NIPPON KOEI

Challenging mind, Changing dynamics

Annual Report 2008

Year Ended March 31, 2008

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

	Millions of Yen		Thousands of U.S. Dollars
Years Ended March 31	**2008**	2007	**2008**
Net sales	**¥67,119**	¥67,053	**$669,917**
Net income	**1,725**	1,465	**17,218**
Net income per share (Yen/Dollars)	**20.80**	17.47	**0.21**
As of March 31			
Total assets	**81,837**	82,788	**816,818**
Equity	**42,846**	44,389	**427,647**

Non-Consolidated

	Millions of Yen		Thousands of U.S. Dollars
Years Ended March 31	**2008**	2007	**2008**
Net sales	**¥49,929**	¥49,787	**$498,343**
Net income	**774**	801	**7,725**
Net income per share (Yen/Dollars)	**9.33**	9.55	**0.09**
As of March 31			
Total assets	**70,839**	71,453	**707,047**
Equity	**38,777**	41,088	**387,035**

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 ¥100.19=US$1, the rate of exchange at March 31, 2008.

Consolidated Business Report for Fiscal 2007 (Fiscal Year Ended March 31, 2008)

1. Overview of Performance and Cash Flow

(1) Performance

The Japanese economy steadily plodded along the road to recovery during the year under review. While consumer spending remained stagnant, private sector capital investments were buoyed by rising corporate profits. Despite this progress, the impact of the US subprime mortgage crisis during the latter half of the year has cast a dark shadow over the outlook for the future.

The Nippon Koei Group managed to weather a harsh business climate during the year under review as investments by power companies and funding for public works projects as well as Official Development Assistance (ODA) continued to dry up amid fierce price competition in the market.

Working against this backdrop, the Group sought to enhance management efficiency through initiatives aimed at optimizing operations as a whole in line with our "integration/concentration" policy. Group-wide efforts were made to boost orders and cut costs by trimming expenses. These initiatives as well as a concerted effort to leverage the combined strength of our various segments and group companies were all implemented with an eye to making our corporate foundation strong enough to withstand whatever stormy business climate may lie ahead.

Consolidated orders received during the year amounted to 68,605 million yen, up 7.5% from the preceding term, while sales totaling 67,119 million yen were about the same as the previous year.

While operating income amounted to only 2,307 million yen, down 14.0% from the previous term, current net income reached 1,725 million yen, a 17.8% jump from the previous year due to the recovery in performance of consolidated subsidiaries.

Performance for individual Group sectors is outlined below.

Domestic Consulting Operations

While performance was up in such fields as environmental assessment, road project planning/design, river project dam redevelopment, and quake-proofing/maintenance/replacement designed to increase social capital, orders remained on almost an even par with the preceding term at 37,065 million yen as did sales at 37,204 million yen.

Overseas Consulting Operations

Performance was buoyed by contracts for large projects financed by the Japanese government's yen loans, including a railway project in Vietnam and a water-power generation project in Indonesia. Orders for the term amounting to 20,007 million yen were up a whopping 43.5% year-on-year. Sales also sales increased 9.3% to 16,370 million yen.

Manufacturing Operations

Orders for computer-controlled systems, etc. fell off in the wake of the damage done to the Kariwa atomic power plant in Kashiwazaki by the Niigata-Chuetsu Earthquake. Reluctance by the power company, which is still repairing damage to the plant, to make any capital investments drove equipment orders down to 7,443 million yen, 19.9% below the previous term's figure. Sales also declined 13.8% to 8,259 million yen.

Engineering Operations

Due to limited capital spending by power companies in the wake of the Niigata-Chuetsu Earthquake, work on transformers that was part of the construction of more substations and repairs to existing substations also slowed down considerably. Overall construction work orders declined 11.6% year-on-year, reaching a total of 3,346 million yen. Sales remained almost the same, at 3,297 million yen.

Real Estate Leasing

Sales from our Group's real estate leasing operations in the year under review remained about the same as the previous year at 1,261 million yen.

Other Business Operations

Orders from other business operations, including software development/sales, increased 16.0% from the previous year to reach 744 million yen, while sales rose 11.4% to total 728 million yen.

(2) Cash Flow

Although the Group earned 2,437 million yen before income taxes during the period under review, accounts receivable were up. Annual net cash flow from operational activities came to 1,737 million yen (vs. 4,680 million yen for the preceding year).

Cash flow from investment activities, tangible assets increased due to the completion of a new building to house a consolidated subsidiary. This and other investment activities brought about a net cash outflow of 2,512 million yen for the year (vs. 1,415 million yen in net outflow for the year before).

There was an increase in short-term loans to finance the construction of the above-mentioned building as well as the purchase of treasury stocks. The net cash flow from these activities for the year was 322 million yen (vs. a negative 2,757 million yen for the preceding term).

We closed the fiscal year with a balance of 4,899 million yen, a cash and cash equivalent decline of 599 million yen below the previous year's figure.

The table below shows trends in cash flow-related indicators for the Group:

Reference: Trends in Cash Flow-related Indicators

	Fiscal Year Ended March 2004	Fiscal Year Ended March 2005	Fiscal Year Ended March 2006	Fiscal Year Ended March 2007	Fiscal Year Ended March 2008
Capital-to-asset ratio (%)	59.0	47.2	52.1	53.1	52.1
Capital-to-asset ratio on market value basis (%)	30.8	31.6	47.2	36.2	25.4
Interest-bearing debt-to-cash flow ratio (annual)	—	34.3	11.7	2.7	17.8
Interest coverage ratio	—	2.8	6.2	27.5	10.2

Capital-to-asset ratio: stockholders' equity / total assets
Capital-to-asset ratio on market value basis: market capitalization / total assets
Interest-bearing debt-to-cash flow ratio: interest-bearing debts / cash flow
Interest coverage ratio: cash flow / interest payment

Notes: 1. All figures are calculated on the basis of consolidated financial figures.
2. Market capitalization is computed on the basis of the number of shares issued, excluding treasury stocks.
3. Cash flow here means operating cash flow.
4. Interest-bearing debt here comprises all debts included in the balance sheet on which interest is paid.
5. The interest-bearing debt-to-cash flow and interest coverage ratios for the term ended March 2004 were negative as indicated with a "-."

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	¥37,065	2.5
Overseas consulting operations	20,007	43.5
Power equipment manufacturing operations	7,443	-19.9
Electric power engineering operations	3,346	-11.6
Other business operations	744	16.0
Total new orders	68,605	7.5
Outstanding orders		
Domestic consulting operations	15,430	-0.9
Overseas consulting operations	25,787	16.4
Power equipment manufacturing operations	1,036	-44.1
Electric power engineering operations	1,473	3.4
Other business operations	16	
Total orders on hand	¥43,742	6.7

Notes: 1. Amounts above do not include consumption tax.
2. The above amounts are related to transactions with non-Group organizations: They do not include internal transactions between Group segments or the transfer amounts involved.

(2) Sales Performance

Business Category	**This Consolidated Fiscal Year** (Millions of yen)	**Change on Previous Year (%)**
Domestic consulting operations	¥37,204	-0.1
Overseas consulting operations	16,370	9.3
Power equipment manufacturing operations	8,259	-13.8
Electric power engineering operations	3,297	-2.0
Real estate leasing operations	1,261	0.1
Other business operations	728	11.4
Total FY2007 sales	¥67,119	0.1

Notes: 1. Status of production is not stated due to the difficulty of defining consolidated group production performance.
2. Transactions between businesses are offset and eliminated.
3. Amounts above do not include consumption tax.
4. Sales to major customers as a proportion to 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	**¥11,039**	**16.4**	¥9,834	14.7
Tokyo Electric Power Co., Ltd.	**7,549**	**11.2**	8,001	11.9

3. Future Challenges

(1) Future Challenges

The Nippon Koei Group has formulated a new medium-term management plan for fiscal 2008 through 2010. Equipped with this plan and our philosophy to "act with sincerity and contribute to society through technology," we aim to be a company that is regarded highly by our employees, customers and the community at large, a company that is, as our slogan says, forever "*Challenging mind, Changing dynamics.*" We are committed to pursuing a strategy of even greater concentration/integration while providing quality products and services that will meet our customers' needs. While we could never forge a path to this goal individually, by pulling together and working as a "team" we can move forward together to reap the profits that lie within our collective grasp.

We continue to operate in a harsh business environment. The market is shrinking and competition is becoming keener everyday. The key to success lies in our ability to leverage our wide range of technologies to expand our business. Given these circumstances we will continue to work together and make every effort to improve our performance, in light of the following priority policies set forth under our new medium-term management plan:

(i) Management resources will primarily be allocated to promising businesses that meet market needs. This includes businesses related to environment and energy (including railways). We will be vigilant in seizing new business opportunities, including private investment projects as well as the full spectrum of general contracting, from design and procurement to construction, while working to maximize the impact our technologies have in each of these fields.

(ii) We will continue to recruit and train top-notch engineering professionals with an eye to further sharpening the Group's technological edge as we take on challenging businesses that pose an opportunity for adding value or which require the employment of our advanced technological abilities.

(iii) We will leverage the Group's collective knowledge and know-how to improve the productivity of each individual operation as well as the productivity of the Group as a whole.

(iv) Our employees are the lifeblood of our Group. We will work to sustain this important resource by improving working conditions and benefits as well as rewarding performance in an effort to boost motivation and secure the best human resources available. We will specifically increase wages, implement measures to help employees balance their work and private life, and enhance our health care benefit system.

The Nippon Koei Group is committed to improving corporate governance and strengthening internal controls. Compliance lies at the heart of good corporate management. While the executives and employees of our Group already act in strict accordance with the Charter of Corporate Responsibility, we will make even greater efforts to ensure stricter standards compliance for more effective management. These efforts will go hand in hand with our ongoing work to develop a system of reliable and accurate financial reporting that form part of the internal control system we look forward to fully implementing in the near future.

Implementation of these policies will lead to better performance and the goals of our new medium-term management plan.

On September 26, 2007, part of a bridge being constructed in Vietnam under our Company's supervision (the Cau Can Tho Bridge Construction Project), collapsed, resulting in a number of injuries. This accident occurred when the temporary structure supporting the bridge superstructure (the left bank side) while under construction, collapsed. Immediately after the accident, Nippon Koei established an emergency headquarters and has been working with Vietnamese government agencies and others to make every possible effort to rescue the victims. The Vietnamese government appointed a committee to investigate the accident and determine its cause. Nippon Koei has sent a team of experts to assist the committee with its investigation. We have also assembled a panel of experts from various fields and a technical support team to find the cause behind the accident and prevent the occurrence of a similar accident in the future. The Nippon Koei Group has made all of its resources available to deal with this terrible tragedy. It is extremely unfortunate that this accident was related to a project that is a symbol of friendship between Japan and Vietnam. We are determined to do everything possible to deal with this disaster and find out its cause in an effort to prevent such an accident from ever happening again.

(2) Basic Policy Governing Corporate Decision-makers on Financial Affairs and Operations

On maintaining the anti-takeover policy (takeover defense)

The Nippon Koei Board of directors voted at their May 12, 2008 meeting to revise Company policy regarding the large-scale acquisition of Company shares (Policy on Substantial Acquisition of Shares), which was introduced in May 2006 and adopted in June 2007.

Revisions to the Policy on Substantial Acquisition of Shares were considered in light of making the policy more appropriate and better suited to maintaining and enhancing corporate value. Since the decision to revise the policy was made in the common interest of the shareholders, we considered it only proper to seek the shareholders' approval on keeping and revising the Policy on Substantial Acquisition of Shares. The issue was brought up at the 63rd ordinary general meeting of shareholders held on June 27, 2008 and approved.

1. Establishment and Justification for Rules on Substantial Acquisition of Shares

The Board of Directors believes that, as long as Nippon Koei is a publicly traded company, any decision on selling a large number of shares to an individual buyer should be left in the hands of the shareholders.

We are proud of our company's long track record as a good corporate citizen. We have been charged with fulfilling a great social mission and much of Nippon Koei's work involves non-profit activities and public works project, including construction consulting. The power of our brand is backed by a wide range of technological know-how, years of experience, and a rock-solid performance record. It would be impossible to manage our Company, improve its corporate value, or bring profit to its shareholders without an understanding of everything the brand stands for or devoid of the relationship of trust that has been built up between our Company and its customers, employees, suppliers, and other stakeholders in Japan and abroad. Nippon Koei believes its IR activities provide shareholders and general investors with a clear window on how we arrive at a fair price for our shares. When any party suddenly tries to buy a huge number of shares at the established purchase price, the shareholders should be given all the information they need from the potential buyer as well as the Nippon Koei Board of Directors to determine whether or not the established share purchase price is fair or not. The prospective buyer's plans for managing the Company and the potential impact of a takeover on the company's bottom line as well as its relationship with the employees, affiliates, customers, suppliers and other stakeholders should be made clearly known to the shareholders so they can make an informed decision on whether to keep their shares or not. Shareholders should also seriously consider the opinions of the Nippon Koei Board of Directors in the event of a takeover.

In consideration of everything mentioned above, our Board has concluded that in the event of a takeover bid, the shareholders should be given all the information they need to make a sound decision. When providing such information, the Board of Directors will contemplate an opinion about the takeover in light of the advice, opinions, or recommendations from independent specialists, etc., as well as an in-house ad hoc committee (to be defined below). Once the Board has formed its opinion it will inform the shareholders. If deemed necessary, the Board shall enter into negotiations with the potential buyer for better terms or present our shareholders with an alternative proposal.

This process is designed to ensure that our shareholders seriously consider every aspect of a takeover bid (and any alternative proposal from the Board) in light of the Board's opinion so they can make an informed decision. Ensuring that the buying of a large amount of shares is done according to a fixed set of reasonable rules reflecting the reasons already stated is both in the interest of Nippon Koei and its shareholders. The Board of Directors has set forth the following rules for providing relevant information in the event of a takeover bid (Rules on Substantial Acquisition of Shares).

We will set up an ad hoc committee to introduce the Rules on Substantial Acquisition of Shares. The committee will ensure that the series of procedures spelled out in the Rules on Substantial Acquisition of Shares are followed objectively and rationally, and that the measures deemed appropriate to protect the common interests of our Company and its shareholders are formed objectively and rationally. The committee will also serve to prevent the Board of Directors from making any rash judgments or applying the Rules on Substantial Acquisition of Shares arbitrarily. The ad hoc committee will be comprised of three or more persons elected from among our Company's external directors and auditors, who act independently of the management that is in charge of running the Nippon Koei Groups business operations, so that the committee may pass fair and impartial judgments.

2. Rules on Substantial Acquisition of Shares

The Rules on Substantial Acquisition of Shares 1) clearly defines a takeover bid through the major acquisition of Company shares, 2) stipulates that any party attempting to acquire a large number of shares, submit a written notification to the Board of Directors in advance declaring their exact intentions, and 3) opens shares to purchasing only after the elapse of an assessment period to be specified by the Nippon Koei Board of Directors. The details of the rules are as follows:

(1) Scope

The Rules on Substantial Acquisition of Shares shall be applied to any acquiring party ("the bidder") attempting to acquire a large number of shares [Note 1] in the Company in a bid to control 20% or more of the voting rights [Note 2] by a certain group of shareholders [Note 3] or acquiring enough shares to change the balance of power to ensure that a certain group of shareholders have 20% or more of the voting rights (this type of acquisition, whether it be a tender offer through the purchase of shares over the open market or any other takeover bid, excluding instances in which our Board of Directors has given its prior consent, shall be hereinafter referred as a "substantial acquisition").

(2) Submission of a written declaration of intent

When a party engages in a substantial acquisition of our Company's shares, it must first submit a written declaration of its intention (Declaration of Intention) to the Nippon Koei Group president in accordance with the Rules on Substantial Acquisition of Shares. The Declaration of Intention shall include the bidder's name and address, the laws under which it has been incorporated, the name of its representative, and its contact address in Japan, as well as an outline of its acquisition proposal.

When a Declaration of Intention has been submitted by a bidder, Nippon Koei will disclose the information regarding the bidder's offer at an appropriate time and in full accordance with all securities and exchange laws, ordinances and regulations regarding timely disclosure.

(3) Provision of information

Nippon Koei will provide an initial list of information to be submitted by a potential acquirer within 10 business days from receiving a Declaration of Intention from the bidder. The bidder must provide the Board with information sufficient enough ("necessary information") for our shareholders to make a sound judgment and for our Board to form a reasonable opinion on the tender offer. While the contents of this necessary information may vary depending on the bidder and its intentions, it shall generally include:

i. A bidder profile (including the nature of its current operations and its experience with operations similar to those of the Nippon Koei Group);
ii. The purpose, method, and details of the proposed acquisition (including, in the case of acquiring a large percentage of our Company shares, the bidder's reasons for setting an upper limit for the number of shares to be bought, and its plans for changing the capital structure of the Company afterwards);
iii. How the bidder calculated the purchase price for our Company shares and how they will fund their acquisition;
iv. Policies and plans related to management, business operations, financial aspects, capital, dividends, assets, etc. the bidder plans to implement should it takeover the Company's operations ("Post Acquisition Management Policy").
v. Policies concerning stakeholders in the Nippon Koei Group, including customers, suppliers, surrounding communities, and employees, the bidder intends to implement in the event it takes over Company operations.

The Board of Directors shall carefully examine and consider the information the bidder has initially provided and consider the opinions and advice of the ad hoc committee, independent specialists, etc. If the Board finds the information submitted to be insufficient to make a sound judgment that is in the best interest of the Company and its shareholders, it shall request the bidder to furnish it with more information until it believes that it has obtained all the necessary information.

When the Board deems that it has been provided with all the necessary information, it will send the bidder word to that effect, and disclose the information related to the acquisition when most appropriate and in accordance with all relevant securities and exchange laws, ordinances and regulations. Whenever the Board of Directors believes a decision should be left up to the shareholders, it will inform them of all or part of the necessary information it has been provided in a timely manner.

(4) Assessment period

Once the bidder has furnished all the Necessary Information, the Board shall be given a period of between 60 and 90 days (depending on the complexity of the issues involved) to assess the tender offer. The assessment period shall begin from the day the bidder was notified that it had provided all the necessary information. During this period ("assessment period") the Board of Directors shall assess and consider the proposal, conduct negotiations, form an opinion, and if necessary, formulate an alternative plan. Acquisition of shares may commence once the assessment period has elapsed.

The assessment period may be extended up to 30 days, if the ad hoc committee so advises in order for the Board to initiate countermeasures. When the Board decides to extend the assessment period, it must notify the bidder of the new assessment period deadline and the reason for the extension. Nippon Koei will disclose the new deadline and reason for the extension to the public when appropriate and in full accordance with all relevant securities and exchange laws, ordinances and regulations.
The Nippon Koei Board of Directors will use the assessment period to fully examine and assess all the necessary information provided as well as hear advice from independent experts, etc. The Board will give careful consideration to the advice, opinions, and recommendations of the ad hoc committee before forming an opinion. Once the board has formed an opinion, it will announce it to the public. If necessary, the Board of Directors may negotiate with the bidder to secure better terms and conditions, or present the shareholders with an alternative proposal.

3. Responding to a Takeover Bid

(1) When the bidder observes our Rules on Substantial Acquisition of Shares

Even if the Board of Directors is opposed to a takeover bid, it may not initiate any counter measure when the bidder acts in accordance with relevant rules. In such cases the Board is restricted to expressing their objections in an attempt to dissuade the shareholders from accepting the offer or presenting the shareholders with an alternative proposal. The shareholders in this instance will decide for themselves whether or not to accept the bidder’s offer to buy their shares in light of the Board’s opinion about the proposal (and in some cases, its alternative proposal), etc.
When the Board of Director’s believes that a takeover, even if it is in accordance with the rules, will damage Nippon Koei’s corporate value [Note 4], it is obliged to fulfill its duty as a responsible manager and take appropriate countermeasures in the best interest of the company and its shareholders. The Board of Directors reserves the right to initiate countermeasures, such as the allocation of equity warrants at no charge, as specified under the Company Law and other regulations as well as Nippon Koei’s articles of incorporation. The Board of Directors, after thorough assessment, will determine the most appropriate countermeasures to take. Allocation of equity warrants at no charge is one possible countermeasure outlined in the Addendum. When equity warrants are granted gratis, conditions for exercising this guaranteed right within a specified period may be established so that the allocation works as an effective countermeasure. This includes the condition that only those shareholders who do not belong to the certain group of shareholders whose ratio of voting rights is at or above a specific ratio be allowed to exercise the right.

(2) When the bidder does not observe the Rules on Substantial Acquisition of Shares

When the bidder does not observe the Rules on Substantial Acquisition of Shares, Nippon Koei reserves the right to take measures preventing the takeover in the best interest of the Company and its shareholders. After considering all possibilities, the Board will select the most appropriate countermeasure. Allocation of equity warrants at no charge is one possible countermeasure outlined in the Addendum. When equity warrants are granted gratis, conditions for exercising this guaranteed right within a specified period may be established so that the allocation works as an effective countermeasure. This includes the condition that only those shareholders who do not belong to the certain group of shareholders whose ratio of voting rights is at or above a specific ratio be allowed to exercise the right.

4. Who Decides When to Initiate/End a Countermeasure?

(1) Who decides to initiate a countermeasure?

In cases (1) or (2) described in “Responding to a Takeover Bid,” the Board will objectively determine when it is necessary to take countermeasures in accordance with the procedure outlined below.

Before initiating any countermeasure, the Board of Directors will consult with the ad hoc committee to determine if there is a real need to take countermeasures. In assessing whether or not there is a need to adopt countermeasures, the committee may obtain, at the Company’s cost, advice from independent experts, etc. (i.e. financial advisers, certified public accountants, lawyers, consultants and other specialists).

Once the ad hoc committee has advised the Board of Directors on whether or not to take countermeasures, the Board will disclose to the public information related to the committee’s advice that it considers appropriate as well as in full accordance with all securities and exchange laws, ordinances and regulations regarding disclosure.

After hearing the advice of the ad hoc committee, the Board will render its decision on implementing countermeasures in careful consideration of the necessary information. The Board will specifically consider who the bidder is, what it has proposed, and what impact a takeover will have on Nippon Koei’s corporate value before coming to a decision that is in the best interests of the company and its shareholders. In reaching its final conclusion, the Board will seek the advice of outside experts, etc. and seriously consider the recommendations of the ad hoc committee.

When the Board of Directors decides to implement countermeasures, Nippon Koei will inform the public of the details regarding the decision when appropriate and in full accordance with all securities and exchange laws, ordinances and regulations regarding disclosure.

(2) Who decides to end a countermeasure?

Whenever a countermeasure adopted by the Board of Director’s is no longer needed due to a change in circumstances or because the ad hoc committee has withdrawn its recommendation on taking countermeasures, or for some other reason, the Board may determine to cease the countermeasure or in light of new recommendations from the committee, alter its details.

When the Board of Directors decides to end a countermeasure or modify it, it will publicly disclose its decision when appropriate and in full accordance with all securities and exchange laws, ordinances and regulations regarding disclosure.

5. Expiration, abolishment, and revisions

The shareholders at the 63rd ordinary general meeting voted to keep the Policy on Substantial Acquisition of Shares which was initially set to expire on May 12, 2008. The shareholders approved the policy and resolved that it remain in force until the end of the last general shareholders meeting held in the fiscal year ending within three (3) years after the end of the 63rd general shareholders meeting.

The Policy on Substantial Acquisition of Shares may be abolished at any time prior to its expiration subject to a vote on a resolution to terminate the policy at a general meeting of shareholders or through a vote by the Board of Directors.

The Policy on Substantial Acquisition of Shares may be revised at any time on an as needed basis. The policy exists to serve the best interests of both the company and its shareholders by maintaining the integrity of the brand and its corporate values. Future changes in the law, trends in judicial decisions, as well as approaches to

takeovers taken by exchanges and other public organizations may prompt a need for the Board of Directors to adopt counter-takeover measures tailored to a whole new set of circumstances.
The Policy on Substantial Acquisition of Shares may be changed subject to a resolution adopted at the Company's general meeting of shareholders. Modifications to the Policy on Substantial Acquisition of Shares may also be made at a meeting of the Board of Directors so long as it does not compromise the best interests of the shareholders. Whenever there is a change (revision, repeal, replacement) to the laws and ordinances cited in the Policy on Substantial Acquisition of Shares, the policy shall be amended or revised to incorporate these legal changes without the consent of the Company's shareholders or Board of Directors, so long as the changes are not inconsistent with the spirit and intent of the original policy provisions and terms.

6. Measures to enhance our takeover defenses
(1) Maintaining and enhancing corporate value is everyone's business
The Policy on Substantial Acquisition of Shares enables our shareholders to make an informed decision on whether a hostile takeover would be beneficial. Aiming to serve the best interest of the Company and its shareholders, the policy clearly spells out the Rules on Substantial Acquisition of Shares for bidders to follow and the necessary conditions before our Board of Directors can implement countermeasures. This has all been done to secure and enhance Nippon Koei's corporate value and in the best interest of the Company and its shareholders.
We believe the Rules on Substantial Acquisition of Shares and the necessary conditions for taking countermeasures are reasonable in light of our aim to maintain and enhance the Company's corporate value and in protecting the interests of its shareholders. They do not place any undue restrictions on takeovers that could enhance corporate value and benefit the shareholders.

(2) Advance disclosure
We believe that both the details of the Rules on Substantial Acquisition of Shares and the details on the necessary conditions for taking countermeasure are concrete and clear enough to make it possible for the shareholders, investors and potential bidders to make fair predictions about the future.

(3) The shareholders come first
The Policy on Substantial Acquisition of Shares was originally planned to remain in force until the close of this general meeting of shareholders when shareholders would have the opportunity to vote on its survival. The Company's shareholders and Board have always reserved the right to rescind or revise the policy at any time through a resolution subject to a vote at the Company's general meeting of shareholders or Board of Directors. We believe, decisions about whether to introduce, maintain, rescind or alter the policy, made in the form of a resolution to be voted on at a general meeting of shareholders as described above, will ensure that the wishes of the shareholders are reflected in Company policy.

(4) Ensuring that our Board makes objective and reasonable decisions
The Policy on Substantial Acquisition of Shares objectively establishes clear and necessary conditions for implementing countermeasures, eliminating virtually all room for arbitrary decisions by the Board.
In introducing the Policy on Substantial Acquisition of Shares, our Company established an ad hoc committee independent of management. The policy establishes prior conditions needed to implement countermeasures requiring that our Board consult the committee in advance concerning the initiation of countermeasures. Only

after carefully considering the recommendations of the committee will the board make its final decision on implementing counter-takeover measures.
We believe the Policy on Substantial Acquisition of Shares ensures that all decisions of the Board regarding countermeasures are objective and reasonable.

(5) Obtaining opinions of third party experts
Whenever a potential bidder emerges, our policy empowers the ad hoc committee to seek the advice of independent experts (financial advisers, certified public accountants, lawyers, consultants, and other specialists) at the Company's expense. The policy goes to such great lengths that it leaves no room for doubt about the fairness and objectivity of the ad hoc committee's recommendations.

(6) Against the dead-hand
The Policy on Substantial Acquisition of Shares may be abolished subject to a vote at the Company's general meeting of shareholders or of a Board meeting comprised of directors elected by at general meeting of shareholders. It is possible for a bidder who has acquired a large amount of Company shares to elect a board of sympathetic directors at a general meeting of shareholders who will then abolish the policy. In other words, the Policy on Substantial Acquisition of Shares is not a dead-hand takeover defense (i.e. a takeover defense that cannot be abolished or stopped even when a general meeting of shareholders of the company concerned has resolved to change a majority of the directors on the Board).

7. Impact on shareholders and investors
(1) How the Rules on Substantial Acquisition of Shares impact shareholders and investors
The Rules on Substantial Acquisition of Shares aims to give shareholders all the information they need to make an informed decision in the event of a takeover bid. That includes the opinions of the Company's current custodians, the Board of Directors. It also ensures that the shareholders will be guaranteed a Board-recommended alternative should they find the takeover bid to be disadvantageous. These rules enable shareholders to make sound judgments about whether or not it would be beneficial to acquiesce in the face of a particular tender offer or fight it. The Rules on Substantial Acquisition of Shares squarely upholds the shareholders' interests, and gives them the tools they need to make the right investment decision when it comes to a takeover bid.

(2) Impact of countermeasures
When a bidder does not observe the Rules on Substantial Acquisition of Shares, or when a hostile takeover bid threatens Nippon Koei's corporate value, the Board may initiate countermeasures. These countermeasures are permissible under the Company Law and other regulations as well as Nippon Koei's articles of incorporation for the purpose of protecting the Company and its shareholders' interests. No countermeasure may impair the legal rights or the financial integrity of the shareholders (excluding the bidder that has violated the Rules on Substantial Acquisition of Shares).
When equity warrants are granted gratis as a countermeasure, shareholders will not need to apply for equity warrants. Those shareholders who are included or recorded on the final version of the Company's list of shareholders or its list of beneficial owners as of the allocation date will automatically become holders of equity warrants as of the date the gratis equity warrants were issued. Shareholders who have not transferred their shares as planned but want to acquire their equity warrants, must complete the transfer by the allocation date,

which is to be determined by our Board at a later time and announced publicly.

The company will send shareholders who have received equity warrants free of charge, instructions (in a form prescribed by the company, including a signed oath stating that the shareholder is not the bidder) and other documents needed to exercise the rights guaranteed by the equity warrants. These shareholders will be issued ordinary certificates of our Company shares once they return the above-mentioned documents by the specified deadline and contribute an amount to be determined by the Board. Should the shareholder not exercise the right guaranteed by the equity warrant by the specified deadline, the said right will lapse and the value of the shares held by the shareholder will be diluted since other shareholders have exercised their rights.

A decision to allocate gratis equity warrants may later be rescinded as provided for in 4 (2) above. The Board may cancel the allocation before the official date of allocation and any time between the date the equity warrants are first allocated and the day before they expire. In these cases, no dilution of the per-share value will occur. Investors who have traded Company shares on the assumption that a dilution would take place might suffer a loss corresponding to fluctuations in the share price.

Note 1: Share:

Share shall be as defined under Article 27-23 (1) of the Financial Instruments and Exchange Law.

Note 2: Ratio of voting rights:

(i) This shall mean the ratio of shares held by the said group of shareholders as defined in (i) of Note 3 (i.e. "Holding Ratio of Share Certificates, etc." as defined in Article 27-23 (4) of the Financial Instruments and Exchange Law). In calculating the said ratio, the number of shares held by the co-holder (s) (i.e. the number of shares as defined in the same paragraph of the abovementioned law; the same applies hereafter), or (ii) in the case where a certain group of shareholders is as defined in (ii) of Note 3, the ratio of share certificates held by both the bidder and associated parties (i.e. the ratio of shares provided for under Article 27-2 (8) of the Financial Instruments and Exchange Law). In calculating the holding ratio of share certificates, the total number of voting rights (as defined in Article 27-2 (8)-(i) of the same law) and the total number of shares issued may be obtained from the Company's most recent financial statements, semiannual report, or share buyback report.

Note 3: Certain group of shareholders:

(i) Shall mean a holder (as defined under Article 27-23 (1) of the Financial Instruments and Exchange Law, including any holder specified in Article 27-23 (3) of the same law, the same applies hereafter) of a Company share certificate (as defined in Article 27-23 (1) of the same law) and his/her/its co-holder (i.e. any co-holder as defined in Article 27 -23 (5) of the same law, including any co-holder specified in Article 27-23 (6) of the same law; the same applies hereafter), or (ii) a party attempting to buy (referring to buying as provided for under Article 27-2 (1) of the same law, including the buying on the financial product market of an exchange) Company share certificates (as defined in Article 27-2 (1) of the same law) and any associated party (defined as "Persons in Special Relationship" in Article 27-2 (7) of the same law).

Note 4: Acquisitions that impair corporate value:

A takeover bid that impairs the Company's corporate value or seriously harms the interests of its shareholders as a whole means share purchases that fall under any of the following categories (i) through (viii) below:

(i) The acquisition of Company shares without any intention of truly participating in the Company's management but rather for the sole purpose of driving the share price up with an eye to eventually selling it back at a higher price;

(ii) A strategic takeover bid in which the bidder intends to gut the Company, i.e. gaining control of the Board only to transfer its rights and interests, including intellectual property rights and know-how, main business connections, including the very customers that are the lifeblood of the Company, to the bidder or its group companies;

(iii) The bidder is attempting a leveraged buyout in which it intends to sell Company assets in order to repay the debt used to finance the takeover;

(iv) When a bidder tries to acquire Company shares with the aim of replacing existing management for the sole purpose of selling off expensive assets, etc. that are not used in current Company operations, including real estate and securities, and then using the profits from the disposal of these assets, etc. to pay high dividends that will artificially drive the share price up with the intention of dumping the shares at the inflated value for a profit;

(v) When a bidder's takeover offer (including, but not limited to, the amount, kind, or other details of the acquisition price, time and method of acquisition, legality as well as feasibility) is reasonably deemed to be woefully insufficient or inappropriate in light of the Company's corporate value;

(vi) When a bidder tries to acquire Company shares using a two-stage acquisition strategy (in which the bidder doesn't offer to buy all shares in the first stage but offers a less than fair price, or vague terms and conditions in the second stage), or other strategy that could possibly force shareholders to sell their shares, before they had the opportunity to make an informed decision or simply coerce them into selling their shares;

(vii) When all reasonable signs indicate that a takeover will have a negative impact on the Company's present or future corporate value and is not likely to be in the best interest of the shareholders, customers, employees, business connections, and other stakeholders; and

(viii) When the bidder, upon reasonable grounds or by public standards, is deemed to be an unsuitable custodian by the controlling majority of Company shareholders.

Addendum

Gratis Allocation of Equity Warrants

1. Criteria for issuing free equity warrants

Those shareholders included on the final version of the list of Company shareholders or on its list of beneficial owners as of the day appointed by the Board of Directors as the allocation day, will be allocated equity warrants in the ratio of one (1) ordinary share in the Company (excluding those held by the Company) held by each shareholder to one (1) equity warrant.

2. Type and number of shares to be issued as equity warrants

The maximum number of shares permitted to be issued as equity warrants is the difference between the total number of outstanding ordinary shares as of the date of allocation and the number of ordinary shares that have already been issued (excluding the number of ordinary shares owned by the Company as of the aforementioned date). The number of shares to be issued for each warrant (hereinafter "numbers of shares per warrant") shall be separately determined by the Board of Directors. (The number of shares issued may be adjusted within a reasonable range when necessary, such as in the case of a share split or consolidation.)

3. Total number of equity warrants to be allocated

The total number of equity warrants to be allocated is to be determined by the Board of Directors. The Board may allocate equity warrants a multiple number of times.

4. Amount to be paid when exercising equity warrants
The amount of money to be paid when exercising a warrant shall be the per-share price of the company's ordinary shares (hereinafter "exercising price") multiplied by the number of shares to be exchanged. The exact exercising price which shall be at least one (1) yen is to be specified by the Board of Directors.

5. Restriction on transferring equity warrants
Equity warrants may only be transferred with the approval of the Board of Directors.

6. Conditions for exercising equity warrants
Any group of shareholders acting in concert with one another whose combined shareholdings would give them 20% or more of the voting rights shall not be permitted to exercise these equity warrants, in addition to other conditions on exercising these equity warrants. The details of these conditions are to be worked out by the Board separately.

7. Equity warrant expiration
The equity warrants' expiration and issue dates, increases in capital stock and capital reserves when equity warrants are exercised, as well as other related matters are to be determined by the Board of Directors separately.
The Board of Directors may specify that equity warrants be issued on the basis of a certain reason as provided for in Article 236-7 (1) of the Company Law. In such an instance the provisions set forth in the preceding paragraphs may be revised when necessary.

4. Business Risks

Uneven Annual Distribution of Business Results

The primary operations of the Group include construction consultancy and electric power engineering. The construction consultancy operations entail mainly government and public agency projects whose orders come in as a cluster 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 on Major Customers

Our construction consultancy operations rely on foreign and national government contracts for some 90% its sales. Sales performance on the domestic front tends to be affected by trends in government spending while our international orders are a reflection of the Japanese ODA budget.
Since about 70-80% of our electric power engineering operations are for the Tokyo Electric Power Company (TEPCO), our sales performance is largely dictated by capital investments at TEPCO.

5. Operationally Significant Contracts

The Group reports no operationally significant contracts.

6. Research and Development

The Nippon Koei Group puts its guiding philosophy to "act with sincerity and contribute to society through technology" into practice by putting technology to work in creating a better world for all.
Overall Group research and development costs for the consolidated fiscal year under review amounted to 258 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 the research process and evaluate the results with an eye to practical application. The following R&D projects were conducted during the consolidated fiscal year under review:

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

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

(2) Research and development relating to national disaster prevention

Research was also focused on commercializing a technique to prevent manhole flotation due to ground liquefaction, development of a numerical analysis model for tsunami and storm surges, development of a method for assessing the impact of landslides on tunnels, research to enhance systems designed to detect slope failure, as well as development of regional-scale sediment disaster prediction and risk assessment techniques.

(3) Research and development relating to environmental preservation

Research was conducted on a CO2 aquifer storage technique, analysis of saltwater intrusion as well as the impact of saltwater intrusion on tidal variability

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

Research was carried out on dynamic crack propagation analysis of concrete structures, as well as developing a project assessment model for social infrastructure improvements.

(5) Technical exchanges with overseas research institutes

Technical exchange activities were conducted with Tongji University of China and the United Nations University.

Research and development costs paid in support of these operations totaled 169 million yen.

Manufacturing and Engineering Operations

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

(1) Research and development related to railway disaster prevention

Research in railway protection focused on determining whether the detection fence and the foundation of the structure used for the falling rock monitoring system were suited to the task.

(2) Research and development to ensure safe power facilities

Work in this area focused on the development of an improved ultra-high voltage electroscope to ensure safe power facility operations.

Research and development costs in support of these operations totaled 89 million yen.

7. Analysis of Financial Condition and Management Performance

Here is an analysis of our Group's finances and performance for the consolidated fiscal year under review:

(1) Analysis of financial condition

(i) Assets, liabilities, and equity

Our consolidated assets as of the end of the term under review amounted to 81,837 million yen, a 951 million yen drop from the preceding term. The primary cause for the drop was a 1,346 million yen decrease in fixed assets despite a 396 million yen increase in current assets. The increase in current assets was due primarily to a 1,376 million yen increase in accounts receivable (trade) as well as decreases in inventories by 688 million yen and a decrease in cash and cash equivalents of 599 million yen. Fixed assets decreased mainly because investments in securities were cut by 1,771 million yen as the market softened despite a total 404 million yen increase in tangible and intangible fixed assets mainly due to the completion of a new company building for our consolidated subsidiary, Tamano Consultants Co., Ltd.

Consolidated liabilities as of the end of the term stood at 38,991 million yen, up 592 million yen year-on-year. This increase occurred mainly due to a 5,711 million yen increase in current liabilities and a 5,119 million yen decrease in fixed liabilities. These increases were primarily triggered by the transfer of long-term loans due within the year, amounting to 4,000 million yen, to short-term loans.

Equity as of the end of the term under review amounted to 42,846 million yen, down 1,543 million yen from the previous term. This decrease took place mainly because unrealized gain on available-for-sale securities decreased by 1,654 million yen and purchases of treasury stock diminished equity by 855 million yen despite a 1,096 million yen increase in retained earnings.

(ii) Cash flow

Cash flow in the consolidated fiscal year under review is outlined in the section entitled "(2) Cash flow" under "1. Overview of Performance and Cash Flow" in "Consolidated Business Report."

(2) Analysis of performance

Net sales in the year under review amounted to 67,119 million yen, increasing 66 million yen over the figure for the previous year.

Operating income totaled 2,536 million yen, up 222 million yen from the previous year, as a result of an improved sales-profit ratio due to reduction in production costs. The ratio of operating income to sales rose 0.3 % year-on-year to reach 3.8%.

Other income resulted in a loss of 99 million yen, a decrease of 426 million yen from the previous year.

Income before taxes and minority interests came to 2,437 million yen, and net income came to 1,725 million yen, up 260 million yen from the previous year.

Noriaki Hirose
President:

Consolidated Balance Sheets

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
ASSETS	**2008**	2007	**2008**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 4,899**	¥ 5,498	**$ 48,897**
Marketable securities (Note 3)		40	
Receivables :			
Trade notes	**67**	79	**669**
Trade accounts	**28,543**	27,155	**284,889**
Allowance for doubtful accounts	**(189)**	(273)	**(1,886)**
Inventories (Note 4)	**8,611**	9,299	**85,947**
Deferred tax assets (Note 10)	**1,662**	1,652	**16,588**
Prepaid expenses and other current assets	**1,855**	1,602	**18,514**
Total current assets	**45,448**	45,052	**453,618**
PROPERTY, PLANT AND EQUIPMENT (Notes 5,6 and 8)**:**			
Land	**13,333**	13,152	**133,077**
Buildings and structures	**19,762**	18,433	**197,245**
Machinery and equipment	**2,331**	2,423	**23,266**
Furniture and fixtures	**2,615**	2,685	**26,101**
Construction in progress		68	
Total	**38,041**	36,761	**379,689**
Accumulated depreciation	**(13,679)**	(13,265)	**(136,531)**
Net property, plant and equipment	**24,362**	23,496	**243,158**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**6,920**	8,691	**69,069**
Investments in unconsolidated subsidiaries and associated companies	**559**	550	**5,579**
Long-term loans receivable	**52**	148	**519**
Goodwill	**2,169**	2,482	**21,649**
Receivables in bankruptcy	**132**	136	**1,317**
Deferred tax assets (Note 10)	**230**	251	**2,296**
Other assets (Note 5)	**2,209**	2,228	**22,048**
Allowance for doubtful accounts	**(244)**	(246)	**(2,435)**
Total investments and other assets	**12,027**	14,240	**120,042**
TOTAL	**¥81,837**	¥82,788	**$816,818**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	2007	Thousands of U.S.Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	**¥ 5,500**	¥ 3,500	**$ 54,896**
Current portion of long-term debt (Note 6)	**4,190**	190	**41,821**
Payables:			
Trade notes	**557**	604	**5,559**
Trade accounts	**5,695**	5,989	**56,842**
Income taxes payable	**451**	409	**4,501**
Advances received	**6,103**	6,761	**60,914**
Accrued bonuses	**1,291**	1,097	**12,886**
Allowance for anticipated project loss	**136**	123	**1,357**
Other current liabilities (Note 10)	**4,456**	3,995	**44,476**
Total current liabilities	**28,379**	22,668	**283,252**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**4,624**	8,814	**46,152**
Liability for retirement benefits (Note 7)	**3,080**	2,959	**30,742**
Deposits received (Note 8)	**2,671**	2,857	**26,659**
Deferred tax liabilities (Note 10)	**101**	973	**1,008**
Other liabilities	**136**	128	**1,358**
Total long-term liabilities	**10,612**	15,731	**105,919**
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 2008 and 2007	**7,393**	7,393	**73,790**
Capital surplus	**6,132**	6,132	**61,204**
Retained earnings	**31,173**	30,077	**311,139**
Unrealized gain (loss) on available-for-sale securities	**(125)**	1,529	**(1,248)**
Deferred gain (loss) on derivatives under hedge accounting	**38**		**379**
Treasury stock—at cost 5,984,122 shares in 2008 and 2,840,445 shares in 2007	**(1,992)**	(1,137)	**(19,882)**
Total	**42,619**	43,994	**425,382**
Minority interests	**227**	395	**2,265**
Total equity	**42,846**	44,389	**427,647**
TOTAL	**¥81,837**	¥82,788	**$816,818**

Consolidated Statements of Income

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2008	2007	**2008**
NET SALES	**¥67,119**	¥67,053	**$669,917**
COST OF SALES	**50,890**	51,139	**507,935**
Gross profit	**16,229**	15,914	**161,982**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**13,693**	13,600	**136,670**
Operating income	**2,536**	2,314	**25,312**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**299**	226	**2,984**
Interest expense	**(172)**	(170)	**(1,717)**
Foreign currency exchange loss	**(485)**	(16)	**(4,841)**
Loss on disposal of property, plant and equipment	**(29)**	(40)	**(289)**
Gain on sales of investment securities	**303**	231	**3,024**
Reversal of allowance for doubtful accounts	**62**	255	**619**
Special retirement benefits for employees (Note 7)		(170)	
Loss on impairment of long-lived assets (Note 5)		(46)	
Other-net	**(77)**	57	**(768)**
Other income (expenses)-net	**(99)**	327	**(988)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,437**	2,641	**24,324**
INCOME TAXES (Note 10)**:**			
Current	**497**	497	**4,961**
Deferred	**195**	655	**1,946**
Total income taxes	**692**	1,152	**6,907**
MINORITY INTERESTS IN NET INCOME	**20**	24	**199**
NET INCOME	**¥ 1,725**	¥ 1,465	**$ 17,218**

	Yen		U.S.Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note2. p.)**:**			
Basic net income	**¥ 20.80**	¥ 17.47	**$ 0.21**
Cash dividends applicable to the year	**7.50**	7.50	**0.07**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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 a 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)
Purchase of treasury stock	(65)						(22)	(22)		(22)
Net change in the year					(436)			(436)	23	(413)
BALANCE, MARCH 31, 2007	**83,816**	**7,393**	**6,132**	**30,077**	**1,529**		**(1,137)**	**43,994**	**395**	**44,389**
Net income				1,725				1,725		1,725
Cash dividends, ¥7.50 per share				(629)				(629)		(629)
Purchase of treasury stock	(3,144)						(855)	(855)		(855)
Net change in the year					(1,654)	¥38		(1,616)	(168)	(1,784)
BALANCE, MARCH 31, 2008	**80,672**	**¥7,393**	**¥6,132**	**¥31,173**	**¥(125)**	**¥38**	**¥(1,992)**	**¥42,619**	**¥227**	**¥42,846**

	Thousands of U.S.Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	**$73,790**	**$61,204**	**$300,200**	**$15,261**		**$(11,349)**	**$439,106**	**$3,942**	**$443,048**
Net income			17,218				17,218		17,218
Cash dividends, $0.07 per share			(6,279)				(6,279)		(6,279)
Purchase of treasury stock						(8,533)	(8,533)		(8,533)
Net change in the year				(16,509)	$379		(16,130)	(1,677)	(17,807)
BALANCE, MARCH 31, 2008	**$73,790**	**$61,204**	**$311,139**	**$(1,248)**	**$379**	**$(19,882)**	**$425,382**	**$2,265**	**$427,647**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
OPERATING ACTIVITIES:	**2008**	2007	**2008**
Income before income taxes and minority interests	**¥ 2,437**	¥ 2,641	**$ 24,324**
Adjustments for:			
Income taxes – paid	**(459)**	(347)	**(4,581)**
Depreciation and amortization	**1,160**	1,188	**11,578**
Gain on sales of property, plant and equipment	**(3)**	(5)	**(30)**
Loss on disposal of property, plant and equipment	**29**	40	**289**
Gain on sales of investment securities	**(303)**	(231)	**(3,024)**
Changes in assets and liabilities, net of effects from a newly consolidated subsidiary:			
(Increase) decrease in trade accounts receivable	**(1,375)**	447	**(13,724)**
Decrease in inventories	**688**	968	**6,867**
(Decrease) increase in trade accounts payable	**(341)**	161	**(3,404)**
Increase (decrease) in liability for retirement benefits	**122**	(267)	**1,218**
Other—net	**(218)**	85	**(2,176)**
Net cash provided by operating activities	**1,737**	4,680	**17,337**
INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities	**39**		**389**
Proceeds from sales of property, plant and equipment	**27**	13	**269**
Purchases of property, plant and equipment	**(1,756)**	(249)	**(17,527)**
Proceeds from sales of investment securities	**1,491**	1,292	**14,882**
Purchases of investment securities	**(2,167)**	(2,272)	**(21,629)**
Purchases of investments in a consolidated subsidiary	**(113)**		**(1,128)**
Increase in other assets	**(33)**	(199)	**(328)**
Net cash used in investing activities	**¥(2,512)**	¥(1,415)	**$(25,072)**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
FINANCING ACTIVITIES:	**2008**	2007	**2008**
Net decrease (increase) in short-term borrowings	**¥2,000**	¥(1,700)	**$19,962**
Repayments of long-term debt	**(191)**	(191)	**(1,906)**
Purchase of treasury stock	**(855)**	(22)	**(8,534)**
Dividends paid	**(630)**	(842)	**(6,288)**
Other—net	**(2)**	(2)	**(20)**
Net cash provided by (used in) financing activities	**322**	(2,757)	**3,214**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(146)**	7	**(1,457)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(599)**	515	**(5,978)**
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR		214	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**5,498**	4,769	**54,875**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥4,899**	¥ 5,498	**$48,897**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by consolidation of a subsidiary previously unconsolidated		¥ 341	
Liabilities increased by consolidation of a subsidiary previously unconsolidated		547	

Notes to Consolidated Financial Statements

Nippon Koei Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, 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.

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 2007 financial statements to conform to the classifications used in 2008.

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 ¥ 100.19 to $1, the rate of exchange at March 31, 2008. 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, 2008 include the accounts of the Company and its nine significant (nine in 2007) 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 its long-lived assets for impairment whenever events or changes in circumstance 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 selling price at 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, Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, 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 was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

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

j. *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. All other leases are accounted for as operating leases.

k. *Bonuses to directors and corporate auditors* —Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

l. *Income Taxes* —The provision for income taxes is computed based on the pretax income included in the 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. *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.

n. *Revenue Recognition* —Revenues and gross profits on long-term contracts which have not less than a two year contract period and not less than ¥1 billion contract amount are recognized by the percentage-of-completion method, measured by the percentage of 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 not less than a one year contract period and not less than ¥300 million contract amount are also recognized by the percentage-of-completion method.

All other construction projects, except the aforementioned, are recorded using the completed-contract method.

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) 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 income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are measured at their fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

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

p. *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. The weighted-average numbers of shares of common stock for the years ended March 31, 2008 and 2007 were 82,934,469 and 83,845,738, 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.

q. *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. 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.

Lessee
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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor
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 lessor’s financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

Construction Contracts —Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations —On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Current:			
Government and corporate bonds		¥ 40	
Total		¥ 40	
Non-current:			
Marketable equity securities	**¥5,555**	¥7,301	**$55,445**
Government and corporate bonds	**223**	240	**2,226**
Other	**1,142**	1,150	**11,398**
Total	**¥6,920**	¥8,691	**$69,069**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,080**	**¥673**	**¥531**	**¥5,222**
Debt securities	**74**	**2**	**10**	**66**
Other	**1,479**	**21**	**358**	**1,142**
Total	**¥6,633**	**¥696**	**¥899**	**¥6,430**

	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

	Thousands of U.S. Dollars			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$50,704**	**$6,717**	**$5,300**	**$52,121**
Debt securities	**739**	**20**	**100**	**659**
Other	**14,761**	**210**	**3,573**	**11,398**
Total	**$66,204**	**$6,947**	**$8,973**	**$64,178**

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Available-for-sale:			
Equity securities	**¥332**	¥334	**$3,314**
Other	**1**	1	**10**
Held-to-maturity	**157**	164	**1,567**
Total	**¥490**	¥499	**$4,891**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥1,181 million ($11,788 thousand) and ¥1,005 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥303 million ($3,024 thousand), for the year ended March 31, 2008 and gross realized gains and losses on these sales were ¥231 million and ¥17 million, respectively for the year ended March 31, 2007.

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, 2008 were as follows:

	Million of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥146	$1,457
Due after five years through ten years	101	1,008
Due after ten years	197	1,967
Total	¥444	$4,432

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Merchandise	**¥ 225**	¥ 225	**$ 2,246**
Work in process	**8,063**	8,753	**80,477**
Raw materials and supplies	**323**	321	**3,224**
Total	**¥8,611**	¥9,299	**$85,947**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2007 and, as a result, recognized an impairment loss of ¥46 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 Group's business and the classification for its management accounting, and as for idle assets, each individual unit is considered as a group.
No impairment loss was recognized in 2008.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consisted of notes to banks. The annual interest rates applicable to the short-term borrowings ranged from 1.179% to 1.192% and 1.032% to 1.750% at March 31, 2008 and 2007, respectively.

The Company had commitment-line contracts of ¥8,000 million ($79,848 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, 2008, the Company had utilized ¥5,500 million ($54,896 thousand) of the commitment-line.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Unsecured loans from banks due serially to 2013 with interest rates ranging from 1.250% to 1.775%	**¥8,669**	¥8,786	**$86,526**
Unsecured loans from Fukushima Prefecture due serially to 2009 without interest:	**145**	218	**1,447**
Total	**8,814**	9,004	**87,973**
Less current portion	**(4,190)**	(190)	**(41,821)**
Long-term debt, less current portion	**¥4,624**	¥8,814	**$46,152**

Annual maturities of long-term debt at March 31, 2008 for the five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥4,190	$41,821
2010	191	1,906
2011	4,118	41,102
2012	118	1,178
2013	118	1,178
2014 and thereafter	79	788
Total	¥8,814	$87,973

At March 31, 2008, land, building and structures of ¥2,201 million ($21,968 thousand) were pledged as collateral for short-term borrowings and long-term debt of ¥669 million ($6,677 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, 2008 and 2007 for directors and corporate auditors were ¥128 million ($1,278 thousand) and ¥117 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥(13,683)**	¥(13,313)	**$(136,571)**
Fair value of plan assets	**7,738**	8,512	**77,233**
Unrecognized actuarial loss	**2,475**	1,046	**24,703**
Unrecognized transitional obligation	**911**	1,080	**9,093**
Unrecognized amortization of prior service cost	**(153)**	(167)	**(1,527)**
Prepaid pension cost	**240**		**2,395**
Net liability	**¥ (2,952)**	¥ (2,842)	**$ (29,464)**

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥ 914**	¥ 956	**$ 9,123**
Interest cost	**296**	299	**2,954**
Expected return on plan assets	**(255)**	(231)	**(2,545)**
Amortization of prior service cost	**(13)**		**(130)**
Recognized actuarial loss	**205**	180	**2,047**
Amortization of transitional obligation	**135**	135	**1,347**
Net periodic benefit costs	**¥1,282**	¥1,339	**$12,796**

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	**2.50%**	2.50%
Expected rate of return on plan assets	**3.00%**	3.00%
Amortization of prior service cost	**13 years**	13 years
Recognition period of actuarial gain / loss	**13 years**	13 years
Amortization period of transitional obligation	**15 years**	15 years

Subsidiaries offered early retirement programs to their employees and paid special retirement benefits of ¥170 million in the year ended March 31, 2007.

8. DEPOSITS RECEIVED

Deposits received from tenants amounted to ¥2,381 million ($23,765 thousand) at March 31, 2008.

At March 31, 2008, land, building and structures for rent of ¥1,707 million ($17,038 thousand) were pledged as collateral for these deposits.

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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 were 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, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets :			
Unrealized loss on available-for-sale securities	**¥ 80**	¥ 1	**$ 798**
Accrued bonuses	**798**	884	**7,965**
Tax loss carryforwards	**2,473**	3,108	**24,683**
Liability for retirement benefits for directors and corporate auditors	**52**	47	**519**
Liability for retirement benefits for employees	**1,188**	1,138	**11,857**
Allowance for anticipated project loss	**55**	50	**549**
Loss on impairment of long-lived assets	**114**	122	**1,138**
Other	**532**	578	**5,310**
Less valuation allowance	**(3,088)**	(3,695)	**(30,821)**
Total	**¥2,204**	¥2,233	**$21,998**
Deferred tax liabilities :			
Reserve for deferred gains on sale of property	**¥ 223**	¥ 229	**$ 2,226**
Unrealized gain on available-for-sale securities	**1**	1,005	**10**
Prepaid pension cost	**95**		**948**
Other	**94**	72	**938**
Total	**¥ 413**	¥1,306	**$ 4,122**
Net deferred tax assets	**¥1,791**	¥ 927	**$17,876**

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, 2008 and 2007 was as follows:

	2008	2007
Normal effective statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**5.5**	5.0
Expenses not deductible for tax purposes	**2.6**	2.6
Valuation allowance	**(24.2)**	(10.7)
Other – net	**5.0**	7.2
Actual effective tax rate	**28.4%**	43.6%

As of March 31, 2008, the Company and certain subsidiaries had tax loss carryforwards aggregating approximately ¥5,924 million ($59,128 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
2009	¥ 33	$ 329
2010	915	9,133
2011	1,379	13,764
2012	3,597	35,902
Total	**¥5,924**	**$59,128**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥258 million ($2,575 thousand) and ¥218 million for the years ended March 31, 2008 and 2007, 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 ¥75 million ($749 thousand) and ¥80 million for the years ended March 31, 2008 and 2007, 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, 2008 and 2007 was as follows:

	Millions of Yen		
	2008		
	Furniture and Fixtures	Other	Total
Acquisition cost	**¥407**	**¥24**	**¥431**
Accumulated depreciation	**170**	**13**	**183**
Net leased property	**¥237**	**¥11**	**¥248**

	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

	Thousands of U.S. Dollars		
	2008		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$4,062**	**$240**	**$4,302**
Accumulated depreciation	**1,696**	**131**	**1,827**
Net leased property	**$2,366**	**$109**	**$2,475**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 69**	¥ 55	**$ 689**
Due after one year	**185**	90	**1,846**
Total	**¥254**	¥145	**$2,535**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Depreciation expense	**¥73**	¥75	**$729**
Interest expense	**6**	5	**60**
Total	**¥79**	¥80	**$789**

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

The minimum rental commitments under noncancellable operating leases at March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥1**	¥1	**$10**
Due after one year	**1**	2	**10**
Total	**¥2**	¥3	**$20**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 680**	¥ 682	**$ 6,787**
Due after one year	**4,588**	5,268	**45,793**
Total	**¥5,268**	¥5,950	**$52,580**

13. DERIVATIVES

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks.

It is the Group's policy to use derivatives only for the purpose of reducing risks, not for trading or speculative purpose.

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.

Derivative transactions which are qualified for hedge accounting, are not subject to the disclosure of market value information.

The Group had the following derivatives contracts outstanding at March 31, 2008 and 2007:

	Millions of Yen					
	2008			2007		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps: (fixed rate payment, floating rate receipt)	**¥420**	**¥(4)**	**¥(4)**	¥560	¥(6)	¥(6)

	Thousands of U.S. Dollars		
	2008		
	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps: (fixed rate payment, floating rate receipt)	**$4,192**	**$(40)**	**$(40)**

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, 2008, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to employees	¥289	$2,885
Guarantees of foreign exchange contracts related to an unconsolidated subsidiary	110	1,098

15. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

On May 20, 2008, the following appropriation of retained earnings at March 31, 2008 was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.07) per share	¥605	$6,039

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;
Real estate leasing sales of our Group's real estate leasing operation;
Others software development and sales, staffing service and others

Effective April 1, 2007, the Group changed its industry segmentation from Domestic, Overseas, Manufacturing, Engineering and Others to Domestic, Overseas, Manufacturing, Engineering, Real estate leasing and Others because Real estate leasing segmentation has become continuously material in terms of operational income and total assets.
The effect of the change was to increase sales and operating income of Real estate leasing by ¥1,469 million and ¥906 million, respectively and decrease sales and operating income of Others by ¥1,469 million and ¥906 million, respectively.

Information about business segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2008 and 2007, is as follows:

(1) Business Segments
a. Sales and Operating Income

	Millions of Yen							
	2008							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consolidated
Sales to customers	**¥37,204**	**¥16,370**	**¥8,259**	**¥3,297**	**¥1,261**	**¥ 728**		**¥67,119**
Intersegment sales	**271**	**3**	**82**	**1,651**	**208**	**1,311**	**¥(3,526)**	
Total sales	**37,475**	**16,373**	**8,341**	**4,948**	**1,469**	**2,039**	**(3,526)**	**67,119**
Operating expenses.................	**36,119**	**16,228**	**7,588**	**4,683**	**563**	**1,968**	**(2,566)**	**64,583**
Operating income	**¥ 1,356**	**¥ 145**	**¥ 753**	**¥ 265**	**¥ 906**	**¥ 71**	**¥ (960)**	**¥ 2,536**

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen							
	2008							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Total assets	**¥28,918**	**¥10,327**	**¥7,193**	**¥2,023**	**¥11,164**	**¥861**	**¥21,351**	**¥81,837**
Depreciation	**205**	**43**	**224**	**6**	**263**	**1**	**666**	**1,408**
Capital expenditures	**1,454**	**49**	**136**	**11**		**1**	**281**	**1,932**

a. Sales and Operating Income

	Thousands of U.S. Dollars							
	2008							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Sales to customers	**$371,334**	**$163,390**	**$82,433**	**$32,907**	**$12,586**	**$ 7,267**		**$669,917**
Intersegment sales	**2,705**	**30**	**819**	**16,479**	**2,076**	**13,085**	**$(35,194)**	
Total sales	**374,039**	**163,420**	**83,252**	**49,386**	**14,662**	**20,352**	**(35,194)**	**669,917**
Operating expenses	**360,505**	**161,973**	**75,736**	**46,741**	**5,619**	**19,643**	**(25,612)**	**644,605**
Operating income	**$ 13,534**	**$ 1,447**	**$ 7,516**	**$ 2,645**	**$ 9,043**	**$ 709**	**$ (9,582)**	**$ 25,312**

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars							
	2008							
	Domestic	Overseas	Manu-facturing	Engin-eering	Real estate leasing	Others	Eliminations /Corporate	Consoli-dated
Total assets	**$288,632**	**$103,074**	**$71,794**	**$20,192**	**$111,428**	**$8,594**	**$213,104**	**$816,818**
Depreciation	**2,046**	**429**	**2,236**	**60**	**2,625**	**10**	**6,647**	**14,053**
Capital expenditures	**14,512**	**489**	**1,357**	**110**		**10**	**2,805**	**19,283**

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

(2) Geographical Segments

The Group was located in Japan for the years ended March 31, 2008 and 2007, and is not subject to the disclosure of market value information.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2008 and 2007 amounted to ¥16,401 million ($163,699 thousand) and ¥14,976 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
Current assets	¥520
Non-current assets	34
Current liabilities	(297)
Non-current liabilities	(250)

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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, 2008 and 2007, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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 27, 2008

Non-consolidated Balance Sheets

Nippon Koei Co., Ltd.
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2008**	2007	**2008**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 3,319**	¥ 3,691	**$ 33,127**
Marketable securities (Note 3)		40	
Receivables:			
Trade notes	**31**	39	**309**
Trade accounts	**22,948**	21,621	**229,045**
Allowance for doubtful accounts	**(39)**	(38)	**(389)**
Short-term loan receivables	**3,643**	3,896	**36,361**
Inventories - work in process	**3,817**	3,810	**38,098**
Deferred tax assets (Note 10)	**1,044**	1,427	**10,420**
Prepaid expenses and other current assets	**1,374**	1,310	**13,714**
Total current assets	**36,137**	35,796	**360,685**
PROPERTY, PLANT AND EQUIPMENT (Note 5, 8)**:**			
Land	**9,937**	9,756	**99,182**
Buildings and structures	**16,229**	16,243	**161,982**
Machinery and equipment	**1,200**	1,180	**11,977**
Furniture and fixtures	**1,096**	1,077	**10,939**
Total	**28,462**	28,256	**284,080**
Accumulated depreciation	**(10,462)**	(9,989)	**(104,421)**
Net property, plant and equipment	**18,000**	18,267	**179,659**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**6,710**	8,454	**66,973**
Investments in and advances to subsidiaries and associated companies (Note 4)	**7,512**	6,444	**74,978**
Other assets (Note 5)	**2,506**	2,516	**25,012**
Allowance for doubtful accounts	**(26)**	(24)	**(260)**
Total investments and other assets	**16,702**	17,390	**166,703**
TOTAL	**¥70,839**	¥71,453	**$707,047**

See notes to non-consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	**¥ 7,000**	¥ 4,800	**$ 69,867**
Current portion of long-term debt (Note 6)	**4,000**		**39,924**
Payables:			
Trade notes	**37**	12	**369**
Trade accounts	**6,527**	6,396	**65,146**
Income taxes payable	**115**	103	**1,148**
Advances received	**3,044**	3,376	**30,382**
Accrued bonuses	**904**	742	**9,023**
Allowance for anticipated project loss	**58**	5	**579**
Other current liabilities	**3,215**	2,631	**32,090**
Total current liabilities	**24,900**	18,065	**248,528**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**4,000**	8,000	**39,924**
Liability for retirement benefits (Note 7)	**457**	539	**4,561**
Deposits received (Note 8)	**2,671**	2,857	**26,660**
Deferred tax liabilities (Note 10)	**34**	904	**339**
Total long-term liabilities	**7,162**	12,300	**71,484**
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 2008 and 2007	**7,393**	7,393	**73,790**
Capital surplus	**6,131**	6,131	**61,194**
Retained earnings:			
Legal reserve	**1,546**	1,546	**15,431**
Retained earnings - unappropriated	**25,710**	25,565	**256,613**
Unrealized gain (loss) on available-for-sale securities	**(119)**	1,520	**(1,188)**
Deferred gain (loss) on derivatives under hedge accounting	**38**		**379**
Treasury stock—at cost 5,984,122 shares in 2008 and 2,840,445 shares in 2007	**(1,922)**	(1,067)	**(19,184)**
Total equity	**38,777**	41,088	**387,035**
TOTAL	**¥70,839**	¥71,453	**$707,047**

Non-consolidated Statements of Income

Nippon Koei Co., Ltd.
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
NET SALES	**¥49,929**	¥49,787	**$498,343**
COST OF SALES	**39,651**	39,890	**395,758**
Gross profit	**10,278**	9,897	**102,585**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**8,997**	8,797	**89,799**
Operating income	**1,281**	1,100	**12,786**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**482**	407	**4,811**
Interest expense	**(194)**	(179)	**(1,936)**
Foreign currency exchange loss	**(430)**	(21)	**(4,292)**
Gain on sales of investment securities	**299**	228	**2,984**
Loss on impairment of long-lived assets (Note 5)		(32)	
Reversal of allowance for doubtful accounts	**1**	13	**10**
Other-net	**24**	124	**239**
Other income-net	**182**	540	**1,816**
INCOME BEFORE INCOME TAXES	**1,463**	1,640	**14,602**
INCOME TAXES (Note 10):			
Current	**130**	181	**1,298**
Deferred	**559**	658	**5,579**
Total income taxes	**689**	839	**6,877**
NET INCOME	**¥ 774**	¥ 801	**$ 7,725**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note2. p.):			
Basic net income	**¥ 9.33**	¥ 9.55	**$ 0.09**
Cash dividends applicable to the year	**7.50**	7.50	**0.07**

See notes to non-consolidated financial statements.

Non-consolidated Statements of Changes in Equity

Nippon Koei Co., Ltd.
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gain on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
			Additional Paid-in Capital	Legal Reserve	Unappropriated				
BALANCE, APRIL 1, 2006	**83,881**	**¥7,393**	**¥6,131**	**¥1,546**	**¥25,643**	**¥1,949**		**¥(1,045)**	**¥41,617**
Net income					801				801
Cash dividends, ¥10.00 per share					(839)				(839)
Bonuses to directors					(40)				(40)
Purchase of treasury stock	(65)							(22)	(22)
Net change in the year						(429)			(429)
BALANCE, MARCH 31, 2007	**83,816**	**7,393**	**6,131**	**1,546**	**25,565**	**1,520**		**(1,067)**	**41,088**
Net income					774				774
Cash dividends, ¥7.50 per share					(629)				(629)
Purchase of treasury stock	(3,144)							(855)	(855)
Net change in the year						(1,639)	¥38		(1,601)
BALANCE, MARCH 31, 2008	**80,672**	**¥7,393**	**¥6,131**	**¥1,546**	**¥25,710**	**¥ (119)**	**¥38**	**¥(1,922)**	**¥38,777**

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings		Unrealized Gain on Available-for-sale Securities	Deferred Gain (loss) on Derivatives under Hedge Accounting	Treasury Stock	Total Equity
		Additional Paid-in Capital	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2007	**$73,790**	**$61,194**	**$15,431**	**$255,165**	**$15,171**		**$(10,650)**	**$410,101**
Net income				7,725				7,725
Cash dividends, $0.07 per share				(6,277)				(6,277)
Purchase of treasury stock							(8,534)	(8,534)
Net change in the year					(16,359)	$379		(15,980)
BALANCE, MARCH 31, 2008	**$73,790**	**$61,194**	**$15,431**	**$256,613**	**$ (1,188)**	**$379**	**$(19,184)**	**$387,035**

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Nippon Koei Co., Ltd.
Years Ended March 31, 2008 and 2007

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.

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 principles 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 addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

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 ¥ 100.19 to $1, the rate of exchange at March 31, 2008. 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 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 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 reviews its long-lived assets for impairment whenever events or changes in circumstance 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 selling price at 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, Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the non-consolidated statement of changes in equity.

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

j. ***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. All other leases are accounted for as operating leases.

k. ***Bonuses to directors and corporate auditors*** —Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

l. ***Income Taxes*** —The provision for income taxes is computed based on the pretax income included in the 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. ***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.

n. ***Revenue Recognition*** —Revenues and gross profits on long-term contracts which have not less than a two year contract period and not less than ¥1 billion contract amount are recognized by the percentage-of-completion method, measured by the percentage of 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 not less than a one year contract period and not less 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).

All other construction projects, except the aforementioned, are recorded using the completed-contract method.

o. Derivatives and Hedging Activities —The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) 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 income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are measured at their fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

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

p. 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. The weighted-average numbers of shares of common stock for the years ended March 31, 2008 and 2007 were 82,934,469 and 83,845,738, 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.

q. 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. 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.

Lessee

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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

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 lessor’s financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

Construction Contracts —Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contracts can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations —On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Current:			
Government and corporate bonds		¥ 40	
Total		¥ 40	
Non-current:			
Marketable equity securities	**¥5,384**	¥7,110	**$53,738**
Government and corporate bonds	**183**	194	**1,827**
Other	**1,143**	1,150	**11,408**
Total	**¥6,710**	¥8,454	**$66,973**

Market values for investment securities in subsidiaries and associated companies were 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, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Investments	**¥5,586**	¥5,464	**$55,754**
Advances	**1,926**	980	**19,224**
Total	**¥7,512**	¥6,444	**$74,978**

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of March 31, 2007, as a result, recognized an impairment loss of ¥32 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.
No impairment loss was recognized in 2008.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consisted of notes to banks. The annual interest rates applicable to the short-term borrowings ranged from 1.179% to 1.192% and 1.032% to 1.750% at March 31, 2008 and 2007, respectively.

The Company had commitment-line contracts of ¥8,000 million ($79,848 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, 2008, the Company had utilized ¥5,500 million ($54,896 thousand) of the commitment-line.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Unsecured loans from banks due serially to 2010 with interest rates ranging from 1.515% to 1.775%	**¥8,000**	¥8,000	**$79,848**
Less current portion	**(4,000)**		**(39,924)**
Long-term debt, less current portion	**¥4,000**	¥8,000	**$39,924**

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, 2008 and 2007 for directors and corporate auditors were ¥48 million ($479 thousand) and ¥52 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 ¥2,381 million ($23,765 thousand) at March 31, 2008.

At March 31, 2008, land, building and structures for rent of ¥1,707 million ($17,038 thousand) were pledged as collateral for these deposits.

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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, 2008 and 2007.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Unrealized loss on available-for-sale securities	**¥ 78**		**$ 779**
Accrued bonuses	**584**	¥ 651	**5,829**
Tax loss carryforwards	**356**	743	**3,553**
Liability for retirement benefits for directors and corporate auditors	**19**	21	**190**
Liability for retirement benefits for employees	**162**	193	**1,617**
Allowance for anticipated project loss	**23**	2	**230**
Loss on impairment of long-lived assets	**66**	72	**659**
Other	**219**	229	**2,185**
Less valuation allowance	**(153)**	(160)	**(1,528)**
Total	**¥1,354**	¥ 1,751	**$13,514**
Deferred tax liabilities:			
Reserve for deferred gains on sale of property	**¥ 223**	¥ 229	**$ 2,226**
Unrealized gain on available-for-sale securities		994	
Prepaid pension cost	**95**		**948**
Other	**26**	6	**259**
Total	**¥ 344**	¥ 1,229	**$ 3,433**
Net deferred tax assets	**¥1,010**	¥ 522	**$10,081**

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, 2008 and 2007 was as follows:

	2008	2007
Normal effective statutory tax rate	**39.5%**	39.5%
Per capita levy of local tax	**5.6**	4.9
Expenses not deductible for tax purposes	**2.9**	2.5
Valuation allowance	**(0.5)**	2.3
Other – net	**(0.4)**	2.0
Actual effective tax rate	**47.1%**	51.2%

As of March 31 , 2008, the Company had tax loss carryforwards aggregating approximately ¥898 million ($8,963 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 ¥186 million ($1,856 thousand) and ¥137 million for the years ended March 31, 2008 and 2007, 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 was not deemed to transfer to the lessee, in the amount of ¥54 million ($539 thousand) and ¥44 million for the years ended March 31, 2008 and 2007, 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, 2008 and 2007, was as follows:

	Millions of Yen		
	2008		
	Furniture and Fixtures	Other	Total
Acquisition cost	**¥261**	**¥24**	**¥285**
Accumulated depreciation	**131**	**12**	**143**
Net leased property	**¥130**	**¥12**	**¥142**

	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

	Thousands of U.S. Dollars		
	2008		
	Furniture and Fixtures	Other	Total
Acquisition cost	**$2,605**	**$240**	**$2,845**
Accumulated depreciation	**1,308**	**120**	**1,428**
Net leased property	**$1,297**	**$120**	**$1,417**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 50**	¥ 40	**$ 499**
Due after one year	**96**	75	**958**
Total	**¥146**	¥115	**$1,457**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Depreciation expense	**¥49**	¥40	**$489**
Interest expense	**5**	4	**50**
Total	**¥54**	¥44	**$539**

Depreciation expense and interest expense, which are not reflected in the accompanying non-consolidated statements of income, were 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, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥1**	¥1	**$10**
Due after one year	**1**	2	**10**
Total	**¥2**	¥3	**$20**

(2) Lessor

The minimum rental commitments under noncancellable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 680**	¥ 682	**$ 6,787**
Due after one year	**4,588**	5,268	**45,793**
Total	**¥5,268**	¥5,950	**$52,580**

13. CONTINGENT LIABILITIES

At March 31, 2008, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans related to a subsidiary and employees	¥1,103	$11,009

14. SUBSEQUENT EVENTS

Appropriations of Retained Earning

On May 20, 2008, the following appropriation of retained earnings at March 31, 2008 was resolved by the Board of Directors:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.5 ($0.07) per share	¥605	$6,039

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, 2008 and 2007, 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, 2008 and 2007, 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 27, 2008

Corporate Information

Board of Directors, Officers and Corporate Auditors

Chairperson:
Osamu Takahashi*

President:
Noriaki Hirose*

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

Director and Senior Managing Executive Officers:
Naoki Ariga
Shigemichi Hatao

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

Director and Executive Officers:
Tamotsu Yoshida
Yoichi Abe
Koichi Tanuma

Director:
Masahisa Naito

Corporate Auditors:
Kenichi Sakata
Koichi Kosumi
Mineo Enomoto

Managing Executive Officers:
Hiroaki Ozasa
Hajime Tanimura

Executive Officers:
Yoichi Kobayashi
Teruyuki Kita
Yutaka Murai
Akio Katayama
Yoshiki Tamemitsu
Kunio Kurokawa
Hiromichi Sekine
Akira Mizukoshi

*Representative Directors As of June 27, 2008

Stock Information

Shares authorized	189,580,000
Shares issued	86,656,510
Stockholders of minimum tradable stock unit	7,881

As of March 31, 2008

Major Stockholders

	Share owned (thousands)	Percentage of total owned
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,939	4.55
Mizuho Corporate Bank, Ltd.	3,820	4.41
Meiji Yasuda Life Insurance Company.	3,652	4.21
Morgan Stanley & Co. International Ltd.	3,487	4.02
The Koei Employees' Stockholders Association	2,270	2.62
The Master Trust Bank of Japan, Ltd. (Trustee)	1,789	2.06
Japan Trustee Services Bank, Ltd. (Trustee)	1,613	1.86
CBNY DFA International Cap Value Portfolio	1,372	1.58
Nippon Life Insurance Company	1,349	1.56
Tsukishima Kikai Co.,Ltd	1,300	1.50

As of March 31, 2008

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, Vientiane , Hyderabad, Middle East (Amman), Greater Mekong Subregion (Ho Chi Minh)

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 2008, the total number of employees of the Group companies based in Japan came to about 2600, of which over 1,000 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:

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.

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.

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.

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.

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 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.

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