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Takasago Green Air

ANNUAL REPORT 2007

Year Ended March 31, 2007

Takasago Thermal Engineering Co., Ltd.

PROFILE

Founded in 1923, Takasago Thermal Engineering Co., Ltd. is Japan's largest company specializing in Heating, Ventilation and Air Conditioning (HVAC). The company's mission is to make people's lives more pleasant and contribute to society as a whole by creating comfortable environments. Building upon a solid theoretical foundation in thermal dynamics, fluid dynamics and electronics, Takasago uses its own leading-edge technology to design and construct HVAC systems that meet a broad spectrum of requirements.

Takasago is continuing its R&D efforts in many fields to play a part in conserving the global environment and addressing other social issues.

FINANCIAL HIGHLIGHTS

	Millions of yen						Thousands of U.S. dollars (Note)
	2007	2006	2005	2004	2003	2002	2007
For the year:							
Orders received	¥227,159	¥193,868	¥183,805	¥186,938	¥179,030	¥187,017	$1,923,609
Net sales	217,483	193,557	204,128	177,052	196,233	196,436	1,841,672
Operating income	5,677	3,550	171	3,253	3,982	3,685	48,074
Net income	3,305	2,770	463	1,991	1,033	1,698	27,987
Backlog of orders	129,504	119,828	119,517	139,839	129,953	147,155	1,096,655
At year-end:							
Total liabilities and net assets	¥227,411	¥216,104	¥204,907	¥217,917	¥191,810	¥221,223	$1,925,743
Total net assets	94,127	95,013	84,446	90,363	78,712	80,074	797,078
	Yen						U.S. dollars
Per share:							
Net income	¥39.98	¥32.06	¥5.35	¥21.53	¥10.28	¥19.80	$0.34
Cash dividends applicable to the year	20.00	20.00	17.00	17.00	17.00	17.00	0.17

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.09=U.S.$1. March 31, 2007

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Cautionary statements with respect to forward-looking statements:

Statements made in this annual report with respect to Takasago's plans and forecasts as well as other statements that are not historical facts are forward-looking statements, which involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in Takasago's markets, exchange rates, and Takasago's ability to continue to win customers' acceptance of its products, which are offered in highly competitive markets characterized by continual new product introductions and rapid developments in technology.

TO THE READER

Eiichi Ishida
President

The Japanese economy continued its modest expansion during fiscal 2006, which ended March 31, 2007. Capital investment increased on the back of strong corporate earnings stimulated by robust demand in Japan and overseas. Widespread improvements in employment also underpinned growth.

In the HVAC field, Takasago's main sphere of operations, public sector investment continued to fall, while private capital investment continued to rise centering on the manufacturing sector, particularly in the areas of digital household appliances and electronic components. The upturn in private capital investment also showed signs of spreading to the non-manufacturing sector, such as office buildings. However, the business climate remained harsh in the face of persistent price competition.

In this environment, Takasago and its group companies utilized their collective strengths to pursue profitable contracts, upgrade design, construction and technological capabilities, streamline materials procurement, and increase renovation-related work and industrial HVAC construction. As a result of these and other measures to improve earnings capacity, we achieved the following consolidated results for the fiscal year.

Orders received rose 17.2% year on year to ¥227,159 million, and net sales increased 12.4% year on year to ¥217,483 million. Operating income rose 59.9% to ¥5,677 million, lifted in part by higher sales. Net income rose 19.3% to ¥3,305 million.

In terms of profit distribution, management prioritizes the return of earnings to shareholders, and our basic policy is to provide stable dividends while securing the resources necessary to reinforce our corporate structure. Retained earnings are used to enhance competitiveness by funding technology development, to strengthen the company's financial position, and to expand business fields. Earnings are also appropriated for measures to increase shareholder value, such as share buybacks.

The year-end dividend, as previously announced, was ¥10.00 per share. Along with the interim dividend of ¥10.00 per share already paid, the dividend for the full fiscal year was ¥20.00 per share.

The Takasago Group is promoting a three-year medium-term management plan that was launched in fiscal 2005. The driving principle of the plan is placing the customer first, and through this approach we are focused on securing profitable contracts while seeking to diversify group earnings streams, building a corporate structure more resistant to adverse market conditions, and pursuing structural reforms that will ready our business to meet and overcome the challenges of the coming years. In this respect, we are strengthening our energy solutions business through technologies for optimizing energy management in construction facilities, and enhancing our electrical and communications construction, monitoring and control systems businesses, and our core renovation projects business. We will also enter into strategic alliances that will enable us to stabilize earnings by providing total one-stop service: from receipt of orders through to construction and after-sales service.

Our consolidated-basis targets for fiscal 2007, the final year of the plan, are orders of ¥220 billion, net sales of ¥210 billion, and net income of ¥3.5 billion. We will devote every effort to the achievement of these targets.

We consider protection of the environment to be one of our most important corporate social responsibilities, and toward this end have established "Environmental Management Concepts". We have also adopted the Green Air Initiative, a company-wide program rooted in the belief that corporate activities should contribute to environmental protection. In our business activities, we are proactively promoting energy conservation, fluorocarbon recovery, green procurement and zero emissions of construction waste, and other environmental initiatives. As prevention of global warming has taken on added importance since the Kyoto Protocol came into effect, we are working closely with our customers to develop technologies and launch businesses to achieve energy conservation.

In addition, it was decided at the 126th general meeting of shareholders, held on June 29, 2006, to adopt takeover defense measures to prevent large acquisitions of the company's stock that could negatively affect corporate value and the shareholders' common interests.

Finally, we took major steps to strengthen corporate governance and transparency by adopting the executive officer system, reducing the number of directors and shortening their term of office, and appointing outside directors. A project team is already working to ready us for the introduction of financial report evaluation and audit systems, which will become mandatory from fiscal 2008, and is collaborating closely with outside experts on building a company-wide risk management system.

I would like to close by offering my sincerest appreciation to all shareholders for their continued support of Takasago.

Eiichi Ishida
President

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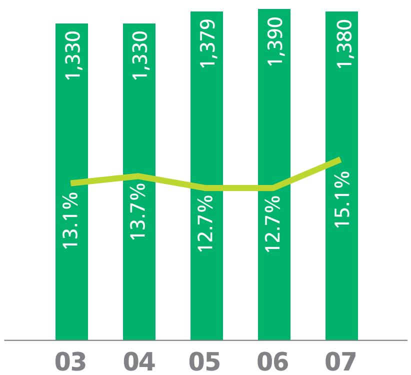
BUSINESS SEGMENTS AND OVERSEAS OPERATIONS

Piping Work Market* (20 Leading Companies)/Takasago Market Share
(Billions of yen)



*Piping work: including total HVAC excluding water-well drilling work

Source: Ministry of Land, Infrastructure and Transport, Government of Japan.

20 Leading Companies Orders Received

Takasago Market Share**

**Non-consolidated basis

General-Purpose HVAC Systems

Takasago provides optimal indoor climates in structures of all types. These include skyscrapers, office buildings, airport terminals and railway stations, hotels, schools, hospitals and museums, as well as multipurpose structures that house many of these elements. Expertise also extends to domed stadiums, theaters and other structures with large interior spaces. Takasago technology is used in District Heating-and-Cooling (DHC) systems, which meet the energy needs of redevelopment projects by using the best combination of electricity, gas and non-conventional energy sources.

Roppongi Hills Mori Tower

Takasago has provided the optimum air-conditioning system for this building, which symbolizes the prestigious Roppongi Hills complex. With its total of 160,000 monitoring locations, the system offers the world's largest unified monitoring capabilities.

Industrial HVAC Systems

Takasago supplies industrial HVAC systems that combine workspace HVAC and process HVAC technology to create an environment that reflects the needs of workers and the products they are fabricating. For workspaces, Takasago engineers systems that play a major part in preserving health and raising productivity. Process HVAC systems include clean rooms, dry rooms and other minutely controlled environments for ultra-precision processes in IT industries, biotechnology processes in pharmaceuticals and food processing, and other exacting requirements.

Takasago is accumulating skills in such sophisticated fields as ultra-precise constant temperature and humidity control, ultra-clean environments (removal of particles, chemical contaminants, static electricity and other harmful items) and ultra-dry technology (supply of air with an extremely low dew point). By integrating these precision control technologies, Takasago contributes to raising the productivity of various manufacturing processes.

Sony Semiconductor Kyushu Corporation Kumamoto Technology Center

The center has reduced its energy consumption by 30% compared to conventional heating and cooling systems. The integrated control system was jointly developed by Sony Corporation and Takasago Thermal Engineering Co., Ltd.

HVAC Renovations

When a building is renovated and its facilities updated, installing HVAC equipment is inevitably one of the most important tasks. Typically, these systems need to be replaced every 15 to 20 years, a much shorter period than the average building’s lifetime of 30 to 50 years. To respond to changes in a building’s use during its lifetime—and to continual demands for higher performance systems—Takasago draws upon its vast experience in renovation and upgrading to propose HVAC solutions that meet the requirements of the age and add value to the building itself.

Overseas Operations

Outside Japan, Takasago has wholly owned subsidiaries in Singapore and Hong Kong to serve the large number of local customers that include local and foreign companies. In China, Takasago established two Chinese subsidiaries: CEEDI Takasago Engineering & Consulting Co., Ltd., a consulting firm, and Takasago Constructors & Engineers (Beijing) Co., Ltd., a general contractor. Both companies are engaged in upgrading services for established customers while developing relationships with new ones.

There are also local subsidiaries in Malaysia, Thailand, the Philippines and other countries, mainly Southeast Asia, the result of Takasago’s ongoing efforts to establish a growing overseas construction network. These overseas bases have accumulated considerable experience in projects that mainly involve clean rooms for high-tech factories and other industrial HVAC systems, but also include HVAC systems for hotels and other high-rise buildings, shopping centers and many other types of structures. Activities outside Japan also include services backed by Takasago technologies, such as technology to conserve energy by achieving the best mix of energy sources, and technology involving DHC systems.

Chartered Semiconductor Manufacturing’s Fab 2, an 8” wafer manufacturing facility in Singapore

One of the world’s top three pure-play foundries, Chartered Semiconductor Manufacturing operates five wafer fabrication plants in Singapore, including a 300mm facility.

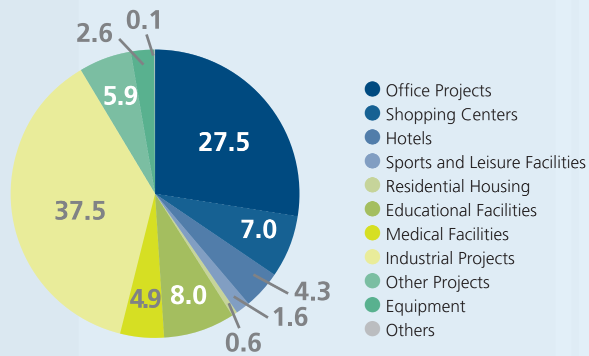
REVIEW OF OPERATIONS

Orders Received by Project

Orders received rose 17.2% year on year to ¥227,159 million. In the construction business, orders for general-purpose HVAC systems were up 8.4% to ¥135,799 million, while orders for industrial HVAC systems rose 36.8% to ¥85,242 million. As a result, overall orders in this business rose 17.8% year on year to ¥221,042 million. In the equipment manufacturing and sales business, orders declined 2.1% year on year to ¥5,953 million. In other business, orders totaled ¥164 million. As a proportion of total orders, general-purpose HVAC systems accounted for 59.8%, industrial HVAC systems 37.5% (for a construction business total of 97.3%), equipment 2.6%, and other business 0.1%.

	Millions of yen		
	2007	2006	2005
Construction			
Office Projects	¥ 62,392	¥ 46,997	¥ 50,347
Shopping Centers	15,809	14,013	16,444
Hotels	9,741	5,144	5,258
Sports and Leisure Facilities	3,705	5,887	4,187
Residential Housing	1,330	4,004	2,547
Educational Facilities	18,251	19,631	18,315
Medical Facilities	11,092	18,020	17,434
Industrial Projects	85,242	62,317	50,790
Other Projects	13,480	11,627	13,253
Equipment	5,953	6,078	5,230
Other Business	164	150	–
TOTAL	¥227,159	¥193,868	¥183,805

2007 Orders Received by Project (%)



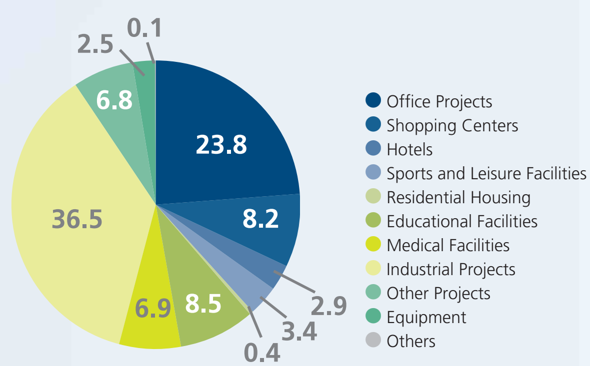
Net Sales by Project

Total net sales rose 12.4% year on year to ¥217,483 million.

In the construction business, sales of general-purpose HVAC systems were down 0.1% to ¥132,498 million, while sales of industrial HVAC systems increased 44.4% to ¥79,280 million. As a result, overall sales in this business increased 12.9% year on year to ¥211,778 million. In the equipment business, sales fell 6.1% year on year to ¥5,541 million. In other business, sales totaled ¥164 million. As a proportion of total sales, general-purpose HVAC systems accounted for 60.9%, industrial HVAC systems 36.5% (for a construction business total of 97.4%), equipment 2.5%, and other business 0.1%.

	Millions of yen		
	2007	2006	2005
Construction			
Office Projects	¥ 51,720	¥ 49,914	¥ 56,325
Shopping Centers	17,916	17,952	13,378
Hotels	6,238	4,982	7,682
Sports and Leisure Facilities	7,430	3,871	4,893
Residential Housing	788	491	1,148
Educational Facilities	18,463	23,184	17,732
Medical Facilities	15,138	18,868	19,497
Industrial Projects	79,280	54,898	58,199
Other Projects	14,805	13,344	19,828
Equipment	5,541	5,903	5,446
Other Business	164	150	–
TOTAL	¥217,483	¥193,557	¥204,128

2007 Net Sales by Project (%)

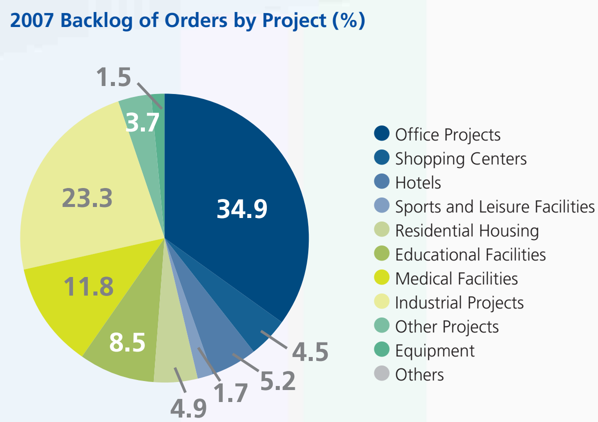


Order Backlog by Project

The total order backlog rose 8.1% year on year to ¥129,504 million.

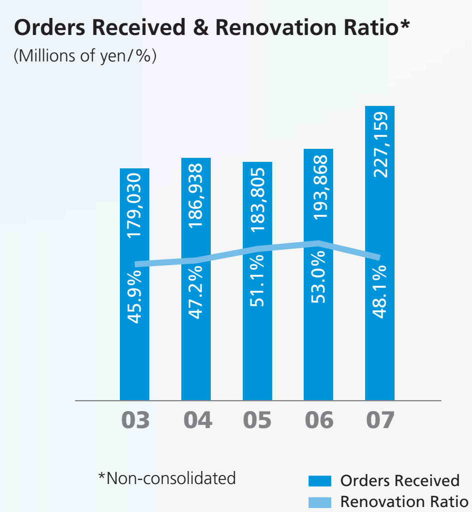
In the construction business, the order backlog for general-purpose HVAC systems was up 3.5% to ¥97,341 million, while the order backlog of industrial HVAC systems grew 24.6% to ¥30,203 million. In the equipment business, the order backlog rose 26.6% year on year to ¥1,960 million. General-purpose HVAC systems accounted for 75.2% of the total order backlog, industrial HVAC systems 23.3%, and equipment 1.5%.

	Millions of yen		
	2007	2006	2005
Construction			
Office Projects	¥ 45,149	¥ 34,477	¥ 37,395
Shopping Centers	5,802	7,908	11,847
Hotels	6,758	3,254	3,092
Sports and Leisure Facilities	2,239	5,964	3,948
Residential Housing	6,372	5,831	2,318
Educational Facilities	11,041	11,253	14,805
Medical Facilities	15,237	19,284	20,131
Industrial Projects	30,203	24,242	16,823
Other Projects	4,743	6,068	7,785
Equipment	1,960	1,548	1,373
Other Business	–	–	–
TOTAL	¥129,504	¥119,828	¥119,517



Renovation Projects

Many Japanese construction companies are concerned about how to bolster their approach to the renovations market. Takasago has a strong track record of success in this field, but the business environment is in flux, with securitization of buildings through REITs and other schemes bringing changes in building ownership and other developments. Takasago is responding to these changes by building a one-stop service that covers all aspects of construction: from new projects and after-sales services through to renovation. The company is concentrating management resources in the energy solutions business, as this will support marketing to win renovation orders and the expansion of the other equipment business, such as electrical and telecommunications construction. We anticipate that the development of new technologies and products will generate expanded earnings in this core business area. The Group as a whole is implementing the above initiatives to win greater customer trust.



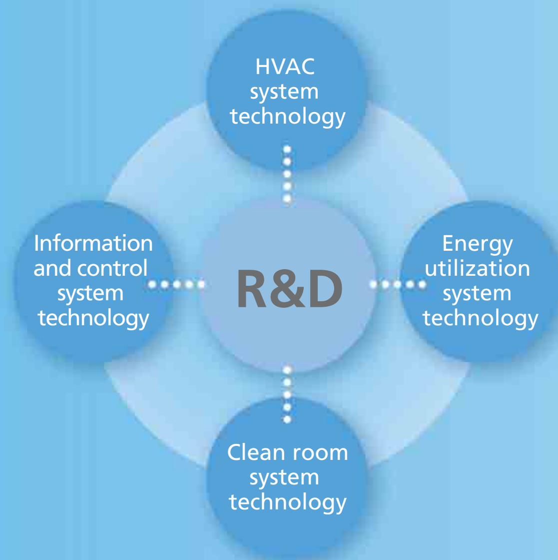
Outlook for the Future

Although we expect an increase in private capital investment, downward price pressure stemming from greater competition and other factors will preclude any rise in order prices. Combined with the contraction of public investment, the business environment for orders will remain harsh.

Under such circumstances, the Takasago Group will continue to build an integrated marketing structure encompassing the full range of functions from order processing to after-sales services. We will pursue marketing activities as a coordinated corporate group, and work to ensure stable earnings.

RESEARCH AND DEVELOPMENT

HVAC technology, the core business of Takasago, has become an indispensable element in creating enhanced building and urban environments, and a key aspect in the design of manufacturing facilities. Creating the optimum environment through HVAC systems involves far more than adjusting air temperature and humidity. It calls for the complete control of a wide range of factors such as air flow, distribution, pressure and cleanliness to meet exacting requirements. Takasago develops distinctive HVAC technologies with the aim of providing the most comfortable environment possible for its customers. Going one more step, Takasago is currently promoting entry into the energy, environmental and other business domains that rely on new technologies.



R&D Objectives

The Latest Developments

Hydrogen-powered Energy System R&D

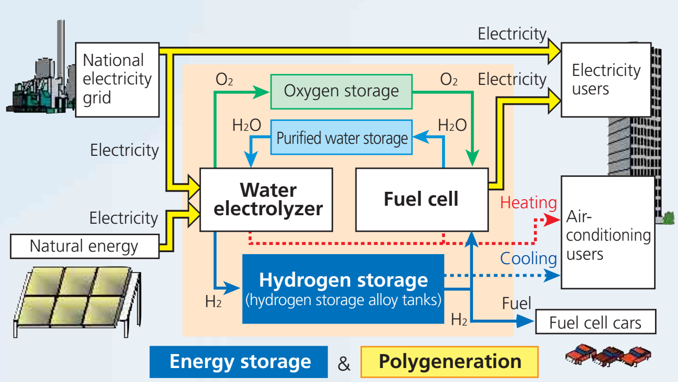
—Creating an Energy System for the Future—

Hydrogen-based energy systems are the eco-friendly systems of the future. Capable of storing energy at high densities, such systems not only enable unused energy to be utilized, but are also ideal for equalizing electric power loads and for polygeneration*.

Takasago is working with the National Institute of Advanced Industrial Science and Technology on the development of an energy supply system for buildings based on high-density energy storage. The system comprises a water electrolyzer based on hydrogen storage alloy tanks and a fuel cell. Takasago has realized high operating efficiency by optimizing the configuration and linkage of these devices, and developed a 5kW-class electricity and heating supply system consisting of hydrogen-based generation and storage systems.

This system stores energy from a range of sources including electricity, gas, oil, wind power and solar power in the form of hydrogen, which can be used for cooling, heating, electricity and various other forms of energy. Installation of these systems in buildings will not only support energy conservation but also allow for the generation, storage and supply of energy to meet essential needs during disasters, if energy supplies are cut off. In other words the system enhances the way a building functions.

Hydrogen-powered Energy System



Hydrogen storage alloy tanks

* Polygeneration: A system for concurrently supplying hydrogen, heat and electricity

Individual Pump Flow Control System – GLIP™

—An ideal water circulation system that reduces pumping power requirement by 50-75%, thus contributing to energy conservation—

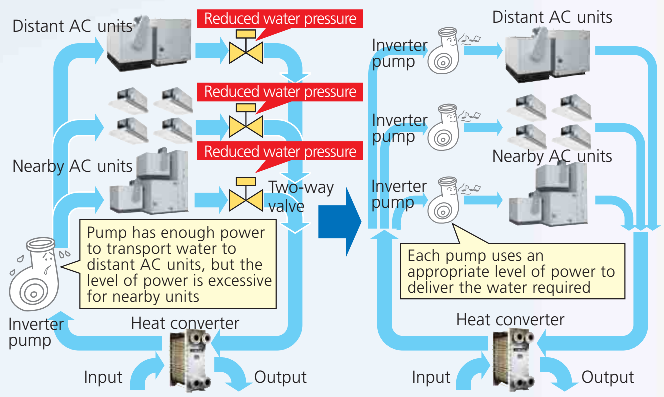
Takasago has developed GLIP™ (Green Loop & Individual Pumps), a system that conserves motive power by eliminating wasteful water pressure drops in air-conditioning systems. Conventional systems incorporate a pump in the main machine room where heat-generating equipment is installed, with flow control valves in air conditioner piping. However, the control valve mechanism causes a large drop in water pressure in the system overall, which is a source of energy waste.

GLIP™ eliminates the pump in the main machine room as well as valves at other points in the system, and instead uses an inverter pump at each air-conditioning unit or at groups of air-conditioning units. Combining the water pumping function and the control valve function provides the required volume of water with minimum pump power.

The system is particularly useful in reducing pumping power required during off-peak times when loads are minimal. As a result, the GLIP™ system realizes energy savings of around 50%-75% compared to conventional energy saving systems based on one inverter and a discharge pressure control system, and around 40% compared to variable pump head control systems.

GLIP™ is an ideal water circulation system design for energy conservation, since it does not need a dedicated controller and delivers superior cost performance.

System Configuration



(1) Conventional system (2) GLIP™

A GLIP™ Pump in Place

G・CO® Duct System

—Requires less air pumping power and fewer materials as well as enhancing logistics efficiency to reduce energy consumption for delivery by around 25%—

Takasago has developed the eco-friendly G・CO® Duct System (Green Air Co-operation Duct System) in collaboration with subcontractors.

The outstanding feature of this system is that it makes duct seams airtight, thus preventing air leaks, and reduces the power required to pump air by approximately 6%. Further, the optimal structure and dimensions of the ducts reduce the manufacturing materials required by approximately 20%. Since the ducts can be taken apart for delivery, fewer trucks are needed, enhancing overall transportation efficiency and cutting CO_2 emissions by approximately 25%.

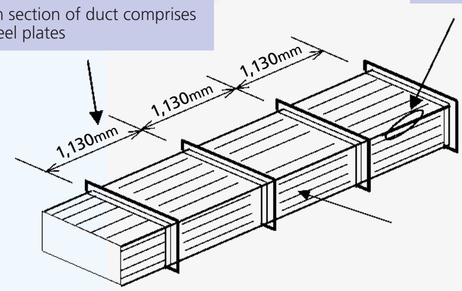
In addition to their eco-friendly features, standardization of duct size means that duct systems can be delivered quickly from inventory upon receipt of orders.

G・CO® Systems Installed and Planned (as of March 31, 2007)

Installed: 11 (total duct area: 50,000m²)

Planned: 11 (total duct area: 30,000m²)

G・CO®-standard Duct



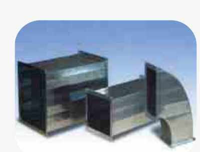
Joins reinforce shape of assembled duct

Selection of plate thickness according to plate width

Comparison of steel plate thickness
For a duct size of 150cm x 45cm

National standards		G・CO®-standard duct	
150cm plate	45cm plate	150cm plate	45cm plate
0.8t	0.8t	0.6t	0.5t

Transportation efficiency is enhanced



CORPORATE GOVERNANCE

Takasago's fundamental policy regarding corporate governance is to raise management efficiency by ensuring that management is transparent, responsive and legally compliant in order to earn society's trust and raise the Company's long-term corporate value.

Takasago adopted the executive officer system in April 2006 as a means of clearly distinguishing between the functions of decision-making and oversight by management on the one hand, and operational execution on the other. The Board of Directors is currently composed of 12 directors, including one outside director. As a rule, it meets once a month, with extraordinary meetings held as necessary. The Board makes decisions regarding management of the company, and oversees the execution of operations, working to increase the efficiency of management and ensuring the legality and appropriateness of operational execution. The executive officers flexibly execute operations in accordance with the management policies decided by the Board of Directors.

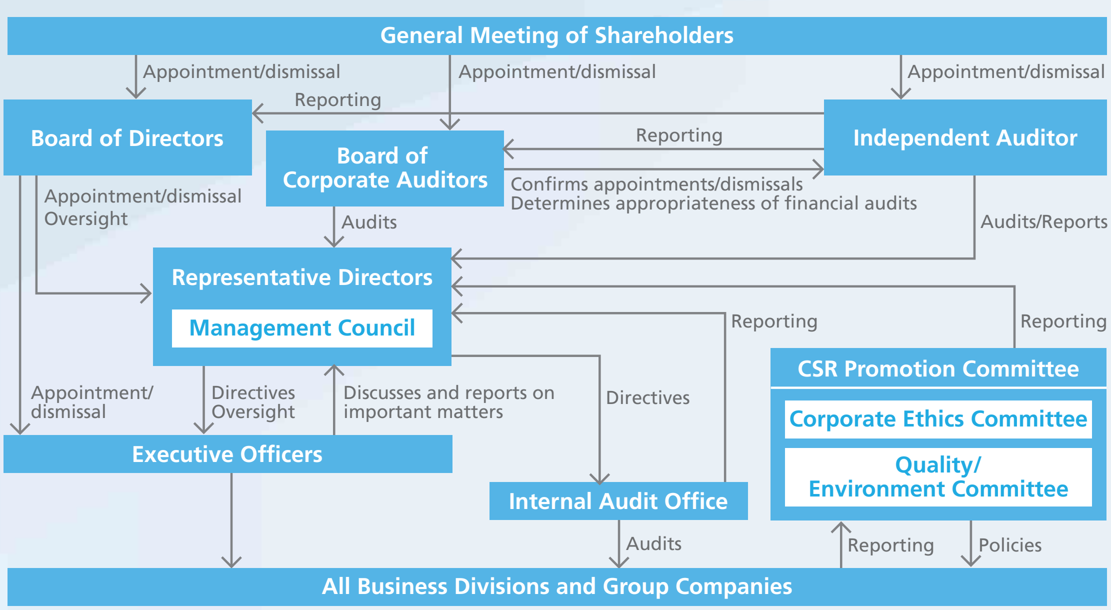
Takasago has adopted the corporate auditor system. There are four corporate auditors, two of whom are external auditors. The corporate auditors, in accordance with the auditing policies and plan set by the Board of Corporate Auditors, monitor the status of governance implementation, attend meetings of the Board of Directors and other important meetings, and oversee the execution of duties by directors. They also examine important approval documents, conduct visiting audits of business offices, and cooperate with the independent financial auditors, providing an effective auditing function to supervise and verify the execution of duties by directors.

For internal audits Takasago has established an Internal Audit Office, which has a staff of four and conducts audits emphasizing the appropriateness and effectiveness of business operations. It also works to achieve effective auditing through cooperation with corporate auditors and the independent financial auditors.

With respect to legal compliance, Takasago is raising awareness of its Corporate Ethics Guide which includes ethical guidelines and standards for conduct, and is taking steps to ensure legally compliant management as a means of furthering fair and sound business practices. Takasago's Corporate Ethics Committee meets regularly, working to raise awareness of legal compliance and ensure fully compliant conduct in all corporate activities by identifying potential problems from the standpoint of ethical and legal compliance.

Regarding disclosure, Takasago has established a framework that includes earnings presentations for institutional investors and analysts, response to requests and inquiries, the timely posting of information on its corporate website, and other methods to maintain transparent management.

Takasago's Corporate Governance Framework



Results of Operations

Net sales

Net sales during the fiscal year under review increased 12.4% from the previous fiscal year to ¥217,483 million. This was primarily due to strong orders from the beginning of the fiscal year in the construction business, which represented 97.4% of total sales. Sales were led by industrial HVAC systems, where lead times to completion are relatively short.

Sales of general-purpose HVAC systems were down 0.1% year on year to ¥132,498 million (60.9% of total sales), while sales of industrial HVAC systems rose 44.4% compared to the previous fiscal year to ¥79,280 million (36.5% of total sales). Sales in the Equipment segment declined 6.1% from the previous fiscal year to ¥5,541 million (2.5% of total sales). In the Other business segment, sales totaled ¥164 million (0.1% of total sales).

Operating income

The gross profit on sales rose 18.7% year on year to ¥21,166 million. This was due mainly to the sharp increase in orders for relatively high-margin industrial HVAC systems, in addition to our continuing emphasis on profitability when taking on contracts.

Operating income totaled ¥5,677 million, an improvement of 59.9% from the previous fiscal year. This reflected the substantial improvement in gross profit that exceeded increases in personnel costs and other selling, general and administrative expenses.

Net income

Net income rose 19.3% from the previous fiscal year to ¥3,305 million. This was mainly because of a lower tax expense, the result of a reduction in the valuation reserve for deferred tax assets, which was offset by an extraordinary loss resulting from prior-term adjustment of earnings.

Financial Position

Assets

Total assets at the end of the fiscal year under review amounted to ¥227,411 million, up ¥11,307 million year on year. Assets were boosted by an increase in notes and accounts receivable—trade, due to a heavy concentration of sales toward the end of the fiscal year. The primary offsetting factor was an increase in the cost of uncompleted contracts, reflecting a higher level of construction in progress at the end of the fiscal year.

Liabilities

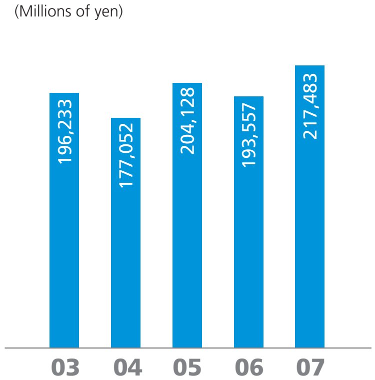
Total liabilities at the end of the fiscal year under review amounted to ¥133,284 million, an increase of ¥12,193 million year on year. This was due mainly to an increase in notes and accounts payable—trade and accounts payable on construction contracts.

Net assets

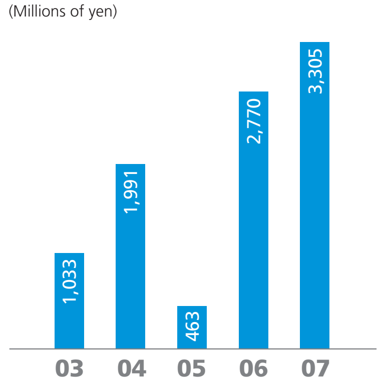
Net assets at the end of the fiscal year under review amounted to ¥94,127 million, a decrease of ¥886 million year on year. This was primarily because net of taxes exceeded the increase in retained earnings. Retained earnings increased as net income surpassed dividend and other payments.

As a result, the equity ratio at the end of the fiscal year under review declined 2.6 percentage points to 41.4%.

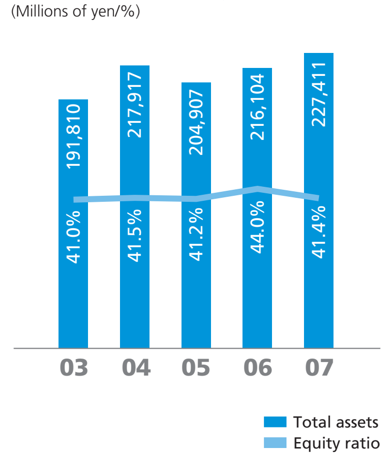
Net sales
(Millions of yen)



Net income
(Millions of yen)



Total assets & equity ratio
(Millions of yen/%)



Cash Flows

Overview

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥21,547 million. This was the net result of a decrease of ¥8,276 million in cash and cash equivalents and an increase of ¥267 million from the inclusion of additional subsidiaries in the consolidation.

Net cash used in operating activities was ¥3,699 million, a decrease of ¥9,335 million from the previous fiscal year. This was largely because construction cash flow was negative, due to increases in trade receivables and the cost of uncompleted contracts, which outweighed income before income taxes of ¥5,912 million.

Net cash used in investing activities was ¥1,184 million, a decrease in cash outflow of ¥962 million from the previous fiscal year. The main uses of cash were an increase in time deposits and purchase of marketable and investment securities.

Net cash used in financing activities was ¥3,609 million, a decrease in cash outflow of ¥5,170 million from the previous fiscal year. The primary uses of cash were lump-sum repayments of long-term debt and payment of the cash dividend.

Risk Factors

1. Seasonal fluctuations in business performance

The Takasago Group tends to book a disproportionate percentage of net sales and profits in the second half of the fiscal year due to the concentration of sales from the completion of construction projects in the second half of the fiscal year. This is normal for this business format.

2. Fluctuations in the construction materials market

The Takasago Group procures steel and other construction materials over the course of its business activities. A sharp rise in materials costs could adversely affect business results if higher costs cannot be passed on to the customer.

3. Overseas operations

In China and Southeast Asia, where the Takasago Group conducts operations, the Group must take into account the possible impact of the unforeseeable enactment or amendment of laws and regulations, as well as changes in the political or economic landscape and other factors, on business results.

4. Unprofitable projects

The addition of unforeseen costs during the construction phase of projects and other factors may lead to unprofitable projects that could impact business results by requiring the booking of an allowance for losses on construction contracts.

5. Compensation for damages for accidents and disasters during construction

While the Group takes every reasonable measure to safeguard the occupational health, safety and quality control of its projects, it may be requested to pay damages stemming from accidents and disasters during construction as well as for guarantee against defects and other issues following project completion. The Group has taken out lump-sum compensation and liability insurance. Nevertheless, in the event of large claims not completely covered by insurance, the payment of damages could adversely affect business results.

6. Customer credit risk

The bankruptcy of a customer prior to payment for construction work could impair the Group's ability to collect on accounts receivable, adversely affecting business results. Business results could also be adversely impacted in the event that construction progress is hindered by the bankruptcy of partner companies, resulting in extra costs.

7. Ownership of assets

The Takasago Group owns a range of assets that includes real estate, marketable securities and investment securities. Marketable securities, mainly comprising those of client companies, are subject to the risk of price fluctuations. At the end of the fiscal year under review, net unrealized holding gains for such securities were ¥22,307 million. This figure will change in accordance with future shifts in market prices.

CONSOLIDATED STATEMENTS OF INCOME

TAKASAGO THERMAL ENGINEERING CO., LTD.
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Net sales (Notes 2 and 13)	¥217,483	¥193,557	$1,841,672	$1,639,063
Costs and expenses (Note 13):				
Cost of sales	196,317	175,729	1,662,435	1,488,094
Selling, general and administrative expenses	15,489	14,278	131,163	120,907
	211,806	190,007	1,793,598	1,609,001
Operating income	5,677	3,550	48,074	30,062
Other income (expenses):				
Interest and dividend income	686	558	5,809	4,725
Life insurance received	43	81	364	686
Interest expense	(136)	(175)	(1,152)	(1,482)
Foreign currency exchange gain or loss, net	63	204	533	1,727
Gain or loss on sale of securities, net	100	471	847	3,988
Write-down of investment securities	(182)	(37)	(1,541)	(313)
Gain or loss on sale of property, plant and equipment, net	(11)	(3)	(93)	(25)
Loss on disposal of property, plant and equipment	(90)	(13)	(762)	(110)
Loss on impairment (Notes 2 and 12)	(51)	(110)	(432)	(931)
Gain from the change of retirement plan (Notes 2 and 8)	—	1,490	—	12,617
Appropriation of additional cost of construction in previous fiscal year	(584)	—	(4,945)	—
Other—net	397	198	3,362	1,677
	235	2,664	1,990	22,559
Income before income taxes	5,912	6,214	50,064	52,621
Income taxes (Note 7):				
Current	2,499	1,954	21,162	16,547
Deferred	108	1,490	915	12,617
Net income	¥ 3,305	¥ 2,770	$ 27,987	$ 23,457

	Yen		U.S. dollars (Note 1)	
	2007	2006	2007	2006
Amounts per share of common stock (Note 2):				
Net income	¥39.98	¥32.06	$0.34	$0.27
Cash dividends applicable to the year	20.00	20.00	0.17	0.17

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

TAKASAGO THERMAL ENGINEERING CO., LTD.
March 31, 2007 and 2006

ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007	Thousands of U.S. dollars (Note 1) 2006
Current assets:				
Cash and time deposits (Notes 3 and 11)	¥ 23,663	¥ 31,619	$ 200,381	$ 267,753
Marketable securities (Note 4)	504	199	4,268	1,685
Notes and accounts receivable—trade	100,667	83,743	852,460	709,146
Less allowance for doubtful accounts	(39)	(70)	(330)	(593)
Cost of uncompleted contracts	22,769	17,930	192,811	151,833
Deferred tax assets (Note 7)	1,092	943	9,247	7,985
Other current assets	7,561	6,800	64,027	57,584
Total current assets	156,217	141,164	1,322,864	1,195,393
Property, plant and equipment (Notes 2 and 12):				
Land	2,385	2,461	20,196	20,840
Buildings and structures	7,262	7,856	61,495	66,526
Machinery	646	631	5,470	5,343
Tools, furniture and fixtures	2,720	2,740	23,033	23,203
Construction in progress	21	—	178	—
	13,035	13,688	110,372	115,912
Less accumulated depreciation	(7,022)	(7,373)	(59,462)	(62,436)
Net property, plant and equipment	6,012	6,315	50,910	53,476
Investments and other assets:				
Investment securities (Note 4)	51,696	55,808	437,768	472,589
Investments in unconsolidated subsidiaries and affiliated companies	536	589	4,539	4,988
Guarantee deposits	2,913	2,939	24,668	24,888
Long-term insurance contribution	5,149	5,703	43,602	48,294
Deferred tax assets (Note 7)	224	164	1,897	1,389
Other	4,729	3,464	40,045	29,333
Less allowance for doubtful accounts	(65)	(42)	(550)	(356)
Total investments and other assets	65,182	68,625	551,969	581,125
Total assets	¥227,411	¥216,104	$1,925,743	$1,829,994

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:				
Bank loans (Note 6)	¥ 4,660	¥ 4,540	$ 39,461	$ 38,445
Long-term debt due within one year (Note 6)	976	1,486	8,265	12,584
Notes and accounts payable—trade	94,034	82,031	796,291	694,647
Advances received on uncompleted contracts	10,729	9,760	90,854	82,649
Income taxes payable (Note 7)	1,789	1,471	15,149	12,457
Allowance for claim expenses	430	443	3,641	3,751
Allowance for losses on construction contracts	1,179	568	9,984	4,810
Allowance for directors' and corporate auditors' bonuses	96	—	813	—
Other current liabilities	7,655	6,100	64,825	51,656
Total current liabilities	121,548	106,399	1,029,283	900,999
Long-term debt (Note 6)	648	1,537	5,487	13,015
Employees' severance and retirement benefits (Note 8)	3,677	4,414	31,137	37,378
Allowance for accrued severance indemnities to directors and corporate auditors	639	694	5,411	5,877
Deferred tax liabilities (Note 7)	6,664	7,935	56,432	67,195
Other non-current liabilities	108	112	915	949
Contingent liabilities (Note 10)				
Net assets (Notes 2 and 9):				
Common stock:				
Authorized —200,000,000 shares				
Issued —85,765,768 shares	13,135	13,135	111,229	111,229
Capital surplus	12,854	12,854	108,849	108,849
Retained earnings	56,789	55,365	480,896	468,837
Treasury stock, at cost	(2,297)	(2,257)	(19,451)	(19,113)
Net unrealized holding gains on securities, net of taxes	13,500	15,851	114,320	134,229
Unrealized losses on hedging derivatives, net of taxes	(1)	—	(8)	—
Foreign currency translation adjustments	147	65	1,243	550
Total net assets	94,127	95,013	797,078	804,581
Total liabilities and net assets	¥227,411	¥216,104	$1,925,743	$1,829,994

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TAKASAGO THERMAL ENGINEERING CO., LTD.
Years ended March 31, 2007 and 2006

	Millions of yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments
Balance at March 31, 2005	85,765,768	¥13,135	¥12,854	¥53,769	¥(1,253)	¥ 5,955	¥—	¥ (14)
Net income	—	—	—	2,770	—	—	—	—
Adjustment of retained net unrealized holding gains on securities	—	—	—	—	—	9,896	—	—
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	—	255	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	—	79
Purchases of treasury stock	—	—	—	—	(1,004)	—	—	—
Cash dividends paid (¥17 per share)	—	—	—	(1,417)	—	—	—	—
Bonuses to directors	—	—	—	(12)	—	—	—	—
Balance at March 31, 2006	85,765,768	13,135	12,854	55,365	(2,257)	15,851	—	65
Net income	—	—	—	3,305	—	—	—	—
Changes in retained earnings for newly consolidated subsidiaries	—	—	—	(1)	—	—	—	—
Purchases of treasury stock	—	—	—	—	(40)	—	—	—
Cash dividends paid (¥21.50 per share)	—	—	—	(1,778)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(102)	—	—	—	—
Net changes during the year	—	—	—	—	—	(2,351)	(1)	82
Balance at March 31, 2007	85,765,768	¥13,135	¥12,854	¥56,789	¥(2,297)	¥13,500	¥(1)	¥147

	Thousands of U.S.dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments
Balance at March 31, 2005	$111,229	$108,849	$455,322	$(10,611)	$ 50,428	$—	$ (119)
Net income	—	—	23,457	—	—	—	—
Adjustment of retained net unrealized holding gains on securities	—	—	—	—	83,801	—	—
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	2,159	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	669
Purchases of treasury stock	—	—	—	(8,502)	—	—	—
Cash dividends paid ($0.14 per share)	—	—	(11,999)	—	—	—	—
Bonuses to directors	—	—	(102)	—	—	—	—
Balance at March 31, 2006	111,229	108,849	468,837	(19,113)	134,229	—	550
Net income	—	—	27,987	—	—	—	—
Changes in retained earnings for newly consolidated subsidiaries	—	—	(8)	—	—	—	—
Purchases of treasury stock	—	—	—	(338)	—	—	—
Cash dividends paid ($0.18 per share)	—	—	(15,056)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	(863)	—	—	—	—
Net changes during the year	—	—	—	—	(19,909)	(8)	693
Balance at March 31, 2007	$111,229	$108,849	$480,897	$(19,451)	$114,320	$(8)	$1,243

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TAKASAGO THERMAL ENGINEERING CO., LTD.
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Cash flows from operating activities:				
Income before income taxes	¥ 5,912	¥ 6,214	$ 50,064	$ 52,621
Adjustments to reconcile net income before taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	438	398	3,709	3,370
Loss on impairment	52	110	440	931
Gain on sale of marketable and investment securities	(102)	(471)	(864)	(3,988)
Loss on evaluation of marketable and investment securities	182	37	1,541	313
Increase (Decrease) in allowance for losses on construction contracts	610	(657)	5,166	(5,564)
Decrease in liabilities for retirement benefits for employees and directors	(792)	(281)	(6,707)	(2,380)
Gain from the change of retirement plan	—	(1,490)	—	(12,617)
Decrease (Increase) in trade receivables	(15,431)	1,694	(130,672)	14,345
Increase in cost of uncompleted contracts	(4,831)	(153)	(40,909)	(1,296)
Increase in trade payables	11,429	762	96,782	6,453
Increase (Decrease) in advances received on uncompleted contracts	934	(131)	7,909	(1,109)
Loss on sale of property, plant and equipment	11	3	93	25
Other—net	(330)	691	(2,794)	5,853
Subtotal	(1,918)	6,726	(16,242)	56,957
Interest and dividends received	705	598	5,970	5,064
Interest paid	(140)	(152)	(1,186)	(1,288)
Income taxes paid	(2,346)	(1,537)	(19,866)	(13,015)
Net cash provided by (used in) operating activities	(3,699)	5,635	(31,324)	47,718
Cash flows from investing activities:				
Increase in time deposits	(5,098)	(2,552)	(43,170)	(21,611)
Decrease in time deposits	3,854	2,442	32,636	20,679
Purchase of marketable and investment securities	(491)	(3,693)	(4,158)	(31,273)
Proceeds from sale of marketable and investment securities	276	916	2,337	7,757
Proceeds from redemption of marketable and investment securities	199	464	1,685	3,929
Purchase of property, plant and equipment	(573)	(525)	(4,852)	(4,446)
Proceeds from sale of property, plant and equipment	52	20	440	169
Payments of long-term insurance contribution	(543)	(524)	(4,598)	(4,437)
Proceeds from long-term insurance contribution	1,096	1,111	9,281	9,408
Other—net	44	195	373	1,652
Net cash used in investing activities	(1,184)	(2,146)	(10,026)	(18,173)
Cash flows from financing activities:				
Net decrease in bank loans	(305)	(5,724)	(2,583)	(48,472)
Proceeds from long-term debt	50	1,262	423	10,687
Repayments of long-term debt	(1,536)	(1,897)	(13,007)	(16,064)
Cash dividends paid	(1,778)	(1,417)	(15,056)	(11,999)
Other—net	(40)	(1,003)	(338)	(8,494)
Net cash used in financing activities	(3,609)	(8,779)	(30,561)	(74,342)
Effect of exchange rate change on cash and cash equivalents	216	693	1,829	5,869
Net decrease in cash and cash equivalents	(8,276)	(4,597)	(70,082)	(38,928)
Cash and cash equivalents at beginning of year	29,556	33,998	250,284	287,899
Increase in cash and cash equivalents due to change in scope of consolidation	267	155	2,261	1,313
Cash and cash equivalents at end of year (Note 3)	¥ 21,547	¥29,556	$ 182,463	$250,284

See accompanying notes.

1. Basis of presenting consolidated financial statements

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

The accounts of the foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure and the inclusion of the consolidated statements of changes in net assets for 2006) from the consolidated financial statements of Takasago Thermal Engineering Co., Ltd. (the "Company") prepared in accordance with Japanese Generally Accepted Accounting Principles and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.09 to U.S.$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its significant subsidiaries (five subsidiaries in 2007 and four subsidiaries in 2006). In 2007, Takasago Maintenance Co., Ltd. was added to the scope of consolidation by the principle of materiality. Under the accounting standard for consolidation and equity accounting, investments in affiliated companies (all 20% to 50% owned and certain other 15% to 20% owned) are accounted for using the equity method.

Differences between acquisition cost and the underlying equity in net assets of the subsidiaries ("goodwill") are amortized over the expected periods to be benefited. However, if the differences are not significant, they are charged to income at the dates of acquisition.

All significant inter-company transactions and accounts have been eliminated in consolidation.

The fiscal year-end of four subsidiaries is different from that of the Company. The Company has made necessary adjustments for major transactions between the fiscal year-ends of the subsidiaries and the Company.

Equity method — Investments in one affiliate company are accounted for by the equity method (one unconsolidated subsidiary and one affiliated company in 2006). In 2007, the unconsolidated subsidiary – Takasago Maintenance Co., Ltd. was added to the scope of consolidation by the principle of materiality and excluded from the scope of the equity method application.

The remaining investments in unconsolidated subsidiaries and affiliated companies are stated at cost as they are insignificant in the aggregate.

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

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for by the equity method are stated at moving-average cost. Available-for-sale securities with fair market values are stated at fair market values. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using the moving-average cost.

Debt securities with no fair market values are stated at amortized cost, net of the amount considered not collectible. Other securities with no fair market values are stated principally at moving-average cost.

Allowance for doubtful accounts — Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful accounts and an amount calculated using the rate of actual collection losses in the past with respect to the remaining receivables.

Allowance for directors' and corporate auditors' bonuses — Allowance for directors' and corporate auditors' bonuses is provided for the estimated amounts which the Company is obligated to pay to directors and corporate auditors subject to the resolution of the general shareholders' meeting subsequent to the fiscal year-end.

Allowance for claim expenses — Allowance for claim expenses is provided in amounts sufficient to cover probable claim expenses on completed contracts. It is provided based on the estimated amount of payments for future claims which may be filed on contracts completed during the year.

Allowance for losses on construction contracts — Allowance for losses on construction contracts is provided in an amount sufficient to cover probable losses on construction contracts on hand when substantial losses in the future are anticipated and can be reasonably estimated.

Construction contracts — Construction contracts of the Company are accounted for by the completed-contract method. Expenditures on uncompleted contracts to be charged to cost of contracts at the time of completion are included in current assets. These expenditures are not offset against advances received on uncompleted contracts, which are instead included in current liabilities. No profits or losses, therefore, are recognized before the completion of the work.

Construction contracts which will be collected in long-term installment payments are accounted for on the installment basis in accordance with Japanese tax regulations. For the years ended March 31, 2007 and 2006, no such contracts were outstanding. Construction contracts of the foreign subsidiaries are accounted for by the percentage-of-completion method.

Property, plant and equipment — Property, plant and equipment are stated at cost. The Company and its consolidated domestic subsidiary compute depreciation using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations. The consolidated foreign subsidiaries compute depreciation using the straight-line method.

Leases — Financial leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases for the Company and its domestic consolidated subsidiary.

The consolidated foreign subsidiaries account for finance leases as assets and obligations at an amount equal to the present value of future minimum lease payment, during the lease term.

Income taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income.

Deferred income taxes are determined using the asset and liability method, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates with the resulting gain or loss included in the current statements of income.

The financial statements of consolidated overseas subsidiaries are translated into Japanese yen at year-end rates except for net assets accounts, which are translated at the historical rates.

The resulting foreign currency translation adjustments are presented in net assets in the consolidated balance sheets.

Amounts per share — Net income per share is calculated by dividing net income available to common shares by the weighted average number of common shares outstanding during the year.

Diluted net income per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of securities.

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

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

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

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

The Company states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

In cases where the interest rate swap contracts are used for hedging purposes and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Accounting Standard for Directors' and Corporate Auditors' Bonuses — Under the previous accounting standard, bonuses to directors and corporate auditors were recorded as appropriations of retained earnings. Effective in the fiscal year ended March 31, 2007, the Company adopted the provisions of "Accounting Standard for Directors' and Corporate Auditors' Bonuses" (Statement No. 4, issued by the Accounting Standards Board of Japan on November 29, 2005) under which such bonuses are expensed as incurred on an accrual basis. As a result of adopting this accounting standard both operating income and net income before income taxes decreased by ¥96 million ($813 thousand) for the year ended March 31, 2007.

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

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

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. There were no effects on total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of March 31, 2006.

The amount of net assets as of March 31, 2007 is the same as the amount of the shareholders' equity that would have been presented if the previous presentation rules had been applied at that date.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007 and 2006.

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

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

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

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

3. Cash and cash equivalents

Cash and cash equivalents at March 31, 2007 and 2006 on the consolidated statements of cash flows consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Cash and time deposits	¥23,663	¥31,619	$200,381	$267,753
Less: Time deposits over three months	(2,116)	(2,063)	(17,918)	(17,469)
Cash and cash equivalents	¥21,547	¥29,556	$182,463	$250,284

4. Market value information for securities

(1) At March 31, 2007 and 2006, acquisition cost, book value and fair value of securities with available fair values were as follows:

(a) Held-to-maturity debt securities with fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Book value	¥1,500	¥1,500	$12,702	$12,702
Fair value	1,513	1,521	12,812	12,880
Difference	¥ 13	¥ 21	$ 110	$ 178

There were no held-to-maturity debt securities with fair values not exceeding book values at March 31, 2007 and 2006.

(b) Available-for-sale securities

	Millions of yen		
2007	Acquisition cost	Book value	Difference
Securities with book values (fair value) exceeding acquisition cost:			
Equity securities	¥20,453	¥42,888	¥22,435
Bonds	952	957	5
Others	272	316	44
Total	¥21,677	¥44,161	¥22,484
Securities with book values (fair value) not exceeding acquisition cost:			
Equity securities	¥ 2,348	¥ 2,220	¥ (128)
Bonds	1,399	1,276	(123)
Others	—	—	—
Total	¥ 3,747	¥ 3,496	¥ (251)

2006	Millions of yen Acquisition cost	 Book value	 Difference
Securities with book values (fair value) exceeding acquisition cost:			
Equity securities	¥21,956	¥48,337	¥26,381
Bonds	562	564	2
Others	372	434	62
Total	¥22,890	¥49,335	¥26,445
Securities with book values (fair value) not exceeding acquisition cost:			
Equity securities	¥ 996	¥ 855	¥ (141)
Bonds	1,499	1,365	(134)
Others	100	99	(1)
Total	¥ 2,595	¥ 2,319	¥ (276)

2007	Thousands of U.S. dollars (Note 1) Acquisition cost	 Book value	 Difference
Securities with book values (fair value) exceeding acquisition cost:			
Equity securities	$173,198	$363,181	$189,983
Bonds	8,062	8,104	42
Others	2,303	2,675	372
Total	$183,563	$373,960	$190,397
Securities with book values (fair value) not exceeding acquisition cost:			
Equity securities	$ 19,883	$ 18,799	$ (1,084)
Bonds	11,847	10,805	(1,042)
Total	$ 31,730	$ 29,604	$ (2,126)

2006	Thousands of U.S. dollars (Note 1) Acquisition cost	 Book value	 Difference
Securities with book values (fair value) exceeding acquisition cost:			
Equity securities	$185,926	$409,323	$223,397
Bonds	4,759	4,776	17
Others	3,150	3,675	525
Total	$193,835	$417,774	$223,939
Securities with book values (fair value) not exceeding acquisition cost:			
Equity securities	$ 8,434	$ 7,240	$ (1,194)
Bonds	12,694	11,559	(1,135)
Others	847	839	(8)
Total	$ 21,975	$ 19,638	$ (2,337)

(c) Other securities which were sold during the current consolidated fiscal year

2007	Millions of yen The amount of sale	 Profit on sale	 Loss on sale
Other securities	¥274	¥102	¥0

2006	Millions of yen The amount of sale	 Profit on sale	 Loss on sale
Other securities	¥980	¥471	¥0

2007	Thousands of U.S. dollars (Note 1) The amount of sale	Profit on sale	Loss on sale
Other securities	$2,321	$864	$3

2006	Thousands of U.S. dollars (Note 1) The amount of sale	Profit on sale	Loss on sale
Other securities	$8,299	$3,988	$2

(2) At March 31, 2007 and 2006, the book values of securities with no available fair values were as follows:
Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Non-listed bond	¥ 2	¥ 2	$ 17	$ 17
Non-listed equity securities	2,039	1,850	17,266	15,666
Non-listed preferred investment securities	1,000	1,000	8,468	8,468
Other	1	1	9	9
Total	¥3,042	¥2,853	$25,760	$24,160

(3) At March 31, 2007 and 2006, the maturities of available-for-sale securities with maturity and held-to-maturity debt securities were as follows:

	Millions of yen				
2007	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds:					
Government bonds	¥502	¥500	¥ —	¥ —	¥1,002
Corporate bonds	2	—	404	—	406
Others	—	—	95	1,234	1,329
Others	—	114	—	—	114
Total	¥504	¥614	¥499	¥1,234	¥2,851

	Millions of yen				
2006	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds:					
Government bonds	¥ —	¥1,012	¥ —	¥ —	¥1,012
Corporate bonds	—	1	397	—	398
Others	—	—	—	1,021	1,021
Others	199	132	—	—	331
Total	¥199	¥1,145	¥397	¥1,021	¥2,762

	Thousands of U.S. dollars (Note 1)				
2007	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds:					
Government bonds	$4,251	$4,234	$ —	$ —	$ 8,485
Corporate bonds	17	—	3,421	—	3,438
Others	—	—	805	10,450	11,255
Others	—	965	—	—	965
Total	$4,268	$5,199	$4,226	$10,450	$24,143

2006	Thousands of U.S. dollars (Note 1) Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds:					
Government bonds	$ —	$8,570	$ —	$ —	$ 8,570
Corporate bonds	—	8	3,362	—	3,370
Others	—	—	—	8,646	8,646
Others	1,685	1,118	—	—	2,803
Total	$1,685	$9,696	$3,362	$8,646	$23,389

5. Derivative transactions

(1) Qualitative disclosure about derivatives

(a) Types, purpose and policy related to derivative instruments

The Company enters into interest rate swap contracts to manage interest rate exposures on certain liabilities. The Company does not hold or issue derivatives for trading or speculative purposes.

(b) Risks related to derivative instruments

Interest swap contracts that the Company has entered into have risks due to fluctuations in interest rates. Due to the fact that counterparties to the Company represent major financial institutions that have high creditworthiness, the Company believes that the overall credit risks related to its financial instruments are insignificant.

(c) Controls over derivative transactions

Interest swap contracts are executed and controlled by the Accounting Section in the Operations Department. The contracts are approved based on the decisions of the General Manager of Operations. The transactions are periodically reported to the General Manager of Operations every half year.

(d) Other

The consolidated subsidiaries do not enter into derivatives transactions.

(2) Quantitative disclosure about derivatives

Interest rate swap contracts, for which hedge accounting is adopted, are excluded from being an object of disclosure.

6. Bank loans and long-term debt

Bank loans at March 31, 2007 and 2006 represented short-term notes, bearing interest from 0.7% to 2.125% per annum and from 0.613% to 1.875% per annum, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Loans principally from banks and insurance companies:				
Unsecured, with interest rates ranging from 1.25% to 2.2% in 2007 and 1.25% to 2.56% in 2006	¥1,624	¥ 3,023	$13,752	$ 25,599
	1,624	3,023	13,752	25,599
Less amount due within one year	(976)	(1,486)	(8,265)	(12,584)
	¥ 648	¥ 1,537	$ 5,487	$ 13,015

As is customary in Japan, security must be given if requested by a lending bank and such bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debt payable to the bank. The Company has never received any such request.

The annual maturities of long-term debt at March 31, 2007 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2008	¥976	$8,265
2009	537	4,547
2010	76	644
2011	35	296
2012	—	—

At March 31, 2007 and 2006, no assets were pledged as collateral for long-term debt or guarantees.

The company entered into lending commitments with seven financial institutions for efficient financing. The unexecuted balances of lending commitments as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Total lending commitments	¥8,000	¥8,000	$67,745	$67,745
Less amounts currently executed	—	—	—	—
Unexecuted balance	¥8,000	¥8,000	$67,745	$67,745

7. Income taxes

Income taxes consist of corporation, enterprise and inhabitants' taxes. The aggregate normal effective statutory tax rate was approximately 40.6% for the years ended March 31, 2007 and 2006.

The following table summarizes the significant differences between the statutory tax rate and the Company and its consolidated subsidiaries' effective tax rates for financial statement purposes for the years ended March 31, 2007 and 2006:

	2007	2006
Statutory tax rate	40.6%	40.6%
Non-taxable dividend income	(3.3)	(2.9)
Non-deductible expenses	6.4	5.4
Per capita inhabitants' taxes	1.6	1.5
Valuation allowance	2.0	12.4
Other	(3.2)	(1.6)
Effective tax rate	44.1%	55.4%

Significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Deferred tax assets:				
Employees' severance and retirement benefits	¥ 2,003	¥ 2,302	$ 16,962	$ 19,494
Allowance for accrued severance indemnities to directors and corporate auditors	259	282	2,193	2,388
Write-down of investment securities	460	415	3,895	3,514
Net unrealized holding losses on securities	102	112	864	948
Write-down of golf membership	419	448	3,548	3,794
Allowance for claim expenses	167	175	1,414	1,482
Allowance for losses on construction contracts	470	224	3,980	1,897
Accrued enterprise tax	164	—	1,389	—
Other	850	917	7,198	7,765
Subtotal deferred tax assets	4,894	4,875	41,443	41,282
Valuation allowance	(944)	(810)	(7,994)	(6,859)
Total deferred tax assets	3,950	4,065	33,449	34,423
Deferred tax liabilities:				
Net unrealized holding gains on securities	(8,834)	(10,429)	(74,807)	(88,314)
Gains on security contribution to employees' retirement benefit trust	(464)	(464)	(3,929)	(3,929)
Total deferred tax liabilities	(9,298)	(10,893)	(78,736)	(92,243)
Net deferred tax assets (liabilities)	¥(5,348)	¥ (6,828)	$(45,287)	$(57,820)

8. Employees' severance and retirement benefits

The Company and its domestic consolidated subsidiaries provided allowances for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the year-end. Actuarial gains and losses are recognized as income or expense in equal amounts principally over 10 years commencing from the subsequent period.

Employees' retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Projected benefit obligation	¥ 16,876	¥ 17,217	$ 142,908	$ 145,796
Unrecognized actuarial differences	794	756	6,723	6,401
Less fair value of pension assets	(13,993)	(13,559)	(118,494)	(114,819)
Allowance for severance and retirement benefits	¥ 3,677	¥ 4,414	$ 31,137	$ 37,378

Included in the consolidated statements of income for the years ended March 31, 2007 and 2006 was employees' severance and retirement benefit expense comprising of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Service costs—benefits earned during the year	¥ 634	¥ 846	$ 5,369	$ 7,164
Interest cost on projected benefit obligation	419	583	3,548	4,937
Expected return on plan assets	(409)	(346)	(3,463)	(2,930)
Amortization of actuarial differences	91	553	770	4,682
Severance and retirement benefit expense	735	1,636	6,224	13,853
Gain from the amendment of the retirement plan	—	(1,490)	—	(12,617)
Others	193	—	1,634	—
Net severance and retirement benefit expense	¥ 928	¥ 146	$ 7,858	$ 1,236

The discount rate on benefit obligations used by the Company and its domestic consolidated subsidiary was 2.5% for the years ended March 31, 2007 and 2006, and the rate of expected return on plan assets used principally by the Company and its consolidated subsidiary is principally 3.0% for the year ended March 31, 2007 and 2.5% for the year ended March 31, 2006. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses were recognized using mainly the straight-line method over 10 years commencing from the succeeding period.

9. Net assets

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

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

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

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

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

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

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

At the annual shareholders' meeting held on June 28, 2007, the shareholders approved cash dividends amounting to ¥827 million ($7,003 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

10. Contingent liabilities

Contingent liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Guarantees of loans and others	¥2,198	¥855	$18,613	$7,240

11. Pledged assets

Assets pledged as collateral for guaranty of the business as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2007	2006	2007	2006
Time deposits	¥29	¥28	$246	$237

12. Loss on impairment

The Company and its consolidated subsidiaries categorize business assets by type of management accounting, and assets used for the purpose of leases and idle assets without a specific future use are categorized by individual property type.

The Company recorded loss on impairment on the following assets for the year ended March 31, 2006:

Use	Balance Sheet Item	Location
Assets for rent	Land, Buildings	Asaka, Saitama
Assets for rent	Land, Buildings	Toda, Saitama
Assets for rent	Land, Buildings	Shinjuku-ku, Tokyo
Assets for rent	Land, Buildings	Nagoya, Aichi
Idle assets	Land, Buildings	Ashiya, Hyogo

For assets affected by significant decrease in fair market value or profitability during the current fiscal year, their book values have been written down to the recoverable amount and such reduction in the amounts of ¥110 million ($931 thousand) was recorded as loss on impairment of property, plant and equipment. The impairment loss consisted of ¥30 million ($254 thousand) associated with buildings and ¥80 million ($677 thousand) associated with land due to lack of recovery provability of market value or profitability in the near future. Recoverable amounts for relevant assets are net realizable value (appraisal reports by real estate agencies) for idle assets and assets subject to sales out of assets intended for lease and value in use (calculated using a 4.9% discount rate) for other assets intended for lease.

The Company recorded loss on impairment on the following assets for the year ended March 31, 2007:

Use	Balance Sheet Item	Location
Employee dormitory	Land	Koshigaya, Saitama

For assets (the sales contract was signed but not physically transferred yet) affected by significant decrease in fair market value book value has been written down to the recoverable amount and such reduction in the amount of ¥52 million ($440 thousand), all of which was associated with land, was recorded as loss on impairment of property, plant and equipment. Recoverable amounts for relevant assets are net selling price of them.

13. Segment information

The Company and its consolidated subsidiaries operate principally in three industry segments: Construction, Equipment and Other.

"Other" was established in 2006 to integrate the businesses conducted by Nippon Kaihatsu Kosan Co., Ltd., which was added to the scope of consolidation during the present consolidated accounting period. Technical support fees, which were recognized as other income, are included in net sales. This change was to increase net sales by ¥324 million ($2,744 thousand). Due to the change, "Equipment" saw an increase of the said amount in net sales and operating income compared with what would have been recorded under the previous accounting method.

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

	Millions of yen					
2007	Construction	Equipment	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Outside customers	¥211,778	¥5,541	¥164	¥217,483	¥ —	¥217,483
Intersegment	—	562	53	615	(615)	—
Total	211,778	6,103	217	218,098	(615)	217,483
Costs and expenses	206,712	5,629	139	212,480	(674)	211,806
Operating income	¥ 5,066	¥ 474	¥ 78	¥ 5,618	¥ 59	¥ 5,677
Assets and others:						
Assets	¥220,487	¥6,730	¥993	¥228,210	¥(799)	¥227,411
Depreciation	282	142	14	438	—	438
Loss on impairment	52	—	—	52	—	52
Capital expenditures	478	95	38	611	—	611

	Millions of yen					
2006	Construction	Equipment	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Outside customers	¥187,504	¥5,903	¥ 150	¥193,557	¥ —	¥193,557
Intersegment	—	856	72	928	(928)	—
Total	187,504	6,759	222	194,485	(928)	193,557
Costs and expenses	184,998	6,005	151	191,154	(1,147)	190,007
Operating income	¥ 2,506	¥ 754	¥ 71	¥ 3,331	¥ 219	¥ 3,550
Assets and others:						
Assets	¥209,394	¥6,551	¥1,021	¥216,966	¥ (862)	¥216,104
Depreciation	269	118	11	398	(0)	398
Loss on impairment	110	—	—	110	—	110
Capital expenditures	227	296	2	525	—	525

2007	Thousands of U.S. dollars (Note 1) Construction	Equipment	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Outside customers	$1,793,361	$46,922	$1,389	$1,841,672	$ —	$1,841,672
Intersegment	—	4,759	449	5,208	(5,208)	—
Total	1,793,361	51,681	1,838	1,846,880	(5,208)	1,841,672
Costs and expenses	1,750,462	47,667	1,177	1,799,306	(5,708)	1,793,598
Operating income	$ 42,899	$ 4,014	$ 661	$ 47,574	$ 500	$ 48,074
Assets and others:						
Assets	$1,867,110	$56,990	$8,409	$1,932,509	$(6,766)	$1,925,743
Depreciation	2,388	1,202	119	3,709	—	3,709
Loss on impairment	440	—	—	440	—	440
Capital expenditures	4,048	804	322	5,174	—	5,174

2006	Thousands of U.S. dollars (Note 1) Construction	Equipment	Other	Total	Elimination and/or corporate	Consolidated
Net sales:						
Outside customers	$1,587,806	$49,987	$1,270	$1,639,063	$ —	$1,639,063
Intersegment	—	7,249	609	7,858	(7,858)	—
Total	1,587,806	57,236	1,879	1,646,921	(7,858)	1,639,063
Costs and expenses	1,566,585	50,851	1,278	1,618,714	(9,713)	1,609,001
Operating income	$ 21,221	$ 6,385	$ 601	$ 28,207	$ 1,855	$ 30,062
Assets and others:						
Assets	$1,773,173	$55,475	$8,646	$1,837,294	$(7,300)	$1,829,994
Depreciation	2,278	999	93	3,370	(0)	3,370
Loss on impairment	931	—	—	931	—	931
Capital expenditures	1,922	2,507	17	4,446	—	4,446

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

Overseas sales for the years ended March 31, 2007 and 2006 were not shown since overseas sales were less than 10% of the consolidated net sales.

14. Subsequent event

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends		
¥10 ($0.08) per share	¥827	$7,003

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Takasago Thermal Engineering Co., Ltd.

We have audited the accompanying consolidated balance sheets of Takasago Thermal Engineering Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 Takasago Thermal Engineering Co., Ltd. and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2007

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Bangna-Trad Rd., K.M. 6.5, Bangkaew, Bangplee,
Samutprakarn 10541, Thailand
Tel: 66-2-751-9695 Fax: 66-2-751-9694

Takasago Thermal Engineering (Hong Kong) Co., Ltd.
17th Floor, Hong Kong and Macau Building,
156-157 Connaught Road, Central, Hong Kong
Tel: 852-2520-2403 Fax: 852-2861-0795

Takasago Philippines, Inc.
4th Fl., Raha Suleyman Bldg.,
108 Benavidez St., Legaspi Village,
Makati City, Manila, Philippines
Tel: 63-2-840-0014 Fax: 63-2-817-7025

CEEDI Takasago Engineering & Consulting Co., Ltd.
No. 27, Wanshou Road, Haidian District,
Beijing 100840, P.R. of China
Tel: 86-10-6820-7546 Fax: 86-10-6820-7691

Takasago Constructors & Engineers (Beijing) Co., Ltd.
19M Oriental Kenzo Plaza,
48 Dong Zhi Men Wai Ave., Beijing
100027, P.R. of China
Tel: 86-10-8454-9488 Fax: 86-10-8454-9480

Takasago Singapore Pte. Ltd.
1 Jalan Kilang Timor #08-01,
Pacific Tech Centre, Singapore 159303
Tel: 65-6737-3312 Fax: 65-6733-7442

Takasago Vietnam Co., Ltd.
A9, 13th Floor, M3-M4 Building, 91A Nguyen
Chi Thanh, Lang Trung Ward, Dong Da Dist,
Hanoi, Vietnam
Tel: 84-4-2751932 Fax: 84-4-2751933

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Chairman

Masaru Ishii*

President

Eiichi Ishida*

Senior Managing Officers

Saburo Sato
Yasuhiko Okamoto
Takayuki Matsushita

Managing Officers

Masamichi Kaya
Yukiji Kinoshita
Takefusa Miyamoto
Ryoji Shoda
Susumu Kamata
Osamu Nishiyama
Yutaka Nomura**

Corporate Auditors

Keishi Umeki
Fujio Kondo
Katsumi Owada
Katsuhei Fujimaki

(As of June 28, 2007)

* Representative Director
** Outside Director

INVESTOR INFORMATION

Date of Establishment
November 16, 1923

Paid-in Capital
¥13,134,919,960

Number of Shareholders
5,654

Number of Employees
1,492

Outstanding Shares
85,765,768

Stock Exchange Listings
Tokyo Stock Exchange and Osaka Securities Exchange, First Sections

Transfer Agent and Registrar
The Chuo Mitsui Trust and Banking Co., Ltd.
3-33-1 Shiba, Minato-ku,
Tokyo 105-8574, Japan

Annual Meeting of Shareholders
The Annual Meeting of Shareholders is normally held in June in Tokyo, Japan

(As of March 31, 2007)

Takasago Thermal Engineering Co., Ltd.
4-2-5 Kanda Surugadai, Chiyoda-ku, Tokyo 101-8321, Japan

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Printed in Japan