

ANNUAL REPORT

2008 YEAR ENDED MARCH 31, 2008

Kinden

Ever since established in 1944, KINDEN CORPORATION, remaining to have committed to its founding principle to be a “company established for the benefit of the public,” has become a leading company with nationwide service coverage in the integrated field of electrical construction, installation and engineering by demonstrating its future-oriented entrepreneurial spirit and giving full consideration to market trends, even in these rapidly changing times.

On the overseas front, the Kinden Group has built an extensive network with more than 20 offices in countries around the world, including the ASEAN countries, the United States, China, Egypt and the United Arab Emirates (UAE). Kinden has been continuously involved in the construction of overseas plants for Japanese companies since the 1950s and has accumulated more than 40 years of experience in over 80 countries and proven results in international markets. Also, in recent years the Company has participated actively in social infrastructure improvement projects, primarily in Southeast Asia. In the years ahead, Kinden will focus on making even greater contributions to society and developing its business as a provider of top-quality construction, installation and engineering services in its three core areas of “energy,” the “environment” and “information.”

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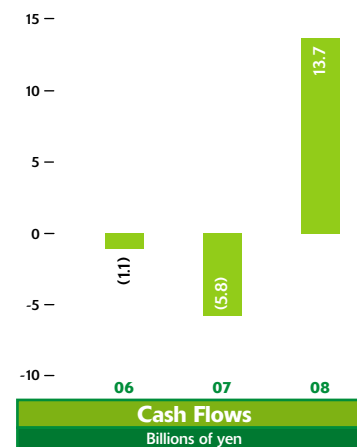
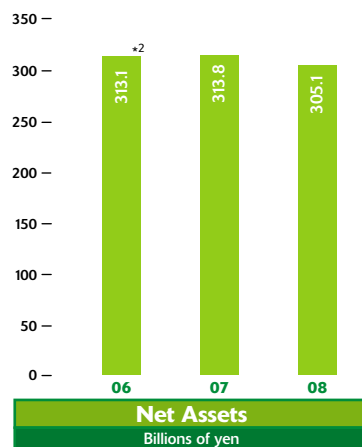
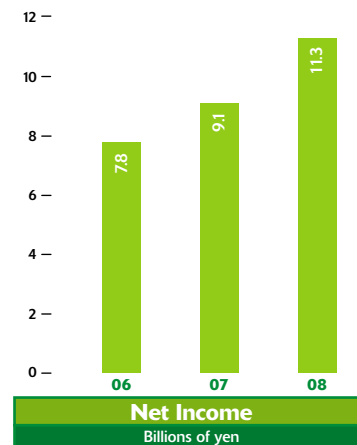
Cautionary Note on Forward-Looking Statements

The future prospects described in this annual report concerning business planning, earnings and management strategies are based on management views derived from supporting information available to Kinden Corporation at the time such information was prepared. Accordingly, readers are cautioned against relying solely on these forward-looking prospects because actual results and strategies may differ substantially depending on changes in the Company’s business environment.

CONSOLIDATED FINANCIAL HIGHLIGHTS

KINDEN CORPORATION AND SUBSIDIARIES	Millions of yen		Thousands of U.S. dollars* ¹
	2008	2007	2008
Net sales	¥529,635	¥482,125	\$5,286,309
Operating income	22,479	16,843	224,369
Net income	11,314	9,136	112,934
Total assets	516,147	525,921	5,151,684
Net assets	305,121	313,878	3,045,426
Cash flows	13,752	(5,882)	137,268

*¹ U.S. dollar amounts are computed using the March 31, 2008 exchange rate of ¥100.19=US\$1.



*² The "Shareholders' Equity" item used until fiscal 2006, prior to the enforcement of the Corporation Law, is presented as "Net Assets." From fiscal 2007, following the enforcement of the Corporation Law, "Net Assets" includes minority interests.

INTERVIEW WITH THE PRESIDENT



Q1

Could you review the business environment and operating results for the fiscal year ended March 2008?

During the fiscal year under review, the Japanese economy fared well at the beginning of the term, reflecting robust exports and capital investment. Subsequently, however, a sense of uncertainty about the economic outlook grew in the wake of a sharp rise in prices caused by higher crude oil prices, global financial instability triggered by the subprime problem in the United States and exchange rate fluctuations.

In the Japanese construction industry, public works trended downward. Private-sector construction works held firm despite the effect of the enforcement of the revised Building Standard Law, but the severe operating environment persisted as price competition intensified and construction costs including the costs of materials and labor increased.

In this environment, the Kinden Group added Nishihara Engineering Co., Ltd. to the scope of consolidation and implemented aggressive efforts throughout the Group to reduce costs. As a result, the Group achieved higher operating income for the seventh straight term, posting gains in both sales and profits for the fourth consecutive term, on a consolidated as well as non-consolidated basis.

The primary factors behind these results were as follows. On a consolidated basis, net sales rose 9.9% compared with the previous fiscal year, to ¥529,635 million, thanks to the inclusion of Nishihara Engineering Co., Ltd. in the scope of consolidation. Supported by the strong performance of overseas subsidiaries in Hawaii, Vietnam and Thailand, operating income rose 33.5% to ¥22,479 million, while net income increased 23.8% to ¥11,314 million. Net income per share was ¥45.73, up ¥8.87.

On a non-consolidated basis, although sales decreased in the Electrical and Environmental Management Facilities segments compared to the previous term, sales in the Power Distribution Lining, Information & Communications Network and Electric Power & Others segments increased. As a result, net sales increased 1.2% to ¥477,322 million. By client, sales to the Kansai Electric Power Group grew 10.0%, or ¥9,561 million, while sales to other customers fell 1.1%, or ¥3,982 million. In terms of earnings, now that we have implemented throughout the Company thorough order intake emphasizing profitability and cost controls, the ratio of gross profit to completed orders improved 1.1 percentage points, reaching 11.5%. Consequently, operating income increased 22.7% to ¥18,449 million, and net income rose 18.6% to ¥9,519 million.

Q2

Could you share with us your forecasts for the fiscal year ending March 2009?

In the face of instability in the global economy reflecting factors such as the slowdown in the U.S. economy—together with a growing sense of stagnation in Japan due to a variety of politic and economic factors—the situation does not allow room for optimism, and we suppose this situation will continue. The construction industry is likely to face continued fierce competition for orders, and there are concerns about a further increase in construction costs.

In this climate, the Kinden Group will strive to boost earnings by means of unrelenting and positive business activities that not only respond speedily to changes in the construction market but also satisfy customer needs. In addition, we are targeting higher productivity by overhauling all operations and making an unending series of improvements. We will also put our efforts into recruitment and training of human resources, so that we can strengthen our business foundation and build a strong corporate management structure. For the fiscal year ending March 2009, taking into consideration the forecasts of a decline in sales of the Company and consolidated subsidiaries and lower income of consolidated subsidiaries, we project net sales of ¥516,000 million (down 2.6% compared with the previous term), operating income of ¥21,700 million (down 3.5%) and net income of ¥12,200 million (up 7.8%).

On a non-consolidated basis, we forecast that net sales will decline slightly to ¥475,000 million (down 0.5% from the previous year), although we will continue to engage in sales activities that

focus on generating earnings. Sales to the Kansai Electric Group are forecast to rise to ¥109,000 million (up 4.0%), while sales to other customers are expected to decrease to ¥366,000 million (down 1.7%). We forecast operating income of ¥19,000 million (up 3.0%) and net income of ¥11,000 million (up 15.6%).

Q3

Could you discuss the Company's position on the return to shareholders, as well as its dividend policy?

In accordance with our philosophy of placing the highest priority on maintaining stable dividend payments to shareholders, we have always offered benefits to them such as payment of commemorative dividends each time the Company reached a milestone fiscal term, as well as stock splits. Aiming at shareholder-oriented management that places even greater emphasis on shareholders, beginning from the fiscal year ended March 2006 we embraced a more ambitious dividend policy of paying stable dividends, while linking them closely to our business performance. In an effort to enhance the opportunity of distributing earnings to shareholders, we also adopted an interim dividend in the fiscal year ended March 2007 and paid an ordinary interim dividend of ¥5.50 per share during the fiscal year ended March 2008, as planned at the beginning of the term. The year-end dividend was set at ¥7.50 per share, comprising an ordinary dividend of ¥5.50 and a special dividend based on operating performance of ¥2.00 per share.

For the fiscal year ending March 2009, we plan to pay an annual dividend of ¥13.00 per share, consisting of an ordinary dividend of ¥11.00 and a special dividend of ¥2.00 based on operating performance, paying ¥5.50 per share as the interim dividend and ¥7.50 including the special dividend of ¥2.00 as the year-end dividend.

Q4

Could you describe your medium- and long-term management strategies?

Amid growing uncertainty about the economic outlook, based on its profit-oriented philosophy Kinden seeks to strengthen its business foundation by further enhancing its capabilities as an integrated M&E contractor forming the core of customer service, engineering and execution.

Our first strategy is "human resources development." Together with cooperating companies, in other words that is to say "our

subcontractor" we will direct our energies to the acquisition of human resources. Moreover, taking advantage of our two training facilities located in eastern and western Japan, we will engage in skills improvement training with the aim of producing employees with outstanding techniques and skills. As part of this effort, we have established a long-term education system for new employees, an advanced and upgraded version of the conventional short-term traditional education for new employees who joined the cooperating companies. The system consists of six-month, long-term training targeted at new employees of the Group companies and cooperating companies engaged in general electrical works, with Kinden bearing expenses incurred in the training. With this system, we aim to nurture a stronger sense of unity within the Kinden Group, boost safety awareness and provide assistance in the acquisition of a range of qualifications.

The second strategy involves "ensuring financial independence." To this end, we will respond flexibly, keeping an eye on the business environment surrounding our branches and regional offices—the foundation of financially independent management. This entails expanding or contracting management resources by injecting "people, goods and financial resources" where work is available, to further bolster our earnings base.

The third strategy is "responding with agility and flexibility to changing times." In the face of today's large-scale trend toward the "creation of an environment-oriented society," we aim to become a comprehensive facility services company that contributes to society in the areas of energy and environment, capitalizing on our core business of electrical facility installation works.

We are committed to living up to the trust placed in us by our shareholders and stakeholders by continuing our efforts to upgrade and augment our internal control systems, including legal compliance and risk management, and by taking all possible measures to ensure appropriate corporate activities. We are looking forward to having your continuous support and assistance in the future.

Kunihiko Fujita -

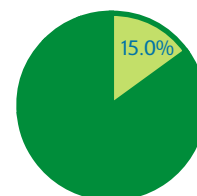
*Kunihiko Fujita
President
June 2008*

KINDEN AT A GLANCE

Power Distribution Lining

Kinden provides construction and maintenance works of the power distribution facilities (power poles, overhead and underground distribution lines, lines to the home, electric power meters, etc.) used by the Kansai Electric Power Co., Inc., which delivers electricity directly to its customers. Kinden also undertakes the installation works of cable conduit boxes (C. C. BOX), as well as the installation works of home appliances such as IH ovens and electric water heater and electrical system upgrading works for individual residences, offering comprehensive support for people's lives.

Net Sales

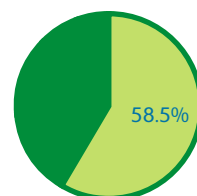


¥71,725 million

Electrical

Kinden provides consistent support in various types of electrical system installations from planning and renewal proposals to design, construction and maintenance in public facilities, buildings, factories, schools, hospitals, and distribution and commercial facilities. The Company also conducts equipment diagnosis relating to renovation works and proposes engineering solutions for energy-saving as well as for realizing an optimum energy environment, offering high-added-value equipment.

Net Sales

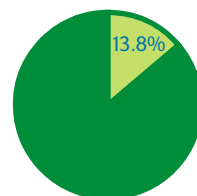


¥279,040 million

Information & Communications Network

Kinden is involved in a wide range of business activities, from infrastructure development such as installation of instruments in factories and buildings, fiber to the home (FTTH), cable television (CATV) and base stations for mobile communications, to the installation of local area network (LAN) equipment, network camera systems and security systems at schools, along with the establishment of private communication networks in private homes. In addition, as a system integrator, the Company builds optimum, high-cost-performance systems that are free from constraints of manufacturers.

Net Sales

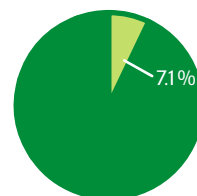


¥65,928 million

Environmental Management Facilities

Kinden undertakes installation of industrial air-conditioning in factories and general air-conditioning in office buildings and commercial and amusement facilities, as well as the installation of sanitation and plumbing systems and interior finish works in offices and large-scale condominiums with a focus on functionality and artistic design. The Company engages in active efforts on a nationwide scale to meet the diverse needs of customers.

Net Sales

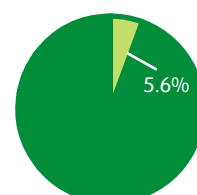


¥33,803 million

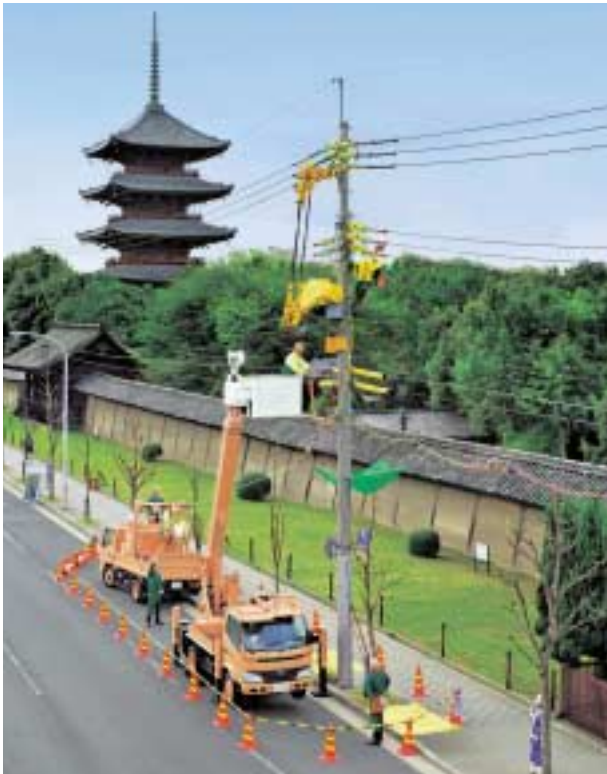
Electric Power & Others

Kinden provides electrical construction and maintenance works mainly for power plants, substations, and overhead and underground transmission lines for electric power companies. In recent years, the Company has also focused on the development of new energy sources such as wind and solar power generation and is energetically working on the construction of infrastructure mainly in Southeast Asia.

Net Sales



¥26,825 million



Power Distribution Lining
Installation work on high-voltage power distribution lines to ensure uninterrupted power supply (Kyoto)



Information & Communications Network
GranTokyo South Tower (Tokyo)



Environmental Management Facilities
Toyoset Komagane Plant (Nagano)



Electrical
Tokyo Baycourt Club Hotel & Spa Resort (Tokyo)

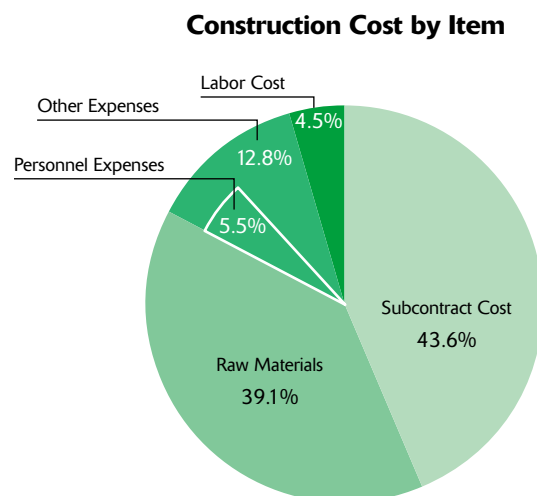
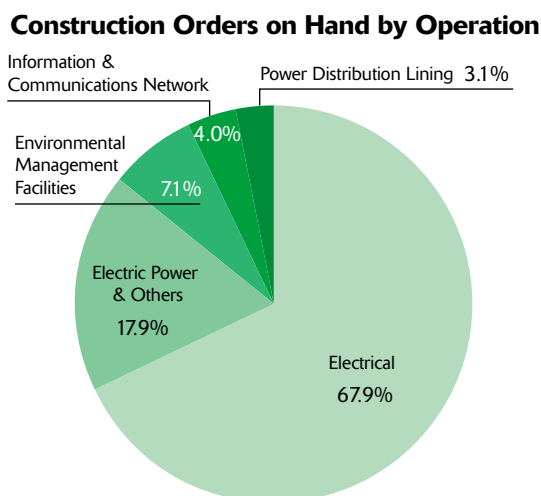
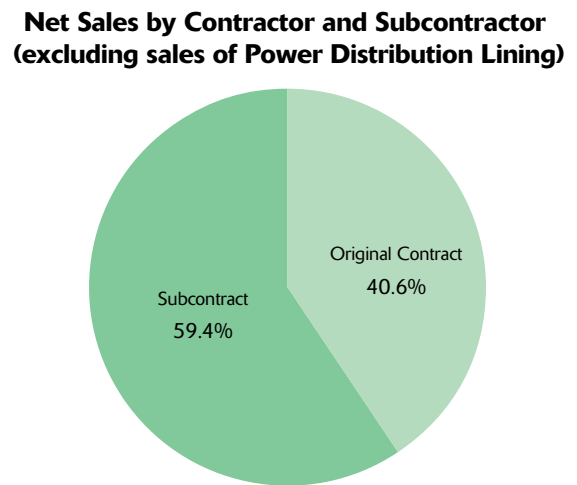
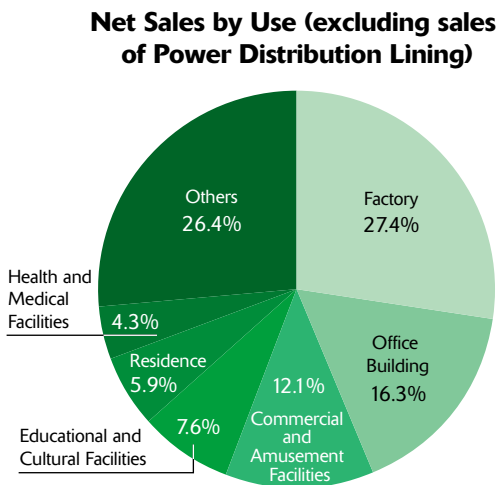
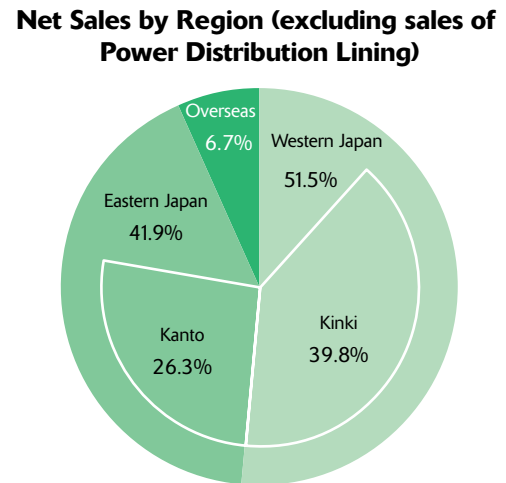
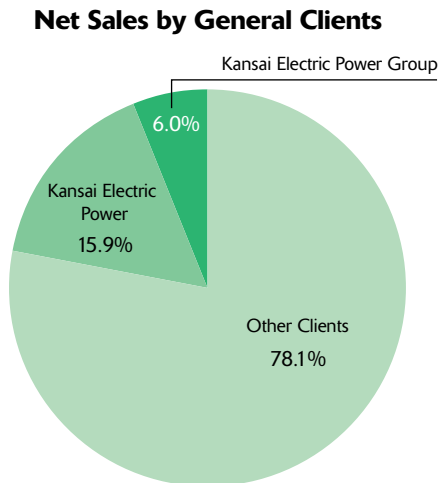


Electric Power & Others
Transference work of existing transmission lines (Osaka)

REVIEW OF OPERATIONS

Composition of Non-Consolidated Net Sales, Orders and Cost

(For the year ended March 31, 2008)

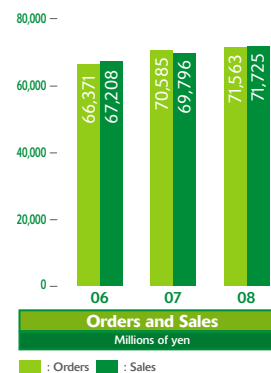


Summary by Segment

Following is a brief review of the Company's operating results by segment on a non-consolidated basis. During the fiscal year under review, orders received increased in all business segments except for Environmental Management Facilities and Electric Power & Others, which recorded declines. In particular, the Information & Communications Network segment posted a substantial gain in orders received during the fiscal year, reaching a record high. In terms of completed orders, both Electrical and Environmental Management Facilities decreased, but all other segments posted gains. Although orders received for renovation works were down 2.5% from the previous year to ¥120,552 million, given the fourth consecutive yearly increases recorded by this segment up until the previous term and the large size of the market, we believe this area holds ample promise for future expansion.

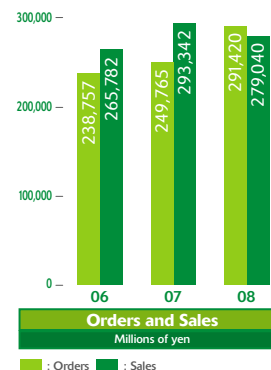
Power Distribution Lining

During the fiscal year under review, works involving additions, upgrades and repairs to existing facilities for the Kansai Electric Power Co., Inc. continued to grow. As a result, orders received rose 1.4% in comparison with the previous year to ¥71,563 million, and completed orders also increased 2.8% to ¥71,725 million. The efforts implemented by the Company since 2001 to restructure its operations have resulted in a corporate structure appropriate to the operational scale. Moreover, now that construction orders from the Kansai Electric Power Co., Inc. have leveled out and repair works have increased in the last few years, this business segment now serves as the base for the Company's stable operations.



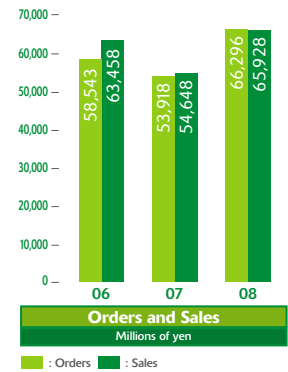
Electrical

Orders received during the fiscal year under review amounted to ¥291,420 million, up 16.7% from the previous year, while completed orders decreased 4.9% to ¥279,040 million. Orders received for general buildings—chiefly office buildings—increased, and completed orders for factories also posted strong growth. The decrease in completed orders was primarily attributable to a decline in works for commercial facilities, which recorded a substantial gain in sales in the previous year. Overseas works increased 21.4% year on year and were particularly robust in Southeast Asia. Against the backdrop of strong domestic capital investment in the private sector, factory construction works grew 18.0% from the previous year, increasing for four consecutive years. Into the fiscal year ending March 2009, Kinden will continue to strive to win more orders for factory construction works, while engaging in vigorous marketing activities involving renovation works designed for energy saving and environmentally friendly facilities.



Information & Communications Network

During the fiscal year under review, orders received and completed orders both reached record-high levels, amounting respectively to ¥66,296 million, up 23.0% from the previous year, and ¥65,928 million, up 20.6%. These increases were primarily attributable to growth in works for the Kansai Electric Power Co., Inc. subsidiary K-Opticom—mainly fiber-to-the-home (FTTH) installation works—as well as in works related to mobile phone base stations in the wake of expansion of work areas within the country. In the in-house infrastructure network sector, works related to LAN, ITV and light electric equipment trended upward, while instrumentation installation works at buildings and factories also increased. Kinden will continue to pursue information infrastructure contracts at schools, hospitals and other facilities. In the area of instrumentation facilities, where it expects further expansion in the replacement market, particularly at factories, the Company will carry out aggressive business activities.



Environmental Management Facilities

Orders received during the fiscal year under review declined 8.2% to ¥32,216 million, and completed orders were also down 5.5% to ¥33,803 million. The decreases in orders were attributable to a decline in installation works of air-conditioning and sanitation and plumbing systems due to a drop in the number of large-scale commercial facilities, as well as a reduced volume of interior finish works in large-scale condominiums. Aiming to boost order intake of air-conditioning and sanitation and plumbing systems in the Tokyo metropolitan area, Kinden will explore new opportunities for comprehensive contracts that encompass electric, air-conditioning and interior finish works. In addition, the Company will continue its involvement in energy services company (ESCO) projects and expand its business in the field of cogeneration.



Electric Power & Others

During the fiscal year under review, orders received fell 14.2% to ¥27,036 million, and completed orders grew 47.7% to ¥26,825 million. These results were due primarily to a 30.2% drop in orders received for construction work of wind power generation facilities due to a slump in order intake reflecting the effect of the revised Building Standard Law, although completed orders increased as a result of completion of construction of large-scale wind power generation facilities for which the Company received orders before the previous term. Kinden will strive to win orders from the Kansai Electric Power Co., Inc. for utility works associated with construction of large-scale factories in the Kansai area. In the area of wind power plant, the Company will actively continue its efforts to identify candidate sites for wind power generation facilities around the country. It will also undertake sales activities to gain additional contracts.



Kinden Worker Wins the Gold Medal in the Electrical Installation Trade of the World Skills Competition

The 39th World Skills Competition was held in Numazu City, Shizuoka Prefecture, from November 14 to 21, 2007. Representing Japan was Hirotaka Horii from Kinden, who competed successfully against the best contestants from around the world to capture the gold medal. To date, Kinden has earned five gold medals and two bronze medals at the World Skills Competition, including the results of the most recent competition. This marked the first time in three competitions that Japan took a medal in the Electrical Installation Trade and the first time in 10 competitions that it won the gold medal. The bronze medal was won at the 36th Competition held in South Korea in 2001 and the gold medal at the 29th Competition held in Australia in 1988. On both occasions, medal winners were Kinden workers. Kinden is committed to continuing to upgrade technical and skill levels so that it can provide the top-quality services trusted by customers.



The presentation ceremony for the awards



Contestant Hirotaka Horii tackles a task assigned during the competition.

Kinden Develops a Self-Propelled Robot for Renovation Painting of the Exterior Wall of Wind Power Generation Facilities

Kinden has developed a "self-propelled renovation painting robot" that performs renovation painting of the exterior wall of wind turbine plant towers. The robot, which single-handedly removes paint that has deteriorated and then applies a fresh coat, makes it possible to perform work under harsh conditions in high places exposed to strong wind in a way that is safer and less costly than before. Kinden plans to expand the application of this robot to steel ships and general-steel buildings.



Close-up view of the self-propelled renovation painting robot



The robot climbs the exterior wall of a wind power generation tower.

Main Policies

Improving corporate governance is an important management goal for the Company, and we are striving to strengthen progressively our system by focusing on the following two key policies:

1. Improve the transparency of operations

We are striving for timely announcement of accurate and high-quality management information, and demonstrate our accountability on a continuous basis to our shareholders and investors in order to promote management reforms.

2. Ensure compliance

We are firmly maintaining our compliance policy with all relevant laws and regulations as well as our articles of incorporation, and will seek to increase sound profits while strictly avoiding all types of dishonest or socially unacceptable corporate behavior.

Board Meetings and Internal Control System

1. Basic description of the Company's organization

The Company has adopted a Board of Auditors system consisting of five auditors, including three independent auditors. There are no outside directors. In order to effectively implement our policies on corporate governance, in addition to a Board of Directors' Meeting, the Company has set up a Management Meeting (consisting of Chairman, Vice Chairman, President, Vice Presidents, etc.), a Full-Time Directors' Meeting, an Executive Meeting, a Compliance Committee (consisting of Chairman, Vice Chairman, President, Vice Presidents, and Representative Auditor), and a Risk Management Committee.

To ensure efficient management of the Company, the Full-Time Directors' Meeting (which meets twice monthly and consists of the Full-Time Directors, and which is also attended by the Full-Time Auditors) is delegated by the Board of Directors with the authority to make all decisions pertaining to the development of the Company's overall management policies and plans as well as the efficient promotion of business operations, except for important matters that require a decision by the Board of Directors. Following the conclusion of the 93rd General Shareholders' Meeting held on June 27, 2007, Kinden adopted an executive officer system, with the aim of vitalizing the Board of Directors, speeding up the decision making on issues concerning the Company's business operations, and enhancing the monitoring function over business execution.

2. Improvement of the internal control system

At a meeting held on May 15, 2006, the Board of Directors formulated its basic policy regarding the internal control system. This policy calls for the establishment of an internal control system concentrating on the basic principles of the compliance system to ensure that directors and employees execute their duties in compliance with the law and the Company's articles of incorporation, storing and managing information related to directors' execution of duties, and rules and other related regulations with regard to the risk management of loss.

3. Internal audit and auditors' audit

Regarding the internal audit, the Office of Administration (comprising five staff members) conducts periodical internal audits of the Company's business operations (regarding the appropriateness of the business process and the improvement of management efficiency) as well as audits of matters outside the ordinary scope of business, while maintaining communication with the auditors' audit and the accounting audit.

As for the auditors' audit, in accordance with the policies established by the Board of Auditors consisting of five auditors, the auditors monitor the execution of duties by the directors, by means of such methods as attending the Board of Directors' meetings and other important meetings, receiving reports on business results from the directors and examining documents pertaining to important decisions. In addition, to ensure efficient auditing activities, the Company has established the Auditing Department (comprising four members), which assists the Auditors and the Board of Auditors with the execution of their duties.

4. Status of the accounting audit

The accounting audit for the Company is conducted by three certified public accountants, Akinori Takahata, Masayuki Maeda and Tomio Miyamoto, who are employees of Osaka Audit Corporation. Three additional certified public accountants and one assistant certified public accountant perform audit duties as assistants. To ensure the accuracy of the audit of the Company, the Company provides appropriate information such as monthly financial statements so that undue emphasis is not placed on term-end results. Akinori Takahata has been conducting audit duties for 11 consecutive years.

5. Relationships between external directors and external auditors

The Company does not elect external directors. Three of the five auditors of the Company are external auditors. Of these, two are executive officers (one director and one auditor) of the Kansai Electric Power Co., Inc., a client of the Company's Power Distribution Lining segment and power transmission work (Electric Power & Others segment), serving concurrently as the Company's auditors. As of March 31, 2008, the Kansai Electric Power Co., Inc. owned 42.2% (direct ownership of 36.2% and indirect ownership of 6.0%) of the total number of shareholder voting rights of the Company, and the Company was an affiliate of the Kansai Electric Power Co., Inc.

6. Requirements for adoption of resolutions concerning election and dismissal of directors

The Company’s articles of incorporation stipulate that a resolution concerning the election of directors shall be adopted by a majority of the voting rights of shareholders in attendance who represent one-third or more of the total number of shareholders entitled to vote and that the resolution for election shall not be made by cumulative voting.

7. Matters resolved by the general shareholders’ meeting that can be adopted by the Board of Directors

(a) Acquisition of own shares

The Company’s articles of incorporation stipulate that to enable execution of a flexible capital strategy in response to changes in the operating environment, the Company may, by a resolution of the Board of Directors, acquire its own shares through market transactions pursuant to the provision of Article 165, Paragraph 2 of the Corporation Law.

(b) Interim dividend

The Company’s articles of incorporation stipulate that to better enable the distribution of the Company’s surplus to its shareholders, the Company may, by a resolution of the Board of Directors, pay a surplus dividend as an interim dividend to the shareholders or pledgees listed in the register of shareholders as of September 30 each year pursuant to the provision of Article 454, Paragraph 5 of the Corporation Law.

8. Requirements for adoption of special resolutions by the shareholders’ meeting

The Company’s articles of incorporation stipulate that to ensure smooth management of the shareholders’ meeting, resolutions provided for in Article 309, Paragraph 2 of the Corporation Law shall be adopted by more than two-thirds of the voting rights of the shareholders in attendance who represent one-third or more of the shareholders entitled to vote.

• **Status of enhancement of the risk management system**

The Company is instituting, in each area of responsibility, a system aimed at preventing the occurrence of risk as well as the avoidance or reduction of loss should a risk occur, by establishing Risk Management Rules and the Risk Management Committee.

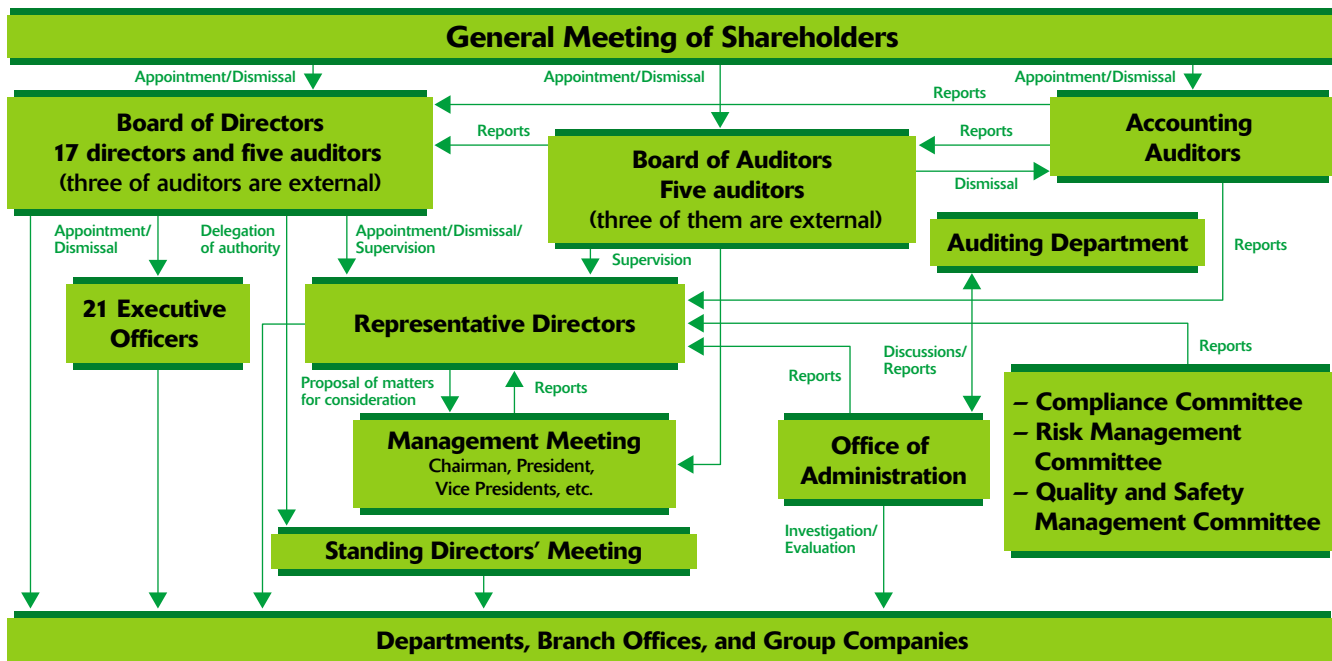
• **Remuneration of directors and auditors**

Remuneration paid to the Company’s directors in the 94th fiscal term (the fiscal year ended March 31, 2008) amounted to ¥720 million (excluding ¥21 million, which corresponded to the amount paid to directors also serving as employees for services rendered as employees). Auditors’ remuneration amounted to ¥94 million (including external auditors’ remuneration of ¥31 million).

• **Remuneration for audit services**

Remuneration paid to Osaka Audit Corporation in the 94th fiscal term (the fiscal year ended March 31, 2008) for services set forth by Article 2, Paragraph 1 of the Certified Public Accountant Law totaled ¥32 million. No other remuneration was paid.

Corporate Governance Structure



ENVIRONMENTAL INITIATIVES

ISO Certification

Kinden obtained ISO9001 quality management system certification for general construction by December 1999 covering its nationwide network of 15 branch offices as well as headquarter divisions. At the same time, Kinden's Chuo Branch Office received ISO9001 certification. By December 2001, the Center was awarded ISO14001 certification for its environmental management system, too. Among overseas affiliates, the Singapore branch of Kinden International, Ltd. obtained ISO9001 in April 2002, ISO14001 in December 2005, OHSAS18001 in September 2007. Hong Kong & China Regional Main Branch obtained ISO9001 in April. P.T. Kinden Indonesia obtained ISO9001 in February 2006.

Taking advantage of this accomplishment, Kinden will implement measures to reduce the environmental burden by proposing as well as promoting design and construction of environmentally friendly (resource- and energy-saving) facilities. Kinden is focusing on construction recycling and, as "a company that contributes to creating a recycling-oriented society," is committed to contributing to the movement toward environmental conservation.

Participation in Local Environmental Protection Activities

In order to contribute to the improvement of the local life environment of local residents, each of our branch offices around the country is actively involved in various locally based activities designed to improve the environment.

One example from Wakayama Prefecture is that we voluntarily provide the stone wall cleaning every year at Wakayama Castle utilizing Kinden's aerial platform service vehicles, to clean areas that are otherwise hard to reach. At Himeji Castle, which was registered on UNESCO's World Heritage list in 1993, we provide annual clean-up by inspecting burned-out floodlights, cleaning glass in the lighting fixtures, and removing fallen leaves and other debris. We will continue to actively provide such voluntary services that help citizens with improving their living environment in the areas where we operate.



Clean-up activities for the stone wall at Wakayama Castle



Clean-up activities at Himeji Castle

New Energy: Eco-Friendly Energy Systems Construction

In this age of mass energy consumption, atmospheric pollution with CO₂ emissions from the burning of fossil fuels has been a major global environmental problem, and the need to ensure the efficient use of our limited natural resources has become a global issue. So-called "New Energy" has been developed to help alleviate these problems, and is attracting a great deal of attention. Kinden is actively involved in proposing and developing the implementation of eco-friendly energy systems that include wind and solar power generation facilities, fuel cells, and highly efficient co-generation systems that utilize both electricity and thermal energy.



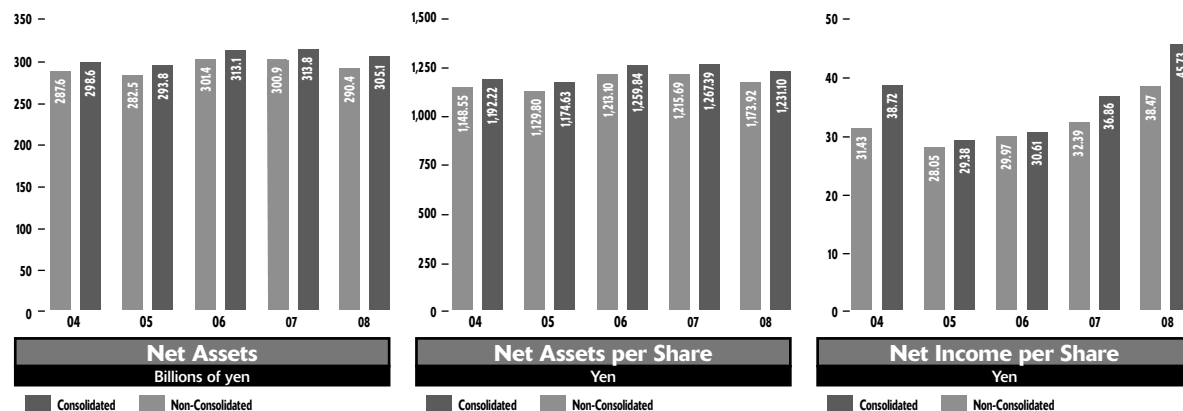
Otsuki Wind Power Plant

FIVE-YEAR FINANCIAL SUMMARY

Years ended March 31

	Consolidated					Non-Consolidated				
	Millions of yen					Millions of yen				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
FOR THE YEAR										
Net sales.....	381,158	403,440	451,514	482,125	529,635	372,814	391,613	437,721	471,742	477,322
Power distribution lining.....						58,056	59,881	67,208	69,796	71,725
Electrical.....						238,181	223,797	265,782	293,342	279,040
Information & communications network....						41,936	57,427	63,458	54,648	65,928
Environmental management facilities.....						27,119	34,628	32,500	35,789	33,803
Electric power & others.....						7,519	15,878	8,771	18,166	26,825
Operating income.....	7,755	11,320	15,955	16,843	22,479	6,584	9,836	14,588	15,035	18,449
Net income.....	9,928	7,525	7,843	9,136	11,314	8,003	7,110	7,600	8,028	9,519
Capital investment.....	1,001	1,786	2,302	3,429	3,659	687	1,101	1,618	2,622	2,958
Depreciation and amortization.....	4,020	3,710	3,697	4,036	4,955	3,688	3,369	3,209	3,373	4,190
Research and development.....	515	530	543	486	496	515	530	543	483	492
AT YEAR-END										
Common stock.....	26,411	26,411	26,411	26,411	26,411	26,411	26,411	26,411	26,411	26,411
Net assets*.....	298,644	293,847	313,102	313,878	305,121	287,626	282,555	301,409	300,900	290,427
Total assets.....	461,862	469,156	500,342	525,921	516,147	445,856	452,377	481,296	504,192	468,300
Number of issued shares of common stock (Thousands)										
Balance at end of year.....	250,362	250,010	248,377	247,514	247,399	250,362	250,010	248,377	247,514	247,399
Number of employees.....	7,683	7,658	8,023	8,352	9,230	6,555	6,428	6,373	6,441	6,563
Equity ratio (%).....	64.7	62.6	62.6	59.6	59.0	64.5	62.5	62.6	59.7	62.0
Return on equity (%).....	3.5	2.5	2.6	2.9	3.7	2.9	2.5	2.6	2.7	3.2
Payout ratio (%).....						39.8	39.2	43.4	40.1	33.8
Price-earnings ratio (Times).....	15.42	28.56	34.86	28.68	20.97	18.99	29.91	35.60	32.63	24.93

* The "Shareholders' Equity" item used until fiscal 2006, prior to the enforcement of the Corporation Law, is presented as "Net Assets." For fiscal 2007, following the enforcement of the Corporation Law, "Net Assets" includes minority interests.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Consolidated results of the Kinden Group for the fiscal year ended March 31, 2008, are as follows.

Consolidated net sales increased ¥47,510 million, or 9.9%, in comparison with the previous fiscal year, to ¥529,635 million (US\$5,286,309 thousand). Operating income rose ¥5,636 million, or 33.5% compared with the previous fiscal year, to ¥22,479 million (US\$224,369 thousand). Net income expanded ¥2,178 million, or 23.8% compared with the previous fiscal year, to ¥11,314 million (US\$112,934 thousand).

Financial Position

Total assets as of March 31, 2008, amounted to ¥516,147 million (US\$5,151,684 thousand), a decrease of ¥9,774 million, or 1.9%, compared with the end of the previous fiscal year. Within this figure, current assets increased ¥16,568 million and fixed assets declined ¥26,342 million. The increase in current assets was primarily due to an increase in marketable securities, which more than offset a fall in such items as notes and accounts receivable. The decline in fixed assets was mainly attributable to a decrease in investment securities.

Total liabilities as of March 31, 2008, amounted to ¥211,026 million (US\$2,106,258 thousand), a decrease of ¥1,016 million, or 0.5%, compared with the end of the previous fiscal year. Within this figure, current liabilities increased ¥6,800 million and long-term liabilities declined ¥7,817 million. The increase in current liabilities was primarily due to increases in short-term loans and accrued income taxes, which more than offset a decrease in advance received on uncompleted construction contracts. The decline in long-term liabilities was mainly attributable to a fall in deferred tax liabilities.

Net assets as of March 31, 2008, amounted to ¥305,121 million (US\$3,045,426 thousand), a decrease of ¥8,757 million, or 2.8%,

compared with the end of the previous fiscal year. This was primarily attributable to a fall in unrealized gains on securities, which more than offset an increase in retained earnings.

At the fiscal year-end, the equity ratio stood at 59.0%, a decline of 0.6 percentage point compared with the previous fiscal year-end.

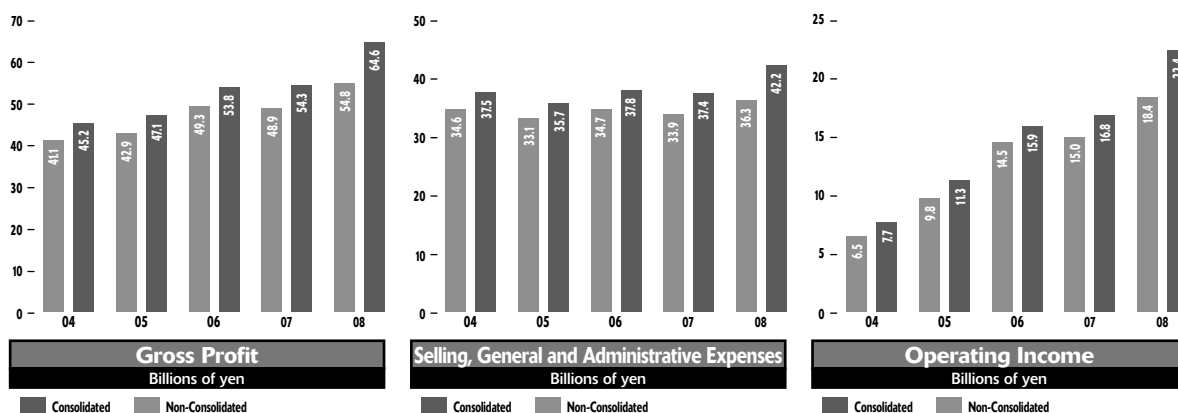
Cash Flow Analysis

Net cash provided by operating activities amounted to ¥22,034 million (US\$219,929 thousand), an increase of ¥22,027 million compared with ¥7 million provided in the previous fiscal year. This was primarily attributable to the recording of income before income taxes and minority interests, coupled with a decrease in notes and accounts receivable, which outweighed a decline in cash mainly due to decreases in accounts payable and advance received on uncompleted construction contracts.

Net cash provided by investing activities amounted to ¥410 million (US\$4,092 thousand), an increase of ¥613 million compared with ¥203 million in net cash used in investing activities in the previous fiscal year. This mainly reflected proceeds from sales of investment securities, which more than offset a decline in cash primarily due to purchases of fixed assets as well as investment securities.

Net cash used in financing activities amounted to ¥8,446 million (US\$84,303 thousand), an increase of ¥2,252 million compared with ¥6,194 million used in the previous fiscal year. This primarily reflected the repayment of long-term debt and payments of cash dividends.

As a result, cash and cash equivalents increased ¥13,752 million (US\$137,268 thousand), a net positive change of ¥19,635 million compared with the decrease of ¥5,882 million recorded in the previous fiscal year. Cash and cash equivalents at the end of the fiscal year stood at ¥66,601 million (US\$664,751 thousand).



Risk Factors

Economic conditions

The demand for electrical construction, installation and engineering work, which is the major source of the Kinden Group's earnings, is influenced by economic conditions in the regions and countries in which the Group receives orders.

1. Price-based competition for private-sector construction orders

The most crucial factor in obtaining orders becomes pricing, which encourages intense price-based competition. If demand for construction declines or shrinks, price competition would become even more severe, and this may lead to a negative impact on the Group's results and financial position.

2. Increased materials costs

Owing to rising prices for steel, copper and other commodities, the Group's raw materials costs have trended upward. Although the Group has sought to reduce its operating costs, if raw materials prices surge to higher levels than forecast, this may result in a deterioration in the profitability of construction work, and may lead to a negative impact on the Group's results and financial position.

3. Restrained construction investment through national and local government policy

Based on policies of the national government and local government bodies to restrain construction investment, public works orders have declined and the Kinden Group has felt the impact of these policies. If, in the future, policies are implemented that further restrain construction investment, resulting in a significant drop in orders compared with the current level, this may lead to a negative impact on the Group's results and financial position.

4. Restrained capital investment by electric power companies

The Kinden Group receives orders and carries out power distribution lining, electric power and other work from the Kansai Electric Power Co., Inc., a major customer. In the performance of this work, the Kinden Group faces a range of fixed costs, including labor costs and costs associated with vehicles, machinery, equipment and the maintenance of operations centers. If, in the future, capital investment by electric power companies becomes further restrained, resulting in a significant imbalance between the level of orders received and the operational infrastructure maintained by the Group, this may lead to a negative impact on the Group's results and financial position.

5. Changes in overseas economic conditions and regulatory environment

The Kinden Group is active in overseas construction markets, particularly in infrastructure-related construction and engineering projects. If changes occur in the economic situation or regulatory environment

of countries or regions in which the Group operates, this may lead to a negative impact on the Group's results and financial position.

Exposure to bad debts due to customer bankruptcies and other factors

The Kinden Group undertakes work based on contracts concluded with customers. Contracts are performed and payment is received according to contract conditions. The Group has strengthened its credit control systems in recent years, however, if a customer falls into bankruptcy, the Group would likely face exposure to bad debts. Depending on the size of the bad debts, this may lead to a negative impact on the Group's results and financial position.

CONSOLIDATED BALANCE SHEETS

KINDEN CORPORATION AND SUBSIDIARIES
 March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
CURRENT ASSETS:			
Cash and deposits	¥ 31,819	¥ 52,957	\$ 317,593
Notes and accounts receivable, trade	133,665	141,642	1,334,122
Marketable securities	35,000	—	349,336
Cost on uncompleted construction contracts.....	103,652	99,337	1,034,558
Deferred tax assets.....	9,608	5,777	95,899
Other current assets.....	10,200	6,329	101,807
Allowance for doubtful accounts	(4,632)	(3,298)	(46,232)
Total current assets	319,314	302,745	3,187,085
PROPERTY, PLANT AND EQUIPMENT:			
Land	55,699	55,816	555,940
Buildings and structures	82,391	80,236	822,354
Machinery and equipment	2,367	2,470	23,631
Vehicles, furniture and fixtures	26,484	26,066	264,346
Construction in progress	2	—	28
	166,946	164,589	1,666,303
Accumulated depreciation	(72,267)	(69,603)	(721,305)
Total property, plant and equipment	94,679	94,985	944,997
INVESTMENTS AND OTHER ASSETS:			
Investments in securities	72,442	100,590	723,046
Investments in and loans to affiliates	4,090	5,176	40,829
Deferred tax assets.....	406	404	4,062
Other assets	28,926	25,746	288,713
Allowance for doubtful accounts	(3,712)	(3,727)	(37,049)
Total investments and other assets	102,153	128,190	1,019,602
 Total assets.....	 ¥516,147	 ¥525,921	 \$5,151,684

See the accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
CURRENT LIABILITIES:			
Short-term loans	¥ 21,945	¥ 15,522	\$ 219,042
Notes and accounts payable, trade	80,905	84,255	807,520
Advance received on uncompleted construction contracts	48,760	56,414	486,684
Accrued income taxes.....	10,184	5,611	101,651
Allowance for loss on construction.....	5,936	1,816	59,252
Allowance for indemnity on completed construction contracts	661	265	6,603
Allowance for directors' bonuses.....	250	182	2,498
Other current liabilities	23,803	21,581	237,587
Total current liabilities	192,449	185,648	1,920,842
LONG-TERM LIABILITIES:			
Long-term debt	793	720	7,922
Deferred tax liabilities	3,152	13,706	31,467
Accrued employees' retirement benefits	14,074	11,862	140,478
Other long-term liabilities	555	105	5,546
Total long-term liabilities	18,576	26,394	185,415
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Common stock			
Authorized: 600,000,000 shares			
Issued: 266,065,080 shares (2008)	26,411	26,411	263,614
Capital surplus.....	29,847	29,847	297,913
Retained earnings	248,929	240,832	2,484,577
Treasury stock, at cost.....	(15,709)	(15,586)	(156,800)
Total shareholders' equity	289,479	281,504	2,889,303
VALUATION AND TRANSLATION ADJUSTMENTS:			
Unrealized gains on securities.....	15,251	32,192	152,223
Deferred gains on hedges.....	(145)	0	(1,455)
Foreign currency translation adjustments	(10)	(0)	(103)
Total valuation and translation adjustments	15,095	32,192	150,664
MINORITY INTERESTS:	546	181	5,458
Total net assets.....	305,121	313,878	3,045,426
Total liabilities and net assets.....	¥516,147	¥525,921	\$5,151,684

CONSOLIDATED STATEMENTS OF INCOME

KINDEN CORPORATION AND SUBSIDIARIES
 For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales	¥529,635	¥482,125	\$5,286,309
Cost of sales	464,935	427,812	4,640,541
Gross profit	64,699	54,312	645,767
Selling, general and administrative expenses	42,219	37,469	421,398
Operating income	22,479	16,843	224,369
Other income (expenses)			
Interest and dividend income	1,419	1,232	14,169
Interest expenses	(612)	(307)	(6,109)
Equity in income (loss) of affiliates	(73)	80	(734)
Transfer to allowance for bad debt	(69)	(504)	(689)
Gain on sale of fixed assets	497	1,255	4,970
Gain on sales of investment securities	524	715	5,232
Loss on impairment	(31)	(689)	(309)
Loss on write-down of investment in securities	(1,359)	(517)	(13,570)
Other, net	(411)	1,105	(4,107)
Income before income taxes and minority interests	22,364	19,212	223,220
Income taxes			
Current	14,361	8,993	143,341
Deferred	(3,370)	1,046	(33,639)
Total income taxes	10,991	10,040	109,701
Income before income taxes and minority interests	11,373	9,172	113,519
Minority interests in (income) loss	(58)	(36)	(584)
Net income	¥ 11,314	¥ 9,136	\$ 112,934

	Yen		U.S. dollars
	2008	2007	2008
Amounts per common share			
Net income	¥45.73	¥36.86	\$0.46
Cash dividends	13.00	13.00	0.13

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KINDEN CORPORATION AND SUBSIDIARIES
For the years ended March 31, 2008 and 2007

	Thousands	Millions of yen								
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	266,065	¥26,411	¥29,784	¥236,462	¥(14,454)	¥ 34,996	¥ —	¥(98)	¥146	¥313,249
Cash dividends, ¥13.0 per share.....				(4,590)						(4,590)
Net income for the year.....				9,136						9,136
Bonuses to directors and statutory auditors				(176)						(176)
Acquisition of treasury stock.....					(2,770)					(2,770)
Disposition of treasury stock			62		1,638					1,701
Net increase/decrease during the term under review except in shareholders' equity.....						(2,804)	0	97	35	(2,669)
Balance at March 31, 2007	266,065	¥26,411	¥29,847	¥240,832	¥(15,586)	¥ 32,192	¥ 0	¥ (0)	¥181	¥313,878
Cash dividends, ¥13.0 per share.....				(3,217)						(3,217)
Net income for the year.....				11,314						11,314
Acquisition of treasury stock.....					(128)					(128)
Disposition of treasury stock			0		4					5
Net increase/decrease during the term under review except in shareholders' equity.....						(16,941)	(146)	(9)	364	(16,732)
Balance at March 31, 2008	266,065	¥26,411	¥29,847	¥248,929	¥(15,709)	¥ 15,251	¥(145)	¥(10)	¥546	¥305,121

	Thousands	Thousands of U.S. dollars								
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	266,065	\$263,614	\$297,907	\$2,403,753	\$(155,570)	\$321,313	\$ 7	\$ (8)	\$1,815	\$3,132,833
Cash dividends, ¥13.0 per share.....				(32,111)						(32,111)
Net income for the year.....				112,934						112,934
Acquisition of treasury stock.....					(1,277)					(1,277)
Disposition of treasury stock			5		47					52
Net increase/decrease during the term under review except in shareholders' equity.....						(169,089)	(1,462)	(94)	3,642	(167,005)
Balance at March 31, 2008	266,065	\$263,614	\$297,913	\$2,484,577	\$(156,800)	\$152,223	\$(1,455)	\$(103)	\$5,458	\$3,045,426

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

KINDEN CORPORATION AND SUBSIDIARIES
 For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests.....	¥ 22,364	¥ 19,212	\$ 223,220
Adjustments for:			
Depreciation and amortization.....	4,955	4,036	49,464
Loss on impairment.....	31	689	309
Amortization of goodwill.....	190	12	1,904
Increase (decrease) in allowance for doubtful accounts.....	1,229	309	12,270
Increase (decrease) in allowance for loss on construction.....	3,414	222	34,081
Increase (decrease) in accrued employees' retirement benefit.....	1,390	(477)	13,874
Interest receivable and dividend revenue.....	(1,419)	(1,232)	(14,169)
Interest expense.....	612	307	6,109
Foreign exchange (gain) loss.....	347	(29)	3,464
Equity in (income) loss of affiliates.....	73	(80)	734
Loss on write-down of marketable securities.....	1,359	517	13,570
Loss on write-down of memberships.....	50	66	503
Loss (gain) on sales of fixed assets.....	(355)	(1,189)	(3,546)
Loss on disposal of fixed assets.....	130	87	1,300
Loss (gain) on sales of investment securities.....	(523)	(715)	(5,229)
(Increase) decrease in notes and accounts receivable.....	17,663	(31,004)	176,299
(Increase) decrease in costs on uncompleted construction contracts.....	9,753	(8,441)	97,350
(Increase) decrease in prepaid pension.....	(568)	564	(5,678)
Increase (decrease) in notes and accounts payable.....	(16,392)	19,185	(163,611)
Increase (decrease) in advances received on uncompleted construction contracts.....	(12,593)	7,881	(125,699)
Other, net.....	(583)	(1,411)	(5,827)
Sub-total.....	31,128	8,513	310,697
Interest received and dividend revenue.....	1,426	1,234	14,234
Payments of interest.....	(612)	(307)	(6,109)
Payments of accrued income taxes.....	(9,908)	(9,431)	(98,892)
Net cash provided by (used in) operating activities.....	22,034	7	219,929
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for time deposits.....	(125)	(3)	(1,252)
Proceeds from time deposits.....	688	73	6,869
Payments for purchases of marketable securities.....	(2,014)	(1,000)	(20,105)
Proceeds from sales of marketable securities.....	2,014	1,500	20,105
Payments for purchases of fixed assets.....	(3,661)	(3,429)	(36,550)
Proceeds from sales of fixed assets.....	751	3,174	7,504
Payments for purchases of investment securities.....	(2,727)	(14,641)	(27,219)
Proceeds from sales of investment securities.....	5,616	10,085	56,061
Acquisition of subsidiary shares due to the changes to the scope of consolidation.....	(301)	—	(3,010)
Payments for loans receivable.....	(38)	(24)	(388)
Proceeds from collection of loans receivable.....	282	3,087	2,824
Other, net.....	(74)	973	(745)
Net cash provided by (used in) investing activities.....	410	(203)	4,092
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings.....	(375)	(549)	(3,750)
Payments for reimbursement of long-term borrowings.....	(3,847)	—	(38,406)
Payments for redemption of corporate bonds.....	(880)	—	(8,783)
Proceeds from stock issuance of stocks to minority interests.....	—	15	—
Purchase of treasury stock.....	(128)	(2,770)	(1,277)
Proceeds from sale of treasury stock.....	5	1,701	52
Payments of cash dividends.....	(3,217)	(4,590)	(32,111)
Payments of cash dividends to minority interests.....	(2)	—	(27)
Net cash provided by (used in) financing activities.....	(8,446)	(6,194)	(84,303)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....			
CASH EQUIVALENTS.....	(245)	507	(2,450)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	13,752	(5,882)	137,268
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR.....	52,848	58,731	527,482
CASH AND CASH EQUIVALENTS AT THE END OF YEAR.....	¥ 66,601	¥ 52,848	\$ 664,751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared from the accounts and records maintained by KINDEN CORPORATION ("the Company") and its consolidated subsidiaries ("the Group"). The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and in conformity with principles and practices generally accepted in Japan, which are different in certain respects from the accounting and disclosure requirements of international accounting standards.

The accounts and records of overseas subsidiaries are maintained in conformity with generally accepted accounting principles and practices in their countries of domicile.

The consolidated financial statements are prepared from the financial statements of the Company and its consolidated subsidiaries, which are filed with the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made in the accompanying consolidated financial statements for convenience of readers outside Japan.

The amounts stated in the accompanying consolidated financial statements are in Japanese yen. U.S. dollar amounts included in the accompanying consolidated financial statements and the notes to consolidated financial statements represent the arithmetic result of translating Japanese yen to U. S. dollar amounts on a basis of ¥100.19 to US\$1, the fixed-market rate on March 31, 2008. U.S. dollar amounts are rounded down to the nearest thousand dollars. Such U.S. dollar amounts are not intended to imply that Japanese yen amounts have been converted, realized or settled in U.S. dollars, at that or any other rate.

2. Summary of significant accounting policies

(a) Basis of consolidation and accounting of investments in affiliated companies

The accompanying consolidated financial statements include the accounts of the Company and all of its 24 subsidiaries. Major consolidated subsidiaries are as follows:

- Kinden Shoji Company, Limited
- Kinden Electrical & Mechanical Service Company, Limited
MECS Corp.
- Aleph Networks Corporation
- Nishihara Engineering Co., Ltd.
- US Kinden Corporation
- Wasa Electrical Services, Inc.
- Kinden International, Ltd.
- Kinden Vietnam Co., Ltd.
- Kindenko (Thailand) Co., Ltd.

The accounts of Kindenko (Thailand) Co., Ltd. are incorporated in the consolidated financial statements because the Company substantially controls Kindenko (Thailand) Co., Ltd. in light of the regulations of the consolidated financial statements. The other 23 companies are the Company's majority-owned subsidiaries.

Nishihara Engineering Co., Ltd., was transformed into a consolidated subsidiary through the acquisition of stocks, and the company and

its subsidiaries – Nishihara Works Co., Ltd., Kyowa Industrial Co., Ltd., and Estanine Inc. – were included in the scope of consolidation.

Nihon Libertec Company, Limited, which had been an unconsolidated subsidiary, is no longer a subsidiary since the procedures for liquidating the company were completed on January 25, 2008.

All transactions and receivables/payables held by and against each other among consolidated subsidiaries are cancelled out. Consolidated net income is inclusive of the Company's equity in consolidated companies' net income/loss minus unrealized internal profit.

The equity method is applied to investments in 4 of the Company's 7 affiliates. The 4 affiliates accounted by the equity method are as follows:

- Kinki Freight Service Company, Incorporated
- Hankyu Ironworks Company, Limited
- Schneider Electric Engineering Company, Limited
- Bintai Kinden Corporation Bhd.

There are three affiliates not accounted for by the equity method:

- Yoshida Shisetsu Seibi SPC Ltd.
- Otakanomori PFI Company, Limited
- Sanyu Co., Ltd.

The three above non-equity method affiliates are excluded from the application of the equity method owing to their having no material effect on net income or retained earnings and due to their having little significance in relation to the Company's overall position.

Nihon Libertec Company, Limited, a non-equity-method unconsolidated subsidiary is no longer a subsidiary since procedures for liquidating the company were completed on January 25, 2008. In addition, the non-equity-method affiliated company Nusantara Exploration and Production Sdn. Bhd. is no longer an affiliated company as a result of the disposal of all shares held in the company.

Consolidated net income in the accompanying consolidated financial statements includes the Company's equity in current earnings/losses of these affiliated subsidiaries. Investments are stated at cost plus/minus equity in earnings/losses and dividends.

(b) Recognition of revenue and related costs

The Company and its domestic subsidiaries record revenue from and related costs of construction contracts on the completed-contract basis. The subsidiaries abroad adopt the percentage-of-completion method.

(c) Foreign currency translation

Domestic subsidiaries: Foreign currency denominated monetary claims and liabilities are translated at the exchange rate on the closing date. Other asset and liability items are translated at acquisition or occurrence. Revenues and expenses are translated at the historical rates at occurrence.

Overseas subsidiaries: Asset and liability items are translated at the rate of exchange in effect on the closing date of each subsidiary. Components of shareholders' equity are translated at the historical rates at acquisition or occurrence. Revenue and expense items are translated at the exchange rate in effect on the closing date of each subsidiary.

Translation differences arising out of the adoption of the above standards are presented as translation adjustments in the net assets section of the consolidated balance sheets.

(d) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the statements of cash flows consist of vault cash, deposits that can be withdrawn on demand, and short-term investments generally with maturities of 3 months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

(e) Marketable securities and investment securities

The Group categorizes marketable securities by the holding objectives. Marketable securities held to maturity are accounted for by the cost amortization method. Other marketable securities with market values are accounted for by the fair value based on the market prices, and the difference from market values and those values after tax-effect adjustment posted in net assets. Those without market values are accounted for at cost utilizing the moving average method. When the market price of securities with market prices falls more than 30% from the acquisition cost or, in the case of securities with no market price, when the value derived by multiplying asset value per share by the number of shares falls more than 30% from the acquisition cost, such loss in value is written off and accounted for as impairment loss.

(f) Derivative transactions

Derivative transactions are stated using the market value method.

(g) Inventories

Cost on uncompleted construction contracts

Costs on uncompleted construction contracts are stated at cost as determined by the specific project basis.

Cumulative costs on uncompleted construction contracts are stated as costs on uncompleted construction contracts in the current assets section. Advances on uncompleted construction contracts are stated as advances on uncompleted construction contracts in the current liabilities section.

Raw materials and goods in stock

Raw materials and goods in stock are valued at cost, mainly determined by the moving average method.

(h) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost. The Company and its domestic subsidiaries mainly compute depreciation of property, plant and equipment based on the declining-balance method over their estimated useful lives, except that buildings and structures excluding attached structures acquired after April 1, 1998 are depreciated by the straight-line method. The subsidiaries abroad compute depreciation of property and equipment using the straight-line method over their estimated useful lives.

Estimated useful lives vary from 10 to 50 years for buildings and structures, and 3 to 7 years for machinery and equipment.

Maintenance and repair expenses and minor replacements are charged to income as accrued. Significant replacements and betterments are capitalized.

Accounting policies

Following revisions to the Corporate Tax Law, the company and its subsidiaries within Japan introduced a depreciation method for tangible fixed assets purchased on or after April 1, 2007, based on the revised Corporate Tax Law. Compared with the previous depreciation method, operating income and income before income taxes and minority interests each declined by ¥198 million (US\$1,983 thousand).

Tangible fixed assets purchased on or before March 31, 2007, are depreciated using a straight line method over five years starting from the fiscal year that the item was fully depreciated (using the previous method). Therefore, compared to the previous method, both operating income and income before income taxes and minority interests fell ¥222 million (US\$2,218 thousand).

(i) Allowance for doubtful receivables

Allowance for possible losses on receivables, including loans—receivable and other receivables, is provided in an amount to cover possible losses on collection. It consists of the estimated uncollectible amount calculated by applying the percentage of actual losses on collection to the remaining receivables experienced in the past and the identified doubtful receivables determined by the management.

(j) Allowance for losses on construction contracts

To make allowance for future losses on construction orders, the Company makes allowance provisions for uncompleted construction contracts at year-end based on projected losses. The provision amount is determined by a rational estimate of the likely loss amount.

(k) Allowance for indemnity on completed construction contracts

To make allowance for possible future expenses under warranties for completed construction contracts, the Company makes allowance provisions for construction contracts completed during the fiscal year. The provision amount is determined based on estimates of claims on construction contracts for which the Company has warranty liability.

(l) Allowance for directors' bonuses

To provide for the payment of directors' bonuses, the Company makes allowance provisions for directors' bonuses based on the expected amount applicable to the fiscal year.

(m) Accrued employees' retirement benefits

Accrued employees' retirement benefits liability are stated at an amount obtained by adjusting accrued employees' retirement benefits liability for unrecognized actuarial differences, less the fair value of pension fund assets.

The difference arising from the application of the new accounting standards and past service liabilities are amortized in a lump sum in the fiscal year they are accrued.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 15 years or 5 years, which falls within the average remaining years of service of the employees.

(n) Accounting for hedging activities

Hedging activities are principally accounted for under the deferral hedge accounting method. If the criteria for appropriation are met, gains and losses on foreign exchange forward contracts are appropriated, and if the criteria for special case are met, gains and losses on interest rate swaps and interest rate caps are accounted for in a non-standard way.

Hedging instruments

Foreign exchange forward contracts, interest rate swaps, and interest rate caps

Hedged items

Loans, transactions expected to be denominated in foreign currencies, and accounts payable denominated in foreign currencies related to the importation of raw materials

Hedging policy

Based on internal regulations that stipulate items such as the authority for derivative trading and the scope of transactions, exchange-rate risks and interest-rate risks related to the hedged items are hedged to a certain degree.

Method for evaluating the effectiveness of hedges

A comparison of the accumulative changes in cash flows of the hedged items or the changes in exchange rates and the accumulative changes in cash flows of the hedging instruments or the changes in exchange rates are made every six months, and the effectiveness of hedges is evaluated based on the factors such as the amount of changes.

The evaluation of the effectiveness of the interest rate swaps and interest rate caps accounted for using the non-standard method have been omitted.

(o) Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees are accounted for by the method similar to that applicable to ordinary operating leases, since Japanese accounting standards do not require such leased assets to be capitalized.

(p) Research and development expenses

Research and development expenses are accounted for as an expense as they are incurred. Research and development costs in the years ended March 31, 2008 and March 31, 2007 were ¥496 million (US\$4,960 thousand) and ¥486 million, respectively.

(q) Income taxes

The Group accounts for income taxes based on the taxes levied in accordance with the tax regulations of respective countries.

The Company adopted tax-effective accounting based on the asset and liability method.

(r) Per share information

Net income per share is computed based on the average number of shares of common stock issued and outstanding during each fiscal period.

Information on diluted net income per share has been omitted since there are no latent shares.

3. Changes in presentation

Following revisions to items such as the "Practical Guidelines on Accounting Standards for Financial Instruments" (Japanese Institute of Certified Public Accountants; Accounting System Committee report, No. 14; July 4, 2007), certificates of deposits issued by Japanese corporations, which had been included in cash and deposits in the previous fiscal year, were included under marketable securities starting in the present fiscal year.

The closing balance of certificates of deposit issued by Japanese corporations at the end of the present fiscal year totaled ¥35,000 million (US\$349,336 thousand), and the closing balance at the end of the previous fiscal year was ¥26,000 million.

4. Market value information for securities

1. Held-to-maturity debt securities with available fair values (as of March 31, 2008 and 2007)

	Millions of yen		
	Book value	Market value	Difference
As of March 31, 2008			
Corporate bonds.....	¥18,551	¥17,912	¥(638)
Subtotal.....	¥18,551	¥17,912	¥(638)

	Millions of yen		
	Book value	Market value	Difference
As of March 31, 2007			
Corporate bonds.....	¥22,025	¥21,768	¥(256)
Subtotal.....	¥22,025	¥21,768	¥(256)

	Thousands of U.S. dollars		
	Book value	Market value	Difference
As of March 31, 2008			
Corporate bonds.....	\$185,159	\$178,783	\$(6,375)
Subtotal.....	\$185,159	\$178,783	\$(6,375)

2. Acquisition cost, unrecognized gain, unrecognized loss and market value information regarding marketable securities classified as other securities as of March 31, 2008 and 2007, respectively.

	Millions of yen			
	Acquisition cost	Unrecognized gain	Unrecognized loss	Market value
As of March 31, 2008				
Equity securities.....	¥26,127	¥27,035	¥(1,441)	¥51,721
Subtotal.....	¥26,127	¥27,035	¥(1,441)	¥51,721

	Millions of yen			
	Acquisition cost	Unrecognized gain	Unrecognized loss	Market value
As of March 31, 2007				
Equity securities.....	¥23,436	¥54,307	¥(111)	¥77,632
Subtotal.....	¥23,436	¥54,307	¥(111)	¥77,632

	Thousands of U.S. dollars			
	Acquisition cost	Unrecognized gain	Unrecognized loss	Market value
As of March 31, 2008				
Equity securities.....	\$260,781	\$269,845	\$(14,390)	\$516,235
Subtotal.....	\$260,781	\$269,845	\$(14,390)	\$516,235

3. Securities classified as other marketable securities sold during the accounting periods ended March 31, 2008 and 2007.

Accounting period ended March 31, 2008	Millions of yen		
	Proceeds from sales	Gain on sale	Loss on sale
	¥724	¥524	¥0

Accounting period ended March 31, 2007	Millions of yen		
	Proceeds from sales	Gain on sale	Loss on sale
	¥1,523	¥715	¥—

Accounting period ended March 31, 2008	Thousands of U.S. dollars		
	Proceeds from sales	Gain on sale	Loss on sale
	\$7,227	\$5,232	\$2

4. Carrying value of principal securities without market quotations as of March 31, 2008 and 2007, respectively

(1) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Negotiable deposit	¥35,000	¥ —	\$349,336
Unlisted domestic bonds without public offering bonds.....	¥ 220	¥220	\$ 2,195

(2) Other marketable securities

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unlisted equity securities	¥3,897	¥3,375	\$38,901

5. Scheduled redemption amounts of securities with maturities accounted for as other marketable securities and held-to-maturity debt securities as of March 31, 2008 and 2007.

Accounting period ended March 31, 2008	Millions of yen			
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bonds:				
Corporate bonds	¥ 2,201	¥13,071	¥3,498	—
Others	¥35,000	—	—	—
Total	¥37,201	¥13,071	¥3,498	—

Accounting period ended March 31, 2007	Millions of yen			
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bonds:				
Corporate bonds	—	¥8,245	¥12,999	¥1,000
Total	—	¥8,245	¥12,999	¥1,000

Accounting period ended March 31, 2008	Thousands of U.S. dollars			
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bonds:				
Corporate bonds	\$ 21,969	\$130,466	\$34,919	—
Others	\$349,336	—	—	—
Total	\$371,305	\$130,466	\$34,919	—

5. Derivatives

1. State of derivative transactions

(a) Details

Foreign exchange forward contracts, interest-rate swaps and the interest-rate caps are used.

(b) Policy on derivatives

Derivatives are used to hedge changes in interest rates and exchange rates, not for speculative purposes.

(c) Purpose of transactions

Foreign exchange forward contracts are used to eliminate the risk of changes in exchange rates for transactions expected to be denominated in foreign currencies and accounts payable denominated in foreign currencies from the importing of raw materials, and interest rate swaps and the interest rate caps are used to avoid the risk of future increases in interest rates for loans.

Hedging activities are accounted for using derivatives. Details are provided in "(n) Accounting for hedging activities" in "2. Summary of significant accounting policies".

(d) Risks related to derivatives

Foreign exchange forward contracts entail risks related to fluctuations in the foreign exchange rates, and interest-rate swaps and interest-rate caps entail the risk of fluctuations in market interest rates.

As for the counterparties of the derivative transactions, it has been determined that there is almost no risk that counterparties to derivatives will default since they are financial institutions with firm credit.

(e) Risk management related to derivative transactions

Derivatives are monitored and managed based on internal regulations that set various terms such as authority and the scope of transactions.

(f) Supplementary explanations regarding "Market value information, etc. of transactions" etc.

The value of items such as the nominal amounts of contracts does not reveal the risk from derivatives.

2. Market value information, etc. of transactions

(a) Currencies

This has been omitted since there are only derivatives that are accounted for as hedges.

(b) Interest rates

Nonmarket Transactions

As of March 31, 2008	Millions of yen			
	Contract/ Notional Amount	Of which due after one year	Fair Value	Unrealized Gain (Loss)
Interest-rate swaps				
Paying fix / receiving				
floating rate.....	¥250	¥250	¥(3)	¥(3)
Interest rate caps				
Buying	300	—	0	0
Total	¥550	¥250	¥(3)	¥(3)

As of March 31, 2008	Thousands of U.S. dollars			
	Contract/ Notional Amount	Of which due after one year	Fair Value	Unrealized Gain (Loss)
Interest-rate swaps				
Paying fix / receiving				
floating rate.....	\$2,495	\$2,495	\$(39)	\$(39)
Interest rate caps				
Buying	2,994	—	0	0
Total	\$5,489	\$2,495	\$(39)	\$(39)

* The market value is calculated based on information such as the price given by financial institution acting as the counterparty.

** Derivatives that are accounted for as hedges have been omitted.

6. Accrued employees' retirement benefit and pension plans

The Company has the following defined-benefit plans for the retirement benefit of its employees: an Employee's Pension Plan, a qualified pension plan and a Lump-Sum Employees' Benefit Plan.

Of consolidated subsidiaries, 1 has a corporate pension plan and 2 have eligible pension plans, 16 have established lump-sum retirement benefit plans, and 3 are members of the retirement allowance mutual aid system.

Employees who terminate their service with the Company are entitled to lump-sum employees' retirement benefit or pension benefit determined by reference to their current basic rates of pay, length of service and conditions under which termination occurs.

Major components of employees' retirement benefit obligation and costs, as well as basis of presentation of employees' retirement obligation, are as follows:

Matters concerning employees' retirement benefits obligation:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
a. Benefit obligation*	¥(104,068)	¥(101,000)	\$(1,038,713)
b. Market value of pension plan assets	75,560	81,089	754,169
c. Unfunded benefit obligation (a + b).....	(28,508)	(19,911)	(284,544)
d. Unamortized portion of actuarial differences	15,213	8,259	151,849
e. Unrecognized past service obligation	—	—	—
f. Amount recognized in balances sheets (c + d + e)	(13,294)	(11,651)	(132,695)
g. Prepaid pension costs.....	779	210	7,783
h. Accrued employees' retirement benefits (f - g).....	¥(14,074)	¥(11,862)	\$(140,478)

* Some of consolidated subsidiaries calculate employees' retirement benefit obligation by the simple method.

Matters concerning employees' retirement cost:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
a. Service cost* **	¥ 3,680	¥ 3,357	\$ 36,736
b. Interest cost.....	2,053	1,978	20,496
c. Expected return.....	(2,861)	(2,743)	(28,560)
d. Cost arising from actuarial difference.....	869	939	8,675
e. Amortization of past service liabilities	—	—	—
f. Accrued employees' retirement cost (a + b + c + d + e).....	¥ 3,741	¥ 3,531	\$ 37,347

* Excludes employees' contribution to the Corporate Pension Fund.

** Employees' retirement cost of consolidated subsidiaries that calculate employees' retirement benefits by the simple method is included in a. Service cost.

Basis of presentation of employees' retirement obligation:

	2008	2007
a. Allocation of estimated severance benefit costs		Straight-line method over period
b. Discount rate.....	2.0%	2.0%
c. Expected return on assets.....	3.5% or 1.2%	3.5%
d. Amortization of actuarial differences*	15 or 5 years	15 years

* By the straight-line method over a period, which falls within the average remaining service years of employees at the time the actuarial difference is incurred. Amortization begins from the following fiscal year.

7. Short-term borrowings and long-term debt

	Millions of yen		Thousands of U.S. dollars	Average rate
	2008	2007	2008	
Short-term borrowings...	¥21,162	¥15,522	\$211,223	1.890%
Current portion of long-term debt.....	783	102	7,819	3.158%
Long-term debt.....	793	617	7,922	3.226%
Total	¥22,739	¥16,242	\$226,965	

8. Income taxes

The factors that differentiate between statutory tax rate and effective tax rate after adopting the tax effect accounting are as follows:

	2008	2007
Statutory tax rate	40.6%	40.6%
Permanently non-deductible expenses.....	6.1%	6.5%
Permanently non-taxable income	(1.0%)	(0.7%)
Increase in valuation allowance.....	2.6%	4.3%
Others.....	0.8%	1.6%
Effective tax rate.....	49.1%	52.3%

Principal components of deferred tax assets and liabilities as of March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets			
Allowance for doubtful accounts....	¥ 2,137	¥ 1,497	\$ 21,335
Accrued expenses	3,609	2,954	36,027
Accrued enterprise tax.....	793	460	7,915
Accrued employees' retirement benefit	5,384	4,717	53,743
Loss on write-down of investment in securities.....	2,170	1,978	21,667
Loss on write-down of memberships.....	778	756	7,765
Loss on impairment.....	695	690	6,941
Allowance for losses on construction contracts.....	2,410	737	24,057
Others.....	3,308	1,691	33,020
Sub-total deferred tax assets	21,287	15,484	212,473
Valuation allowance	(3,101)	(937)	(30,959)
Total deferred tax assets.....	¥ 18,185	¥ 14,546	\$ 181,514
Deferred tax liabilities			
Unrealized gains on securities	(11,126)	(22,048)	(111,057)
Others.....	(196)	(22)	(1,962)
Deferred tax liabilities.....	¥(11,323)	¥(22,071)	\$(113,019)
Net deferred tax assets	6,862	—	68,494
Net deferred tax liabilities	—	(7,525)	—

9. Shareholders' equity

In accordance with the Corporation Law of Japan, the Company records more than half of the issue price of new shares as common stock and the remainder as additional paid-in capital. Additional paid-in capital, which is included within capital surplus, totaled ¥29,657 million (US\$296,010 thousand) as of March 31, 2008 and 2007. Capital surplus is inclusive of gain on sale of treasury stock, which amounted to ¥190 million (US\$1,903 thousand).

In accordance with the Corporation Law, the Company provides for an earned reserve. Under the Corporation Law, which came into effect in May 2006, the Company is required to provide for earned reserve in an amount equal to 10% of appropriations of retained earnings until the sum of this reserve and additional paid-in capital equals to 25% of common stock. The Company has already provided earned reserve equal to 25% of common stock. Earned reserve, which is included in retained earnings, totaled ¥6,602 million (US\$65,903 thousand) as of March 31, 2008 and 2007.

Appropriation of retained earnings for the fiscal year ended March 31, 2008, was approved by the Annual General Meeting of Shareholders held on June 26, 2008, and subsequently recorded in the Company's accounts. This appropriation will be reflected in the following fiscal year's consolidated financial statements.

To enable the Company to carry out a flexible capital policy that can respond to changes in the operating climate, the Company undertakes purchases of treasury stock in accordance with the provisions of the Corporation Law.

10. Per share information

	Yen		U.S. dollars
	2008	2007	2008
Net assets	¥1,231.10	¥1,267.39	\$12.29
Net income (loss)	45.73	36.86	0.46
Diluted net income (loss)	—	36.83	—

11. Leases

Leased assets as of March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Acquisition costs.....	¥3,376	¥2,247	\$33,697
Accumulated depreciation.....	(1,692)	(1,041)	(16,896)
Net leased property	¥1,683	¥1,206	\$16,800
Due within one year	¥ 562	¥ 404	\$ 5,610
Due after one year	1,121	801	11,190
Lease payments.....	¥ 721	¥ 569	\$ 7,198

Acquisition cost equivalents and outstanding lease commitments are inclusive of interest payable.

12. Cash and cash equivalents

Reconciliation of cash and cash equivalents in consolidated cash flow statements to balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash deposit.....	¥31,819	¥52,957	\$317,593
Deposits with maturities longer than 3 months.....	(218)	(108)	(2,178)
Short-term investment with maturities within 3 months after the date of acquisition	35,000	—	349,336
Cash and cash equivalents	¥66,601	¥52,848	\$664,751

13. Contingent liabilities

The Company was contingently liable as a guarantor of ¥4,045 million (US\$40,376 thousand) to a customer as of March 31, 2008.

The Group considers that there was no significant credit risk as of March 31, 2008.

14. Related party transactions

The Company is an affiliate of the Kansai Electric Power Co., Inc.

As of March 31, 2008, Kansai Electric Power directly held 36.2% of the Company's outstanding stock and indirectly held 6.0% of the Company's outstanding stock.

The Company receives orders from Kansai Electric Power for power distribution and transmission line construction and other projects. Following negotiations, construction contracts are signed based on appropriate prices reflecting market prices and other factors.

Major transactions and accounts receivable with Kansai Electric Power are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Principal transactions			
Value of completed contracts	¥76,056	¥74,055	\$759,118
Construction material purchase	14,808	14,278	147,799
Backlog			
Accounts receivable-completed construction contracts	11,065	9,971	110,440
Advances received on uncompleted construction contracts	1,288	1,401	12,862
Notes and accounts payable, trade accounts	1,256	1,359	12,539
Accounts receivable-other	0	27	5

15. Segment information

In the fiscal years ended March 31, 2008 and 2007, the Construction Business accounted for more than 90% of sales, operating income and assets of all business segments of the Company. Accordingly, the Company does not provide business segment information.

In the fiscal years ended March 31, 2008 and 2007, Japan accounted for more than 90% of sales and assets of all geographic

segments of the Company. Accordingly, the Company does not provide geographic segment information.

In the fiscal years ended March 31, 2008 and 2007, sales of overseas accounted for less than 10% of the total of consolidated net sales. Accordingly, the Company does not provide overseas sales information.

16. Subsequent event

The Cash dividends of the Company's retained earnings in respect of the year ended March 31, 2008, were approved at the shareholders' meeting of the Company held on June 26, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥7.5 per share).....	¥1,855	\$18,519

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

OSAKA AUDIT CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
3-6, 2-CHOME, KITAHAMA, CHUO-KU
OSAKA 541-0041, JAPAN

To the Board of Directors of
KINDEN CORPORATION

We have audited the consolidated balance sheets of KINDEN CORPORATION and its subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, consolidated statements of changes in net assets and cash flows, 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 the 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 KINDEN CORPORATION and its 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.

Also, in our opinion, the U. S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1 to the consolidated financial statements.

Osaka Audit Corporation

June 26, 2008
Osaka Audit Corporation

NON-CONSOLIDATED STATEMENTS OF INCOME

KINDEN CORPORATION
 For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales	¥477,322	¥471,742	\$4,764,169
Cost of sales	422,521	422,753	4,217,205
Gross profit	54,800	48,989	546,963
Selling, general and administrative expenses	36,350	33,953	362,817
Operating income	18,449	15,035	184,146
Other income (expenses)			
Interest and dividend income	1,715	1,515	17,119
Interest expenses	(315)	(270)	(3,148)
Transfer to allowance for bad debt	(91)	(1,384)	(909)
Transfer to allowance for loss on liquidation of affiliates	—	(446)	—
Gain on sale of fixed assets	494	1,251	4,934
Gain on sales of investment securities	524	715	5,232
Loss on impairment	(31)	(30)	(309)
Loss on write-down of investment in securities	(1,323)	(547)	(13,206)
Other, net	(401)	1,474	(4,012)
Income before income taxes	19,020	17,313	189,846
Income taxes			
Current	12,823	8,017	127,989
Deferred	(3,322)	1,267	(33,157)
Total income taxes	9,501	9,285	94,831
Net income	¥ 9,519	¥ 8,028	\$ 95,014

	Yen		U.S. dollars
	2008	2007	2008
Amounts per common share			
Net income	¥38.47	¥32.39	\$0.38
Cash dividends	13.00	13.00	0.13

NON-CONSOLIDATED BALANCE SHEETS

KINDEN CORPORATION
 March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
CURRENT ASSETS:			
Cash and deposits	¥ 20,045	¥ 43,850	\$ 200,074
Notes and accounts receivable, trade —			
Notes	12,095	16,644	120,728
Accounts	102,483	118,773	1,022,891
Marketable securities	35,000	—	349,336
Costs on uncompleted construction contracts	91,454	97,368	912,812
Deferred tax assets	9,369	5,565	93,517
Other current assets	9,200	6,804	91,834
Allowance for doubtful accounts	(4,580)	(3,277)	(45,717)
Total current assets	275,069	285,730	2,745,477
PROPERTY, PLANT AND EQUIPMENT:			
Land	54,700	55,022	545,964
Buildings and structures	76,680	76,547	765,353
Machinery and equipment	1,768	1,943	17,655
Vehicles, furniture and fixtures	21,459	21,367	214,185
Construction in progress	2	—	28
	154,611	154,881	1,543,187
Accumulated depreciation	(64,678)	(63,639)	(645,555)
Total property, plant and equipment	89,933	91,241	897,631
INVESTMENTS AND OTHER ASSETS:			
Investments in securities	70,074	100,509	699,419
Investments in and loans to affiliates	12,797	6,533	127,730
Other assets	24,723	24,660	246,762
Allowance for doubtful accounts	(4,297)	(4,482)	(42,892)
Total investments and other assets	103,297	127,220	1,031,019
Total assets	¥468,300	¥504,192	\$4,674,128

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
CURRENT LIABILITIES:			
Short-term loans	¥ 15,020	¥ 15,170	\$ 149,915
Notes and accounts payable, trade —			
Notes	4,405	7,266	43,974
Accounts	62,505	72,971	623,872
Advances received on uncompleted construction contracts	43,171	54,766	430,899
Accrued income taxes.....	9,425	5,063	94,071
Allowance for loss on construction.....	5,843	1,816	58,319
Allowance for indemnity on completed construction contracts	471	174	4,701
Allowance for directors' bonuses	135	106	1,349
Allowance for loss on liquidation of affiliates	—	446	—
Other current liabilities.....	21,311	20,369	212,712
Total current liabilities	162,289	178,150	1,619,815
LONG-TERM LIABILITIES:			
Deferred tax liabilities.....	2,787	13,687	27,819
Accrued employees' retirement benefits	12,797	11,454	127,728
Total long-term liabilities	15,584	25,141	155,547
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Common stock			
Authorized: 600,000,000 shares			
Issued: 266,065,080 shares (2008)	26,411	26,411	263,614
Capital surplus.....	29,847	29,847	297,913
Retained earnings	234,337	228,035	2,338,932
Treasury stock, at cost.....	(15,709)	(15,586)	(156,800)
Total shareholders' equity	274,887	268,707	2,743,658
VALUATION AND TRANSLATION ADJUSTMENTS:			
Unrealized gains on securities.....	15,687	32,191	156,580
Deferred gains on hedges.....	(147)	0	(1,473)
Total valuation and translation adjustments	15,540	32,192	155,106
Total net assets	290,427	300,900	2,898,765
Total liabilities and net assets	¥468,300	¥504,192	\$4,674,128

BOARD OF DIRECTORS AND AUDITORS

As of June 26, 2008

Chairman	KEISHI YOSHIMOTO
Vice Chairman	OSAMI NAKATANI
President	KUNIHICO FUJITA
Vice Presidents	SHIGEHARU TSUTSUI KAZUYOSHI TERAOKA
Directors	MICHIYUKI HASHIMOTO** HARUO ASHITAKA** KATSUTOSHI ITO** TADAHIKO OHISHI** KOUICHI ITO** TOSHIO FUJII* ATSUSHI KIMURA* YASUO TAKEUCHI* MITSUNORI KAWAGUCHI* HIROTO TANAKA* EIJI KAWAGOE* YUKIKAZU MAEDA*
Standing Statutory Auditors	NAOJI WAKAYAMA SEISHIRO TANABE
Statutory Auditors	TETSU SHIOTA NORHIKO SAITOH MAMORU YOSHIDA

** Senior managing executive officer, * Managing executive officer

CORPORATE DATA

Name:	KINDEN CORPORATION
Date of establishment:	August 26, 1944
Osaka head office:	2-3-41, Honjo-Higashi, Kita-ku, Osaka 531-8550, Japan
Tokyo head office:	2-1-21, Kudan-Minami, Chiyoda-ku, Tokyo 102-8628, Japan
Research center:	Kyoto Institute: 3-1-1, Saganakadai, Kizugawa, Kyoto 619-0223, Japan
Training centers:	Kinden Gakuen: 12-77, Imazu-Kusugawa-cho, Nishinomiya, Hyogo 663-8222, Japan Human Resources Development Center: 1-21, Takahana, Inzai, Chiba 270-1342, Japan
Capital:	¥26,411,487,018 (as of March 31, 2008)
Construction business license:	Construction License of the Minister of Land, Infrastructure and Transport Special and Ordinary Construction License—18, No. 114
Employees:	6,711 (as of March 31, 2008)
URL:	http://www.kinden.co.jp/
Business areas:	Construction, installation, and engineering

Electrical

Power generation and substation facilities, overhead power transmission and distribution facilities, underground power transmission and distribution facilities, wind power generation facilities, electrical facilities for nuclear power generation, building electrical facilities, electrical factory facilities, public electrical facilities, solar power generation facilities, stage and theater facilities, explosion proof electrical facilities, disaster prevention/crime prevention facilities, and electrical railroad facilities

Instrumentation

Building instrumentation systems, factory instrumentation systems, facility instrumentation systems, and power plant instrumentation systems

Information and communications

Facilities and equipment for information and telecommunications businesses, facilities and equipment for CATV businesses, wireless communication systems for administration of disaster prevention, Internet systems, Intranet systems, LAN systems, telephone systems, image transmission and display systems, information processing systems, and security systems

Air-conditioning and sanitation

Air-conditioning systems, ventilation, water supply, drainage and sanitary plumbings, fire-extinguishing systems, chilling and refrigerating systems, water treatment systems, industrial waste processing systems, air purification systems, district heating and cooling systems, cogeneration systems, medical gas supply systems, and waterworks

Interiors

System ceilings, metal ceilings, free access floors, partitions, partial interiors, interior furnishings, and small-scale construction

Civil engineering

Survey and investigation, civil engineering structure, CAB, land development, road construction, C.C. BOX, and paving

Other

Painting, mechanical installation, gardening, and steel structures

NETWORK

Overseas Offices

**Hong Kong & China Regional
Main Branch Office** (Hong Kong)
**ASEAN Regional Main Branch
Office** (Singapore)

Guam Office
Saipan Office
Egypt Office
Taiwan Office

Dubai Office (UAE)
Shanghai Representative Office
(China)

Overseas Affiliate Companies

US Kinden Corporation
2908 Kaihikapu Street, Honolulu,
Hawaii 96819-2096, U.S.A.

Wasa Electrical Services, Inc.
2908 Kaihikapu Street, Honolulu,
Hawaii 96819-2096, U.S.A.

Kinden Pacific Corporation
Airport Industrial Center, 165 Skyline
Drive, Suite 400, Tamuning,
Guam 96911, U.S.A.

Kinden International, Ltd.
Flat B, 4F Cosmo-Sing Shing Building,
No. 81 Hung To Road, Kwun Tong,
Kowloon, Hong Kong, China

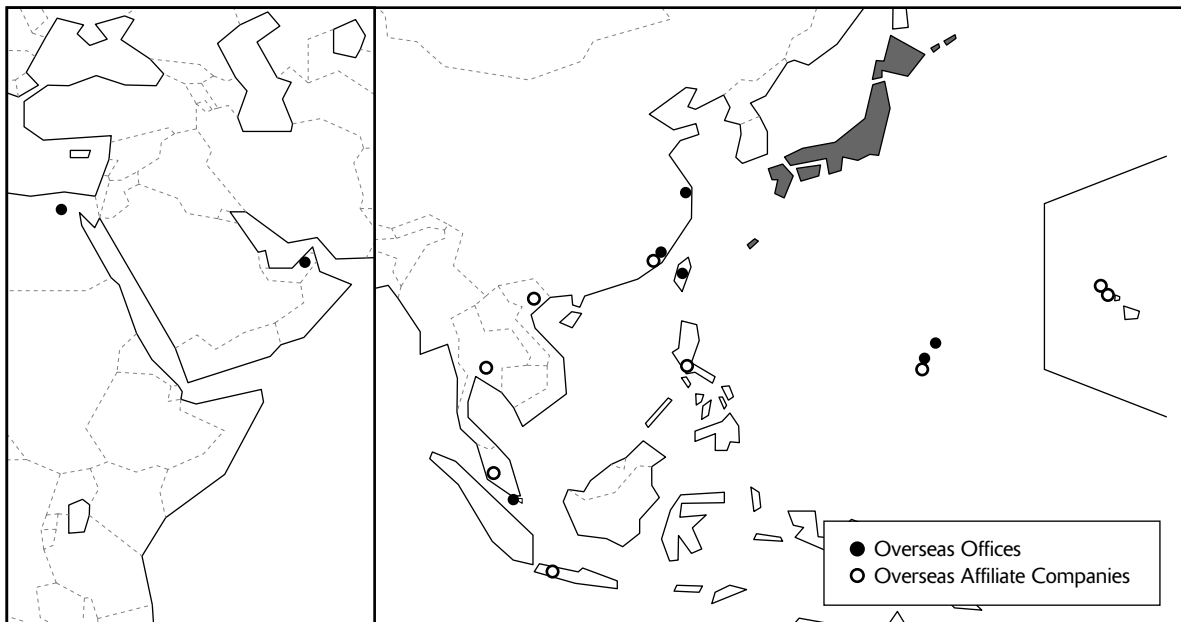
P.T. Kinden Indonesia
Summitmas I 19th Floor Jl. Jend Sudirman
Kav 61-62, Jakarta 12190, Indonesia

Kinden Phils Corporation
5th Floor, ODC International Plaza,
219 Salcedo St., Legaspi Village,
Makati City, Philippines

Kinden Vietnam Co., Ltd.
7th Floor, KINH DO TOWER,
93 Lo Duc St., Hai Ba Trung District,
Hanoi, Vietnam

Kindenko (Thailand) Co., Ltd.
Room No. 1001-3, 10th Floor,
Lertpanya Bldg.,
41 Soi Lertpanya, Sri-Ayuthaya Road,
Kwaeng Thanon-Phayathai, Khet
Ratchatewee, Bangkok 10400, Thailand

Bintai Kinden Corporation Bhd.
43-0-2, Jalan 1/48A, Sentul Perdana,
Bandar Baru Sentul, 51000 Kuala Lumpur,
Malaysia



Domestic Network

Osaka Head Office

Tokyo Head Office

Kyoto Institute

Kinden Gakuen

Human Resources Development Center

Hokkaido Branch Office

Sub-branch Offices: Tomakomai, Hakodate,
Kushiro, Asahikawa

Tohoku Branch Office

Sub-branch Offices: Iwate, Aomori, Akita,
Fukushima, Yamagata

Tokyo Branch Office

Sub-branch Offices: Kofu, Chiba, Ichihara,
Kashima, Ibaraki, Tsukuba, Gunma,
Saitama, Utsunomiya, Niigata, Nagaoka

Yokohama Branch Office

Sub-branch Office: Atsugi

Chubu Branch Office

Sub-branch Offices: Toyota, Higashimikawa,
Nishimikawa, Gifu, Mie, Ise, Nabari,
Shizuoka, Hamamatsu, Numazu, Toyama,
Kanazawa, Fukui, Nagano, Matsumoto

Shiga Branch Office

Sub-branch Offices: Rittou, Otsu,
Takashima, Hikone, Youkaichi

Kyoto Branch Office

Sub-branch Offices: Kyoto Electric Power,
Kyoto, Sonobe, Fushimi, Yamashiro,
Obama, Fukuchiyama, Miyazu

Osaka Branch Office

Chuo Branch Office

Sub-branch Offices: Chuo,
Kita-Osaka, Hokusetsu, Takatsuki,
Kami-Yodogawa, Nanba,
Higashi-Osaka, Minami-Osaka, Kongo,
Wakasa, Nagoya, Information &
Communication Network

Nara Branch Office

Sub-branch Offices: Koriyama, Sakurai,
Tenri, Chuwa, Nara, Takada, Totsukawa

Wakayama Branch Office

Sub-branch Offices: Wakayama,
Minoshima, Kihoku, Tanabe, Gobo, Shingu

Kobe Branch Office

Sub-branch Offices: Kobe Electric Power,
Hanshin, Kobe, Kobe-Nishi, Awaji, Sanda,
Hyogo-Higashi

Himeji Branch Office

Sub-branch Offices: Ako, Himeji,
Nishiharima, Kakogawa, Yashiro,
Toyooka, Takasago

Chugoku Branch Office

Sub-branch Offices: Kure, Tokuyama,
Shimonoseki, Yamaguchi, Iwakuni,
Okayama, Kurashiki, Sanin

Shikoku Branch Office

Sub-branch Offices: Ehime, Niihama,
Tokushima, Kochi

Kyushu Branch Office

Sub-branch Offices: Miyazaki, Kitakyushu,
Oita, Nagasaki, Kumamoto, Kagoshima,
Okinawa

Domestic Affiliate Companies

Kinden Shoji Company, Limited

Nishihara Engineering Co., Ltd.

Kinden Electrical & Mechanical Service Company, Limited

Kinden Nagoya Service Company, Incorporated

MECS CORPORATION

MECS Nara Corporation

Kinden Nishinohon Service Company, Incorporated

Kinden Services Company, Incorporated

Kinden Keiji Service Company, Incorporated

Kinden Hyogo Service Company, Incorporated

Aleph Networks Corporation

Preminet Incorporated

Recycle Earth Incorporated

Nishihara Construction Co., Ltd.

Kyowa Engineering Co., Ltd.

Estanine Co., Ltd.

Kinki Freight Service Company, Incorporated

Schneider Electric Engineering Company, Limited

Hankyu Ironworks Company, Limited

KINDEN CORPORATION

OSAKA HEAD OFFICE

2-3-41, HONJO-HIGASHI, KITA-KU, OSAKA 531-8550, JAPAN

TOKYO HEAD OFFICE

2-1-21, KUDAN-MINAMI, CHIYODA-KU, TOKYO 102-8628, JAPAN

URL

<http://www.kinden.co.jp/>