2,516**	2,726	**21,312**
Allowance for doubtful accounts	**(24)**	(11)	**(203)**
Total investments and other assets	**17,390**	17,369	**147,310**
TOTAL	**¥71,453**	¥72,268	**$605,277**

See notes to non-consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	2006	Thousands of U.S.Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	**¥ 4,800**	¥ 6,200	**$ 40,661**
Payables:			
Trade notes	**12**	17	**102**
Trade accounts	**6,396**	5,872	**54,180**
Income taxes payable	**103**	119	**873**
Advances received	**3,376**	2,344	**28,598**
Accrued bonuses	**742**	625	**6,285**
Allowance for anticipated project loss	**5**	631	**42**
Other current liabilities	**2,631**	2,873	**22,287**
Total current liabilities	**18,065**	18,681	**153,028**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**8,000**	8,000	**67,768**
Liability for retirement benefits (Note 7)	**539**	685	**4,566**
Deferred tax liabilities (Note 10)	**904**	429	**7,658**
Deposit received (Note 8)	**2,857**	2,856	**24,201**
Total long-term liabilities	**12,300**	11,970	**104,193**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 13)			
EQUITY (Notes 9 and 14)**:**			
Common stock, authorized, 189,580,000 shares; issued, 86,656,510 shares in 2007 and 2006	**7,393**	7,393	**62,626**
Capital surplus	**6,131**	6,131	**51,936**
Retained earnings:			
Legal reserve	**1,546**	1,546	**13,096**
Retained earnings - unappropriated	**25,565**	25,643	**216,561**
Unrealized gain on available-for-sale securities	**1,520**	1,948	**12,876**
Treasury stock—at cost 2,840,445 shares in 2007 and 2,775,714 shares in 2006	**(1,067)**	(1,044)	**(9,039)**
Total equity	**41,088**	41,617	**348,056**
TOTAL	**¥71,453**	¥72,268	**$605,277**

Non-consolidated Statements of Income

Nippon Koei Co., Ltd.
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2007	2006	**2007**
NET SALES	**¥49,787**	¥50,855	**$421,745**
COST OF SALES	**39,890**	41,203	**337,908**
Gross profit	**9,897**	9,652	**83,837**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**8,797**	8,843	**74,519**
Operating income	**1,100**	809	**9,318**
OTHER INCOME (EXPENSES) :			
Interest and dividend income	**407**	445	**3,448**
Interest expense	**(179)**	(178)	**(1,516)**
Foreign currency exchange (loss) gain	**(21)**	157	**(178)**
Gain on sales of investment securities	**228**	399	**1,931**
Loss on impairment of long-lived assets (Note 5)	**(32)**	(149)	**(271)**
Reversal of allowance for doubtful accounts	**13**		**110**
Special retirement benefits for employees		(307)	
Gains from donated subsidiary's stock		104	
Other-net	**124**	87	**1,050**
Other income-net	**540**	558	**4,574**
INCOME BEFORE INCOME TAXES	**1,640**	1,367	**13,892**
INCOME TAXES (Note 10):			
Current	**181**	121	**1,533**
Deferred	**658**	545	**5,574**
Total income taxes	**839**	666	**7,107**
NET INCOME	**¥ 801**	¥ 701	**$ 6,785**

	Yen		U.S.Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2. q.)**:**			
Basic net income	**¥ 9.55**	¥ 7.78	**$ 0.08**
Cash dividends applicable to the year	**7.50**	10.00	**0.06**

See notes to non-consolidated financial statements.

Non-consolidated Statements of Changes in Equity

Nippon Koei Co., Ltd.
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total Equity
			Additional Paid-in Capital	Legal Reserve	Unappropriated			
BALANCE, MARCH 31, 2005	**85,331**	**¥7,393**	**¥6,110**	**¥1,546**	**¥25,582**	**¥ 886**	**¥ (324)**	**¥41,193**
Net income					701			701
Cash dividends, ¥7.50 per share ...					(640)			(640)
Adjustment of capital surplus for additional investments in a subsidiary through a stock exchange	192		21				47	68
Net increase in treasury stock	(1,642)						(767)	(767)
Net increase in unrealized gain on available-for-sale securities						1,062		1,062
BALANCE, MARCH 31, 2006	**83,881**	**7,393**	**6,131**	**1,546**	**25,643**	**1,948**	**(1,044)**	**41,617**
Net income					801			801
Cash dividends, ¥10.00 per share ...					(839)			(839)
Bonuses to directors					(40)			(40)
Net increase in treasury stock	(65)						(23)	(23)
Net decrease in unrealized gain on available-for-sale securities						(428)		(428)
BALANCE, MARCH 31, 2007	**83,816**	**¥7,393**	**¥6,131**	**¥1,546**	**¥25,565**	**¥1,520**	**¥(1,067)**	**¥41,088**

	Thousands of U.S.Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total Equity
		Additional Paid-in Capital	Legal Reserve	Unappropriated			
BALANCE, MARCH 31, 2006	**$62,626**	**$51,936**	**$13,096**	**$217,222**	**$16,501**	**$(8,844)**	**$352,537**
Net income				6,785			6,785
Cash dividends, $0.08 per share ...				(7,107)			(7,107)
Bonuses to directors				(339)			(339)
Net increase in treasury stock						(195)	(195)
Net decrease in unrealized gain on available-for-sale securities					(3,625)		(3,625)
BALANCE, MARCH 31, 2007	**$62,626**	**$51,936**	**$13,096**	**$216,561**	**$12,876**	**$(9,039)**	**$348,056**

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Nippon Koei Co., Ltd.
Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Nippon Koei Co., Ltd. (the "Company") in accordance with the provisions set forth in the Corporate Law of Japan or the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standard Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting procedures generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Non-consolidation*** —The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. ***Cash Equivalents*** —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and investment trusts, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories*** —Work in process is stated at cost, determined by the specific identification cost method.

d. ***Marketable and Investment Securities*** —Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Property, Plant and Equipment*** —Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, as well as certain buildings and equipment for rent. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

f. ***Long-lived Assets*** —The Company adopted the new accounting standard for impairment of fixed assets as of April 1, 2005. The Company reviews their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net asset or the selling price as disposition.

g. ***Retirement and Pension Plans*** —The Company has a contributory defined benefit pension plan and unfunded retirement benefit plan for the benefit of its employees.

Effective April 1, 2000, the Company adopted a new accounting standard for the employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Unrecognized actuarial gain or loss are recognized by the straight-line method over 13 years.

The Company changed its period of unrecognized actuarial gain or loss from 15 years to 13 years in fiscal 2008 as the employees' remaining service period was shortened. Unrecognized amortization of prior service cost, are recognized by the straight-line method over 13 years.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. ***Presentation of Equity*** —On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

i. ***Allowance for Anticipated Project Loss*** —The Company has made a provision for anticipated losses on uncompleted project contracts.

j. ***Leases*** —All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

k. ***Bonuses to directors and corporate auditors*** —Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes for the year ended March 31, 2007 by ¥60 million ($508 thousand).

l. ***Income Taxes*** —The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. ***Appropriations of Retained Earnings*** —Appropriations of retained earnings are reflected in the non-consolidated financial statements for the following year upon shareholders' approval.

n. ***Foreign Currency Transactions*** —All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of income.

o. ***Revenue Recognition*** —Revenues and gross profits on long-term contracts which have over two years duration and more than ¥1 billion contract amount are recognized by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs (cost to cost method).

Revenues and gross profits on long-term contracts in the Manufacturing and Engineering business segments operations which have over one year duration and more than ¥300 million contract amount, are also recognized by the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total construction costs (cost to cost method).

While individual construction projects, except the aforementioned, are recorded using the completed-contract method.

p. ***Derivatives and Hedging Activities*** —The Company uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the non-consolidated statements of income.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

q. ***Per Share Information*** —Basic net income per share is computed by dividing net income available to shareholders of common stock, by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. The weighted-average numbers of shares of common stock for the years ended March 31, 2007 and 2006 are 83,845,738 and 84,997,532, respectively.

Diluted net income per share of common stock is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. ***New Accounting Pronouncements***

Measurement of Inventories —Under generally accepted accounting principles in Japan, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting —On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Current:			
Government and corporate bonds	**¥ 40**		**$ 339**
Total	**¥ 40**		**$ 339**
Non-current:			
Marketable equity securities	**¥7,110**	¥7,105	**$60,229**
Government and corporate bonds	**194**	251	**1,643**
Other	**1,150**	648	**9,742**
Total	**¥8,454**	¥8,004	**$71,614**

Market values for investment securities in subsidiaries and associated companies are not available.

4. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to subsidiaries and associated companies as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2006	2006	**2006**
Investments	**¥5,464**	¥5,460	**$46,285**
Advances	**980**	1,190	**8,302**
Total	**¥6,444**	¥6,650	**$54,587**

5. LONG-LIVED ASSETS

For the year ended March 31, 2007, the Company recognized an impairment loss on the following asset:

	Tipe of assets	Location	Number of assets	Millions of Yen	Thousands of U.S.Dollars
Idle properties ...	Land	Chiba Prefecture	1	¥ 7	$ 59
Rest homes	Land, buildings, and other	Gunma Prefecture	3	14	119
		Niigata Prefecture	2	11	93

The Company reviewed its long-lived assets for impairment as of the years ended March 31, 2007 and 2006, as a result, recognized an impairment loss of ¥32 million ($271 thousand) and ¥149 million as other expense on idle properties and rest homes and assets used for business due to a substantial decline in their fair market value.

Asset grouping is based on the nature of the Company's business and the classification for its management accounting, and as for idle assets, each individual unit is considered as a group.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted of notes to banks. The annual interest rates applicable to the short-term borrowings 1.032% and 0.467% at March 31, 2007 and 2006, respectively.

The Company has commitment-line contracts of ¥8,000 million ($67,768 thousand) in total over three years with financial institutions in order to secure the stability of long-term funding. Each contract includes a restrictive financial covenant. At March 31, 2007, the Company has utilized ¥3,500 million ($29,648 thousand) of the commitment-line.

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

	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Unsecured loans from banks due serially to 2010 with interest rates ranging from 1.515% to 1.775%	**¥8,000**	¥8,000	**$67,768**

7. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liabilities for retirement benefits at March 31, 2007 and 2006 for directors and corporate auditors were ¥52 million ($440 thousand) and ¥68 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

8. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥2,395 million ($20,288 thousand) at March 31, 2007 and 2006.

At March 31, 2007, land, building and structures for rent of ¥1,782 million ($15,095 thousand) were pledged as collateral for these deposits.

9. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the “Corporate Law”) , which reformed and replaced the Commercial Code of Japan (the “Code”) with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.
The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.5% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Tax loss carryforwards	**¥ 743**	¥1,177	**$ 6,294**
Accrued bonuses	**651**	547	**5,515**
Liability for retirement benefits for directors and corporate auditors	**21**	27	**178**
Liability for retirement benefits for employees	**193**	244	**1,635**
Allowance for anticipated project loss	**2**	249	**17**
Loss on impairment of long-lived assets	**72**	59	**610**
Other	**229**	229	**1,939**
Less valuation allowance	**(160)**	(121)	**(1,355)**
Total	**¥1,751**	¥2,411	**$14,833**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 994**	¥1,274	**$ 8,420**
Reserve for deffered gains on sale of property	**229**	234	**1,940**
Other	**6**	2	**51**
Total	**1,229**	1,510	**10,411**
Net deferred tax assets	**¥ 522**	¥ 901	**$ 4,422**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**4.9**	5.9
Expenses not deductible for tax purposes	**2.5**	6.1
Valuation allowance	**2.3**	3.6
Other – net	**2.0**	(6.4)
Actual effective tax rate	**51.2%**	48.7%

As of March 31 , 2007, the Company had tax loss carryforwards aggregating approximately ¥1,878 million ($15,909 thousand) which were available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire mostly in 2010.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥137 million ($1,161 thousand) and ¥124 million for the years ended March 31, 2007 and 2006, respectively.

12. LEASES

(1) Lessee

The Company leases certain machinery, computer equipment and other assets. Total rental expense include finance leases, where the ownership of the property is not deemed to transfer to the lessee, in the amount of ¥44 million ($373 thousand) and ¥42 million for the years ended March 31, 2007 and 2006, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006, is as follows:

	Millions of Yen		
	2007		
	Furniture and Fixtures	Other	Total
Acquisition cost	**¥221**	**¥19**	**¥240**
Accumulated depreciation	**120**	**9**	**129**
Net leased property	**¥101**	**¥10**	**¥111**

	Millions of Yen		
	2006		
	Furniture and Fixtures	Other	Total
Acquisition cost	¥214	¥20	¥234
Accumulated depreciation	97	7	104
Net leased property	¥117	¥13	¥130

	Thousands of U.S.Dollars		
	2007		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$1,872**	**$161**	**$2,033**
Accumulated depreciation	**1,017**	**76**	**1,093**
Net leased property	**$ 855**	**$ 85**	**$ 940**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 40**	¥ 37	**$339**
Due after one year	**75**	97	**635**
Total	**¥115**	¥134	**$974**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥40**	¥39	**$339**
Interest expense	**4**	3	**34**
Total	**¥44**	¥42	**$373**

Depreciation expense and interest expense, which are not reflected in the accompanying non-consolidated statements of income, are computed by the straight-line method and the interest method, respectively. Leased properties less than ¥3 million are excluded from the above pro forma information because they are immaterial.

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥1**	¥1	**$ 8**
Due after one year	**2**	3	**17**
Total	**¥3**	¥4	**$25**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2007	2006	**2007**
Due within one year	**¥ 682**	¥ 684	**$ 5,777**
Due after one year	**5,268**	5,950	**44,625**
Total	**¥5,950**	¥6,634	**$50,402**

13. CONTINGENT LIABILITIES

At March 31, 2007, the Company has the following contingent liabilities:

	Millions of Yen	Thousands of U.S.Dollars
Guarantees of bank loans related to a subsidiary, an associated company and employees	¥1,327	$11,241

14. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved at the shareholders' meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S.Dollars
Year-end cash dividends, ¥7.5 ($0.06) per share	¥629	$5,328

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nippon Koei Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of Nippon Koei Co., Ltd. as of March 31, 2007 and 2006, and the related non-consolidated statements of income and changes in equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Koei Co., Ltd. as of March 31, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2007

Corporate Information

Board of Directors, Officers and Corporate Auditors

President:
Osamu Takahashi*

Director and Executive Vice President:
Yoshihiko Tsunoda*
Seijiro Usuda *
Kaoru Ono

Director and Senior Managing Executive Officer:
Noriaki Hirose*
Naoki Ariga*

Director and Managing Executive Officers:
Ichiro Mishina
Katsumi Yoshida
Shoji Nishitani
Akikazu Tokumasu

Director and Executive Officers:
Tamotsu Yoshida
Yoichi Abe

Director:
Masahisa Naito

Corporate Auditors:
Kenichi Sakata
Kunio Shimizu
Mineo Enomoto
Koichi Kosumi

Managing Executive Officers:
Hiroaki Ozasa
Shigemichi Hatao

Executive Officers:
Yoichi Kobayashi
Teruyuki Kita
Yutaka Murai
Koichi Tanuma
Hajime Tanimura
Akio Katayama
Yoshiki Tamemitsu
Kunio Kurokawa
Hiromichi Sekine

*Representative Directors As of June 28, 2007

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	8,257

As of March 31, 2007

Major Stockholders

	Share owned (thousands)	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,089	4.72
Mizuho Corporate Bank, Ltd.	3,820	4.41
Meiji Yasuda Life Insurance Company.	3,652	4.21
Morgan Stanley & Co. International Ltd.	2,981	3.44
Kokusai Kogyo Co., Ltd.	2,600	3.00
The Koei Employees' Stockholders Association	2,245	2.59
Japan Trustee Services Bank, Ltd. (Trustee)	1,991	2.30
The Master Trust Bank of Japan, Ltd. (Trustee)	1,732	2.00
Nippon Life Insurance Company	1,349	1.56
Tokyo Electric Power Co., Inc.	1,262	1.46

As of March 31, 2007

Corporate Information

Major Offices and Facilities

Head Office
4 Kojimachi 5-chome, Chiyoda-ku,
Tokyo 102-8539, Japan

Shin-Kojimachi Office
2 Kojimachi 4-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Hanzomon Office
5 Kojimachi 2-chome, Chiyoda-ku,
Tokyo 102-0083, Japan

Domestic Branch Offices
Tokyo, Sapporo, Sendai, Niigata, Nagoya, Osaka, Hiroshima, Shikoku, Fukuoka

Research Facility
Research and Development Center in Tsukuba Science City, Ibaraki

Overseas Offices
Jakarta, Manila, Nairobi, Hanoi, Colombo, New Delhi, Hyderabad, Middle East (Amman), Vientiane

Major Businesses

Consulting Administration

Field of activity
- Natural and social environment
- Water supply and urban sanitation
- Information technology
- Urban and regional development
- River and sabo sediment and debris-flow control) engineering
- Water resources
- Dams
- Groundwater
- Highway and Bridges
- Airports
- Ports and coastal engineering
- Landslide protection
- Agriculture
- Electric power

Services
- Preliminary investigation
- Planning
- Feasibility studies
- Assessment
- Detailed design
- Construction supervision
- Operation and maintenance

Engineering Administration

Field of activity
- Electrical and civil works for electric power facilities (generation, transmission, substation, distribution schemes and wiring of buildings)
- Electric power utilities (turbines, generators, transformers, control deices and communications equipment)
- Electric equipment and devices
- Safety equipment
- Skin electric thermo-system heaters (SECT-heaters)
- Factory automation equipment

Services
- Surveys, studies, planning, design, construction, installation and sale

Major Nippon Koei Group Companies

While mainly focused on technical consulting, electrical power engineering, and power generation, the Nippon Koei Group is also active in a wide range of related fields. The various businesses peripheral to the activities of Nippon Koei, the main company in the Group, are taken on by subsidiaries and affiliates located both at home and abroad.
These related companies, together with the principle corporation, make up the Nippon Koei Group. The various firms maintain close cooperation based on relationships of interdependence that enhance the strength and cohesion of the Group as a whole.
As of March 2007, the total number of employees of the Group companies based in Japan came to about 2600, of which approximately 900 were registered engineers. The Group truly has a wealth of highly skilled technical experts.

The subsidiary companies that comprise the consolidated Nippon Koei Group are as follows:

Nippon Koei Power Systems Co., Ltd.
This company manufactures power generation equipment and systems and electronic equipment and devices. A wholly owned subsidiary and the largest in the Group, it works in close partnership with Nippon Koei on business projects.

Nikki Corporation
This company is responsible for real estate management, leasing, and insurance services for Nippon Koei and other Group companies. It also sells, imports, and exports electrical power equipment and rents and leases various goods.

Koei System Inc.
This company develops software programs used in computer control applications, dispatches personnel, and provides support and software development for office automation systems on a consignment basis.

El Koei Co., Ltd.
This company is responsible for employment and staffing solution for Nippon Koei Group. The company provides various fields of qualified human resources to support the activity of the Group Companies.

KRI International Corporation
Established to enhance the think tank function required for the Nippon Koei Group's activities, KRI is responsible for providing survey, research, and consulting work for clients, both within and outside the Group, on a contract basis. KRI is also responsible for education, training, and publishing activities.

NEPCO Ltd.
This company provides services for geological disaster prevention. Services include landslide prediction and preventative activities such as hazard surveys, action planning, and construction of protective measures. NEPCO also manufactures and sells various types of equipment for landslide monitoring and management.

Nippon Koei U.K. Co., Ltd.
This company provides engineering consulting services to enforce Nippon Koei's overseas operation in the primary fields of transportation, environment, water supply and wastewater.

Nippon Civic Consulting Engineers Co., Ltd.
This company provides consulting services centered on planning, design, and construction supervision of underground structures such as urban tunnels. The company specializes in shield tunneling technology and the development of new underground construction technology.

Tamano Consultants Co., Ltd.
This company is headquartered in the city of Nagoya and provides engineering consulting services centered on the Chubu Region. The company boasts the most highly regarded urban and regional planning group in Japan.

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